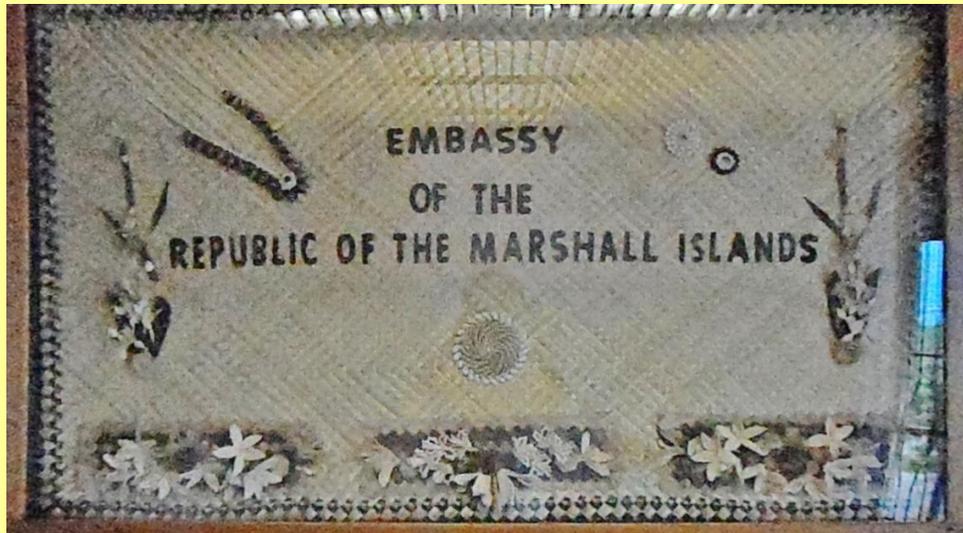




REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

Inspection of Imprest Fund Management in RMI Embassy
in Suva, Fiji
Fiscal Years 2009 to 2013



REPORT NO: 16/13-1673

July 31, 2015

Date

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REPUBLIC OF THE MARSHALL ISLANDS



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Honorable Tony A. deBrum
Minister of Foreign Affairs
Republic of the Marshall Islands

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

Dear Minister:

The Office of the Auditor-General (OAG) performed an inspection review of the Imprest Fund managed by the Republic of the Marshall Islands Embassy (RMI) located in Suva, Fiji. The objectives of our review were to determine if: (1) Imprest Fund expenditures were incurred and paid in compliance with established laws, policies and guidelines, and (2) capital assets under the custody of the Embassy were properly accounted for. The review of the Embassy's Imprest Fund operations covered fiscal years 2009, 2010, 2011, 2012, and 2013.

Unless well controlled, Imprest funds provide opportunities for misuse, loss, and theft of money. Ministry of Finance (MOF) Imprest Fund policies specify accounting and physical controls to minimize these opportunities. The Ministry of Foreign Affairs (MOFA) and each Embassy are responsible for implementing and complying with these Imprest Fund policies.

The results of our inspection show the Embassy was ineffective in its management of the Imprest Fund. Specifically, we noted poor execution of Imprest fund policies and procedures and the absence of key oversight and monitoring activities regarding expenditure reimbursements, which in turn increases the likelihood of continued mishandling of assets and RMI funds unless action is taken to fully comply with Imprest Fund policies. Issues pertaining to education allowances and property management were forwarded to the OAG Investigative Unit for further review. The results of the investigative review will be transmitted to the Attorney General as appropriate. For each exception noted throughout this report, we provide recommendations to enhance transparency and accountability of the Embassy's Imprest Fund.

Pursuant to the Auditor-General Act of 1986, we provided the Charge d’Affaires, Secretary of Finance, and Secretary of Foreign Affairs with a copy of our draft report requesting their responses in writing. We appreciated the response from the Charge d’Affaires, Secretary of Finance, and Secretary of Foreign Affairs, which we have included as Appendix I, II, and III, respectively. We also discussed our report during our exit conference on July 02, 2015.

The most important outcome of any audit or 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 VI to be implemented.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Junior Patrick', with a long horizontal stroke extending to the right.

Junior Patrick
Auditor-General

Date: July 31, 2015

CC: President
Minister of Finance
Secretary of Finance
Secretary of Foreign Affairs
Ambassador, RMI Embassy in Suva, Fiji
Attorney-General
OAG File

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BACKGROUND

Republic of the Marshall Islands (RMI) Fiji Embassy in Suva was established pursuant to Cabinet Minute 161(87) dated December 10, 1987. Pursuant to the Foreign Affairs Act of 2007, Section 11 (2) entitled *Establishment of Missions of the Republic*, the primary functions of Missions, Embassies or posts include:

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

Imprest Funds are fixed funds advanced to RMI Embassies, Consulates and Foreign Missions for their operational expenses. The amount is determined by the number of staff in the locations, the amount of business transactions handled and the cost of living in the host location. Because Imprest funds are controlled checking accounts used for purchases and cash transactions, Embassy management and staff shall follow the Foreign Affairs Act of 2007 and the Procedures for Imprest Fund for overseeing Imprest Fund accounts.

The Embassy operates through an Imprest Fund. The Ambassador or the highest ranking Foreign Service Officer has the responsibility in ensuring 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. The maintenance of complete and accurate supporting documentation is required in an Imprest Fund environment.

Embassy management have responsibility for complying with RMI laws, policies and procedures, including those involving the Imprest Fund. During the time of field work there were five officers and one staff in the Embassy. They were the Ambassador, First Secretary, Administrative Assistant, Logistics Officer/Driver, and the housekeeper.

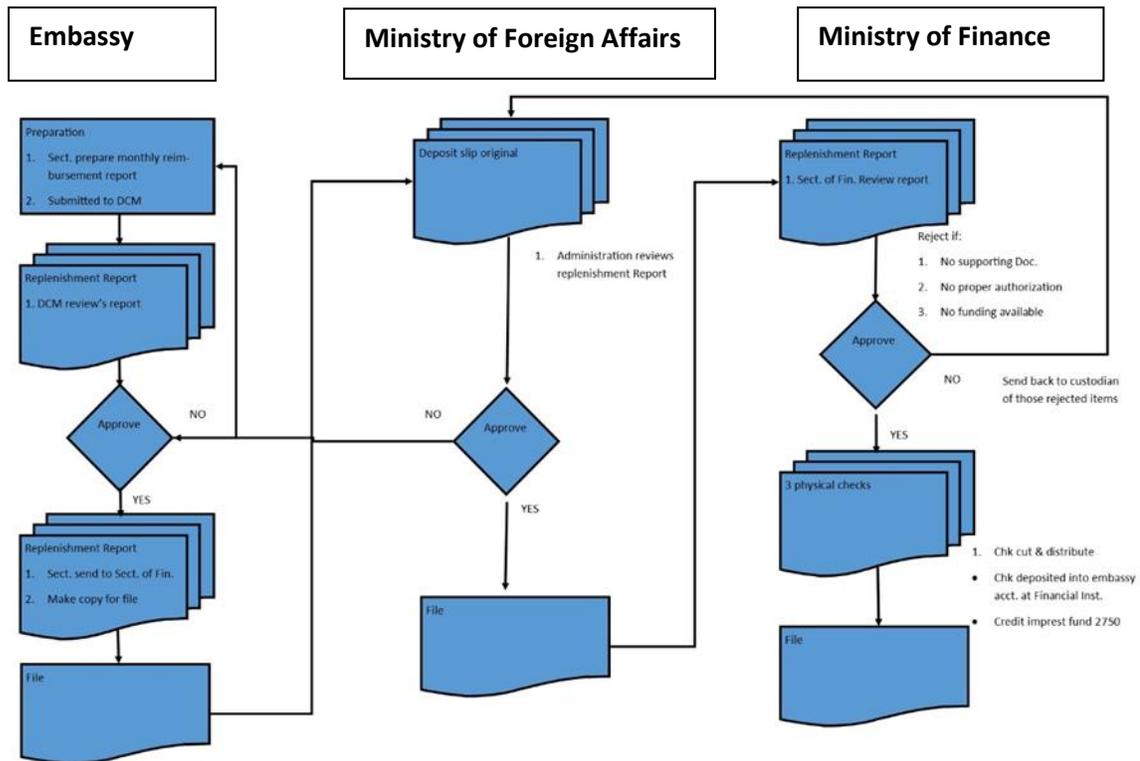
The RMI laws and regulations, such as the Financial Management Act, Procurement Code, Income Tax Act, Travel Policy, and Imprest Fund Guidelines govern all activities of the Embassy.

Unless well controlled, Imprest funds provide opportunities for misuse, loss, and theft of money. Accounting and physical controls to minimize these opportunities are specified in the MOF Imprest Fund policies.

As illustrated in Figure 1.0 below, Imprest Fund management requires Embassy staff to prepare and submit itemized reimbursement reports on a monthly basis to the Ministry of Foreign Affairs for review and processing. The monthly reimbursement reports shall be supported by itemized receipts and invoices for each expense item and submitted with a voucher, check register, cancelled checks, bank statements, reconciliations, and other required documents. The reimbursement reports are then forwarded to the Secretary of Finance for review, approval, and payment. The payment serves the purpose to replenish the Imprest Fund to its original amount.

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Figure 1.0: Imprest Fund Replenishment Process



For its operational needs, each year the Embassy and the Ministry of Foreign Affairs prepares a budget for the Embassy’s recurrent operational expenses. Table 1 indicates the annual budget allocations of the Embassy during the periods from FY 2009 through FY 2013.

Table 1: Operational Budget

Periods	Approved Budget	Amended Budget
FY 2009	\$137,913	\$169,030
FY 2010	128,182	170,241
FY 2011	121,131	163,576
FY 2012	145,132	248,463
FY 2013	252,745	250,723

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

OBJECTIVES, SCOPE & METHODOLOGY

The 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

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examined if: (1) Imprest Fund expenditures were incurred and paid in compliance with established laws, policies and guidelines, and (2) the Embassy properly accounted for capital assets under its custody.

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 law 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 from September to December 2014 in accordance with *Quality Standards for Inspections and Evaluations* as put forth by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). We believe that the work performed provides a reasonable basis for our conclusions.

To accomplish our objectives, the OAG variously conducted the following activities at MOF, MOFA, and at RMI Embassy located in Suva, Fiji:

- Analyzed actual expenditures versus appropriations to assess whether the Embassy exceeded its appropriations limit.
- Verified a random sample for each fiscal year from 2009 to 2013 of reimbursement forms to determine whether expenditures were included in the Embassy’s line item budget, the permissibility of the expenditure, and whether the expenditure was properly supported. The examination tested transactions valued at over \$300 and excluded payroll and cost of living allocations that were not subject to disbursement from the Imprest Fund.
- Evaluated the adequacy of internal controls to safeguard the assets of RMI by interviewing and evaluating RMI policies and procedures governing cash receipts, cash disbursements, purchasing, receiving, and acquisitions and dispositions of property and equipment.

- Verified the existence of all capital assets recorded on the Embassy's fixed asset register and the completeness of the fixed asset listing submitted to the Ministry of Foreign Affairs.
- Randomly selected assets purchased from April to September 2013 to determine their existence on the fixed assets listing.
- Reviewed prior year audit reports and management letters prepared by RMI's external financial auditor.

During our review, instances of potentially fraudulent activities were discovered. These matters were reported separately to the OAG Investigation Unit for further review. The activities requiring further investigative review concern the potential for:

- Inappropriate use of education allowances
- Unauthorized compensation
- Unauthorized and inappropriate payment to family members
- Missing government assets

The activities of concern occurred after 2012.

The matters covered in this report were discussed with Embassy, Ministry of Finance, and Ministry of Foreign Affairs officials during and at the conclusion of this inspection. We also provided a draft copy for review and formal comments. All offices generally agreed with our recommendations and agency views regarding the issues we identified were incorporated as appropriate. For a full description of the formal comments submitted by the Embassy, Secretary of Finance, and Secretary of Foreign Affairs, see Appendix I, II, and III, respectively.

PRIOR AUDIT COVERAGE

This is the first inspection review undertaken by the OAG on the Embassy's Imprest Fund operation. However, the OAG has performed internal control reviews in prior years.

PRINCIPLE FINDINGS

Finding No. 1 – Embassy Does Not Implement RMI’s Two-Signatory Policy for Imprest Fund Disbursements

An effective system of internal control requires at least two signatures for every withdrawal and disbursement from its bank account. The importance of this control is evident by its inclusion in the Imprest Fund Guidelines, which ensure that at least two people agree that the withdrawal is legitimate and appropriate for valid official purposes. Our review disclosed the Embassy does not utilize two signatories for withdrawal of funds from the Imprest fund checking account because the Ambassador is the only authorized signature to the bank account. While the Ambassador serves as the most senior official at the Embassy, requiring two signatures for disbursements serve to protect the official from any wrongful allegation of fraud and abuse. In the absence of effectively executing Imprest Fund policies, the Embassy issued 180 checks with one authorized signature. Embassy management reported that one signature was executed because they are currently short staffed. Without a fully effective system of internal control over check issuance, the risk increases for misuse of funds and unauthorized transactions.

Recommendation:

1. The Secretary of Foreign Affairs should reinforce existing policies that require at least two signatures for all checks drawn from the Embassy’s Imprest Fund checking account by setting performance expectations for Embassy staff.

Finding No. 2 – Embassy Expenditures Exceeded Budget Authorization for FY2010, 2011 & 2013

The Financial Management Act restricts departments and agencies of RMI from exceeding budget appropriations. In addition, Section 2 of the Over-Expenditures and Over-Obligations 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.

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- Our analysis of budget versus expenditures shows the Embassy did not comply with RMI laws for three of the five years under review, as shown in Table 2 below. Specifically, Embassy expenditures exceeded budgeted appropriations for the years 2010, 2011, and 2013. Without effective financial management at the Embassy, budget deficits impact MOF’s ability to effectively manage RMI’s available revenues. The Embassy was successful in managing its budget for its Imprest Fund for fiscal years 2009 & 2012.
- In addition, our review found certain expenditures that were incurred and paid for which no budget was allocated. **Exhibits 1 through 5** of this report provides a detailed analysis of our review of expenditures.

Embassy management explained the Embassy is always underfunded and because they are an Embassy, they should not be subject to the same rules as other Ministries or departments. However, the RMI policies and procedures apply to all funded organizations and no exemptions to these rules are allowed.

Table 2: Annual Budget and Expenditure Analysis

Fiscal Year	Amended Budget	Expenditures	Budget Remaining
2009	\$169,030	\$166,285	\$2,745
2010	170,241	206,190	(35,949)
2011	163,576	225,323	(63,822)*
2012	248,463	243,982	4,481
2013	250,723	240,291	(51,996)*

Source: OAG Analysis & MOF Financial Budget Report (240-P)

*Difference in budget remaining totals is due to year to date encumbrance balances. Please refer to Exhibits 1 through 5 for the detailed expenditure report.

Recommendations:

The Ambassador should:

2. Maintain a control log or monitoring tool (e.g. spreadsheets) indicating the budget amount 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.
3. Obtain on a monthly basis the financial budget report from the Ministry of Finance for reconciliation to Embassy financial records. Any discrepancies identified by Embassy

staff should be investigated and reported to the Ministry of Finance for correction in a timely manner.

The Secretary of Finance should:

4. Implement measures to ensure full compliance with RMI's Financial Management Act pertaining to budget control by verifying the availability of Embassy funds as a condition to approving any reimbursement.

Finding No. 3 – Some Expenditures Did Not Match Reimbursement Documents or Did Not Have Supporting Documentation

Imprest Fund policy and procedures require documentation to support the requested reimbursement. The documentation can be in the form of vendor invoices, purchase receipts, and travel vouchers. Employment contracts, including

time and labor reports should support salaries to staff. The amount recorded on the supporting documentation must match the amounts requested within the Reimbursement Reports submitted to MOFA for processing prior to the issuance of checks.

Our analysis of 180 sampled transactions that we reviewed between 2009 through 2013, we found that 167 of those expenditure transactions were properly accounted for. The remaining 13 expenditure transactions were unsupported and the disbursements were disallowed, or were improperly supported but MOF reimbursed the expense. For these transactions, the supporting documentation did not match the amount that was reimbursed or no supporting documentation was available. As a result, we could not verify that these expenditures were for appropriate governmental purposes and activities and the expenditures led to the depletion of the Imprest Fund. The checks in question valued \$18,938.97 as shown in Table 3. As referenced in the table, check #13329 relates to salary payment to an individual without the required contract to verify its validity, and was referred to OAG Investigation Unit for further review. The six expenditures should have been denied for reimbursement until the correct documentation was made available. It is important to note that when the Embassy submitted a supported transaction for reimbursement, MOF disallowed the reimbursement even though there was a valid contract on file to reimburse payment of \$713.04 to an Administrative Assistant.

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Table 3: Checks Issued Without Supporting Documentation

Date	Check Number	Amount
01/22/10	2505	\$410.66
05/07/10	2641	\$1,745.23
10/12/10	2057	\$642.44
11/10/10	2099	\$649.75
12/14/11	12789	\$4132.48
5/10/12	12912	\$3286.16
10/17/12	13067	\$893.88
10/15/12	13084	\$2,986.44
12/7/12	13137	\$400.58
12/20/12	13156	\$410.40
06/14/13	13329	\$99.62
07/22/13	13362	\$1,724.33
07/31/13	13380	\$1,557.00
Totals		\$18,938.97

Source: OAG Analysis

We identified variances between the amounts shown per the Embassy's check registers and the reimbursement reports. There are instances where amounts per the check registers is more than amounts reported for reimbursement, which suggests that not all of the Embassy's expenditures were reported to the Ministry of the Finance for reimbursement except for FY 2013 which reported more than what was actually disbursed as indicated below in Table 4.

Table 4: Disbursement Analysis

Year	Amount Disbursed Per Check Register	Reimbursement Voucher	Under/Over (-/+) Reported
2009	\$98,450.34	\$93,355.43	(\$5,094.91)
2010	148,576.49	148,307.25	(269.24)
2011	132,362.63	132,361.26	(1.37)

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2012	183,125.75	179,499.53	(3,626.22)
2013	210,488.64	211,930.38	1,441.74

Source: OAG Analysis

Review of RMI's Single Audit reports for FY 2009 through 2013 disclosed that the Embassy has not resolved Imprest Fund reconciling items related to unrecorded disbursements, receipts, and bank charges as follows:

- FY 2009 \$7,319
- FY 2010 \$1,914
- FY 2011 \$3,416
- FY 2012 \$4,291
- FY 2013 \$28,025

When disbursements are not properly recorded, the Embassy's records will show more available revenue that is actually on hand. When this happens, expenditures can easily exceed budgeted revenue if not monitored closely.

We determined that the RMI Embassy in Suva, Fiji delegates many responsibilities for managing the Imprest Fund to administrative staff who have not received adequate training on policies and procedures or basic training on bookkeeping. Such training would reinforce the importance of maintaining adequate records and documentation for all financial transactions.

Recommendations:

5. The Secretary of Foreign Affairs should develop a checklist of do's and don'ts for Imprest Fund management for distribution to Embassy staff.
6. The Secretary of Finance should deny reimbursement of expenditures that are not supported by documentation that verify the existence and the allowability of the purchase.

Imprest Fund policies and procedures require a myriad of internal controls that govern the

Finding No. 4 – Embassy Did Not Effectively Implement Key Oversight Controls of the Imprest Fund

Embassy's use and management of the Imprest Funds. We verified the existence and implementation of nine out of the 12 controls that we examined as shown in

Table 5 below. The remaining three controls were not implemented effectively. Our inspection found checks issued that were not in compliance with requirements or without proper receipts. We also noted that cash was not available at all time at the Embassy.

Table 5 – Embassy Implementation of Internal Controls for the Imprest Fund

<u>Internal Control</u>	<u>FIJI Embassy</u>
Separate bank account for Imprest Fund	√
Checks written are in compliance with guidance requirements	No
Imprest Fund Disbursement Journal prepared and checks issued in sequential order	√
Advances to staff to make purchases are accounted for as receivables until proper receipts are presented for liquidation	No
Cash is available for the Embassy at all times	No
Key payments are identified as priority costs	√
The Embassy submits requests for replenishment on a monthly basis	√
A voucher is used for petty cash disbursements	√
Worksheet maintained for all expenses	√
Cash payment book details petty cash reimbursements	√
Petty cash is not used for large purchases or private expenses	√
Imprest Fund is reconciled	√

Source: OAG Analysis

Recommendation:

7. The Ambassador should
 - a) Require staff to submit receipts for any cash advances issued for purchases;
 - b) Review cash availability prior to purchases;
 - c) Issue checks as outlined in Imprest Fund Guidelines; and
 - d) Prohibit the use of petty cash funds for purchases over \$50.

Finding No. 5 – The Embassy Does Not Adhere to Fixed Assets Policies and Procedures

All overseas missions shall annually furnish to MOFA 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 buildings, improvements, furniture,

and equipment, ships, over the road vehicles and aircraft. In addition, the Imprest Fund Operational Guidelines require a Fixed Asset 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.

Our review found the Embassy did not update its Fixed Asset Register until the time of our visit. In addition, the Embassy, although not required, had not placed proper tags on any of their property or equipment that would identify RMI as the owner of the asset, as established by industry best practices for asset management¹. Embassy management explained in their response to the report that they were short-staffed and continue to await for tags to be placed on the equipment. Management further explained that MOF should tag the assets annually. Our analysis shows that Imprest Fund Guidelines are clear in delegating responsibility for Imprest Fund and fixed asset management to the management and/or to delegates of the Embassy.

The primary purpose of tagging fixed assets is to provide an accurate method of identifying assets as RMI property, to control the location of all physical assets, and to provide a link to records for physical inventories. Without ownership information on RMI assets and equipment, RMI is vulnerable to theft that could go undetected. For instance, we received after our onsite fieldwork reports by Ministry of Foreign Affairs regarding furniture removed from the Embassy, which we referred to OAG's Investigative Unit for further review.

Recommendation:

8. The Secretary of Foreign Affairs should establish standard internal control procedures to place proper tag and bar code labels on equipment, furniture and other assets that identify RMI as the property owner, including developing implementing instructions for Embassies.

¹ The Foreign Policy Regulation of 1994 states that all fixed assets shall be marked to indicate government ownership. However, the new Foreign Affairs Act of 2007, which supersedes the 1994 Foreign Policy Regulation, does not state this requirement. MOF recently drafted its Procurement division's SOP drafted and the act of tagging government property is indicated in the drafted SOP.

Finding No. 6 – Funds were Inappropriately Advanced from the Imprest Fund

The Imprest Fund guidelines and procedures for the overseas Mission state that no official may borrow any money from the Imprest Fund. However, the Embassy did not comply with this requirement. On July 2, 2014, an advance payment in the amount of \$535.30 was made to a Home Office staff for extension of travel to attend the Small Island State officials meeting in Suva after the meeting in Nadi. We noted that the instruction from the Fiji Embassy was to advance the funds to the traveler but the advance would be subject to reimbursement upon the traveler's return to Majuro. We determined that the traveler closed the travel order but did not return \$535.30 owed to the Imprest Fund, rising to the level of potential misuse of public funds in the absence of proper accounting of the travel advance.

Recommendations:

9. The Embassy and the Ministry of Foreign Affairs should enforce existing Imprest Fund policies and strictly prohibit the use of the Imprest Fund for cash advances.
10. The Ministry of Foreign Affairs should re-open TOO388, properly account for the expenditures, and invoice the traveler for amounts requiring reimbursement.

Finding No. 7 – Over-Payment of \$100,000 Was Wired to the Embassy Imprest Fund Account

An effective system of internal controls require that guidelines and policies be in place to provide assurance that all expenses reported are accurate. Also, monitoring tools should be in place for all transfer of funds to avoid unnecessary items occurred when wiring the fund.

During our inspection, we found that the February 2010 reimbursement report, which contained expenditures for Embassy renovation, was overpaid by \$100,000. MOF soon after identified the overpayment and requested return of the excess payment through regular offsets of future reimbursement until full reimbursement occurs. However, the Embassy as of December 30, 2014 has an outstanding balance of \$20,027.

Recommendations:

11. The Ministry of Finance should thoroughly review monthly reimbursement report by the Embassy for appropriateness to avoid future over payments.
12. The Embassy should make arrangement with the MOF to settle its outstanding balance of prior liabilities.

OTHER MATTER

Towards the end of FY 2013, it was noted that an Embassy official had obtained a Tenant Agreement for an apartment outside of the Embassy's premises. The Government policy on housing allowance as stipulated under Cabinet Minute [C. M 024(89)] is \$750 per month. The Embassy official resided at the Embassy until the month of November 2013, which is subsequent to the period under review. During that time, the official moved out of the residence and stayed in a rented apartment until returning to Majuro.

Without authorization, all of the expenditures for the apartment rental were paid from the Imprest Fund and exceeded the allowable amount. The monthly rental fee for the apartment was F\$2,600 (equivalent to approximately \$1,300 US), or an excess of \$550 over the government ceiling on housing allowance. During this period, the Embassy official was provided with a cost of living allowance (COLA) of \$20,000 per annum for the purpose of covering essential living expenses in the host nation.

In response to this matter, Embassy management explained that renovations were occurring at the principal residence which required alternative living. However, we question the appropriateness of having the Embassy pay for 100 percent of the housing rental after a COLA was issued. Without fully complying with RMI's policy on housing allowances, RMI incurred added expenditures unnecessarily.

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EXHIBITS

Exhibit 1: Budget Authorization and Expenditures for Fiscal Year 2009

Account Name	Account Number	Adjusted Budget	Expended	Balance Remaining
Salaries & Wages Expat	1010	\$9,000	\$8,076.38	\$923.62
Salaries & Wages Marsh	1011	40,647.51	43,153.60	(2,506.09)
Pers Benefits - Expat	1114	945	-	945.00
Pers Benefits - Marsh	1115	6,222	3,319.82	2,902.18
Employee Insurance Exp	1116	500	-	500.00
Professional Services	1510	5,000	5,716.09	(716.09)
Contractual Services	1520	1,500	2,502.61	(1,002.61)
Travel	2020	1,500	2,397.66	(897.66)
international Travel	2021	30,817.44	28,501.17	2,316.27
Cost of Living Allowance	2110	15,700	15,625.00	75.00
Utilities	2215	6,000	5,947.45	52.55
Communication	2305	5,000	3,953.62	1,046.38
Advertising	2310	1,000	-	1,000.00
Insurance	2315	4,500	1,478.79	3,021.21
Printing & Reproduction	2320	1,000	313.05	686.95
Repairs	2325	7,051.56	6,319.23	732.33
Subscriptions, Dues & Fee	2330	1,000	1,679.37	(679.37)
Subsidies & Contributions	2345	1,500	415.10	1,084.90
Freight	2401	1,500	212.72	1,287.28
Office/Computer Supplies	2405	4,000	8,455.86	(4,455.86)
POL (Fuel)	2410	3,800	3,594.49	205.51
Books	2420	500	-	500.00
Water	2445	500	608.96	(108.96)
Other Supplies/Materials	2450	2,500	7,976.26	(5,476.26)
Representation	2605	13,346	11,387.81	1,958.19
Allowances	2615	2,000	1,224.09	775.91
Other Charges & Expenses	2750	-	360.00	(360.00)
Reimbursable Expenses	2910	2,000	3,065.89	(1,065.89)
TOTAL		\$169,029.51	\$166,285.02	\$2,744.49

Source: Ministry of Finance Financial Budget Reports (DILOG 240-P)

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Exhibit 2: Budget Authorization and Expenditures for Fiscal Year 2010

Account Name	Acct No.	Adjusted Budget	Expended	Balance Remaining
Salaries Expat	1010	\$9,000	\$11,291.04	\$(2,291.04)
Salaries Marsh	1011	43,111.58	47,178.99	(4,067.41)
Pers Benefits - Marsh	1115	5,355	3,629.40	1,725.60
Employee Ins Expense	1116	500	-	500.00
Audit Expense	1515	58.00	-	58.00
Contractual Services	1520	14,876.49	15,400.19	(523.70)
Travel	2020	10,645.03	22,694.36	(12,049.33)
International Travel	2021	11,081.50	10,504.24	577.26
Cost of Living Allowances	2110	29,375	29,375.00	-
Repat & Home Leave	2123	-	691.58	(691.58)
Utilities	2215	4,460.54	5,826.63	(1,366.09)
Communication	2305	6,135.72	7,827.65	(1,691.93)
Insurance	2315	2,000.00	1,816.78	183.22
Printing & Reproduction	2320	522.95	571.04	(48.09)
Repairs	2325	396.60	3,171.92	(2,775.32)
Subscriptions, Dues & Fees	2330	261.99	557.01	(295.02)
Subsidies & Contributions	2345	1,904.02	2,005.70	(101.68)
Freight	2401	431.35	254.36	176.99
Office/Computer Supplies	2405	9,415.04	15,005.31	(5,590.27)
POL (Fuel)	2410	3,426.88	4,326.28	(899.40)
Water	2445	806.78	889.62	(82.84)
Other Supplies/Materials	2450	4,452.70	6,387.48	(1,934.78)
Representation	2605	7,107.41	9,305.06	(2,197.65)
Allowances	2615	795.26	-	795.26
Other Charges & Exp	2750	-	496.00	(496.00)
Reimbursable Expenses	2910	4,120.88	6,984.00	(2,863.12)
TOTAL		\$170,240.72	\$206,189.64	\$(35,948.92)
Source: Ministry of Finance Financial Budget Reports (DILOG 240-P)				

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Exhibit 3: Budget Authorization and Expenditures for Fiscal Year 2011

Account Name	Acct No.	Adjusted Budget	Expended	Encumbered	Balance Remaining
Salaries Expat	1010	\$ -	\$ 1,146.95	\$ -	\$ (1,146.95)
Salaries Marsh	1011	40,692.28	32,423.16	-	8,269.12
Pers Benefits - Marsh	1115	5,355	2,112.11	-	3,242.89
Employee Ins Expenses	1116	500	-	-	500.00
Audit Expense	1515	(79.00)	-	-	(79.00)
Contractual Services	1520	15,400.47	28,525.66	-	(13,125.19)
Travel	2020	12,665.12	34,998.33	-	(22,333.21)
International Travel	2021	5,942.41	11,743.35	2,075.00	(7,875.94)
Cost of Living Allowances	2110	28,150.70	20,000.00	-	8,150.70
Leased & Rental Housing	2115	4,500	-	-	4,500.00
Rentals	2205	-	457.17	-	(457.17)
Utilities	2215	4,000	8,392.69	-	(4,392.69)
Communication	2305	3,000	11,354.83	-	(8,354.83)
Advertising	2310	500	118.67	-	381.33
Insurance	2315	320.41	2,418.36	-	(2,097.95)
Printing & Reproduction	2320	1,000	193.39	-	806.61
Repairs	2325	318.93	1,754.59	-	(1,435.66)
Subscriptions, Dues, & Fees	2330	210.32	1,168.80	-	(958.48)
Subsidies & Contribution	2345	1,341.50	1,341.50	-	-
Freight	2401	1,500	435.54	-	1,064.46
Office/Computer Supplies	2405	10,763.81	31,276.26	-	(20,512.45)
POL (Fuel)	2410	3,000	6,080.13	-	(3,080.13)
Water	2445	500	145.19	-	354.81
Other Supplies /Materials	2450	3,181.07	4,465.85	-	(1,284.78)
Representation	2605	6,679.59	13,921.89	-	(7,242.30)
Allowances	2615	6,714.37	-	-	6,714.37
Other Charges & Exp	2750	70.00	80.00	-	(10.00)
Reimbursable Exp	2910	7,349.30	10,768.61	-	(3,419.31)
TOTAL		\$163,576.28	\$ 225,323.03	\$ 2,075.00	\$(63,821.75)

Source: Ministry of Finance Financial Budget Reports (DILOG 240-P)

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Exhibit 4: Budget Authorization and Expenditures for Fiscal Year 2012

Account Name	Account Number	Adjusted Budget	Expended	Balance Remaining
Salaries Expat	1010	\$ -	\$4,310.98	\$(4,310.98)
Salaries Marsh	1011	84,000	38,884.74	45,115.26
Pers Benefits Marsh	1115	5,565	3,127.77	2,437.23
Employee Ins	1116	500	-	500.00
Contractual Services	1520	19,500.89	22,662.78	(3,161.89)
Travel	2020	20,930.68	27,863.52	(6,932.84)
International Travel	2021	19,764.03	26,754.63	(6,990.60)
Cost of Living Allowances	2110	26,250	18,125.00	8,125.00
Rentals	2205	5,422.60	8,878.19	(3,455.59)
Land Lease	2210	-	5,000.00	(5,000.00)
Utilities	2215	6,000	5,933.11	66.89
Communication	2305	13,677.38	19,551.19	(5,873.81)
Advertising	2310	2,386.73	331.03	2,055.70
Insurance	2315	250.00	2,329.07	(2,079.07)
Printing & Reproduction	2320	800.00	101.25	698.75
Repairs	2325	2,129.82	924.37	1,205.45
Subscriptions, Dues, & fees	2330	1,848.82	2,130.54	(281.72)
Freight	2401	294.45	3,093.54	(2,799.09)
Office/Computer Supplies	2405	7,814.81	7,432.94	381.87
POL (FUEL)	2410	3,907.70	5,181.57	(1,273.87)
Water	2445	200.00	244.11	(44.11)
Other Supplies/Materials	2450	-	455.35	(455.35)
Representation	2605	16,036.58	17,284.07	(1,247.49)
Allowances	2615	-	-	-
Other Charges & Exp	2750	900.00	\$ 867.69	\$ 32.31
Reimbursable Exp	2910	\$ 2,233.24	6,978.51	(4,745.27)
Equipment	3134	-	978.10	(978.10)
Vehicle	3135	8,050.00	14,557.67	(6,507.67)
TOTAL		\$248,462.73	\$243,981.72	\$4,481.01

Source: Ministry of Finance Financial Budget Reports (DILOG 240-P)

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Exhibit 5: Budget Authorization and Expenditures for Fiscal Year 2013

Account Name	Account Number	Adjusted Budget	Expended	Encumbered	Balance Remaining
Salaries Mars	1011	53,000.00	38,423.06	-	14,576.94
Per Benefit-Mars	1115	5,565.00	2,859.21	-	2,705.79
Employee Ins	1116	2,000.00	-	-	2,000.00
Audit Expense	1515	(16.00)	-	-	(16.00)
Contractual Ser	1520	32,706.00	12,715.94	21,000.00	(1,009.94)
Travel	2020	10,000.00	10,934.52	-	(934.52)
Int Travel	2021	9,509.00	15,291.59	-	(5,782.59)
COLA	2110	26,475.00	26,250.00	-	225.00
Leased & Rental	2115	6,112.00	1,772.64	-	4,339.36
Rentals	2205	18,016.32	20,441.30	-	(2,424.98)
Utilities	2215	9,600.00	6,842.14	-	2,757.86
Communication	2305	17,674.00	26,063.89	-	(8,389.89)
Advertising	2310	250.00	3,427.35	-	(3,177.35)
Insurance	2315	500.00	-	-	500.00
Printing & Repro	2320	700.00	511.20	-	188.80
Repairs	2325	1,750.00	1,012.17	-	737.83
Sub, Dues, Fee	2330	720.00	399.15	-	320.85
Subsidies/Cont.	2345	500.00	594.33	-	(94.33)
Freight	2401	720.00	793.11	-	(73.11)
Office/Computer Supplies	2405	2,530.00	4,864.60	-	(2,334.60)
POL (Fuel)	2410	5,200.00	5,750.51	-	(550.51)
Water	2445	1,100.00	950.97	-	149.03
Other Supplies/Material	2450	5,096.68	1,979.98	-	3,116.70
Representation	2605	5,500.00	7,253.06	-	(1,753.06)
Allowances	2615	27,980.00	23,906.10	-	4,073.90
Other charges	2750	7,535.00	25,399.15	41,428.05	(59,292.20)
Reimbursable Exp.	2910	-	966.85	-	(966.85)
Equipment	3135	-	888.32	-	(888.32)
TOTAL		\$250,723.00	\$240,291.14	\$62,428.05	\$(51,996.19)

Source: Ministry of Finance Financial Budget Reports (DILOG 240-P)

APPENDICES: AGENCY RESPONSES

Appendix I: Embassy Response to Recommendations



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

July 22, 2015

The Auditor General
Office of the Auditors General
P.O.Box 245 Majuro 96960

Marshall Islands

Dear Sir,

The Embassy received the Inspection Draft report with gratitude.

Kindly find our response to the findings and recommendations.

Finding No .1 – Embassy Does Not Implement RMI’s Two-Signatory Policy for Imprest Fund Disbursements

- ❖ Embassy is short-staffed, need expatriats
- ❖ In support of the Recommendation

Finding No.2 – Embassy Expenditures Exceeded Budget Authorization for FY2010 & 2011

- ❖ The Embassy should not be treated as any other Ministry or department. This is a Mission and we respond to RMI’s needs accordingly.
- ❖ Fiji Embassy has always been under funded for our area of coverage
- ❖ We respond to the call of duty
- ❖ As per recommendation, the Embassy already have in place an internal control monitoring tool – spreadsheet indicating the budget amount allocated for each line item [per attached]
- ❖ Delay in receiving the monthly 240 report from Finance [2011-2014]through MOFA Admin
- ❖ In support of the recommendation

Phone: (679) 338-7899 Fax: (679) 338-7115 Email: ambassador@rmiembassyfiji.org

Finding No. 3 –Some Expenditures Did Not Match reimbursement Documents or Did Not Have Supporting Documentations

- The remaining 12 expenditure transactions – the checks in question valued \$18,938.97 as shown in Table 3 – 13 instead of 12!

❖ **Table 3 :**

❖ Date	Check #	Amt	
❖ 12/7/12	13134	400.58	correct amount – 809.18 instead! , will also effect the total!

- ❖ **Table 4 – Variance [Check Register VS Reimbursement Voucher]**– there are incidents where the Embassy needed to attend to RMI “SOS” calls to take care of expenses, mainly travel/ TA/ accommodation etc in respect of other Ministry officials, including Ministers that are transiting through Fiji or other Pacific Island countries on official duties and their TA are held up or are awaiting proper signatures when the officials were due to fly. The responsible Ministry then wire the money to reimburse the Embassy at a later date. OR the Ambassador are requested to replace/ sit in for the Minister who has prior commitment and cannot attend the meeting and the Embassy cuts the TA to cover and wait for the reimbursement from the Ministry eg : MOE, MOH and other funding sources.
- ❖ Most of the claims in the Imprest Fund reports were supported and within our budgeted line items with proper documentations
- ❖ **In support of the recommendation**

Finding No. 4 – Fiji Embassy Did Not Effectively Implement Key Oversight Control of the Imprest Fund

- ❖ Current practice, as per recommendation
- ❖ Petty Cash – need to increase to meet the needs and activities of the Mission

Finding No. 5 – The Embassy Does Not Adhere to Fixed Assets Policies and Procedures

- ❖ We continue to work with MOFA & MOF for the tags [currently out of stock], and awaiting implementing instructions – we have some assets that need to be written off
- ❖ We need manpower to finalize inventory – identifying which is which – this has been a delaying long process over the years, again it boils down to being under-staffed!
- ❖ Recommendation : Someone from MOF to come every year to do the tagging

Finding No. 6 – Funds were Inappropriately Advanced from the Imprest Fund

- ❖ Agree – In this case, Home Office was too slow/ very late in preparing or processing TA for visiting officials. It was appropriate at that point in time as the NEED was there. A decision needed to be made to rectify the situation where the Assistant Secretary was already here – instead of sending another official from home , this was a cost cutting measure, maybe she overlooked the reimbursement!
- ❖ In support of the recommendation

No Finding No. 7

Finding No. 8 –Overpayment of \$100,000 Was Wired to the Embassy Imprest Fund Account

- ❖ History dictates that the overpayment was due to “human error”, typo mistake!! Which does happen during rush period – OR when deadlines need to be met, OR the pressure from the receiving side in dire need of funds....everyone makes mistake

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- ❖ Recommendation no.15 – a way of settling prior liabilities is for MOF to take into account previous years remaining funds at the end of the fiscal year!
- ❖ If Embassy are notified through MOFA : as it happens- on Encumbrances! Instead of us finding out ourselves when we come in for drawdown and are told there's no money!!

Other Matters-

- ❖ The residence is in dire need of repairs, the plumbing work, electrical etc. The whole internal structure need to be renovated.
- ❖ The official representative needs to live out to allow for renovations of the official residence
- ❖ Also when the Official representative has a family the Best Value of the Property is to have them live outside the property!

Sir, kommel tata for your kind attention and time.

Respectfully submitted,


Tregar Albon Ishoda
Charge d'Affaires



Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Suva, Fiji
Fiscal Years 2009 - 2013

[Appendix II: Ministry of Finance Response to Recommendations](#)



Republic of the Marshall Islands
Ministry of Finance

P.O. Box D ~ Majuro ~ Marshall Islands ~ 96960
Phone No. (692) 625-8835 ~ No. (692) 625-3607 ~ Email Address: finsec@rmimof.com

July 13, 2015

Junior Patrick
Auditor General
Majuro, RMI 96960



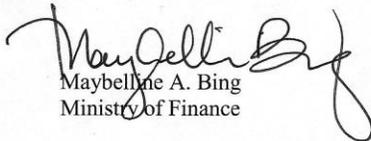
Dear Auditor General Patrick,

RE: Audit Response for Fiji Embassy Imprest Fund 2009-2013

The Ministry of Finance is pleased to submit its responses to the Fiji Embassy Imprest Fund Performance Audit for 2009-2013. Please let us know should you have any questions and concerns.

Thank you very much!

Sincerely,


Maybelline A. Bing
Ministry of Finance

Audit Response for Fiji Embassy Imprest Fund 2009-2013

Finding 2: The Ministry of Finance (MOF) agrees with the finding. The Ministry of Finance will continue to work with the Ministry of Foreign affairs to ensure compliance to Financial Management Act.

Finding 3: The Ministry of Finance agrees with the finding. MOF has already started implementation of not paying unallowable expenditures. The Ministry of Finance further recommends continuous collaboration with the Ministry of Foreign Affairs (Home office) to resolve and recoup what it can, the accumulated unallowable expenditures.

Finding 7: The Ministry of Finance agrees with the finding. It will continue to ensure, with Ministry of Foreign Affairs, settlement of outstanding balance. Additionally, MOF will continue to ensure quality assurance/ internal control to avoid overpayments.

Appendix III: Ministry of Foreign Affairs's Response to Recommendations



REPUBLIC OF THE MARSHALL ISLANDS
MINISTRY OF FOREIGN AFFAIRS
P. O. BOX 1349
MAJURO, MARSHALL ISLANDS 96960

July 29, 2015

Mr. Junior Patrick
Auditor General
Office of Auditor General
Republic of the Marshall Islands



Dear Auditor General Patrick:

This is to provide our responses to the draft audits of the Permanent Mission of Republic of the Marshall Islands to UN-New York; Washington DC Embassy; Fiji Embassy, and Honolulu Consulate Office. Each head of mission have provided responses to their respective audits. Below you will find responses to those finding and recommendations which require policy changes to overall management and implementation of Imprest Funds.

Findings related to Expenditures Exceeded Budget Authorizations

In addition to those recommendations provided by Office of the Auditor General (OAG) and pointed out by the Mission, we wish to reiterate the current procedures and processes in place to address this finding.

In recognition of this issue, among others, an Imprest Fund training was held in Majuro at the beginning of FY2015. Representatives from all Embassies/Mission/Consulate Offices, with exception of Arkansas Consulate Office, attended the training. In the training, the budget monitoring form was introduced and encourage by all to commence utilizing so as to ensure expenditures do not exceed budget authorizations. If consistently utilized this budget monitoring form would provide a more up to date balance than that of the 240 report. In addition, Minsitry of Foreign Affairs (MoFA) has been requiring the 240 the Budget monitoring form to be submitted in the monthly Imprest Fund Reconciliation Report. However, should MoFA miss any over expenditures, we have commenced utilizing the Imprest Fund Status Report form so that any expenditures exceeding budget authorization can be documented by Ministry of Finance (MOF) as disallowed. This Imprest Fund Status Report forms basis in which MoFA home office and Embassies/Mission work out any

disallowed cost relating to not only Budget issues but also revenue , expense and bank and bank reconciliation issues.

Findings related to RMI's two Signatory Policy for Imprest Fund Disbursements

While we agree with recommendation for Secretary of Foreign Affairs to enforce this existing policy, we would like to note that this policy implies that the Embassies and Missions are adequately staff to comply with this requirement. Experience has proven that this is not always the case. We would like to offer our recommendations to MOF to address this reality by including language in policy for added internal controls mechanism before check issuance should the situation prove two authorized signatories not feasible. We propose utilizing voucher forms that require two signatures, Secretary and Head of Mission, so that checks can be signed by only one authorized signatory. We are willing to work with MOF to further discuss possible solutions to address exceptions to this policy.

Findings related to Advances from Imprest Fund

We have noted the recommendations related to properly accounting for travel advances and other advances. However, we would like to propose that language in Imprest Fund policy also include guidance on proper procedures for MoFA to follow to ensure that advances are completely and properly captured in the Government's accounting system.

Findings related to Expenditures did not Match Reimbursement Documents

MoFA home office will incorporate into current process to note any variance of amount disbursed reflected in check register against the reimbursement request.

Fixed Assets Record of the Embassy is Not Updated and Maintained Periodically

We plan on implementing the recommendation to this finding by incorporating updating of Fixed Assets Records as part of our year end close out procedures. In addition, we recommend MOF to incorporate language into the Imprest Fund policy to include exit procedures for departing and incoming staff, of which inventory/verification of fixed asset is required.

Findings related to Other Matters

OAG noted MoFA non compliance to the Government's housing allowance of \$750 per month. However, we propose revising this policy to exempt overseas Embassies and Missions from this policy. The \$750 housing allowance may seem appropriate to rental

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rates in Marshall Island but it is not necessarily appropriate for those Embassies/Missions overseas. Further, to diminish financial constraints placed on overseas staff due to outdated entitlements, we are actively seeking for a study/review of the entitlement, of which housing allowance will be included.

We thank you for the time accorded us to provide our formal responses.

Sincerely,



Bruce Kijiner
Secretary of Foreign Affairs

Copy to:
Minister of Foreign Affairs
Chief Secretary
File

[Appendix IV: Auditor-General's Response to the Comments from the Embassy](#)

Finding No. 1: Embassy Does Not Implement RMI's Two-Signatory Policy for Imprest Fund Disbursements

We acknowledge the comments from the Embassy regarding short-staffed to implement this policy. In our report, we highlighted that the two-signature policy is an internal control that will ensure that at least two people agree that the withdrawal is legitimate and appropriate for valid official purposes; that without a fully effective system of internal control over check issuance, the risk increases for misuse of fund and unauthorized transactions. Therefore, we believe that it is the responsibility of the Embassy to actively pursue our recommendation.

Finding No. 2: Embassy Expenditures Exceeded Budget Authorization for FY 2010, 2011 & 2013

We acknowledge the Embassy's comment that the Embassy should not be treated as any other Ministries or departments. However, RMI policies and procedures apply to all funded organizations and no exemptions to these rules are allowed. It is the Embassy's sole responsibility to ensure that expenditures incurred are within their approved budget. The OAG's recommendation remains.

Finding No. 5: The Embassy Does Not Adhere to Fixed Assets Policies and Procedures

OAG is standing by its recommendation as it is an agency's responsibility to ensure that equipment and furniture obtained from the Imprest Fund are properly recorded and tagged to indicate government ownership. Recommendation from Embassy to send Ministry of Finance staff to tag assets purchased is not cost effective.

[Appendix V: Auditor-General's Response to the Comments from Ministry of Foreign Affairs \(MOFA\)](#)

MOFA generally agreed with most of the OAG's recommendations directed to the various Embassies, the Honolulu Consulate and the UN Mission about implementing better internal controls for managing the Imprest Fund and other operations. We commend MOFA for taking action earlier in 2015 to conduct staff training and for plans to implement other internal controls. These actions are consistent with our expectation that management establish a framework of accountability for operations. While MOFA explained that insufficient staffing and budget appropriations have led to the concerns that we discussed among the various reports, we note that high performing organizations find alternative ways to work within their available resources or other constraints. Critical success factors include facilitating a good tone of accountability, providing the tools and training to accomplish better accountability, and conducting continuous monitoring and evaluation to ensure staff adhere to policies and procedures.

MOFA provided additional suggestions to improve accountability including, but not limited to, providing two signatures for voucher forms rather than checks and exit procedures for department staff. However, we continue to urge implementation of our recommendations because MOFA's proposals do not provide all of the assurance necessary that risks of fraud, waste and abuse are mitigated.

MOFA suggests an update to Imprest Fund Guidelines to include direction on the proper procedures to follow in managing the Imprest Fund. MOF shares responsibility for conducting oversight of financial management activities of RMI funded entities and we note in each report that MOF has already drafted inventory procedures for guidance. In addition, MOF expressed their desire to work with MOFA to provide continued training that could address how to implement the Imprest Fund Guidelines.

Finally, MOFA suggested that the FIJI Embassy overspent on their housing allowance because entitlement policies were outdated. However, no evidence was presented that the housing allowance is inadequate across all high cost of living geographic areas that would provide a strong business case for change.

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Appendix VI: OAG Follow-Up System

#	FINDING	ACTION TO BE TAKEN
1	Embassy does not implement RMI's two-signatory policy for Imprest Fund Disbursements	MOFA Secretary: Provide written assurance that Embassy follows the Imprest Fund guideline regarding two-signature requirement on bank accounts and direct Embassy: To provide a copy of the new bank signature card.
2	Embassy expenditures exceeded budget authorization for FY 2010, 2011, & 2013	Embassy: No further action required as monitoring tool is already put in place. MOF Secretary: Provide copies of additional measures to ensure all spending are in accordance with budget requirement and ceilings.
3	Some expenditures did not match reimbursement documents or did not have supporting documentation	Secretary of Foreign Affairs: Provide checklist of do's and don'ts for Imprest Fund management. MOF: Provide written assurance that recommendation will be implemented.
4	Embassy did not effectively implement key oversight controls of the Imprest Fund	Embassy: Provide written assurance that Imprest Fund policy will be enforced.
5	The Embassy does not adhere to fixed assets policies and procedures	Secretary of Foreign Affairs: Provide a copy of internal control procedures regarding recording and tagging of Government-bought fixed assets.
6	Funds were inappropriately advanced from the Imprest Fund	Secretary of Finance: Provide written assurance that recommendation will be implemented. Embassy: Provide written and supporting documentation that traveler has reimbursed the Imprest Fund.
7	Over-payment of \$100,000 was wired to the Embassy's Imprest Fund Account	Secretary of Finance and Embassy: Provide reimbursement plan to ensure that the remaining balance is paid off.

Prevent Fraud, Waste and Abuse in the collection and expenditure of all public funds

HOTLINE

Telephone Line (692) 625-1155

[The Hotline is a telephone line available Monday through Sunday and you can call us anytime of the day. Calls to this number are anonymous and non-traceable]

You may also contact us by writing to:

Facsimile (Fax) (692) 625-1156

[Messages to our fax machine are also anonymous and non-traceable]

OR

Office of the Auditor-General

P.O. Box 245

Majuro, MH 96960

[If you do not want to reveal your identity, do not disclose a return address]

OR

Fill out the Complaint Form from our website www.rmioag.com