



REPUBLIC OF THE MARSHALL ISLANDS  
OFFICE OF THE AUDITOR-GENERAL

Inspection of Imprest Fund Management in RMI  
Consulate General Office in Arkansas, USA  
From Inception (July 2009) to July 31, 2011



REPORT NO: 13/10-1663

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

July 31, 2016  
Date



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](mailto:patrjun@gmail.com) Web: [www.rmioag.com](http://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  
Republic of the Marshall Islands

**Subject: Inspection of Imprest Fund Management in RMI Consulate General Office in  
Arkansas, USA**

Dear Minister:

The Office of the Auditor-General (OAG) performed an inspection review of the Imprest Fund managed by the RMI Consulate General Office (Consulate Office) in Arkansas, USA. The objectives of our review were to determine: (1) whether the internal controls are adequate to safeguard the assets of the Republic and that expenditures are properly authorized and in accordance with relevant policies, rules and regulations and (2) whether the Imprest Fund is properly maintained. The review of the Consulate Office's Imprest Fund operations covered the periods from Inception (July 2009) to July 31, 2011.

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 the Consulate Office are responsible for implementing and complying with these Imprest Fund policies.

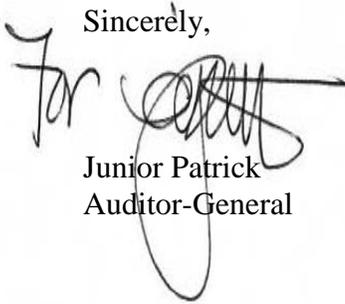
The results of our inspection show the Consulate Office was ineffective in its management of the Imprest Fund. Specifically, we noted poor execution of Imprest fund policies and procedures and the absence of key oversight and monitoring activities regarding expenditure reimbursements, which in turn increases the likelihood of continued mishandling of assets and RMI funds unless action is taken to fully comply with Imprest Fund policies. For each exception noted throughout this report, we provided recommendations to enhance transparency and accountability of the Consulate Office Imprest Fund.

Pursuant to the Auditor-General Act of 1986, we provided the Consul General, Secretary of Finance and Secretary of Foreign Affairs with a copy of our draft report requesting their responses in writing. We also discussed our report with the Secretary of Foreign Affairs and Finance and their staff during our exit meeting on June 30, 2016. We appreciate the response from the Consul General and the Secretary of Finance, which we have included as Appendix I, and II, respectively. We did not received a written response from the Secretary of Foreign Affairs.

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 IV to be implemented.

We wish to express our sincere appreciation to the Consul General, Secretary of Foreign Affairs, 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", with a large, stylized flourish extending from the end of the signature.

Junior Patrick  
Auditor-General

July 31, 2016

CC: President  
Minister of Finance  
Secretary of Finance  
Secretary of Foreign Affairs  
Consul General, RMI Consulate General in Springdale, Arkansas  
Ambassador, RMI Embassy in Washington D.C  
Attorney-General  
OAG File

## Table of Contents

<b>BACKGROUND .....</b>	<b>1</b>
<b>OBJECTIVES, SCOPE &amp; METHODOLOGY .....</b>	<b>2</b>
<b>PRIOR REVIEW COVERAGE .....</b>	<b>3</b>
<b>CONCLUSION .....</b>	<b>3</b>
<b>PRINCIPLE FINDINGS .....</b>	<b>4</b>
Finding No. 1 - Consulate Does Not Implement RMI’s Two Signatory Policy for Imprest Fund Disbursements.....	4
Finding No. 2 - Consulate Expenditures Exceeded Budget Authorizations for FY 2010 & 2011.....	4
Finding No. 3 - Disallowed Expenditures .....	6
Finding No. 4 - Checks Issued and Encashed at Family Company.....	7
Finding No. 5 - Fixed Assets Register is Not Updated & Maintained Periodically .....	8
Finding No. 6 - Imprest Fund Paid For Hotel Accommodation & Excess Baggage.....	9
Finding No. 7 - Check Registers Are Not Maintained Properly .....	10
Finding No. 8 - Monthly Reconciliation are not performed.....	10
Finding No. 9 - Misclassification of Consulate Expenditures .....	11
Finding No. 10 - Representation Expenses are not justified and documented properly .....	13
Finding No. 11 - Bank Overdraft .....	14
Finding No. 12 - Missing Authorizations for Budget Transfers .....	15
Finding No. 13 - Salary Advanced .....	16
Finding No. 14 - Travel Expenses are not properly authorized & supported .....	16
<b>EXHIBITS.....</b>	<b>18</b>
Exhibit 1: Budget Authorization and Expenditures for Fiscal Year 2009 .....	18
Exhibit 2: Budget Authorization and Expenditures for Fiscal Year 2010 .....	19
Exhibit 3: Budget Authorization and Expenditures for Fiscal Year 2011 .....	20
Exhibit 4: Schedule of Payments to T & I Family Pool Hall for encashment .....	21
Exhibit 5: Schedule of Representation Expenses .....	22
<b>APPENDICES.....</b>	<b>23</b>
Appendix I: Consulate General Responses to Recommendations.....	23
Appendix II: Ministry of Finance Response to Recommendations .....	26
Appendix III: Auditors’ Response to the Comments from the Consulate General Office.....	28
Appendix IV: OAG follow up System.....	30

## BACKGROUND

The Republic of the Marshall Islands (RMI) Consulate General Office (Consulate Office) in Arkansas, USA, was established pursuant to Cabinet Minute 058(2008) dated March 27, 2008. The Consulate Office assists the RMI Embassy in Washington D.C., United States of America, by providing consular assistance to RMI citizens. Its functions, duties and responsibilities include protecting and safeguarding the welfare and interests of the Marshallese community in Arkansas and the U.S. Midwestern region.

The Consulate Office operates through an Imprest Fund. Imprest Fund are cash fund set aside for the operational expenses of the Consulate Office. 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. The Consul General is responsible to ensure disbursements from the fund are intended for official purposes and within the budget. The maintenance of complete and accurate supporting documentation is required in an Imprest Fund environment.

Consulate Office management has responsibility to comply with all relevant RMI laws, policies and procedures, including those procedures adopted by the Secretary of Finance for Imprest Fund operation.

**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 Consulate Office.**

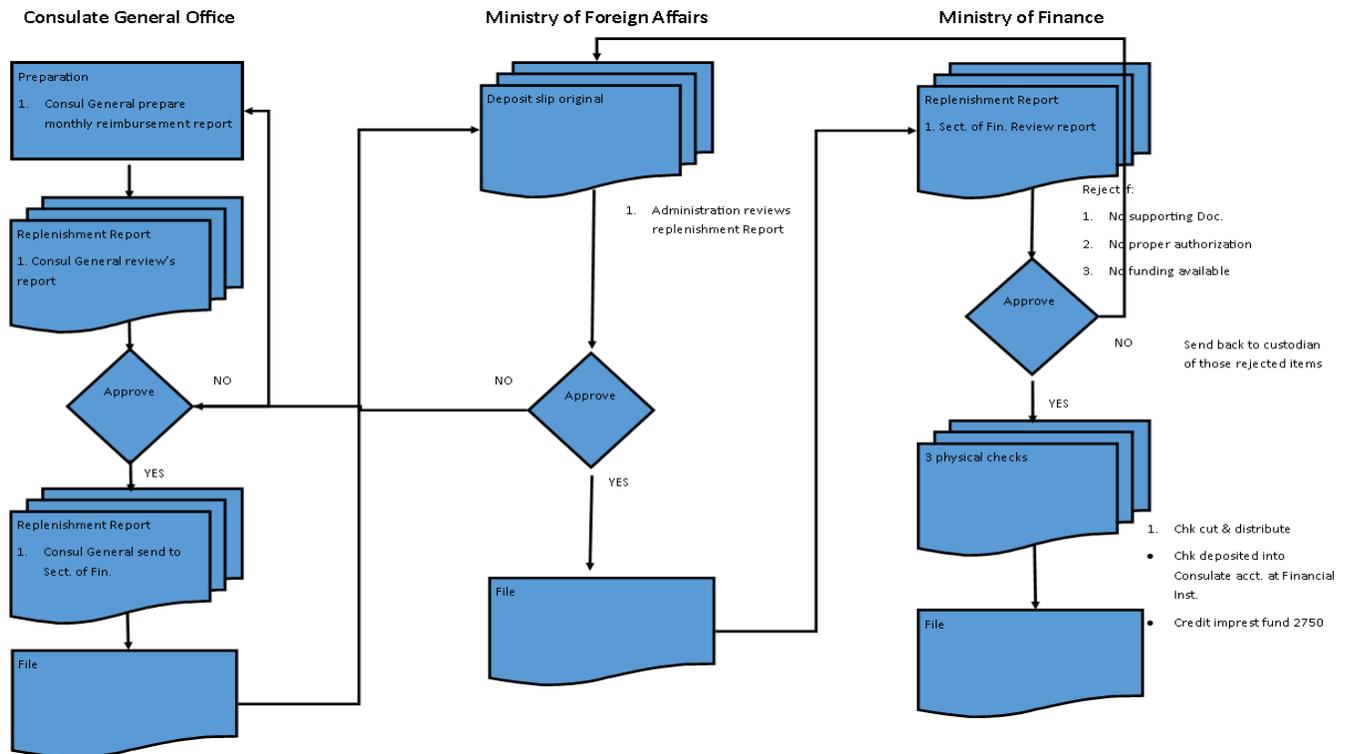
Unless well controlled, Imprest Funds provide opportunities for misuse, loss, and theft of money.

Accounting and physical controls to minimize these opportunities are specified in the Imprest Fund procedures and guidelines referred to in the preceding paragraph.

As illustrated in Figure 1.0 below, Imprest Fund management requires Consulate Office to prepare and submit itemized reimbursement reports on a monthly basis to MOFA 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, bank 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.

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011

**Figure 1.0: Imprest Fund Replenishment Process**



For its operational needs, each year the Consulate Office and the MOFA prepares a budget for the Consulate Office’s recurrent operational expenses. Table 1 indicates the annual budget allocations to the Consulate Office during the periods from FY2009 through FY 2011.

**Table 1: Operational Budget**

Period	Approved Budget	Amended Budget
FY 2009	\$ 153,150	\$ 72,442
FY 2010	151,478	121,323
FY 2011	143,147	127,145

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

OBJECTIVES, SCOPE & METHODOLOGY

The objectives of the review are to determine (1) whether the internal controls are adequate to safeguard the assets of the Republic and that expenditures are properly authorized and in accordance with relevant policies, rules and regulations and (2) whether the Imprest Fund is properly maintained. The review

covered periods from Inception (July 2009) to July 31, 2011. 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 other statutory authority, provision is made by Act for audit by any other person”.*

Our review was conducted in accordance with the *Quality Standards for Inspection and Evaluation*, issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

The fieldwork was conducted at the Consulate Office, the MOF and the MOFA. We reviewed and examined accounting records, financial reports and documentations related to the financial transactions of the Consulate Office. We examined all checks issued during the periods under review and agreed them to invoices and receipts to determine whether expenditures were properly authorized and in accordance with existing policies. Additionally, we reviewed the Consulate Office transactions through MOF accounting system to verify the accuracy and completeness of accounting entries and account postings. The review included other test procedures that were considered necessary under the circumstances. We believe that the work performed provides a reasonable basis for our conclusion.

## PRIOR REVIEW COVERAGE

This is the first review undertaken by the Office of the Auditor-General on the Consulate Office’s Imprest Fund operation.

## CONCLUSION:

Based on our review and examination, we found that the Consulate Office did not comply with RMI laws and policies in many instances. It appeared that RMI laws and policies were overridden for convenience and flexibility of operation. Furthermore, we found that the Imprest Fund procedures and guidelines that were instituted to improve internal controls and administration of the RMI Overseas Missions have not been fully implemented and followed by the Consulate Office. In general, there is a lack of oversight over the day-to-day operations of the Consulate Office and enforcement of approved RMI policies and procedures.

Our findings, based on our review, along with our recommendations are discussed in the following section of this report.

## PRINCIPLE FINDINGS

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

For internal control purposes at least two signatures for every withdrawal and disbursement from bank accounts must be required. 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 that the Consulate Office does not utilize two signatories for withdrawal of funds from the Imprest Fund checking account. The Consul General is the only authorized signature to the bank account. While the Consul General serves as the most senior official at the Consulate Office, 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, all checks issued from inception to July 31, 2011 were authorized by the Consul General. 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 Consulate Office's Imprest Fund checking account by setting performance expectations for Consulate Office staff.

### Finding No. 2 - Consulate Expenditures Exceeded Budget Authorizations for FY 2010 & 2011

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. Our analysis of budget versus expenditures shows the Consulate Office did not comply with RMI laws for two of the three years under review, as shown in Table 2 below.

Specifically, Consulate Office expenditures exceeded budgeted appropriations for the years 2010 and 2011. In addition, our review found certain expenditures that were incurred and paid for which no budget was allocated. **Exhibits 1 through 3** of this report provide a detailed analysis of our review of budget versus actual expenses during the periods under review. Without effective financial management at the Consulate Office, budget deficits impact MOF’s ability to effectively manage RMI’s available revenues. The Consulate Office was successful in managing its budget for its Imprest Fund for fiscal year 2009. Lack of adherence to the budget requirements and lack of review and verification of accounting transactions by Consulate Office to ensure there is adequate funding resulted in expenditures exceeding the approved amounts and possible unauthorized expenditures.

**Table 2: Annual Budget and Expenditure Analysis**

Fiscal Year	Amended Budget	Expenditures	Budget Remaining
2009	\$ 72,442	\$ 71,960	* \$ 52
2010	121,323	129,153	( 7,830)
2011	127,145	143,870	(16,725)

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

\*Difference in budget remaining totals is due to year to date encumbrance balances. Refer to Exhibit 1.

**Recommendation:**

The Consulate Office 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 MOF for reconciliation to Consulate Office financial records. Any discrepancies identified by Consulate Office should be investigated and reported to the MOF for corrective action 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 Consulate Office funds as a condition to approving any reimbursement.

**Finding No. 3 -  
 Disallowed Expenditures**

Imprest Fund policies 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 Secretary of Foreign Affairs for processing prior to the issuance of checks.

We analyzed amounts per the reimbursement vouchers and amounts paid to the Imprest Fund account during the periods under review and noted that amounts reported for reimbursement agreed to amounts paid by MOF, except for FY2011. We noted a variance of \$749, which relates to expenditures incurred in November 2010 that were disallowed by MOF because invoices and receipts provided were computer generated and not originals from the suppliers/vendors.

**Table 3: Disbursement Analysis**

Year	Amount Claimed	Amount Reimbursed	Under/Over (-/+) Reported
2009	\$ 23,921	\$ 23,921	0
2010	82,247	82,247	0
2011	73,660	72,911	( 749)

Source: OAG Analysis

**Recommendation:**

5. The Consulate Office should ensure that future reimbursement claims are accompanied by proper and verifiable vendor invoices and receipts.
6. Secretary of Foreign Affairs should investigate the nature of the disallowed claims of \$749 and determine the appropriate course of actions to ensure amounts expended from the Imprest Fund are put back to the Imprest Fund Account.

7. The Secretary of Foreign Affairs should consider developing additional measures to supplement the documentation requirements provided in the Imprest Fund guidelines for distribution to Consulate Office.

**Finding No. 4 - Checks Issued and Encashed at Family Company**

Payments should be issued by checks directly to the individuals or vendors providing the goods or services for proper recordation and accountability. Based on our review, we noted a total disbursement from the Imprest Fund account during FY2009 (from July 2009) through FY2011 (as of July 31, 2011) in the amount of \$9,407 to T & I Family Pool Hall, a company owned by family of one of the officials at the Consulate Office. Of the \$9,407, \$4,650 represent total amount of checks written to the company to be cashed rather than directly to employees or vendors providing the goods and services. These payments were related to fuel, cell cards, money orders, airline tickets, car rental and salaries and wages. In addition, the company was charging the Consulate Office a fee of \$5 for each check. Details of these payments are presented in Exhibit No. 4.

Management indicated that the checks were written and cashed at the company because Consulate Office checks are not always accepted because its custodial bank (Bank of Guam) is considered an International Bank. We understand that another RMI Embassy maintains banking activities with the same banking institution and we are not aware of any reported incidences on the notion that the bank is an International Bank.

This practice of writing check to a family company appears to circumvent the Imprest Fund guidelines and could cause unauthorized transactions to occur which may not be detected and corrected in a timely manner. It appears also that the appropriateness of these transactions was not being questioned by MOFA or MOF which indicates a lack of enforcement of adopted Imprest Fund procedures which main purpose is to minimize those opportunities.

**Recommendation:**

8. The Consulate Office should:
  - Cease the practice of issuing payments to the company to be cashed to avoid unauthorized associated fees to be incurred and ensure that payments are made directly to individuals or vendors providing the goods or services.

- Consider establishing a petty cash within the Imprest Fund account to pay for small purchases less than \$50 in value.
9. MOF and MOFA should thoroughly review all claims submitted for reimbursement to ensure that only legitimate and official-related expenses are reimbursed.

**Finding No. 5 - Fixed Assets Register is Not Updated & Maintained Periodically**

All overseas missions shall annually furnish to the MOFA a list of fixed assets valued over \$300 that belong to RMI under the custody of the missions, whether donated or purchased with funds appropriated to the missions. 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 that a fixed assets register be maintained at the missions at all times. The fixed assets register requires updating every two years indicating the assets acquired and disposed off every two years.

The Consulate Office was generally not in compliance with key fixed assets requirements. The fixed assets register provided for our review was not updated until just before our arrival to conduct the fieldworks. We also noted several items (laptops, projector, filing cabinets and digital camera) listed on the fixed assets register totaling \$2,837.50 were charged to Other Supplies/Materials (sub-account no. 2450) rather than to the appropriate fixed assets accounts category (sub-account no. 3132 & 3133). It appears that the reason for this is that no budgets were approved for fixed assets accounts 3132 & 3133 in FY2010, accordingly the amount incurred for the above assets were not authorized.

We commend the Consulate Office for taking initiative to place tags on all the assets purchased during the periods under review to indicate that the assets are owned by the government.

**Recommendation:**

10. The Consulate Office should:
- Update the fixed assets register indicating clearly all fixed assets that were acquired and disposed off every 2-year period.
  - Ensure that fixed assets purchases are approved in the budget. Unbudgeted items should be processed in accordance with procedures prescribed by law.
11. The MOF should ensure only authorized expenditures are reimbursed.

**Finding No. 6 - Imprest  
Fund Paid For Hotel  
Accommodation &  
Excess Baggage**

Per the RMI Travel Policy, Section C.1, per diem will be paid at the established government rates approved by Cabinet for each destination. As an exception, ambassadorial rate of \$25 per day above the established government rate are granted to members of the Cabinet and of the Nitijela as their entitlement, and maybe granted to the agency secretaries as specifically authorized by the respective minister. The per diem should cover the hotels and food cost or board and lodging costs of the traveler. Other airport charges that may be paid by the traveler form part of their per diem and are not reimbursable such as costs for excess baggage charges, cost of cart rental and tips to baggage boys.

During the periods under review, the followings were noted:

- Check no.123 dated September 30, 2009 for \$645 was issued to a hotel for accommodation for a former MOFA official, although the traveler was provided with a travel advance sufficient to fund the approved travel. This amount was included in the September 2009 reimbursement report submitted by the Consulate Office to the MOF for reimbursement. Therefore, it appears that the RMI Government ended up reimbursing the Imprest Fund for cost incurred by the traveler when it should have been paid out of the traveler's per diem.
- A total of \$70 (per ck. #101 for \$35 and ck. #102 for \$35) issued in FY2009 relating to fees for excess bags by an official of the Consulate Office which is against approved RMI Travel Policy.

Inquiry with Consulate Office staff disclosed that the payment to the hotel was to be reimbursed back to the Imprest Fund by the Official. However, review of cash receipts at MOF up to January 2016 disclosed no record of payment from the official.

**Recommendations:**

12. The Consulate Office should follow the existing Imprest Fund policies and prohibit the use of the Imprest Fund for unrelated expenditures.
13. MOFA and Consulate Office should investigate the matter to ensure amount owed by the traveler is paid back to the government.

14. MOF should carefully review all claims submitted for reimbursement for appropriateness of expenses prior to process of the reimbursement checks to ensure unsupported or non-related expenditures are not reimbursed.

**Finding No. 7 - Check Registers Are Not Maintained Properly**

Proper Accounting Practices dictate that complete and accurate records be kept and maintained for all public funds. The Check register should list all the checks issued, including voided checks and should have a running balance of deposits and payments to guide the Consulate Office when making payments.

During the review, we were provided with three (3) different sets of check registers maintained by the Consulate Office. The first two check registers contained checks issued in August 2009 to December 2010 and they included daily running balances, however, we noted many out-of-sequence numberings which implies that many checks were missing or not accounted for. This indicates that the Consulate Office is not recording payments in the check register promptly after a check has been written.

We noted that MOFA conducted its own review of the Imprest Fund activities during FY2011 as a result of the unaccounted disbursements and the MOF also discovered many unrecorded disbursements in its monthly reconciliations of the Consulate Office bank account.

Without proper accounting and recording, it increases the likelihood that accounting errors caused by fraud or error may not be detected and corrected in a timely manner. In addition, the Consulate Office does not know how much funds are available in its bank account, which is evidenced by the NSF charges related to checks returned due to insufficient fund discussed in Finding No. 11.

**Recommendation:**

15. The Consulate Office should record all payments in the check register to ensure all disbursements are accounted for properly.

**Finding No. 8 - Monthly Reconciliation are not performed**

Proper internal controls require bank accounts to be reconciled on a monthly basis to prevent fraud and errors. Periodic reconciliation provides the necessary control mechanism to help protect the valuable resources through uncovering irregularities such as unauthorized bank withdrawals.

In addition, the Imprest Fund policies and procedures state that reconciliation of the Imprest Fund should be performed periodically. Our review of the Consulate Office records disclosed the followings:

- The Consulate Office did not reconcile the Imprest Fund corresponding bank account during the entire periods under review (FY2009, 2010 and 2011, as of July 31, 2011). Reconciliation of the bank account was performed by the MOF which disclosed certain reconciling items relating to cumulative unrecorded disbursements, expenditures and bank charges in the amount of \$3,778.36 as of March 31, 2011.
- The Consulate Office did not reconcile the Imprest Fund during the entire fiscal years 2009 to 2011. Reconciliation of the Imprest Fund was performed by the MOF. This matter was also reported in the RMI Single Audit Management Letter for FY2009, 2010 and 2011.

As a result, the accountability over the Consulate Office's financial resources is greatly diminished and increases the risk that potential errors and irregularities may occur and not be detected and corrected in a timely manner.

Management indicated that the staff lacked the knowledge in reconciling a bank account, however we have noted at the time of fieldwork that one of the staff went to the Embassy in Washington D.C for training. In addition, a workshop and training on the Imprest Fund guidelines, sponsored by MOFA & MOF was conducted for foreign missions staffs, but no staff from the Arkansas Consulate Office participated, thereby missing the opportunity to enhance their skills.

**Recommendation:**

16. The Consulate Office should reconcile the Imprest Fund bank account and the Imprest Fund account on a monthly basis to ensure all transactions are properly accounted for.
17. The MOFA should ensure Consulate Office Staff responsible for reconciliation of the Imprest Fund account is properly trained.

**Finding No. 9 -  
Misclassification of  
Consulate Expenditures.**

Expenditures should be recorded to the correct expense account and object class and transaction code to ensure that only authorized and relevant transactions are expensed. This practice also ensures that the Consulate keeps a proper record and accurately reports operational activities, and helps with future planning and budgeting purposes. During our review we noted the

following payments that were incorrectly charged and recorded by both the Consulate Office and the MOF as follows:

- The Consulate Office leased a vehicle for \$1,199 a month. The costs of the rental amounted to \$10,017.71 and \$14,719.85 respectively, in 2010 and 2011, which were incorrectly charged and recorded by both the Consulate and the MOF to Vehicle (sub-account no. 3133) rather than to Rental (sub-account no. 2205). Furthermore, of the \$14,719.85 in FY2011, \$3,791.22 was incorrectly recorded to Contract Supervision (sub-account no. 3217) by MOF. This has resulted in the account being negative as line item was not approved in the FY2011 budget.
- Payment in the amount of \$2,353.85 reported in August 2010 for salaries and wages for local hired staffs was incorrectly recorded by MOF to Audit Expense (sub-account no. 1515) rather than to Contractual Services (sub-account no. 1520). This transaction also resulted in a negative balance as line item was not budgeted.

In discussing the above matters with officials of the MOFA and MOF, they indicated that misclassification of these expenditures was overlooked during the review process and recording into the system. Lack of independent review prior to recordation of transactions and lack of scrutiny of payment request and supporting document for proper identification of nature of expenditures resulted in incorrect posting and inaccurate financial reporting.

**Recommendation:**

We recommend that:

18. The Consulate Office should ensure payments are properly classified prior to submitting the expenditure reports to the MOF for reimbursement.
19. The MOF should scrutinize each payment request along with the supporting documentation to properly identify the nature of the expenditure before inputting into the system. It is also recommended that an independent review of transactions inputted into the accounting system be performed to avoid incorrect posting.

**Finding No. 10 -  
Representation Expenses are  
not justified and documented  
properly**

It is the policy of the RMI that funds appropriated by the Nitijela for official representation be administered in accordance with RMI Policies regarding representation expenses, which stipulates that records of expenditures for entertainment or representation must contain receipts of actual expenditures and brief written report giving names, titles, and affiliations of persons entertained. During the periods under review, the Consulate Office incurred expenditures relating to representation expenses in the amount of \$4,544.97. Of this amount \$2,832.08 were not provided with written reports to justify the purpose and nature of the expenditures, accordingly we were unable to determine the propriety of these expenditures. Details of these expenditures are reported in Exhibit No. 5.

In addition we also noted check No. 278 dated March 24, 2010 for \$35 issued to Sam's Club for annual membership fee for an employee of the Consulate Office. Further review disclosed that the Consulate Office consulted with the Home Office (MOFA) for approval of the Consulate Office for membership to Sam's Club with the intention of using it to purchase office supplies and other items needed for the Consulate Office, however MOFA did not approve so the membership name was changed to one of Consulate staff.

It appears that the appropriateness of the transactions was not being questioned by either the MOFA and MOF and that lack of monitoring and scrutiny of the replenishment reports has resulted in government funds expended in a manner that is inconsistent with RMI policy regarding representation expenses.

**Recommendation:**

We recommend that:

20. The Consulate Office should comply with the established policies and guidelines relating to representation expenses.
21. MOF and MOFA should:
  - Take immediate steps to closely monitor all transactions that are charged to representation and provide adequate oversight to ensure they are in line with established policies and guidelines.

- Carefully review reimbursements reports for appropriateness of all representation expenses prior to process of reimbursement check to ensure that all unsupported, questionable and non-Consulate related expenditures are not reimbursed.
- Develop supplementary guidelines or template forms for the Consulate Office to use to document history of payment charged as representation. At the minimum the form should include name, title or affiliation of person entertained and brief description of nature of the event.

**Finding No.11 -  
Bank Overdraft**

The Imprest Fund custodian is required to maintain a level of cash availability at all times. Specifically, the Imprest Fund guidelines stipulates that cash equivalent of 10% of the original amount is recommended to be maintained at all times to secure payment of vital services as well as other unexpected billings that may arise during the course of the operation. Our review shows that during FY 2010 and 2011, the Consulate Office issued many checks to various payees even though the bank account did not have sufficient fund to cover these payments. The custodial bank returned the checks unpaid and charged the Consulate Office insufficient fund fees in the aggregate amount of \$1,647 as of March 31, 2011. This is not a sound management practice as it was determined to have occurred throughout the years under review.

The cause of the above condition is lack of proper management and administration of the Imprest Fund which could tarnish the image of the Consulate Office and the RMI Government.

**Recommendation:**

We recommend that:

22. The Consulate Office should ensure there is fund available in the account before issuing checks, and to maintain 10% in the Imprest Fund account as suggested in the Imprest Fund guidelines.
23. The Secretary of Foreign Affairs and Finance should institute additional measures to ensure recommended Imprest Fund guidelines to maintain a 10% balance is followed. In addition, MOFA & MOF should consider requiring any person who knowingly issue checks from the Imprest Fund account when there is no funds to cover checks issued, to pay for the unnecessary bank charges.

**Finding No. 12 - Missing  
Authorizations for  
Budget Transfers**

RMI Policy allows for reprogramming of funds or shifting to use for different purposes other than those contemplated at the time of appropriation. The basis or rationale for allowing reprogramming action is to provide government department the flexibility to deal with contingencies that were not anticipated during the regular budget development process. This flexibility must be dealt with prudently and in accordance with procedures prescribed by law. Specifically, RMI policy requires reprogramming action to go through certain authorization; first it must be initiated by the Secretary of the Ministry requesting the reprogramming action and the Budget Office within the MOF to execute the requested changes in the master budget.

Our review of the budget reports of the Arkansas Consulate Office disclosed that a number of budget adjustments were made throughout the periods under review. For FY2009, it was noted that copies of the approved authorizations for budget transfers were not available for review. We were informed that the file for FY2009 approved authorizations was missing and could not be provided for review.

In the absence of the necessary documentary evidence, we were unable to determine whether all transfers made in FY2009 were properly executed pursuant to the procedures prescribed by law.

**Recommendation:**

We recommend that:

24. The MOFA and MOF should ensure all documentation relevant to budget transfers are maintained and kept on file for review and evaluation purposes.
25. The MOFA prepares budget for the Consulate Office that incorporates all recurrent operational needs. Previous budget and actual expenditures reports should give an indication of funding level required for the operational needs of the Consulate Office.

**Finding No. 13 -  
Salary Advanced**

The Imprest Fund guidelines and procedures for the overseas Missions state that no official may borrow any money from the Imprest Fund and that cash advance or loan from Consulate funds against an employee’s salary is prohibited. The Consulate Office did not comply with this requirement. Our review disclosed two payments for salary advances in the amount of \$50 (ck. #188 - \$25.00 dated 12/4/09 and ck. #189 - \$25.00 dated 12/7/09) to one of the Consulate employees in December 2009.

**Recommendation:**

26. The Consulate Office and MOFA should enforce the existing Imprest Fund policies and guidelines that prohibit salary advances from the Imprest Fund account.

**Finding No. 14– Travel Expenses are not properly authorized & supported**

RMI Government Travel Policies require all official travels to be supported and approved through Travel Authorization (TA) forms. The travelers are required to file a trip report after completion of the trip. Per our examination of the Consulate Office expenditures between FY2009 through FY2011 (as of July 31, 2011), we found six (6) payments related to employee travels that were not properly authorized or adequately supported as required by RMI Travel Policy as indicated below.

Date	Check No	Employee	Amount
11/19/2009	169	#1	\$1,174.70
11/19/2009	170	#1	388.40
7/28/2010	430	#2	577.80
7/30/2010	433	#2	523.97
7/30/2010	435	#2	596.03
<b>Totals</b>			<b>\$3,257.90</b>

- Check no. 169 and 170 relate to reimbursement for roundtrip tickets for employee #1 between Arkansas and Majuro and Arkansas and Honolulu, which we could not find copies of approved travel authorizations, airline tickets, boarding passes or receipt for departure fee on file.
- Check no. 430 relates to payment for roundtrip ticket for employee #2 between Arkansas and Washington D.C. No approved travel authorization was noted on file.

- Check no. 433 & 435 relates to payments for per diems to employee #2. We are unable to determine whether per diems paid are consistent with RMI established rates due to no travel authorizations on file.

Further review indicated that reimbursement claims for the above were subsequently approved by both MOFA and MOF.

Per our enquiries with management, it was indicated that they were not aware that Travel Authorizations are required to be approved for all government travels. It appears that there is also a lack of oversight by MOFA to ensure relevant policies and procedures are being adhered to by Consulate Offices at all times. There is also lack of scrutiny by MOF to ensure expenditures reported for reimbursement are properly authorized and adequately supported prior to processing of reimbursement claims.

**Recommendation:**

We recommend that:

27. The Consulate Office should comply with the RMI travel policies and ensure staff travels within or outside United States are approved by an authorized Travel Authorization Form. The Consulate Office should also ensure all required supporting documentation such as airline tickets, boarding passes, and other related travel documents are maintained on files for examination.
28. MOF should carefully review all expenditures reported for reimbursement to ensure adequate supporting documentation is provided prior to issuance of a check to reimburse the Imprest Fund.
29. The MOFA should ensure the Consulate Office is complying with approved RMI Government Travel Policy at all times.

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011

## EXHIBITS

### Exhibit 1: Budget Authorization and Expenditures for Fiscal Year 2009

Account Name	Account Number	Adjusted Budget	Expended	Encumbered	Balance Remaining
Salaries & Wages Expat	1010	1,200	-	-	1,200.00
Salaries & Wages Marsh	1011	18,700	20,042.28	-	(1,342.28)
Personnel Benefits – Marsh	1115	1,025	1,082.71	-	(57.71)
Employee Insurance Expense	1116	500	-	-	500.00
Audit Expense	1515	(1)	-	-	(1.00)
Contractual Services	1520	-	-	-	-
Travel	2020	3,000	2,133.40	429.00	437.60
international Travel	2021	7,700	7,681.00		19.00
Cost of Living Allowance	2110	10,500	9,375.00		1,125.00
Leased & Rental Housing	2115	30.49	-		30.49
Rentals	2205	1,000	7,118.00		(6,118.00)
Utilities	2215	2,000	-		2,000.00
Communication	2305	1,907	2,170.51		(263.51)
Printing & Reproduction	2320	91.52	17.36		74.16
Repairs	2325	-	101.32		(101.32)
Freight	2401	-	-		-
Office/Computer Supplies	2405	691	591.49		99.51
POL (Fuel)	2410	1,000	910.57		89.43
Other Supplies/Materials	2450	5,320.72	663.05		4,657.67
Representation	2605	1,000	1,725.75		(725.75)
Other Charges & Expenses	2750	-	7,138.47		(7,138.47)
Office Equipment & Computer	3132	16,777	4,084.98		12,692.02
Furniture & Fixtures	3133	-	7,124.20		(7,124.20)
Vehicle	3135	-	-		-
<b>TOTAL</b>		<b>\$72,441.73</b>	<b>\$71,960.09</b>	<b>429.00</b>	<b>\$52.64*</b>

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

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

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011

Exhibit 2: [Budget Authorization and Expenditures for Fiscal Year 2010](#)

Account Name	Acct No.	Adjusted Budget	Expended	Balance Remaining
Salaries Marsh	1011	27,000	27,103.81	\$ (103.81)
Personnel Benefits - Marsh	1115	2,835	2,110.39	724.10
Employee Insurance Expense	1116	500	-	500.00
Audit Expense	1515	9	2,353.85	(2,344.85)
Contractual Services	1520	11,142.11	13,203.89	(2,061.78)
Travel	2020	5,486.51	6,274.24	(787.73)
International Travel	2021	2,297.55	3,297.55	(1,000.00)
Cost of Living Allowances	2110	12,500	12,500.00	-
Leased & Rental Housing	2115	20,000.00	19,200.00	800.00
Rentals	2205	1,186.49	1,163.06	23.43
Utilities	2215	1,000	-	1,000.00
Communication	2305	5,000	6,000.42	(1,000.42)
Printing & Reproduction	2320	1,000	355.54	644.46
Repairs	2325	-	-	-
Freight	2401	1,000	606.51	393.49
Office/Computer Supplies	2405	4,000	2,921.51	1,078.49
POL (Fuel)	2410	4,866	3,511.39	1,354.61
Other Supplies/Materials	2450	7,000	9,760.33	(2,760.33)
Representation	2605	5,000	5,748.43	(748.43)
Other Charges & Expense	2750	-	374.00	(374.00)
Office Equipment & Comp.	3132	-	-	-
Furniture & Fixtures	3133	-	-	-
Vehicle	3135	9,500	12,667.64	(3,167.64)
<b>TOTAL</b>		<b>\$121,322.66</b>	<b>\$129,153.07</b>	<b>\$ (7,830.41)</b>

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

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011

Exhibit 3: [Budget Authorization and Expenditures for Fiscal Year 2011](#)

Name	Acct No.	Adjusted Budget	Expended	Encumbered	Balance Remaining
Salaries Marsh	1011	27,000	27,103.81	-	\$ (103.81)
Personnel Benefits - Marsh	1115	2,835	2,110.91	-	724.09
Employee Insurance Expenses	1116	500	-	-	500.00
Audit Expense	1515	(84)	-	-	(84.00)
Contractual Services	1520	18,590	23,624.69	-	(5,034.69)
Travel	2020	3,269	1,467.05	-	1,801.95
International Travel	2021	4,078.82	4,046.32	-	32.50
Cost of Living Allowances	2110	12,500	12,500.00	-	-
Leased & Rental Housing	2115	20,000	26,158.95	-	(6,158.95)
Rentals	2205	1,000	465.90	-	534.10
Utilities	2215	2,700	-	-	2,700.00
Communication	2305	5,000	8,787.45	-	(3,787.45)
Printing & Reproduction	2320	1,000	12.00	-	988.00
Freight	2401	1,000	783.92	-	216.08
Office/Computer Supplies	2405	4,000	2,712.89	-	1,287.11
POL (Fuel)	2410	4,866	5,186.81	-	320.81
Other Supplies /Materials	2450	7,000	649.78	-	6,350.22
Representation	2605	3,710.18	3,083.01	-	627.17
Other Charges & Expenses	2750	180	2,209.47	-	(2,209.47)
Vehicle	3135	8,000	19,176.13	-	(11,176.13)
Contract Supervision	3217	-	3,791.22	-	(3,791.22)
<b>TOTAL</b>		<b>\$127,145.00</b>	<b>\$ 143,870.31</b>	<b>-</b>	<b>\$ (16,725.31)</b>

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

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011

Exhibit 4: [Schedule of Payments to T & I Family Pool Hall for Encashment](#)

Date	Check No.	Payee	Memo	Amount
07/04/10	389	T & I Family Pool Hall	Cash (POL/Fuel)	\$ 50.00
07/14/10	396	T & I Family Pool Hall	Cash	164.91
04/14/10	398	T & I Family Pool Hall	Car Rental	600.00
07/27/10	428	T & I Family Pool Hall	Cash	600.00
08/13/10	450	T & I Family Pool Hall	Cash (Salary)	692.31
08/19/10	451	T & I Family Pool Hall	Cash (Salary)	692.31
08/19/10	453	T & I Family Pool Hall	Cash (staff cellphone)	50.00
08/25/10	466	T & I Family Pool Hall	Cash (Money Order)	47.25
8/25/2010	468	T & I Family Pool Hall	Cash (Money Order)	29.29
10/05/10	512	T & I Family Pool Hall	Cash (Airfare)	1,724.02
			<b>Total</b>	<b>\$ 4,650.09</b>

Source: Consulate Office Check Registers

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011

Exhibit 5: [Schedule of Representation Expenses](#)

Date	Check No.	Payee	Description	Amount	Verify Support
9/21/2009	106	Golden Corral	Lunch meeting w/ladies	\$363.24	yes
9/28/2009	114	Golden Corral	Lunch meeting w/ladies	444.57	yes
2/2/2010	241	Dollar General	Representation	14.20	No
2/5/2010	245	A & Q Chicken	Representation	32.92	No
03/10/10	267	Walmart	Representation	12.80	No
03/15/10	273	Harps Store	Representation	15.29	No
04/20/10	298	T & I Family Pool Hall	Representation	37.55	No
04/28/10	304	T & I Family Pool Hall	Representation	30.60	No
04/27/10	305	T & I Family Pool Hall	Representation	20.00	No
04/29/10	307	AQ Chicken	Representation	20.48	No
4/30/10	313	T & I Family Pool Hall	Representation (Students)	68.50	Yes
05/11/10	321	T & I Family Pool Hall	Representation	228.00	No
05/20/10	340	T & I Family Pool Hall	Representation	493.06	No
05/20/10	342	T & I Family Pool Hall	Representation	318.00	No
05/26/10	352	T & I Family Pool Hall	Representation	39.25	No
06/07/10	363	T & I Family Pool Hall	Representation	21.25	No
06/11/10	368	T & I Family Pool Hall	Representation	20.20	No
06/12/10	369	Panda restaurant	Representation	55.70	No
07/09/10	393	T & I Family Pool Hall	Representation	26.00	No
07/09/10	394	T & I Family Pool Hall	Representation	9.00	No
7/22/10	419	Consulate Staff	Representation (Reimbursement)	23.90	Yes
7/22/10	420	Consulate Staff	Representation (Reimbursement)	31.09	Yes
7/23/2010	423	Consulate Staff	Representation (Reimbursement)	30.00	Yes
07/30/10	436	T & I Family Pool Hall	Representation	28.50	No
08/05/10	446	Walmart	Representation	7.96	No
08/06/10	447	Harps Store	Representation	19.90	No
8/6/2010	449	T & I Family Pool Hall	Representation	135.00	No
9/1/2010	479	AQ Chicken	Representation	11.00	No
9/20/2010	501	T & I Family Pool Hall	Representation	23.25	No
9/20/2010	508	T & I Family Pool Hall	Representation (Office 1st. Anniversary)	435.00	Yes
11/04/10	539	T & I Family Pool Hall	Representation	57.30	No
11/05/10	548	T & I Family Pool Hall	Representation	58.00	No
11/16/10	554	T & I Family Pool Hall	Representation	49.00	No
11/19/10	557	T & I Family Pool Hall	Representation	18.00	No
01/26/11	605	T & I Family Pool Hall	Representation	240.00	No
01/27/11	606	T & I Family Pool Hall	Representation	33.25	No
04/01/11	637	Cross Roads	Representation	21.30	No
04/12/11	647	T&I Family Pool Hall	Lunch meeting with Majuro Club	203.01	Yes
04/12/11	654	Marshallese King Chapel	Representation	100.00	No
04/12/11	677	T&I Family Pool Hall	Representation	32.70	No
04/12/11	681	T&I Family Pool Hall	Representation	323.19	No
04/12/11	682	T&I Family Pool Hall	Representation	125.35	No
6/2/11	685	Consulate Staff	Representation (Reimbursement)	143.45	No
6/2/11	694	Esan Restaurant	Lunch Meeting with custom official	50.90	Yes
6/2/11	706	Consulate Staff	Representation (Election Board Members)	62.68	Yes
7/8/2011	738	T & I Family Pool Hall	Representation	10.63	No
<b>Total</b>				\$ 4,544.97	

Source: Consulate Office Check Registers

## APPENDICES

### Appendix I: [Consulate General Responses to Recommendations](#)



*Consulate General of the Republic of the Marshall Islands*  
109 Spring Street Suite 9; Springdale, Arkansas 72764  
Phone (479) 419-9332/9356 Fax (479) 419-9667

Embassy then cut out a check for Consul General to reimburse 4 months of expenses in the amount of \$4,713.37 that CG spent out of own pocket to do four months of Consular work.

- July 2009 – Consul General attended Ambassadorial Consultation in Majuro and while in Majuro opened RMI Arkansas Consulate's bank checking account at Bank of Guam Majuro Branch by depositing a check of \$17,475.00 from the RMI Embassy in DC
- September 2009 – an office space was found at 109 Spring Street Suite 9 in downtown Springdale and RMI Arkansas Consulate General Office had its grand opening ceremony
- November 2009 – Consulate hired an Administrative Assistant, a local hire.

For the past previous ten (10) months, Staff #1 has been handling and performing all jobs, duties, and responsibilities of both staff, Consul General and Administrative Assistant.

These Findings were for the first three years when the RMI Arkansas Consulate was first established and without proper and thorough training on Imprest fund management in conjunction with all the policies and guidelines, miscalculation, misclassification, and misunderstanding are expected to occur as shown in most of the Findings.

This Draft Report is just coming out 7 years later. MOF and MOFA staff who were looking and checking over Consulate's imprest fund reports over the years should have taken steps to advise and correct Consulate staff right away or immediately so these mistakes, miscalculations, misclassifications, and misunderstandings would not repeat themselves. As of now 2016, Consulate has taken steps to follow recommendations improving management of the imprest fund.

Of all the Findings, Consulate has a few comments on the following Findings:

Finding No. 3 – Disallowed Expenditures: This is one in a thousand purchases by the Consulate that bought the filing folders and hanging folder sleeves from Staff #2 who used J&M which is his own and not a local company. Consulate bought the supplies directly from Staff #2. The Consulate has used the folders and sleeves. In addition to this, Consulate saved some money on this transaction because the bought supplies from Staff #2 were cheaper than the stores. It was Staff #1 who approved the purchase and wrote the check to Staff #2. For these three years of inspection, this is the only disallowed transaction.

Finding No. 4 – Checks Issued and En-cashed at Family Company: Some of the reasons for cashing checks at the family business were: For returned checks because of insufficient fund, the vendor requires cash, cashier check, or money order. It does not take writing another check to pay for the

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011



*Consulate General of the Republic of the Marshall Islands*  
 109 Spring Street Suite 9; Springdale, Arkansas 72764  
 Phone (479) 419-9332/9356 Fax (479) 419-9667

returned check. In addition to this, you cannot buy cashier check or money order with a check. It has to be cashed. The family company was the only place in town that could cash Consulate's check to pay the vendor with cash. In addition to that, Consulate had to deal with late reimbursements from Ministry of Finance. Consulate had to safeguard its good name and one way was to check cash at the family business and pay its credit vendors to beat the deadlines. Consulate is no longer cashing its checks with the family company.

As for the suggestion for a petty cash reserve, how is that possible when no company in town would cash the Consulate's check?

**Finding No. 8 – Monthly Reconciliation not Performed:** It is said here that the unrecorded, unclaimed amount of \$3,430.75 have been reimbursed by MOF in August 2011. This is not correct as shown in this table. Consulate had submitted this unreported amount to MOF and MOFA numerous times to be reimbursed but no success. This unreported combination of expenses of \$3,430.75 still has not been reimbursed up to now. Included with RMI AR Consulate's responses are Exhibits 1 and 2 for further clarification on this matter pertaining to the unreported expenses along with this brief table below.

March 2011 IFR total expense \$5,987.93	Reimbursed on May 20, 2011
August 2011 IFR total expense \$5,426.25	Reimbursed on September 26, 2011
Deposit/wire made on August 2011 was \$5,767.34	

**Finding No. 10 – Representation Expenses not Justified and Documented:** At first Consulate staffs were not aware of the requirement of a brief written report giving names, titles, and affiliations of persons being entertained for Representation expenses. Consulate reassures that the Representation expenses were all work related for building its network with both Marshallese and non-Marshallese professionals. From now on Consulate would make sure to follow this given requirement to write a brief written report for each and every Representation. Also, the incident with Sam's Club membership has been corrected and discontinued immediately.

**Finding No. 11 – Bank Overdraft:** Less of that is happening now that MOF is attempting to reimburse on a timely basis.

**Finding No. 14 – Travel Expenses not Properly Authorized and Supported:** Check no. 512 - yes, there is a copy of the ticket in its report. Please refer to Exhibit 3.

Office of the Auditor-General  
Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
From Inception (July 2009) through July 31, 2011



*Consulate General of the Republic of the Marshall Islands*  
*109 Spring Street Suite 9; Springdale, Arkansas 72764*  
*Phone (479) 419-9332/9356 Fax (479) 419-9667*

Thank you!

Respectfully yours,

A handwritten signature in black ink, appearing to read "Carmen S. Chong Gum".

Carmen S. Chong Gum  
Consul General

cc: Secretary of Foreign Affairs  
Secretary of Finance  
Karen Joklur  
Atmita Jonathan

Exhibit 1: July 2011 Bank Statement Shows No Deposit Made  
Exhibit 2: August 2011 Bank Statement Shows \$5,767.34  
Exhibit 3: Copy of Round Trip Ticket that Check #512 Purchases

Appendix II: Ministry of Finance Response to Recommendations



**Republic of the Marshall Islands**  
**Ministry of Finance**

P.O. Box D~ Majuro~ Marshall Islands~ MH96960  
Phone No. (692) 625-8311 ~ Fax No. (692) 625-3607

**MEMORANDUM**

To: Auditor General, Office of Auditor General

From: Secretary, Ministry of Finance

*Handwritten signature and date: 2/19/16*

Subject: Arkansas Consulate Audit Report Responses

Date: July 19, 2016

I am pleased to submit responses to the Arkansas Consulate. Please do let me know if you have any questions.

Thank you

Audit Response- Arkansas

Finding #2: Agree with the finding. Ministry of Finance continues to implement strict compliance with the budget. We will strengthen the consistency of monthly reporting for monitoring purposes.

Finding # 4: Agree with the finding. Ministry of Finance practices not reimbursing disallowable expenses.

Finding #5: Agree with the finding. Ministry of Finance practices not reimbursing disallowable expenses.

Finding #6: Agree with the finding. Ministry of Finance practices not reimbursing disallowable expenses.

Finding #9 : Agree with the finding. Ministry of Finance practices not reimbursing disallowable expenses. Finance will continue to ensure that classifications are properly done.

Finding 10: Agree with the finding. Ministry of Finance practices not reimbursing disallowable expense and will continue to work with MOFA to ensure high compliance with procurement act, policies and procedures.

Finding 11: Agree with Finding. Ministry of Finance is open to working closely with MOFA to ensure the repeated problems do not happen.

Finding # 12: Agree with Finding. Ministry of Finance will continue to work on improving keeping of important documentations. Furthermore, MOF will continue to collaborate with MOFA to ensure proper Accounting, Finance Management is done throughout the RMI Embassies.

Finding # 14: Agree with the finding. Ministry of Finance practices not reimbursing disallowable expenses. MOF also continues to work with MOFA to mitigate the ongoing findings.

  
Maybelline A. Bing  
Secretary  
Ministry of Finance

[Appendix III: Auditors' Response to the Comments from the Consulate General Office](#)

Finding no. 3: Disallowed Expenditures

We acknowledge the comments by the Consulate General Office. However, we reiterate our recommendation that future reimbursement claims are to be supported by adequate documentation consistent with RMI policy. We also reiterate our recommendation to the MOFA to investigate the nature of the disallowed claims of \$749.12 and determine the appropriate course of action to ensure amount is paid back to the Imprest Fund Account.

Finding No. 4: Checks Issued and En-Cashed at Family Company

We commend the Consulate General Office for taking immediate action to stop the practice of writing Consulate checks to the family store. We also reiterate our recommendation to the Consulate General Office to establish a petty cash within the Imprest Fund Account to pay for small purchases less than \$50 in value.

Finding No. 8: Monthly Reconciliation not Performed

We acknowledge the comments by the Consulate General Office with respect to the \$3,430.75 and have corrected our report accordingly. However, we reiterate our recommendation that Consulate General Office should perform reconciliations for both the Imprest Fund and Imprest Fund Bank account regularly in order to detect and correct errors in a timely manner.

Finding No.10: Representation Expense

We acknowledge the comments by the Consulate General Office. We consider that it is the responsibility of the Consulate General Office to actively pursue our recommendation to ensure all representation expenses are adequately documented in accordance with RMI Policy.

Finding No. 11: Bank Overdraft

We acknowledge the comments by the Consulate General Office. We consider that it is the responsibility of the Consulate General Management to ensure there is sufficient fund in the bank account prior to checks issuance. We also reiterate our recommendation that 10% be maintained and held in reserve to cover vital services or unexpected billings that may arise during course of operation and consistent with established RMI Imprest Fund operational guidelines.

Finding No. 14: Travel Expense not Properly Authorized & Supported

We acknowledge the comments by the Consulate General and additional documentations provided for Check No. 512 and we have amended our report accordingly. However, we reiterate our recommendation that all future travel expenses out of the Imprest Fund account are incurred in accordance with established RMI travel regulations.

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011

Appendix IV: [OAG follow up System](#)

#	Finding	ACTION TO BE TAKEN
1	Consulate does not implement RMI's two signatory policy for imprest fund disbursements	MOFA: Provide evidence that two signatures policy has been implemented.
2	Consulate expenditures exceeded budget authorizations for FY 2010 & 2011	Consulate: Provided evidence that a control log or monitoring tool (e.g. spreadsheets) indicating the budget amount allocated for each line item has been implemented.
3	Disallowed Expenditures	Consulate: Provide written assurance that Consulate has taken action to ensure reimbursement claims are accompanied by proper and verifiable venter invoices and receipts.  MOFA: Provide copy of written investigation report and that also evidence that additional measures to supplement the documentation requirements of the Imprest Fund Guidelines have been distributed to Consulate Office.
4	Checks issued and encashed at family company	Consulate: Provide evidence that they have cease the practice of issuing payments to the Family company. Provided evidence that they have established a petty cash within the Imprest Fund account to pay for small purchases less than \$50 in value.  Finance and MOFA: Provide evidence that they have steps to carefully review all claims submitted for reimbursement to ensure that only legitimate and official-related expenses are reimbursed.
5	Fixed assets register not updated & maintained periodically	Consulate: Provide copy of update fixed assets register and written assurance that fixed assets purchases are approved and unbudgeted items are processed in accordance with procedures prescribed by law.  Finance: Provide evidence that only authorized expenditures are reimbursed.
6	Imprest fund paid for hotel accommodation & excess baggage	Consulate:

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011

		<p>Provide written assurance that they are following the existing Imprest Fund policies and prohibit the use of the Imprest Fund for unrelated expenditures.</p> <p>MOFA and Consulate: Provide evidence that the matter is being investigated and have taken proper action to have the amount owed by the traveler to be paid back to the government.</p> <p>Finance: Provide written assurance that they will review all claims submitted for reimbursement for appropriateness of expenses prior to process of the reimbursement checks.</p>
7	Check registers are not maintained properly	<p>Consulate: Provide evidence that all payments in the check register to recorded and accounted for properly.</p>
8	Monthly reconciliation not performed	<p>Consulate: Provide written assurance that the Imprest Fund bank account and the Imprest Fund account will be reconciled on a monthly basis.</p> <p>MOFA: Provide written assurance that Consulate Office responsible for reconciliation of the Imprest Fund account will be properly trained.</p>
9	Misclassification of consulate expenditures	<p>Consulate: Provide evidence of action taken to ensure payments are properly classified prior to submitting the expenditure reports to the MOF for reimbursement.</p> <p>Finance: Provide evidence that steps have been taken to scrutinize each payment request along with the supporting documentation to properly identify the nature of the expenditure before inputting into the system. Provide evidence that MOF has taken steps to have an independent review of transactions inputted into the accounting system be performed to avoid incorrect posting.</p>

Office of the Auditor-General  
 Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
 From Inception (July 2009) through July 31, 2011

10	Representation expenses not justified and documented	<p>Consulate: Provide evidence that established policies and guidelines relating to representation expenses are being followed.</p> <p>Finance and MOFA: Provide evidence that they have taken immediate steps to closely monitor all transactions charged to representation and have also taken steps to provide adequate oversight to ensure they are in line with established policies and guidelines. Provide written assurance that reimbursements reports are carefully review for appropriateness of all representation expenses prior to process of reimbursement check. Provide copy of develop supplementary guidelines or template forms established for the Consulate to use to document history of payment charged as representation.</p>
11	Bank overdraft	<p>Consulate: Provide evidence of steps taken by Consulate to ensure there is fund available in the account before issuing checks to comply with Imprest Fund guidelines.</p> <p>MOFA and Finance: Provide evidence of steps taken to institute additional measures to ensure recommended Imprest Fund guidelines is followed.</p>
12	Missing authorizations for budget transfers	<p>MOFA and Finance: Provide written assurance that all documentation relevant to budget transfers are maintained and kept on file for review and evaluation purposes.</p> <p>MOFA: Provide evidence or copy of prepared budget for the Consulate that incorporates all recurrent operational needs.</p>
13	Salary advanced	<p>Consulate and MOFA: Provide written assurance that enforcement of the existing Imprest Fund policies and guidelines that prohibit salary advances from the Imprest Fund account are followed.</p>

Office of the Auditor-General  
Inspection of Imprest Fund Management in the RMI Consulate General Office in Arkansas, USA  
From Inception (July 2009) through July 31, 2011

14	Travel expenses not properly authorized & supported	<p>Consulate: Provide evidence that Consulate is complying with the RMI travel policies and that all staff travels within or outside United States are approved by an authorized Travel Authorization Form.</p> <p>MOFA: Provide evidence that MOFA is reviewing all expenditures reported for reimbursement and that they ensure adequate supporting documentation are provided.</p> <p>Finance: Provide evidence that the Consulate is complying with approved RMI Government Travel Policy at all times.</p>
----	---	---

## **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](http://www.rmioag.com)**