



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

**Review of Imprest Fund Management in the Embassy
Suva, Fiji: Fiscal Years 2014-2016**



Report NO: 02/17-1673

August 20, 2018

Date

P.O. Box 245
MAJURO, MH 96960
REPUBLIC OF THE MARSHALL ISLANDS



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

P.O. Box 245

Majuro, Republic of the Marshall Islands 96960

Email Address: patrjun@gmail.com Web: www.rmioag.com

Telephone:
Auditor-General: (692) 625-3192
Staff: (692) 625-3390
Facsimile: (692) 625-5135
Fraud Hotline:
Telephone: (692) 625-1155
Facsimile: (692) 625-1156

Honorable John M. Silk
Minister of Foreign Affairs and Trade
Republic of the Marshall Islands

Subject: Review of Imprest Fund Management in the RMI Embassy in Suva, Fiji

Dear Minister:

We conducted a review of Imprest Fund management by the Republic of the Marshall Islands' Embassy in Suva, Fiji. The objectives of our review were to determine if (1) Imprest Fund expenditures were incurred and paid in accordance with established RMI laws, policies, and guidelines, (2) capital assets under the custody of the Embassy were properly accounted for, and (3) whether prior year recommendations have been implemented. Our review covered activities during the fiscal years 2014, 2015, and 2016.

Unless well controlled, Imprest funds provide opportunities for misuse, loss, and theft of money. In addition to RMI laws governing expenditure of public funds, the Ministry of Finance, Banking and Postal Services (Ministry of Finance) has developed Imprest Fund guidelines and policies to minimize these opportunities. Each RMI Mission abroad is responsible for implementing and complying with these Imprest Fund policies.

We found during this review that the Embassy was ineffective in its management of the Imprest Fund. Specifically, we found that the Embassy continued to incur expenses in excess of authorization limit (budget), lack of proper accounting for fixed assets under custody of the Embassy, and lack of maintenance of adequate documentation to support each expense incurred. Further, we questioned the appropriateness of Imprest Fund being used to pay 100% of housing rental for Embassy Officials while a Cost of Living Allowance (COLA) was provided to Embassy Officials which intention is to supplement cost of living in the host nation. Many of these issues were also reported in our prior review. For each exception noted throughout this report, we provide recommendations to enhance transparency and accountability. Finally, we forwarded to our Investigation Unit issues pertaining to advances

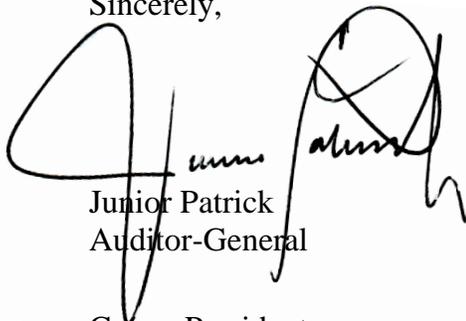
and certain other expenses paid out of the Imprest Fund that appeared to be personal in nature. The result of the investigative review will be transmitted to RMI authorities as appropriate.

Pursuant to the Auditor-General Act of 1986, we provided the Ambassador, the Secretary of Foreign Affairs and Trade, and the Secretary of Finance with a copy of our draft report requesting their responses in writing. We appreciate the response from the Ambassador and the Secretary of Finance which we have included as Appendix I and II, respectively. We also discussed our report with the Ambassador, Deputy Chief of Mission, and the Executive Assistant to the Ambassador during our exit conference (video-conference) on July 30, 2018.

The most important outcome of any review is the correction of past deficiencies and improvement in the internal controls and operation. We believe that the implementation of our recommendations is a step in that direction. This Office maintains a "Follow-Up-System" and in order for this report to be closed, we require the actions detailed in Appendix IV to be implemented.

We wish to express our sincere appreciation to the Ambassador, the Secretary of Foreign Affairs and Trade, the Secretary of Finance, and their staffs, for their cooperation during the course of our review.

Sincerely,

A handwritten signature in black ink, appearing to read "Junior Patrick", is written over a light blue rectangular background. The signature is stylized and somewhat cursive.

Junior Patrick
Auditor-General

Date: August 20, 2018

Cc: President
Minister of Finance, Banking & Postal Services
Secretary of Finance
Secretary of Foreign Affairs and Trade
Ambassador, RMI Embassy in Suva, Fiji
Attorney-General
OAG File

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Background

The Republic of the Marshall Islands' (RMI) Embassy in Suva, Fiji was established pursuant to Cabinet Minute 161(87) dated December 10, 1987. Foreign Affairs Act of 2007 (P L2007-88), Section 11(2) establishes the primary functions of RMI Missions abroad:

- Pursue foreign policy objectives in the host country and its jurisdiction areas of responsibilities;
- Seek bilateral, multi-lateral and international assistance to support national development goals of RMI;
- Transmit official communications between the Government of the RMI and Government of other countries and international organizations;
- Promote and protect the interest of Marshallese citizens residing in the host country;
- Provide consular services for Marshallese citizens abroad; and
- Any other functions as directed by the President and Cabinet.

In August 2016, Cabinet approved the RMI foreign policy and regulations. These regulations further defined the mandate of RMI Embassy in Fiji which includes:

- Implement the goals and objectives of the RMI national foreign policy in the Fiji Islands and at cross-accredited jurisdictions as assigned by the Cabinet;
- Assume duties, functions and responsibilities that are related to the exploration of social, economic and cultural development opportunities to the Republic from Fiji as well as from the countries of cross-accreditation;
- Perform consular duties, functions and responsibilities to RMI government officials and nationals who may be traveling to or residing in Fiji. In connection to that is the

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Embassy's functions, duties and responsibilities in ensuring that the welfare, safety and interests of RMI nationals, including businesses and investments, in Fiji are protected;

- Coordinate with the Bureau of Management on matters and activities that are related to the development of the Ministry's annual and supplemental budgets, and shall adhere to the financial reporting procedures of the Ministry of Finance;
- Provide reports regarding perceptions of Fijian or cross-accredited countries' government leaders, officials and people, non-government organizations, including business leaders, on issues that are related to policies and positions of the RMI government. Other reports shall be on social, economic, cultural and political events in Fiji as well as on other important information relating to the Pacific Island Forum and the ACP/EU organization;
- Perform duties, functions and responsibilities relating to public diplomacy as well as cultural-related activities to promote and advance the image and interests of the Republic to the leaders and people of Fiji and cross-accredited countries;
- Explore development assistance and investment opportunities from the governments, private sectors, and non-government organizations and institutions of Fiji and countries of cross-accreditation¹;

RMI laws and regulations govern all activities of the Embassy. Specifically, the operation of the Embassy is guided by the Financial Management Act, Procurement Code, Income Tax Act, Travel Policy and the Imprest Fund Guidelines as prescribed by the Secretary of Finance, and such other applicable laws and policies of the Republic.

The Embassy operates through an Imprest Fund scheme. Imprest Fund are cash fund set aside for the operational expenditures of the Embassy. At the close of each month, the Embassy prepares and submits a report on expenses paid out of the Imprest Fund for the purpose of

¹ Ministry of Foreign Affairs and Trade's Foreign Policy and Regulations Manual of 2016

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replenishing the Imprest Fund. These monthly reports are submitted with relevant documents, invoices, cancelled checks, bank statements, and reconciliation report to the Ministry of Foreign Affairs and Trade and Finance for review and approval. Once expenses have been reviewed and approved for the month, the amount requested is processed and Imprest Fund is replenished to its initial amount.

The Ambassador has the responsibility to ensure that the disbursements from the fund are intended for official purposes and within the approved budget. The Ambassador may appoint a custodian of the fund who will be responsible for the day-to-day transactions and preparing monthly expenditure reports. During our fieldwork the Embassy had five officials: Ambassador, Deputy Chief of Mission, an Executive Assistant to the Ambassador, a Logistic Officer/Driver, a Housekeeper, and a Student Coordinator.

For its operational needs, each year the Embassy and the MOFAT prepare a budget for the Embassy's recurrent operational expenses. Table 1 indicates the annual budget allocation of the Embassy during the periods from FY 2014 through FY 2016.

Table 1: Operational Budget

| Periods | Approved Budget | Amended Budget |
|--------------|------------------|------------------|
| 2014 | \$252,745 | \$313,151 |
| 2015 | \$245,163 | \$297,475 |
| 2016 | \$253,228 | \$253,797 |
| Total | \$751,136 | \$864,423 |

Source: Appropriation Acts & MOFBPS Budget Reports (DILOG 240-P)

Objectives, Scope & Methodology

The Office of the Auditor-General (OAG) is concerned about the adequacy of internal controls related to safeguarding of assets, compliance with RMI laws, policies, and guidelines regarding the Imprest Fund. The OAG examined if (1) Imprest Fund expenditures were incurred and paid in compliance with established laws, policies, and guidelines, (2) the Embassy properly

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accounted for capital assets under its custody; and (3) whether prior year recommendations have been implemented.

The review was conducted pursuant to Article VIII, Section 15(1) of the RMI Constitution which states in part:

“The Auditor-General shall audit public funds and accounts of the Republic of the Marshall Islands including those of the department or offices of the legislative, executive, and judicial branch of government, and of any other public corporation or other statutory authority constituted under the laws of the Marshall Islands unless, in relation to any such public corporation or any statutory authority, provision is made by Act for audit by any other person”

Our inspection was conducted in accordance with the Quality Standards for Inspections and Evaluations as put forth by the Council of Inspectors General on Integrity and Efficiency (CIGIE). We believe that the work performed provides a reasonable basis for our conclusion.

To accomplish the objectives, OAG conducted the following activities at the MOFBPS, MOFAT, and at the RMI Embassy located in Suva, Fiji:

- Analyzed actual expenditures versus appropriation to assess whether the Embassy exceeded its appropriation limit;
- Examined a random sample for each fiscal year from 2014-2016 of reimbursement forms to determine whether expenditures were included in the Embassy’s line item budget, the permissibility of the expenditures, and whether the expenditure was properly supported. In addition, the examination tested transactions valued at over \$300 and excluded payroll and cost of living allowances that were not subject to disbursements from the Imprest Fund;
- Evaluated the adequacy of internal controls to safeguard the assets of the RMI by interviewing and evaluating RMI policies and procedures governing cash receipts, cash

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disbursements, purchasing, receiving, and acquisition and dispositions of property and equipment;

- Verified the existence of all capital assets recorded on the Embassy's Fixed Assets Register and the completeness of the fixed asset listing submitted to the Ministry of Foreign Affairs and Trade;
- Randomly selected assets purchased from April 1, 2016 to September 30, 2016 to determine their existence on the fixed asset listing; and
- Review prior year reports and management letters prepared by RMI's external financial auditors.

Prior Year Audit Coverage

This is the second inspection review undertaken by the OAG on the Embassy's Imprest Fund. OAG also had conducted internal control reviews in prior years.

Findings and Recommendations

Finding No. 1 – The Embassy Does Not Adhere To Fixed Assets Policies and Procedures

All overseas missions shall annually furnish to MOFAT a list of fixed assets valued over \$300 that belong to RMI under the custody of the Embassy, whether donated or purchased with funds appropriated to the Embassy. RMI defines fixed assets as building, improvements, furniture, and equipment, ships, over the road vehicles and aircraft. In addition, the Imprest Fund procedures require a Fixed Assets Register be maintained at the Embassy at all times. The Fixed Assets Register needs to be updated every two years indicating all assets acquired and disposed of every two years.

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Our review found that the Embassy has not fully implemented established policies and procedures regarding fixed assets. The Embassy was just updating its Fixed Assets Register (FAR) during our visit. Furthermore, the FAR provided does not include important information such as cost and date of acquisition of assets. Additionally, the Embassy had not placed tags on any of the fixed assets under its custody to indicate RMI Government ownership². The primary purpose of tagging fixed assets is to provide an accurate method of identifying assets as RMI's properties, to control the location of all the physical assets, and to provide a link to record for physical inventories.

Without proper accounting for fixed assets creates the potential for loss of government properties to occur and not detected and corrected in a timely manner. Additionally, with no cost provided, we were unable to determine the actual value of all the assets purchased by the Embassy over the years.

In our report dated July 31, 2015, we also highlighted the issue of lack of proper accounting for fixed assets under the custody of the Embassy.

Recommendations:

We recommend that:

1. The Embassy should maintain a complete list of all RMI assets under its custody. In addition, the fixed asset register should be updated once at least every two years indicating lists of assets that were acquired and disposed off during the period.
2. MOFAT and Ministry of Finance should ensure all RMI assets under custody of the Embassy are tagged with government identification numbers.

² The Foreign Policy Regulations of 1994 states that all fixed assets shall be marked to indicate government ownership. Importance of accounting for fixed assets was reinforced by Ministry of Finance and Foreign Affairs and Trade in their policies dated September 2015 and August 2016, respectively.

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**Finding No. 2 - Housing
Rentals Exceeded
Authorized Amount**

The Government policy on housing allowance as stipulated under Cabinet Minute [C.M. 024(89)] is \$750.00 per month.

During our review, we noted that Imprest Fund was used to pay for 100% accommodation (housing rental) in Fiji for two (2) Embassy Officials. Monthly rent paid by the Imprest Fund towards both Officials' residences were \$1,750 and \$1,300 for Official#1 and Official # 2, respectively, or \$1,000 and \$550 over the approved RMI housing rate. In addition, we note also the following specific contractual terms for the Officials:

- Official # 1 – Per contractual arrangement with RMI Government this Official was to maintain residence within Embassy Complex.
- Official # 2 – Contract terms with RMI Government does not cover housing allowance.

We noted also that Official#1 and #2 were provided with annual cost of living allowances (COLA) in the amount of \$20,000 and \$12,500 per year, respectively, for the purpose of covering essential living expenses in the host nation. Accordingly, in the absence of housing allowance in the contract, we question the eligibility of the costs paid by Imprest Fund for Official #2. We also question the appropriateness of having the Embassy Imprest Fund paying for 100% of these housing expenses when COLA is provided, which intention is to supplement cost of living expenses. Additionally, it appears that there are inconsistencies in the way RMI diplomats contracts are prepared.

Without fully complying with RMI's policy on housing allowances and contract terms, RMI incurred additional expenditures that should have otherwise been paid out of COLA provided to Embassy Officials. In addition, there is the possibility that Government funds were used to pay housing rentals that were not authorized.

In our report dated July 31, 2015 we also questioned the appropriateness of Imprest Fund being used to pay 100% of housing rental for Embassy Officials while a COLA was provided to Embassy Officials which intention is to supplement cost of living in the host nation.

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Recommendations:

We recommend that:

3. The Secretary of Foreign Affairs & Trade should:
 - Ensure Embassy comply with C.M. 024(89). Specifically, we recommend that provisions for housing allowance for contracts of diplomat personnel are in accordance with RMI policy. If exceptions are required to increase the allowance based on cost of living in the host nation, such exception should be solicited through Cabinet.
 - Develop uniform contracts for all overseas diplomats that clearly indicate their entitlements (housing allowance, etc.).
 - Establish written policies indicating clearly the intention of the COLA and specific types of personal living expense that are covered by the allowance. The policy should also be supported by specific regulations indicating that personal living expenses which are covered under the COLA are not chargeable to the Embassy Imprest Fund.
4. The Ministry of Finance should review carefully the reimbursement requests from the Embassy for eligibility of the all expenses prior to process of reimbursement check to ensure that all questionable and unrelated embassy expenses are not reimbursed from the Government.

Finding No. 3 - Educational Allowances Are Not Adequately Supported

Embassy official are entitled to educational allowances as stipulated in their contracts with the GRMI to contribute towards costs of education and other related expenses for at most three (3) dependents, and shall not exceed \$6,000 per dependent per year. Subject to the approval of the Secretary of Foreign Affairs and Trade, the employee and his spouse may be eligible for this allowance for the purpose of enhancing their skills in areas that are directly related to the functioning of the

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Embassy. This allowance shall be borne out of the Embassy Imprest Fund account upon submission of a receipt.

In fiscal years 2015 and 2016, the Embassy expended out of the Imprest Fund account the total sum of \$13,933 and \$13,178, respectively, towards educational allowances for Embassy officials' dependents. We noted that the Ministry of Finance did not reimburse the Embassy for many of these expenses due to inadequate supporting documentations such as receipts or invoices to justify they are education-related expenses. We prepared Table 2 below to summarize the dependents' allowance submitted for reimbursement and to indicate amounts that were disallowed by the Ministry of Finance. Details of these claims are presented in Exhibit 1 attached to this report.

Table 2: Summary of Educational Allowances Paid from Imprest Fund versus Reimbursement

| Fiscal Years | Amount Reported | Amount | |
|--------------|-----------------|----------------|-----------------------|
| | | Reimbursed | Disallowed Amount |
| 2015 | \$13,933 | \$2,466 | \$11,467 (82%) |
| 2016 | \$13,178 | \$1,143 | \$12,035 (91%) |
| Total | \$27,111 | \$3,609 | \$23,502 (87%) |

Source: Embassy's Check Register and Reimbursement Reports

While Embassy Officials with dependents are provided with education allowances under their contracts, it would be beneficial to have clear provisions in contracts to indicate clearly the specific entitlements and types of supporting documentations that Embassy must provide when submitting each reimbursement for educational-related expenses disbursed out of the Imprest Fund account.

The effect of the disallowed reimbursement have resulted in the Imprest Fund being depleted, thereby affecting the Embassy's ability to maintain cash availability on hand to pay for its recurrent operational expenses and other unexpected billings that may arise during the course of the operation.

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Recommendations:

We recommend that:

5. The Embassy should ensure that expenses related to education allowances are properly supported with receipts, school invoices, and relevant documentations that support each expense incurred.
6. Secretary of Ministry of Foreign Affairs and Trade should ensure that expenditures reported in the reimbursement vouchers are supported and verified as allowable prior to approving and sending off to Ministry of Finance for process. Timely communication of such disallowed costs would allow time for the Embassy to address and correct the reimbursement voucher.

Finding No. 4 – Several Embassy Claims Were Not Reimbursed

All expenditures disbursed from the Embassy Imprest fund account should agree to amounts reported and reimbursed back to the Imprest fund.

Reconciliation between expenditures paid, expenditures reported for reimbursement and actual amounts wired to the Embassy Imprest Fund account disclosed variances totaling \$66,250 during fiscal years 2014, 2015, and 2016 as illustrated in Table 3 below. The variances are a result of certain expenditures reported not being reimbursed or were disallowed by the Ministry of Finance due to lack of adequate supporting documentations, such as receipts or invoices to support expenses incurred. In other instances, expenditures were disallowed because those particular line items have exceeded authorization (budget). We present details of these discrepancies in Exhibit 2-A through 2-C attached to this report.

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Table 3: Summary of Discrepancies between amount expended/reported and actual reimbursements back to Imprest

| Year | Per Reimbursement Reports | Per Wire Transfers | Variance |
|--------------|---------------------------|--------------------|-------------------|
| 2014 | \$170,878 | \$165,438 | \$(5,440) |
| 2015 | \$149,025 | \$123,349 | \$(25,676) |
| 2016 | \$161,901 | \$126,767 | \$(35,134) |
| Total | \$481,804 | \$415,554 | \$(66,250) |

Source: Embassy's Replenishment Reports and Wire-Transfers

The effect of the above conditions have resulted in the Imprest Fund being depleted, thereby affecting the Embassy's ability to maintain cash availability on hand to pay for its recurrent operational expenses and other unexpected billings that may arise during the course of the operation. Further, there is the possibility that unauthorized transactions may occur which may not be detected and corrected in a timely manner.

In addition, we noted that RMI Single Audit Management Letter Reports addressed to the Secretary of Finance for FY2014 through FY2016 indicated also certain reconciling items (Unknown variances) that need resolution as shown in the Embassy Imprest Fund reconciliations performed by the Ministry of Finance. These variances are shown below:

| <u>Reconciling Items</u> | <u>Year</u> | <u>Amount</u> |
|---------------------------------|--------------------|--------------------------------------|
| Unknown variance | 2014 | \$7,162 |
| Unknown variance | 2015 | (\$33,172) |
| Unknown variance | 2016 | <u>(\$38,284)</u> |
| Total | | <u>(\$64,294)³</u> |

Recommendations:

We recommend that:

7. The Embassy should ensure that in the future all disbursements are accompanied by proper and verified vendor invoices and receipts.

³ RMI Single Audits Management Letter Report FY2014 thru FY2016

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8. The Ministry of Foreign Affairs and Trade should carefully review the monthly reimbursement reports submitted by the Embassy to ensure that all disbursements are adequately supported with valid receipts. Any payments that are missing supporting documents should be communicated to the Embassy for correction in a timely manner.

9. The Embassy should work with Ministry of Finance to determine the appropriate resolution to the discrepancies (unknown variance) reported in the RMI Single Audit Management Letter Reports.

Finding No. 5 - Advances From The Imprest Fund

Imprest Fund Procedures for Overseas Missions states that cash advance or loan from the Embassy funds against an employee's salary is prohibited.

Our review disclosed that the Embassy did not comply with the above requirement. During the periods under review, we noted various advances from the Imprest Fund account totaling \$9,352 to Embassy Officials and other Official of the GRMI traveling to Fiji. We summarize these advances and present them in Table 4 below:

Table 4: Advance Payments

| Date | Check No. | Description | Amount |
|--------------|-----------|---|----------------|
| 10/18/13 | 13446 | Advance to Embassy Official #1-(Former) | \$1,495 |
| 12/04/14 | 13721 | Advance to Embassy Official #3 | \$644 |
| 12/30/14 | 13739 | Advance to Embassy Official #2 | \$396 |
| 01/28/14 | 13742 | Advance to Embassy Official #2 | \$3,051 |
| 03/20/15 | 13776 | Advance to Embassy Official #2 | \$478 |
| 04/24/15 | 13798 | Advance to Embassy Official #2 | \$239 |
| 06/06/15 | 13821 | Advance to Embassy Official #2 | \$142 |
| 06/19/15 | 13824 | Advance to Embassy Official #2 | \$998 |
| 09/30/15 | 13872 | Non-Government Official #1 | \$106 |
| 01/28/16 | 13944 | Advance to Government Official #2 | \$547 |
| 06/09/16 | 13906 | Advance to Embassy Official #2 | \$1,256 |
| Total | | | \$9,352 |

Source: Embassy's Check Register & Reimbursement Reports

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- Advance of \$1,495 to Embassy Official #1 was made with the intention to pay back from Cost of Living Allowances (COLA). Our further review disclosed that subsequent COLA and payroll made no deductions for this advance throughout the 2014, 2015 and 2016 period. In addition, we noted that this amount was included in one of the Embassy reimbursement vouchers which was disallowed by the Ministry of Finance. As of September 30, 2016 this advance remains uncollected from Official # 1.
- Advances of \$6,560 to Embassy Official #2 were made also with the intention to pay back from COLA and payroll, however, review of his COLA payments and payroll history reports, disclosed that no deductions were made to recover this amount. This amount remains uncollected as of September 30, 2016.
- Advance of \$644 made to Embassy Official #3 (Check #13721) on December 4, 2014 has subsequently paid back to the Imprest Fund as of September 30, 2016.
- Advance of \$106 was made to a Non-Government Official #1 for hotel accommodation at Tokatoka Resort. This advance remains unpaid as of September 30, 2016.
- Advance of \$547 was made to Government official #2 for hotel accommodation in one of the hotel in Fiji in January 2016. This has been paid back to the Imprest Fund at September 30, 2016.

The current practice by the Embassy in the above conditions is a noncompliance with Imprest Fund Guidelines as stipulated by the Secretary of Finance. It also put government funds in greater risk of being abused. This issue of advances from the Imprest Fund was also identified and raised in the previous report dated July 31, 2015.

Recommendations:

We recommend that:

10. The Embassy should comply strictly with the established Imprest Fund Guidelines and Procedures and immediately cease the current practice of borrowing from the Imprest Fund account.

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11. The Secretary of Foreign Affairs and Trade should take action to ensure that borrowing from the Imprest Fund is ceased immediately.
12. The Secretary of Foreign Affairs and Trade and Finance should deduct from Embassy Officials #1 and 2 from future COLA or payroll checks all amounts owed to the Imprest Fund account, or seek the assistance of the Attorney General’s Office.

Finding No. 6 – Budget Expenditures Exceeded Authorization For 2014 & 2016

The Financial Management Act restricts departments and agencies of RMI from exceeding budget appropriations. In addition, Section 2 of the Over-Expenditures and Over-Obligation of Fund Act stipulates that no personnel shall authorize or expend any government funds in excess of appropriated amounts, except in emergencies, and only pursuant to procedures provided by law.

Our analysis of budget versus expenditures shows the Embassy did not comply with RMI laws for the two of fiscal years under review, as shown in Table 5 below. The Embassy expenditures exceeded budget appropriations for the year 2014 and 2016. Details of the Embassy expenses during the years we reviewed are presented in Exhibit 3-A thru 3-C attached to this report.

Table 5: Annual Budget and Expenditures Analysis

| Fiscal Year | Original Budget | Amended Budget | Actual Expenditure | Encumbrance | Remaining Budget |
|-------------|-----------------|----------------|--------------------|-------------|------------------|
| 2014 | \$252,745 | \$313,151 | \$253,568 | \$65,293 | (\$5,710)* |
| 2015 | \$245,163 | \$297,475 | \$182,159 | \$2,595 | \$112,721 |
| 2016 | \$253,228 | \$253,797 | \$251,537 | \$4,495 | (\$2,235)* |

Source: Appropriation Acts & MOF Budget Reports (DILOG 240-P)

**Difference in budget remaining totals is due to year to date encumbrance balances*

Currently, the Embassy does not have a system in place to track and monitor expenditures against budget authorization. Without an effective monitoring tool for budget analysis, mis-postings and over expenditures could occur without being detected and corrected in a timely manner. In addition, the effect of the above condition is non-compliance with the Over-

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Expenditures and Over-Obligation of Fund Act and it also impact the Ministry of Finance's ability to effectively manage RMI's available revenues.

In our report dated July 31, 2015, we highlighted also the same issue where Embassy incurred expenses in excess of budget (authorization).

Recommendation:

We recommend that:

13. The Embassy should:

- Only incur expenses with budget authorization. Unexpected expenses are to be processed only in accordance with procedures prescribed by RMI laws.
- Maintain a control log or monitoring tool indicating the budget allocated for each line item. Each time a purchase is made the budget control log must reflect a decrease in the authorization. This is important to avoid the risk of incurring expenses in excess of the budgeted amount.
- The Embassy should obtain on a monthly basis the financial budget report from the Ministry of Finance for reconciliation to Embassy financial records. Any discrepancies should be investigated and reported to the Ministry of Finance for correction in a timely manner.

14. The Secretary of Finance should implement measures to ensure full compliance with RMI's Financial Management Act pertaining to budget control.

15. The Secretary of Foreign Affairs and Trade should ensure realistic budget of the Embassy that include all operational needs of the Embassy.

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**Finding No. 7-
Unauthorized Credit
Account**

RMI Borrowing Act of 1985 states the Minister of Finance or any person specially authorized by, with the concurrence of the Cabinet, may sign (a) an agreement relating to a loan and (c) any contract bond, promissory noted or other document required by such agreement or guarantee to be executed by the Government of the Marshall Islands. The Act defines loan as “any form of financial credit for goods and services granted to or on behalf of the Government of the Marshall Islands”.

In February 2015, the Embassy established a credit line with a local company named Court without approval from appropriate RMI Officials. We noted an authorization letter on file signed by an Embassy Official indicating that only high purchases for the Embassy be made through himself only, and has also committed the Embassy through himself to make all necessary payments incurred on the account. The company is charging the Embassy interest and account maintenance fees on the account and the Embassy is paying installment of \$550 a month.

In February 2015, the Embassy purchased various electronic equipment totaling F\$18,685 (equivalent to \$8,725). Of this amount, the total sum of \$1,628 were comprised of purchases made by the Embassy Official on play station games, toys, other electronic items and household goods. These purchases were disallowed by Ministry of Finance. In addition, the Embassy incurred unnecessary expenses of \$103 in interest and penalties.

The result of the above condition is noncompliance with established RMI policies and the possibility that all expenditures incurred by the Embassy under this account in the amount of \$8,725 are unauthorized. Additionally, the government is paying for personal related expenditures that should have otherwise been paid with personal funds.

It was indicated to us during this review that funds used for personal items were to be reimbursed back to the Imprest Fund by the Embassy Official. However, at the conclusion of our review we found no evidence that these funds have been put back to the Embassy Imprest Fund account.

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Recommendations:

We recommend that:

16. The Embassy should strictly comply with the established RMI policies and procedures.
17. The Ministry of Foreign Affairs and Trade should require the responsible Embassy Official to pay back the Imprest Fund for the full amounts used for personal items, or seek the assistance of the Attorney-General's Office.

**Finding No. 8 – Personal
Travel Paid By Embassy**

Borrowing from the Embassy Imprest fund is prohibited. Further, the Imprest Fund Procedures indicates that borrowing or cash advance against employee's salary is prohibited.

Review of the Imprest fund check register disclosed a payment (Check #13906) for two airline tickets for an Embassy Official and the spouse from Fiji to Majuro in the amount of \$2,512. It was indicated that the portion for the spouse's ticket of \$1,256 is an advance against the official's dependent's school allowance. The payment of \$2,512 was reported in the June 2016 reimbursement report, however, the amount was disallowed by Ministry of Finance. We did not find any approved travel authorizations on file or any instrument signed by the Official committing educational allowance as repayment of the spouse's airfare. Furthermore, review of the Official's COLA payments and payroll show no deductions. The advanced amount remains unpaid as of September 30, 2016.

Management indicated that a verbal authorization was given by a former Minister of Foreign Affairs and Trade for the official to attend a function in Majuro. The official himself, verbally instructed Embassy staff to use Imprest Fund to purchase ticket for the spouse, the cost will be reimbursed from his allowances.

The effect of the above condition is noncompliance with established RMI policies and procedures which results also in Imprest Fund being used to pay for personal trip that should have been otherwise paid out of personal funds and caused Imprest Fund level to decrease

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thereby affecting the ability of the Embassy to pay for its core operational expenses in a timely manner.

Recommendations:

We recommend that:

18. The Embassy should immediately cease making advances from the imprest fund account.
19. The Secretary of Ministry of Finance should recover amount owed to the Imprest Fund through deduction from COLA or payroll deductions, or seek assistance of the Attorney General.

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Exhibits

Exhibit 1: Educational Allowance FY 2015 through 2016

| Date | Description | Ck. No | Amount Reported | Amount Reimbursed | Disallowed Amount |
|-------------------------|-------------------------------|--------|-----------------|-------------------|-------------------|
| Fiscal Year 2015 | | | | | |
| 12/19/14 | Official #2 | 13735 | \$1,507 | \$1,507 | \$0 |
| 01/28/15 | Official #2 | 13742 | \$3,051 | \$0 | \$3,051 |
| 02/15/15 | Official #2 | DD | \$1,498 | \$0 | \$1,498 |
| 03/20/15 | Official #2 | 13776 | \$478 | \$478 | \$0 |
| 04/01/15 | Official #2 | 13779 | \$479 | \$0 | \$479 |
| 04/24/15 | Official #2 | 13798 | \$287 | \$0 | \$287 |
| 05/08/15 | Official #2 | 13814 | \$481 | \$481 | \$0 |
| 06/01/15 | Official #2 | 13821 | \$142 | \$0 | \$142 |
| 06/19/15 | Official #2 | 13824 | \$998 | \$0 | \$998 |
| 08/14/15 | Official #2 | 13849 | \$1,495 | \$0 | \$1,495 |
| 08/28/15 | Official #2 | 13861 | \$1,511 | \$0 | \$1,511 |
| 09/29/15 | Official #2 | 13881 | \$2,006 | \$0 | \$2,006 |
| Total | | | \$13,933 | \$2,466 | \$11,467 |
| Fiscal Year 2016 | | | | | |
| 10/14/15 | Official #2 | 13897 | \$688 | \$0 | \$688 |
| 11/16/15 | Official #2 | DR | \$409 | \$0 | \$409 |
| 11/16/15 | Saint Joseph Secondary School | 13914 | \$776 | \$0 | \$776 |
| 11/16/15 | Debie Kinder garden | 13915 | \$114 | \$114 | \$0 |
| 12/30/15 | Official #2 | DR | \$1,489 | \$0 | \$1,489 |
| 02/16/16 | Official #2 | 13948 | \$1,499 | \$530 | \$969 |
| 03/15/16 | Official #2 | 13962 | \$988 | \$0 | \$988 |
| 06/09/16 | Official #2 | 14010 | \$499 | \$499 | \$0 |
| 09/05/16 | Official #2 | 14035 | \$716 | \$0 | \$716 |
| 09/19/16 | Official #2 | 14046 | \$3,000 | \$0 | \$3,000 |
| 09/19/16 | Official #1 - Current | 14050 | \$3,000 | \$0 | \$3,000 |
| Total | | | \$13,178 | \$1,143 | \$12,035 |
| Grand Total | | | \$27,111 | \$3,609 | \$23,502 |

Source: Embassy's Check Registers & Reimbursement Reports

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Exhibit 2-A: Comparative Analysis FY 2014

| Date | Description | Per Check Register | Per Reimbursement Vouchers | Amount Wired | Variance Over (+) /Under (-) |
|--------------|-------------------------|-----------------------------------|---|-------------------------|---|
| 12/13/13 | October Reimbursement | \$16,562 | \$16,562 | \$10,654 | \$(5,908) |
| 01/07/13 | November Reimbursement | \$10,378 | \$10,378 | \$16,286 | \$5,908 |
| 01/31/14 | December Reimbursement | \$11,189 | \$11,189 | \$11,189 | \$0 |
| 02/24/14 | January Reimbursement | \$14,939 | \$14,939 | \$14,939 | \$0 |
| 03/24/14 | February Reimbursement | \$9,973 | \$9,973 | \$9,947 | \$(26) |
| 03/16/14 | March Reimbursement | \$14,673 | \$14,673 | \$14,636 | \$(37) |
| 05/19/14 | April Reimbursement | \$21,805 | \$21,805 | \$21,805 | \$0 |
| 06/20/14 | May Reimbursement | \$14,481 | \$14,481 | \$14,481 | \$0 |
| 07/18/14 | June Reimbursement | \$14,160 | \$14,160 | \$13,318 | \$(842) |
| 08/27/14 | July Reimbursement | \$17,440 | \$17,440 | \$10,684 | \$(6,756) |
| 08/12/14 | August Reimbursement | \$13,369 | \$13,369 | \$19,966 | \$6,597 |
| 10/24/14 | September Reimbursement | \$11,909 | \$11,909 | \$7,533 | \$(4,376) |
| Total | | \$170,878 | \$170,878 | \$165,438 | \$(5,440) |

Source: Embassy's Check Registers, Reimbursement Reports and Wire Transfers

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Exhibit 2-B: Comparative Analysis FY 2015

| Date | Description | Per Check Register | Per Reimbursement Vouchers | Amount Wired | Variance: Over (+) /Under(-) |
|--------------|-------------------------|-----------------------------------|---|-------------------------|---|
| 11/04/14 | October Reimbursement | \$13,578 | \$13,578 | \$10,478 | \$(3,100) |
| 12/12/14 | November Reimbursement | \$10,702 | \$10,702 | \$10,601 | \$(101) |
| 01/23/15 | December Reimbursement | \$16,562 | \$16,562 | \$16,562 | \$0 |
| 02/12/15 | January Reimbursement | \$15,546 | \$15,546 | \$12,495 | \$(3,051) |
| 04/10/15 | February Reimbursement | \$8,591 | \$8,591 | \$7,093 | \$(1,498) |
| 04/30/15 | March Reimbursement | \$10,204 | \$10,204 | \$7,831 | \$(2,373) |
| 05/15/15 | April Reimbursement | \$9,833 | \$9,833 | \$6,655 | \$(3,178) |
| 06/18/15 | May Reimbursement | \$13,529 | \$13,529 | \$12,670 | \$(859) |
| 07/15/15 | June Reimbursement | \$13,381 | \$13,381 | \$9,218 | \$(4,163) |
| 09/03/15 | July Reimbursement | \$8,314 | \$8,314 | \$7,375 | \$(939) |
| 10/05/15 | August Reimbursement | \$15,918 | \$15,918 | \$12,490 | \$(3,428) |
| 11/13/15 | September Reimbursement | \$12,867 | \$12,867 | \$9,881 | \$(2,986) |
| Total | | \$149,025 | \$149,025 | \$123,349 | \$(25,676) |

Source: Embassy's Check Registers, Reimbursement Reports and Wire Transfers

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Exhibit 2-C: Comparative Analysis FY 2016

| Date | Description | Per Check Register | Per Reimbursement Vouchers | Amount Wired | Variance: Over(+) /Under(-) |
|--------------|-------------------------|-----------------------------------|---|-------------------------|--|
| 12/09/15 | October Reimbursement | \$21,023 | \$21,023 | \$11,662 | \$(9,361) |
| 01/06/16 | November Reimbursement | \$10,855 | \$10,855 | \$8,470 | \$(2,385) |
| 02/09/16 | December Reimbursement | \$17,035 | \$17,035 | \$13,080 | \$(3,955) |
| 03/04/16 | January Reimbursement | \$11,415 | \$11,415 | \$9,309 | \$(2,106) |
| 03/29/16 | February Reimbursement | \$8,184 | \$8,184 | \$4,762 | \$(3,422) |
| 04/28/16 | March Reimbursement | \$14,443 | \$14,443 | \$9,912 | \$(4,531) |
| 06/07/16 | April Reimbursement | \$10,308 | \$10,308 | \$9,803 | \$(505) |
| 06/23/16 | May Reimbursement | \$9,737 | \$9,737 | \$9,737 | \$0 |
| 07/26/16 | June Reimbursement | \$18,742 | \$18,742 | \$13,605 | \$(5,137) |
| 09/01/16 | July Reimbursement | \$9,236 | \$9,236 | \$9,033 | \$(203) |
| 09/16/16 | August Reimbursement | \$30,923 | \$30,923 | \$27,394 | \$(3,529) |
| 10/17/16 | September Reimbursement | \$0 | \$0 | \$0 | \$0 |
| Total | | \$161,901 | \$161,901 | \$126,767 | \$(35,134) |

Source: Embassy's Check Registers, Reimbursement Reports and Wire Transfers

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Exhibit 3-A: Budget vs. Actual FY 2014

| Account Name | Acct No. | Adjusted Budget | Expended | Encumbered | Balance Remaining |
|----------------------------|----------|------------------|------------------|-----------------|-------------------|
| Salaries & Wages Marsh | 1011 | \$53,000 | \$53,204 | | \$(204) |
| Pers Benefits - Marsh | 1115 | \$5,565 | \$4,234 | | \$1,331 |
| Employee Insurance Exp | 1116 | \$2,000 | | | \$2,000 |
| Audit Expense | 1515 | \$(16) | | | \$(16) |
| Contractual Services | 1520 | \$48,520 | \$34,668 | \$21,000 | \$(7,148) |
| Travel | 2020 | \$6,000 | \$6,054 | | \$(54) |
| International Travel | 2021 | \$21,500 | \$18,988 | \$2,865 | \$(353) |
| Cost of living Allowance | 2110 | \$20,000 | \$15,000 | | \$5,000 |
| Leased & Rental Housing | 2115 | \$15,031 | \$15,952 | | \$(921) |
| Rentals | 2205 | \$22,306 | \$28,780 | | \$(6,473) |
| Utilities | 2215 | \$9,600 | \$10,871 | | \$(1,271) |
| Communication | 2305 | \$16,927 | \$19,494 | | \$(2,567) |
| Advertising | 2310 | \$750 | | | \$750 |
| Insurance | 2315 | \$2,760 | \$2,430 | | \$330 |
| Printing & Reproduction | 2320 | \$200 | \$73 | | \$127 |
| Repairs | 2325 | \$2,176 | \$2,207 | | \$(31) |
| Subscriptions, Dues & Fees | 2330 | \$970 | \$906 | | \$64 |
| Subsidies & Contributions | 2345 | \$500 | \$109 | | \$391 |
| Freight | 2401 | \$220 | \$218 | | \$2 |
| Office/Computer Supplies | 2405 | \$3,030 | \$3,038 | | \$(8) |
| POL (Fuel) | 2410 | \$7,500 | \$7,534 | | \$(34) |
| Water | 2445 | \$1,000 | \$657 | | \$343 |
| Other Supplies/Materials | 2450 | \$1,618 | \$3,551 | | \$(1,934) |
| Representation | 2605 | \$4,000 | \$5,541 | | \$(1,541) |
| Allowances | 2615 | \$22,516 | \$15,009 | | \$7,507 |
| Other Charges & Expenses | 2750 | \$43,254 | \$2,140 | \$41,428 | \$(314) |
| Reimbursable Expense | 2910 | \$224 | \$1,840 | | \$(1,617) |
| Equipment | 3134 | \$2,000 | \$846 | | \$1,154 |
| Vehicle | 3135 | | \$224 | | \$(224) |
| Grand Total | | \$313,151 | \$253,568 | \$65,293 | \$(5,710) |

Source: Appropriation Acts & MOF Budget Reports (Dialog 240-P)

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Exhibit 3-B: Budget vs. Actual FY2015

| Account Name | Acct No. | Adjusted Budget | Expended | Encumbered | Balance Remaining |
|----------------------------|----------|------------------|------------------|----------------|-------------------|
| Salaries & Wages Marsh | 1011 | \$53,000 | \$32,204 | | \$20,796 |
| Pers Benefits - Marsh | 1115 | \$5,565 | \$2,743 | | \$2,822 |
| Employee Insurance Exp | 1116 | \$2,000 | | | \$2,000 |
| Audit Expense | 1515 | | | | |
| Contractual Services | 1520 | \$53,541 | \$38,528 | | \$15,013 |
| Travel | 2020 | \$3,406 | \$3,802 | | \$(396) |
| International Travel | 2021 | \$15,389 | \$7,899 | \$2,595 | \$4,895 |
| Cost of living Allowance | 2110 | \$14,375 | \$14,375 | | |
| Leased & Rental Housing | 2115 | \$17,000 | \$15,618 | | \$1,382 |
| Repatriation & Home Leave | 2123 | | \$7,793 | | \$(7,793) |
| Rentals | 2205 | \$18,060 | \$20,440 | | \$(2,380) |
| Utilities | 2215 | \$9,600 | \$6,712 | | \$2,888 |
| Communication | 2305 | \$12,712 | \$16,417 | | \$(3,705) |
| Advertising | 2310 | \$750 | | | \$750 |
| Insurance | 2315 | \$2,760 | | | \$2,760 |
| Printing & Reproduction | 2320 | \$321 | \$276 | | \$46 |
| Repairs | 2325 | \$731 | \$731 | | |
| Subscriptions, Dues & Fees | 2330 | \$1,045 | \$1,202 | | \$(157) |
| Subsidies & Contributions | 2345 | \$500 | | | \$500 |
| Freight | 2401 | \$720 | \$176 | | \$544 |
| Office/Computer Supplies | 2405 | \$3,929 | \$3,975 | | \$(46) |
| POL (FUEL) | 2410 | \$4,171 | \$5,275 | | \$(1,104) |
| Water | 2445 | \$448 | \$448 | | |
| Other Supplies/Materials | 2450 | \$1,568 | \$4,821 | | \$(3,253) |
| Representation | 2605 | \$4,156 | \$4,327 | | \$(171) |
| Allowances | 2615 | \$30,000 | \$4,139 | | \$25,861 |
| Other Charges & Expenses | 2750 | \$41,729 | \$(9,742) | | \$51,471 |
| Grant Total | | \$297,475 | \$182,159 | \$2,595 | \$112,721 |

Source: Appropriation Acts & MOF Budget Reports (Dialog 240-P)

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Exhibit 3-C: Budget vs. Actual FY 2016

| Account Name | Acct No. | Adjusted Budget | Expended | Encumbered | Balance Remaining |
|-----------------------------|----------|------------------|------------------|----------------|-------------------|
| Salaries & Wages Marsh | 1011 | \$57,000 | \$42,292 | | \$14,708 |
| Pers Benefits - Expat | 1114 | \$1,200 | | | \$1,200 |
| Pers Benefits - Marsh | 1115 | \$4,200 | \$2,874 | | \$1,326 |
| Employee Insurance Exp | 1116 | \$2,000 | \$363 | | \$1,637 |
| Audit Expense | 1515 | \$(898) | | | \$(898) |
| Contractual Services | 1520 | \$45,240 | \$44,386 | | \$854 |
| Travel | 2020 | \$3,000 | \$718 | | \$2,282 |
| International Travel | 2021 | \$15,440 | \$12,859 | \$4,495 | \$(1,915) |
| Cost of living Allowance | 2110 | \$16,847 | \$17,500 | | \$(654) |
| Leased & Rental Housing | 2115 | \$23,775 | \$27,936 | | \$(4,160) |
| Rentals | 2205 | \$23,300 | \$25,661 | | \$(2,361) |
| Land Lease | 2210 | \$1,200 | \$1,120 | | \$80 |
| Utilities | 2215 | \$9,103 | \$7,203 | | \$1,899 |
| Communication | 2305 | \$15,211 | \$18,819 | | \$(3,608) |
| Advertising | 2310 | \$900 | | | \$900 |
| Insurance | 2315 | | | | |
| Printing & Reproduction | 2320 | \$200 | | | \$200 |
| Subscriptions, Dues & Fees | 2330 | \$800 | \$804 | | \$(4) |
| Freight | 2401 | \$700 | \$591 | | \$109 |
| Office/Computer Supplies | 2405 | \$740 | \$255 | | \$485 |
| POL (Fuel) | 2410 | \$3,500 | \$2,644 | | \$856 |
| Water | 2445 | \$600 | \$122 | | \$478 |
| Other Supplies/Materials | 2450 | \$1,227 | \$1,226 | | \$2 |
| Representation | 2605 | \$4,500 | \$4,295 | | \$205 |
| Allowances | 2615 | \$21,290 | \$9,161 | | \$12,130 |
| Other Charges & Expenses | 2750 | \$2,722 | \$3,314 | | \$(592) |
| Office Equipment & Computer | 3132 | \$6,000 | \$(6,000) | | |
| Furniture & Fixtures | 3133 | \$5,000 | \$(5,000) | | |
| Transfer Out | 4510 | | \$27,394 | | \$(27,394) |
| Total | | \$253,797 | \$251,537 | \$4,495 | \$(2,235) |

Source: Appropriation Acts & MOF Budget Reports (Dialog 240-P)

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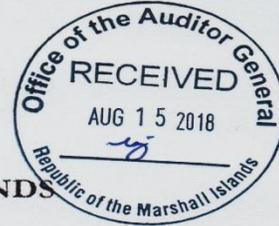
Appendices: Agency Responses

Appendix I: Embassy's Response to Recommendations



August 14, 2018

THE EMBASSY
OF THE
REPUBLIC OF THE MARSHALL ISLANDS
41 Borron Road - P.O. Box 2038 GB
Suva, Republic of Fiji



Response to Audit Findings
August 2018
RMI Embassy, Fiji

Dear Auditor General Patrick,

Please find following, the response from the Embassy of the Republic of the Marshall Islands to the audit findings for fiscal year: 2014-2016. But first, let me thank your team for allowing us the opportunity to clarify some of these findings through the conference call.

Intro: In general, the Audit Report for the FY 2014-2016 that we had received gives a fair assessment of the current situations here at the Embassy. There are issues and lack of policies that we feel can be improved to avoid such findings in the future and do look forward to having these discussions with Home Office, Ministry of Finance, Banking and Postal Services, the Office of Auditor General to seek ways forward.

Finding No. 1

There is a running list of assets that the Embassy maintains for our internal tracking purposes of Government assets. Many of the existing assets have seen past their values, such as air conditions, furnitures and old inoperable computers, that need to be delisted. Until the time that we are able to finalise the proposed renovation of the Chancery will we proceed to delist these assets. For the current period, the main assets we maintain are the 2 Embassy vehicle, the Chancery structure and the some laptops and cellphones and two Televisions.

Our recommendation is that these assets need to be tagged and registered through the national tagging system. To date, after many requests, we have not been sent any tags nor have we been visited by the department responsible for tagging. We have had a number of discussion with said relevant authorities in the past. This will still be a finding in future audits if nothing is done.

Finding No. 2

Housing for posted diplomats are the responsibility of the Ministry of Foreign Affairs as stated in the Foreign Policy Manual. Until the renovation of the Residence is complete, Diplomats and dependents will require to live in rented properties.

Rented residences for our diplomats in Fiji exceeds the \$750.00 limit that is required for RMI expats under the referenced C.M. 024(89) that is the current policy that is followed. For Fiji, it will simply be impossible to find a resident that meets our own safety and security protocols for our diplomats. Understanding that Fiji has gone through a number of political upheavals and faces natural disasters, we have to ensure that our diplomats, especially our Head of Mission, is housed in the safest and secure circumstances. The Embassy has made every effort to be

Phone: (679) 338-7899 Fax: (679) 338-7115 Email: ambassador@rmiembassyfiji.org - RMI: Website <http://www.rmiebassyus.org/>

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mindful of costs, hence these residences are the cheapest we can get. Perhaps the cheapest for all diplomats based in Suva. Other diplomats from other similarly small Pacific Countries have their residences or are have renting caps of up to \$5,000.00 (FJD). The reality is that the housing market in Fiji, particularly in Suva, is not the same as it is for Majuro. The COLA, as referenced to in the report is for the Cost of Living Adjustments, and an entitlement under our contracts. This should not be used to pay for our apartments but to supplement our costs of living, and is stated in the Foreign Policy Manual.

Our recommendation is that a different policy be developed (via Cabinet Minute) or other mechanisms, that take into account the reality of CPI in all countries or places we have foreign missions in.

Finding No. 3, No. 4 and No.5

Educational allowances are another entitlements given to diplomats under approved contracts. These require up to 3 dependents eligible under set criteria. The requirements of providing receipts was critical because the education allowances were disbursed from the Imprest Fund, which created this requirement. However, our position was that, like the COLA, the Education Allowance should not have been part of the Imprest Fund, and this has been rectified in this year's budget disbursement. Proof of dependents (3) attending school in the budget cycle should now be suffice to satisfy the reporting requirement.

Finding No. 3 is also linked to Findings No. 4 and No. 5 in variances and advances.

Claims that were not reimbursed were largely due to difficulty in collecting educational allowance receipts from the many different educational needs per students. This further put immense pressure on the Imprest Fund to points where we couldn't drawdown our allowances because of restricted cash flows because of these variances. There were long periods that education allowances were withheld to allow the operations of the Embassy to proceed, which included keeping the lights and communications on, ensuring that vehicles and residences were paid on time, and making sure we were paying our Local Engagement Staffs.

Thus the issue of advancing payments to help cover certain educational fees and tuition. The unreimbursed funds further restricted our ability to drawdown entitlements.

We feel that with the current policy of separating the Educational Allowance from the Imprest Fund itself, these issues could be resolved.

Finding No. 5.

The Ambassador is issuing an internal Embassy policy to cease all future advances from the Imprest Fund. Further, unpaid advances to be handled by MOFAT & Ministry of Finance. The Embassy agree with Recommendations 11 and 12.

Finding No. 7

The Embassy support Recommendations 15 & 16.

Finding No.8

Personal travel must be paid back. The Embassy support Recommendations 17 & 18.

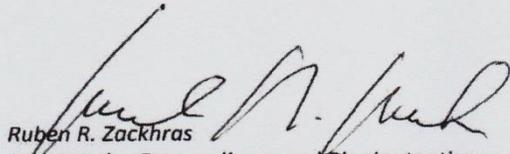
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We also agree with the recommendations put forth from the Audit Reports with some added suggestions.

1. Travel Authorization should not be too restricted for our Embassy Head of Mission and DCM within our area of coverage (Pacific Islands, including Australia and New Zealand) and all Regional Inter-Governmental Organisations are mandates under our Mission Objectives. A clear policy on this needs to be established to articulate this;
2. A Recommendation should also spell out that Budget should be developed according to the reality of the costs for operations and CPI within a Mission/ Embassy;
3. A greater articulation within the overall report that the Embassy in Fiji both looks at Bilateral Relations with Fiji AND other Pacific Island Countries, including NZ, Australia and multilateral responsibilities for Council of Regional Organizations in the Pacific (CROP) Agencies and UN Regional Bodies.

Kommol tata for considering our responses and recommendations.

Ilo Kautiej,



Ruben R. Zackhras
Ambassador Extraordinary and Plenipotentiary
RMI Embassy to Fiji, Pacific Islands and CROP Agencies

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Appendix II: Ministry of Finance, Banking and Postal Services' Response to Recommendations



Republic of the Marshall Islands
Ministry of Finance, Banking & Postal Services

P.O. Box D ~ Majuro ~ Marshall Islands ~ 96960
Phone No. (692) 625-8311 ~ Fax No. (692) 625-3607

August 20, 18

Mr. Junior Patrick
Auditor General
Office of the Auditor General
Majuro, RMI 96960

Dear Auditor General Patrick,

The Ministry of Finance, Banking, and Postal Services received the Inspection Draft with gratitude and is pleased to submit its responses to both Honolulu and Fiji's Imprest Fund Performance Audits for 2017. Please let us know should you have any questions or concerns.

Thank you!

Sincerely,


Maybelline A. Bing

Secretary of Ministry of Finance, Banking & Postal Services

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Audit Response for Fiji Embassy Imprest Fund

Finding no.1: The Ministry of Finance, Banking & Postal Services agrees with the finding. It will continue to work with MOFAT to ensure all government assets are tagged. We also ask for the Embassy's cooperation to send in their updated fixed asset registry in order for us to send them tags.

Finding no.2 & 6: MOFBPS agrees with the findings. The Compliance and Monitoring Officer/ Internal Auditor will ensure that all unrelated embassy expenses are not reimbursed from the Government. In addition, The PFM-RCU is in the process of developing a Procedures Manual on Imprest Fund administration and will conduct simultaneous training workshops and forum to ensure proper execution of guidelines and procedures set.

Recommendation 18?

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Appendix III: Auditors' Responses to the Management Comments

Auditors' Response to Comments by the Embassy

Generally, the Embassy concurs with our findings and recommendation. We consider that it is the responsibility of the Embassy to actively pursue our recommendation to improve Imprest Fund management and compliance with established RMI policies and guidelines. In addition, we acknowledge the additional suggestions by the Embassy to accommodate its operational needs and we further recommend that these suggestions be taken up with Home Office, Secretary of Finance and other appropriate officials.

Auditors' Response to Comments by the Secretary of Finance

We commend the Secretary of Finance for the initiative to establish a new Procedural Manual on Imprest Fund administration and management, and conduct trainings to ensure proper execution of those guidelines.

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Appendix IV: OAG Follow-Up System

| # | FINDING | ACTION TO BE TAKEN |
|---|--|---|
| 1 | The Embassy does not adhere to Fixed Assets Policies and Procedures | <p>Embassy:</p> <p>To provide updated list of fixed assets (new and disposal assets).</p> <p>MOFA and MOFBPS:</p> <p>Provide assurance that both Ministries will implement the recommendations to ensure all RMI assets are tagged with government identification numbers.</p> |
| 2 | Housing Rentals Exceeded Authorize Amount | <p>MOFAT:</p> <p>Written assurance that MOFAT will implement the recommendation to ensure they have develop uniform contract that clearly indicate the entitlements for oversea missions and to provide written policies indicating clearly intention of the COLA and specific types of personal living that are to covered by the allowance.</p> <p>MOFBPS:</p> <p>Written assurance that the recommendation will be implemented to ensure all reimbursement request from the Embassy are carefully reviewed all expenses prior to process of reimbursement check to ensure that all questionable and unrelated Embassy expenses are not reimbursed from the Government. In addition, MOF provides copy of procedure manual on imprest fund that will be developed by PFM-RCU if endorsed and approved by Cabinet.</p> |
| 3 | Education Allowances are not adequately supported | <p>Embassy:</p> <p>Written assurance that the recommendation will be implemented.</p> |

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| | | <p>MOFAT:</p> <p>Written confirmation that recommendation will be implemented to ensure expenditures reported in the reimbursement voucher are supported and verified as allowable prior</p> |
| 4 | Several Embassy Claims were not reimbursed | <p>Embassy:</p> <p>Written confirmation that the Embassy will implement the recommendation to resolve the discrepancies (unknown variances) reported in the RMI Single Audit Management Letter Report.</p> |
| 5 | Advances from the imprest fund | <p>Embassy:</p> <p>Written assurance that the recommendation will be implement and also to cease the current practice of borrowing from the imprest fund.</p> <p>MOFAT:</p> <p>Written confirmation that action has been taken to ensure that borrowing from the imprest fund is ceased immediately.</p> |
| 6 | Budget Expenditures Exceeded Authorization for 2014 and 2016 | <p>Embassy:</p> <p>Written assurance that recommendation will be implemented for monitoring budget control purpose.</p> <p>MOF:</p> <p>Written assurance that the Secretary will implement the recommendation to ensure full compliance with RMI financial Management Act pertaining to budget control.</p> <p>MOFAT:</p> |

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|----------|--|---|
| | | Written confirmation that recommendation will be implemented to ensure realistic budget of the Embassy include all operation needs. |
| 7 | Unauthorized Credit Account | <p>Embassy:</p> <p>Written assurance that action will be taken to implement the recommendation to strictly comply with established RMI policies and procedures.</p> <p>MOFAT:</p> <p>Provide copy of payment made by the Official or any opinion given by Attorney General on the issue.</p> |
| 8 | Personal Travel Paid by the Embassy | <p>Embassy:</p> <p>Written assurance that action has been taken to cease making advances from the imprest fund.</p> <p>MOF:</p> <p>Provide copy of payment from Official that the money has been recovered and paid back to the imprest fund account or any legal opinion given by the Attorney General on the issue.</p> |

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Contact and Acknowledgement

OAG Contact

Junior Patrick, Auditor-General

Phone (692) 625-3192/3390

Fax (692) 625-5135

Email patrjun@gmail.com

Website www.rmioag.com

Acknowledgement

The following auditors made key contributions to this report.

Atmita Jonathan, Assistant Auditor-General

Ayako Yamaguchi-Eliou, Audit Manager (no longer with OAG)

Elizabeth Jack, Audit Supervisor

Lynna Rockyland, Staff Auditor

David John, Staff Auditor

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Office of the Auditor-General

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Majuro, MH 96960

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