



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

Inspection of Imprest Fund Management in RMI Embassy in
Washington D.C.
Fiscal Years 2014 to 2017



REPORT NO: 05/18-1660

August 23, 2019
Date

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REPUBLIC OF THE MARSHALL ISLANDS



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

Subject: Inspection Report – Washington D.C. Embassy Management of Imprest Funds

Dear Minister:

We completed a review of the Imprest Fund Management by Republic of the Marshall Islands' Embassy in Washington D.C (the Embassy). The objectives of our review were to determine if: (1) Imprest Fund expenses were incurred and paid in compliance with established laws, policies and guidelines; (2) fixed assets under the custody of the Embassy were properly accounted for; and (3) prior year recommendations have been implemented. The review of the Embassy's Imprest Fund operations covered fiscal years October 1, 2013 through September 30, 2017 (or from FY2014 through FY2017).

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 Policy and Guidelines and Foreign Affairs Regulations.

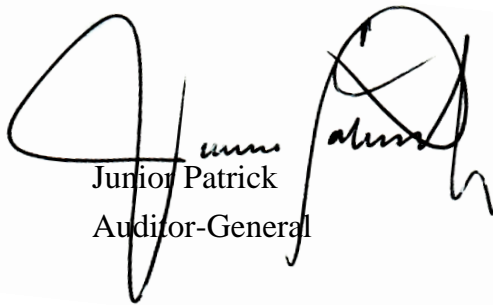
Overall, our review found improvements in the management of the Imprest Fund by the Embassy when compared to prior review. In particular, we commend the initiative by the Embassy to place tags on assets under its custody to indicate government ownership. Our review found also areas that still need improvement. Among problems we found included: expenses exceeded budget authorization; certain expenses were not reimbursed due to insufficient documentations as proof of expenses incurred; a purchase did not comply with the procurement regulations; representation and education expenses were not documented properly; inability to maintain the 10% requirements in the Embassy's bank account; and certain salary payments to staff were not accompanied by timesheet as proof of services rendered to the Embassy.

Pursuant to the Auditor-General Act of 1986, we provided the Ambassador, Secretaries of Ministry of Foreign Affairs and Trade (Ministry of Foreign Affairs) and Ministry of Finance, Banking and Postal Services (Ministry of Finance) with a copy of our draft report requesting their responses in writing. We appreciate the responses from the Ambassador, Secretaries of Foreign Affairs and Finance which we have included as Appendix I, II and III, respectively. We also discussed our draft report during our respective exit meetings.

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 implementation of our recommendation is a step in that direction. This office maintains a "Follow-Up System" and in order for this review to be closed, we require the action detailed in Appendix V 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 our review.

Sincerely,



Junior Patrick
Auditor-General

August 23, 2019

CC: President
Minister of Finance, Banking and Postal Services
Secretary of Finance
Secretary of Foreign Affairs
Ambassador, RMI Embassy in Washington D.C.
OAG File

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Background

Republic of the Marshall Islands (RMI) Embassy in Washington D.C. was established pursuant to Cabinet Minute 114(86) dated August 11, 1986. 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 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.

The RMI laws and regulations, such as the Financial Management Act, Procurement Code, Foreign Affairs Act 2007, Foreign Affairs Regulations, Foreign Affairs Manuals, Income Tax Act, Travel Policies, and the Imprest Fund Guidelines, govern all activities of the Embassy.

The Embassy operates through an Imprest Fund. Imprest Funds are fixed funds advanced to RMI Embassies, Consulates and Foreign Missions for their operational expenses. They are controlled checking accounts that can be used for purchases and cash transactions. 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. Embassy management and staff shall follow the Foreign Affairs Act of 2007, the Foreign Affairs Regulations, Foreign Affairs Manuals, and the established Procedures for Imprest Fund Operations in Foreign Offices which contains guidelines and procedures for overseeing these accounts.

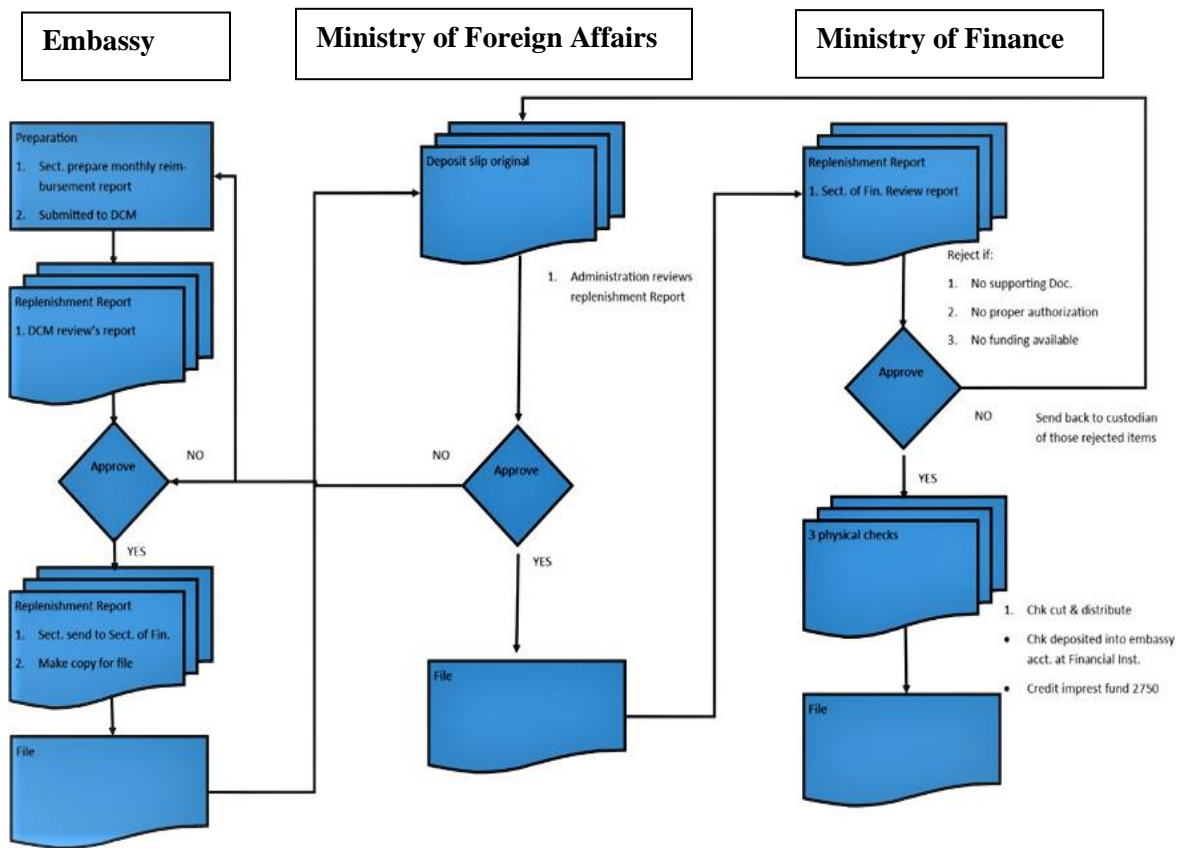
The Ambassador or the highest ranking Foreign Service Officer has the responsibility in ensuring that the disbursements from the fund are intended for official purposes and within

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the allocated budget. The Ambassador may appoint a custodian of the fund who will be responsible for the day-to-day transactions and preparing monthly expense reports. The maintenance of complete and accurate supporting documentation is required in an Imprest fund environment.

As illustrated in Figure 1 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.

Figure 1: Imprest Fund Replenishment Process



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Each year, the Embassy and the Ministry of Foreign Affairs prepares a budget for the Embassy’s recurrent operational expenses. Table 1 indicates the budget allocations for the Embassy’s operational expenses during the periods from FY 2014 through FY 2017.

Table 1: Operational Budget

Fiscal Year	Original Appropriation	Adjusted Budget
2014	\$340,389	\$428,304
2015	330,177	429,274
2016	386,057	504,449
2017	576,557	579,877

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

Objectives, Scope & Methodology

The Office of the Auditor-General (OAG) is concerned about the adequacy of internal controls related to safeguarding of assets, compliance with RMI laws, policies, and guidelines regarding the Imprest Fund. OAG examined if: (1) Imprest Fund expenses 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 and (3) the prior year recommendations have been implemented.

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

“The Auditor-General shall audit public funds and accounts of the Republic of the Marshall Islands including those of the department or offices of the legislative, executive, and judicial branch of government, and of any other public corporation or other statutory authority constituted under the 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.”

We conducted our review from March to June 2019 in accordance with the *Quality Standards for Inspections and Evaluations* as set forth by the Council of Inspectors General on Integrity and Efficiency (CIGIE). We believe that the work performed provides a reasonable basis for our findings and recommendations.

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To accomplish our objectives for this inspection, OAG variously conducted the following activities at the Ministry of Finance and Ministry of Foreign Affairs and the Embassy in Washington D.C.:

- Analyzed actual expenses versus appropriations to assess whether the Embassy exceeded its appropriations limit.
- Verified a random sample for each fiscal year from 2014 to 2017 of reimbursement reports to determine whether all expenses were included in the Embassy’s line item budget, the permissibility of the expense, and whether the expenses were properly supported and reported to Ministry of Finance for reimbursements.
- 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 assets register to identify the proper identification and existence of the asset, and the completeness of the fixed asset listing submitted to the Ministry of Foreign Affairs and Trade.
- Random selection of priority and regular expenses during the periods under review to determine whether they were paid on time and properly supported.
- Reviewed prior inspections reports and Single Audit Management Letter Reports issued by RMI’s external financial auditor.

Prior Audit Coverage

This is the 2nd review undertaken by the OAG on the Embassy’s Imprest Fund operation. However, the OAG has performed internal control reviews in prior years.

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Findings and Recommendations

Finding No. 1 – Embassy Expenses Exceeded Budget Authorization

The Financial Management Act restricts RMI departments and agencies from exceeding the 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 as stipulated and provided by law.

Our analysis of available budget and expense financial reports discovered that the Embassy was not in compliance with RMI laws for one of the four years that we examined. The Embassy’s expenses exceeded the approved appropriation amount for 2017 by \$201,008, as shown in Table 2 below. Part of the budget deficit is related to the expenses paid for the renovation of the Embassy that was incorrectly posted to the Embassy’s Cost Center (1660) which we have also reported in finding no. 4. We also noted that for three years (FY 2014-2016) in a row the Embassy did not exceed its overall approved budgets and should be commended. There were, however, certain line items that have exceeded their budget limits or were not budgeted at all. Without an effective financial management standard operating procedure at the Embassy, the budget deficits ultimately impact the Ministry of Finance’s ability to effectively manage RMI’s available revenues.

Table 2: Annual Budget and Expenses Analysis

Fiscal Year	Amended Budget	Expenses	Encumbrances*	Balance Remaining
2014	\$428,304	\$322,054	\$102,438	\$3,812
2015	429,274	259,330		169,944
2016	504,449	327,066	9,737	167,646
2017	579,877	709,314	71,571	(201,008)

Source: OAG Analysis & Ministry of Finance Financial Budget Reports (DILOG 240-p). Difference in Budget Remaining totals is due to Year to Date Encumbrance balances. Please refer to Exhibits 1-A through 1-D for the detailed expense reports.

In our report dated July 31, 2015, we highlighted the same issue regarding the Embassy incurring expenses in excess of the budget authorization.

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Recommendation:

We recommend that:

1. The Embassy should maintain a budget control log or monitoring tool (e.g. spreadsheets) that includes the amounts allocated to each line item. Each time a purchase is made, the budget control log must be updated to reflect the decrease in the authorization.
2. The Embassy should obtain, on a monthly basis, the financial budget report from the Ministry of Finance and reconcile the report to the Embassy's log. Any discrepancies are to be investigated and reported to the Ministry of Finance for correction in a timely manner.
3. The Ministry of Foreign Affairs should ensure realistic budget that include all operational needs of the Embassy.

Auditee's Response:

Response from the Embassy can be found in Appendix I

Response from the Ministry of Foreign Affairs can be found in Appendix II

Finding No. 2 – Several Expenses of Embassy Were Not Reimbursed

All expenses from the Embassy Imprest Fund account should agree to the amounts reported and reimbursed back to the Imprest fund. Additionally, the Foreign Affairs Regulations 2006 stipulated that it is the duty of every Mission to submit financial reports on the administration, approval and expenses of funds from the Mission's Imprest Fund. Every financial reports, or the monthly reimbursement requests, to replenish the Imprest Fund bank accounts of each Foreign Mission must account for the expenses of the Mission and attached the valid invoices and receipts as evidence of the expended amounts.

Our review found discrepancies between expenses paid and reported by the Embassy when compared to actual amounts reimbursed back to the Embassy Imprest Fund. The total of these variances for fiscal years 2014 through 2017 amounted to \$59,337 as illustrated in Table 3 below. The variances were the result of certain expenses reported not being

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reimbursed or were disallowed by the Ministry of Finance due to lack of adequate supporting documentations, receipts or invoices, to support expenses incurred. In other instances, the expenses were disallowed because either those line items have exceeded the authorization budgets or were not budgeted.

Table 3: Expenses Not Reimbursed or Were Disallowed

Fiscal Years	Per Reimbursement Reports	Per Wire Transfers/Bank Statements	Under/Over (-/+) reported
2014	\$154,373	\$154,373	\$0
2015	178,386	178,386	0
2016	161,288	159,787	1,501
2017	342,676	284,840	57,836
Totals	836,723	777,386	59,337

Source: Embassy's Reimbursement Reports, Wire-Transfer forms, & Bank Statements

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

Recommendations:

We recommend that:

4. The Secretary of Foreign Affairs should take immediate steps to review all reimbursement vouchers prior to the check issuance to ensure the existence of supporting documentations and to prohibit the payment of disallowed expenses.
5. The Secretary of Finance should carefully review the reimbursement vouchers to ensure all disbursements are supported by documentations that verify the existence and allowable purchases of goods and services.

Auditee's Response:

Response from the Ministry of Foreign Affairs can be found in Appendix II

Response from the Ministry of Finance can be found in Appendix III

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Finding No. 3 – Fixed Assets Record of the Embassy is Not Updated and Maintained Periodically

All overseas missions shall annually furnish to the Ministry of Foreign Affairs a list of fixed assets valued over \$300 that belongs 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 that a Fixed Asset Register be maintained at the Embassy at all times. The Fixed Assets Register requires updating every two years indicating the assets acquired and disposed of every two years.

The Embassy was generally not in compliance with the key fixed assets requirements. The Fixed Asset Register was not prepared until and just before our arrival and there were no record of items that required disposal. The Embassy did not use the RepMar Government tags on any of its properties or equipment that would identify RMI as the owner of the assets, as established by industry best practices for asset management. 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. We also noted that the Embassy used their own tag to account for the fixed assets even though no Government tags were provided to them. Please see sample shown in Figure 2 below.

Figure 2: Tag Used to Identify Government Assets



Source: Photo was taken by OAG Staff

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Without the ownership information on RMI assets and equipment, the RMI assets are vulnerable to theft that could go undetected.

In our report dated July 31, 2015, we identified similar findings weakness in the Embassy's current method of accounting for fixed assets under its custody.

Recommendations:

We recommend that:

6. The Embassy should maintain a proper record of all assets under its custody in accordance with RMI policy. This should include update of Fixed Asset Register every two year to indicate assets that were acquired or disposed off during the two year period.
7. The Secretary of Foreign Affairs should ensure that Fixed Assets Registers are maintained regularly and establish standard internal control procedures to place Government tag to identify Government ownership.

Auditee's Response:

Response from the Embassy can be found in Appendix I

Response from the Ministry of Foreign Affairs can be found in Appendix II

**Finding No. 4 – \$104,739
Erroneously Deposited Into
The Embassy Imprest
Fund Account.**

An effective system of internal control requires that guidelines and policies be in place to provide assurance that all expenses reported are accurate. In addition, internal control measures should be instituted to avoid errors in processing reimbursement claims back to the

Imprest Fund account.

We found that on February 14, 2017 a deposit of \$104,739 was erroneously made by the Ministry of Finance to the Embassy Imprest Fund account. The payment was intended for a private contractor that was awarded a contract to renovate the Embassy complex. The Embassy was asked to return the erroneous payment to RMI General Fund. However, the

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Embassy has already expended the fund and had asked that the erroneous payment of \$104,739 be treated as advance to the Embassy and is to be offset against future reimbursement claims.

We further noted that the reimbursement claims submitted by the Embassy, after the discovery of the erroneous deposit, were continuing to be reimbursed by the Ministry of Finance back to the Embassy Imprest Fund rather than being offset against the \$104,739. Our review of cumulative trial balance report from Ministry of Finance for the year ending September 30, 2018 showed that the total sum of \$104,739 was recorded as accounts receivable from the Embassy. In addition, we noted that the process of offsetting Embassy claims against the erroneous payment did not commence until the month of September 2018, a year later.

Recommendations:

We recommend that:

8. The Ministry of Finance reviews its internal control governing the processing of payment via telegraphic wire transfer to ensure there is a system of checks and balances to avoid errors.
9. The Embassy and Ministry of Finance continue to work together to offset the Embassy reimbursement claims against the erroneous payment of \$104,739 and ensure that the payment, in its full amount, is accounted for and reflected in their respective accounting records.

Auditee's Response:

Response from the Embassy can be found in Appendix I

Response from the Ministry of Finance can be found in Appendix III

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**Finding No. 5 – Embassy
Is Not Maintaining 10%
Cash Availability
Requirement**

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.

During our review of monthly bank statements of the Imprest Fund account between 2014 through 2017, we found that the Embassy did not maintain 10% cash availability requirements as stated in the Imprest fund policies and procedures for several months as summarized below:

- ✓ Maintained cash equivalent (bank balance) of 10% of original amount during the entire FY2014 period;
- × Did not maintain cash equivalent (bank balance) of 10% of original amount during the months of December 2014 and April 2015;
- × Did not maintain cash equivalent (bank balance) of 10% of original amount during the month of August 2016; and
- × Did not maintain cash equivalent (bank balance) of 10% original amount during the month of January 2017.

The cause of the above condition is non-compliance with the established Imprest fund procedures which could affect the Embassy’s ability to secure payment for vital services as well as other unexpected billing that may arise during course of operation.

Recommendation:

We recommend that:

10. The Embassy follow established procedures and maintain cash availability of 10% of original amount at all times to avail cash for its core payment obligation including those unforeseen payment obligations that may arise during course of operation.

Auditee’s Response:

Response from the Embassy can be found in Appendix I

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Finding No. 6 – Payment For Salaries Are Not Properly Documented

Section 2(2) of the Imprest Fund Guidelines and Procedures requires that salaries to Embassy staff members should be supported by valid employment contracts and time records.

During the period from fiscal year 2014 thru 2017 (FY2014-FY 2017), we noted the Embassy did not maintain and provide time sheets to support salary payments for its locally engaged staffs (LES) except for 2016 and 2017.

- In FY2014, the Embassy employed the service of a locally engaged staff (LES) and paid the total salary of \$19,230.75 but did not maintain timesheet to record and indicate time the LES provided services to the Embassy.
- In FY2015, payment of salaries to another LES for six (6) pay periods in the total amount of \$4,615.38 were not supported by timesheet.

The cause of the above conditions is due to lack of adherence to established Imprest Fund Guidelines. As a result, we were unable to determine the appropriateness of the salaries paid in the total sum of \$23,846 in the absence of the required employment documentation.

Recommendation:

We recommend that:

11. The Embassy comply with the Imprest Fund Guidelines and the Foreign Policy Manual regarding payments for salaries to be supported by timesheets as proof of time the employee spent for each service or project for the Embassy.

Auditee's Response:

Response from the Embassy can be found in Appendix I

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**Finding No. 7 – Embassy
Did Not Comply With
Procurement Code For
Several Procurements**

Section 127 of the RMI Procurement Code states that procurement of goods and services not exceeding \$25,000 may be procured in accordance with small purchase procedures promulgated by Policy Office.

The small purchase procedures constitutes procurements that are those relatively simple and informal methods for securing goods, services, supplies, or other properties that do not cost more than \$25,000. The Ministry of Finance has instituted supplement policies requiring all small purchases to contain at least three price quotations to be solicited from qualified sources.

We found that the Embassy employed the services of a private contractor to develop its official website with a value of \$5,785. However, the solicitation and procurement of the website development services did not appear to follow the small purchase requirement under Section 127 as the only price quotation noted on file was from the selected contractor. The Embassy staff asserted to us that they had called around to obtain other price quotations from other website developers; however, we found no other records indicating any attempt by the Embassy to obtain these price quotations.

The cause of the above condition is lack of proper documentation of history of procurement to indicate compliance with the Procurement Code. In addition, by not going through bidding process and obtaining price quotations from available sources the Embassy will not realize the full benefits for money spent. .

Recommendations:

We recommend that:

12. The Embassy comply with Procurement Code for all procurement with public funds and properly document all history of procurements to evident compliance with the Procurement Code.
13. The Ministry of Foreign Affairs and Ministry of Finance requires that all procurements by the Embassy do comply with the Procurement Code regulations.

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Auditee’s Response:

Response from the Embassy can be found in Appendix I

Response from the Ministry of Foreign Affairs can be found in Appendix II

Response from the Ministry of Finance can be found in Appendix III

**Finding No. 8 – A
Representation Expense
Was Not Adequately
Documented and Supported**

The Imprest Fund Procedures and Guidelines requires that expenses submitted for reimbursement should be authorized and supported by invoices, receipts, and relevant supporting documentation prior to approval. Common internal controls to implement this requirement would include providing a detailed description and purpose of the expense, for whom the expense was incurred, and if meals were involved, identification of the persons incurring meal expenses. These types of documentation provide the information needed to ensure that expenses were in direct support of the operations of the Embassy.

We judgmentally selected a total of 64 regular expenses during fiscal years 2014 through 2017 for examination. The outcome of the examination resulted positively as all 64 samples tested were adequately supported. The team noted significant improvement in record keeping compared to our previous report dated July 31, 2015. However, the team noted that of the 64 samples tested, a sum of \$1,946 in representation expenses did not indicate the purpose of the expense, such as attendance to specific Embassy meetings or events, or names of officials for which the expense was incurred, accordingly we were unable to determine the appropriateness of these claims.

Recommendations:

We recommend that:

14. The Embassy to develop procedures to ensure payments for all representation expenses submitted in the monthly reimbursement reports are supported by receipts that clearly describes the purpose and nature of the expenses.
15. The Ministries of Foreign Affairs and Finance should carefully review reimbursement claims to ensure they are adequately supported prior to the issuance of reimbursement payments.

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Auditee’s Response:

Response from the Embassy can be found in Appendix I

Response from the Ministry of Foreign Affairs can be found in Appendix II

Response from the Ministry of Finance can be found in Appendix III

**Finding No. 9 – Some
Priority Expenses Were Not
Timely Reported For
Reimbursement**

Imprest Fund Guidelines require that payment for rental of Embassy and residence, and other essential services such as communication, electricity, water, etc, that directly affect security of operations, to be treated as priority costs. Imprest Fund Custodian is required to submit all expenses from Imprest Fund on a monthly basis for reimbursement using forms prescribed by the Government for reimbursement.

We judgmentally selected a total of 40 expenses from electricity, water, and vehicle lease categories which we considered as recurrent costs and critical for the continued operation of the Embassy. We examined these expenses to determine whether they were reported and paid back to the Imprest Fund in a timely manner. Our examination found that of 40 expenses tested, 39 (97%) were not reported in a timely manner while 1 (3%) was reported on time. When the expenses are not reported to Ministry of Finance and reimbursed back to the Imprest Fund account in a timely manner this could affect the Embassy’s cash flow and ability to meet its recurrent obligation costs in a timely manner.

Recommendation:

We recommend that:

16. The Embassy should prepare and submit all monthly expenses report on all monies paid out of the Imprest Fund for reimbursement in a timely fashion.

Auditee’s Response:

Response from the Embassy can be found in Appendix I

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**Finding No. 10 –
Educational Expenses Are
Improperly Supported**

Embassy Officials are entitled to educational allowances to contribute towards the cost of education for their dependents at the rate of \$6,000 per dependent. Dependent is defined as spouse, unmarried children under the eighteen (18) years of age (spouse children or legally adopted), unmarried children between 18 and 25 years of age who are attending an educational institution, and any mentally or physically disabled person of any age provided that they are directly dependent for the support of the Embassy Official. The allowance shall be borne out of the Embassy Imprest Fund account upon the submission of receipts. In addition, employment contract states that the Officials shall submit a list of his/her dependents to the Secretary of Foreign Affairs prior to departing to his/her post.

During the review period we noted the followings:

- For the periods under review, there were no ‘dependent lists’ for school age dependents was provided to Ministry of Foreign Affairs by the Embassy Officials as required by their employment contracts. The Officials provided their ‘dependent lists’ with names of their children to receive school allowance during our fieldwork. However, in the absence of critical information such as birth date of dependents, we could not determine whether dependents met the eligibility criteria for dependents as stipulated in the employment contract.
- Embassy submitted various reimbursement claims for education-related expenses, however, documentations provided to support these claims did not contain name of the school; did not indicate the name of the dependent, and certain taxi receipts did not indicate name of dependent or school for which taxi fares were claimed.

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

The effect of the second condition is inability to determine appropriateness of all expenses claimed as education-related expenses.

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Recommendations:

We recommend that:

17. The Embassy should ensure that the expenses related to educational allowances are properly supported with receipts, school invoices, and relevant documentations that support each expense incurred.
18. Employment contracts for all foreign missions employees indicate clearly the specific entitlements and types of supporting documentations that Embassy must provide when submitting each reimbursement, for educational-related expenses, to be disbursed out of the Imprest Fund account.
19. The Secretary of Ministry of Foreign Affairs should ensure that before the Officials leave for their assigned duties, they provide an accurate and updated list of dependents under their care that includes date of births.

Auditee's Response:

Response from the Embassy can be found in Appendix I

Response from the Ministry of Foreign Affairs can be found in Appendix II

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Exhibits

Exhibit 1-A: Budget vs Actual Fiscal Year 2014

Account Name	Acct No.	Adjusted Budget	Expenses	Encumbrance	Balance Remaining
Salaries & Wages					
Expat	1010		969		(969)
Salaries & Wages					
Marsh	1011	84,000	83,320		680
Pers Benefits - Marsh	1115	8,820	6,334		2,486
Employee Insurance					
Expense	1116	2,202	2,015		187
Audit Expense	1515	344			344
Contractual Services	1520	20,000	21,538		(1,538)
Travel	2020	15,757	13,511		2,245
International Travel	2021	22,057	21,207		850
Cost Of Living					
Allowances	2110	45,000	40,000		5,000
Rentals	2205	33,207	38,340		(5,133)
Utilities	2215	19,500	19,627		(127)
Communication	2305	15,000	15,963		(963)
Insurance	2315	14,000	13,887		113
Printing &					
Reproduction	2320	2,876	2,880		(4)
Repairs	2325	7,083	6,611		473
Pol(Fuel)	2410	7,000	7,432		(432)
Water	2445	500	444		56
Other					
Supplies/Materials	2450	1,600	1,756		(156)
Representation	2605	15,780	11,486	1,500	2,794
Other Charges And					
Expenses	2750	111,679	11,043	100,938	(302)
Office Equipment &					
Computer	3132	1,900	3,691		(1,791)
Total		428,304	322,053	102,438	3,812

Source: Appropriation Acts & Ministry of Finance Budget Report (DILOG 240-P).

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Exhibit 1-B: Budget vs Actual Fiscal Year 2015

Account Name	Acct No.	Adjusted Budget	Expenses	Encumbrance	Balance Remaining
Salaries & Wages					
Marsh	1011	84,000	63,243		20,757
Pers Benefits - Marsh	1115	8,820	4,847		3,973
Employee Insurance					
Expense	1116	2,202	1,369		833
Contractual Services	1520	20,000	20,000		0
Travel	2020	12,000	11,438		562
International Travel	2021	8,800	8,462		339
Cost Of Living					
Allowances	2110	31,458	31,458		
Repatriation & Home					
Leave	2123	14,742	10,000		4,742
Rentals	2205	37,000	36,806		194
Utilities	2215	20,000	19,234		766
Communication	2305	17,000	13,868		3,132
Insurance	2315	10,314	8,595		1,719
Printing &					
Reproduction	2320	2,000	90		1,910
Repairs	2325	10,000	9,360		640
Pol(Fuel)	2410	5,000	3,759		1,241
Water	2445	615	798		(183)
Other					
Supplies/Materials	2450	2,300	1,774		526
Representation	2605	13,500	11,917		1,583
Other Charges And					
Expenses	2750	125,523	1,587		123,936
Office Equipment &					
Computer	3132	3,000	724		2,276
Furniture & Fixtures	3133	1,000			1,000
Total		429,274	259,330		169,944

Source: Appropriation Acts & Ministry of Finance Budget Report (DIALOG 240-P).

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Exhibit 1-C: Budget vs Actual Fiscal Year 2016

Account Name	Acct No.	Adjusted Budget	Expenses	Encumbrance	Balance Remaining
Salaries & Wages					
Marsh	1011	168,000	85,342		82,658
Pers Benefits -					
Marsh	1115	9,135	4,021		5,114
Employee					
Insurance Expense	1116	7,980	606		7,374
Contractual					
Services	1520	6,154	6,154		
Travel	2020	11,459	11,459		
International					
Travel	2021	46,080	33,994	9,737	2,349
Cost Of Living					
Allowances	2110	28,000	28,000		
Repatriation &					
Home Leave	2123	19,500	18,690		810
Rentals	2205	50,000	48,728		1,272
Utilities	2215	16,000	14,473		1,527
Communication	2305	15,800	14,825		975
Insurance	2315	16,643	16,643		
Printing &					
Reproduction	2320	2,000	670		1,330
Repairs	2325	63,691	6,209		57,482
Pol(Fuel)	2410	4,000	2,512		1,488
Water	2445	500	431		69
Other					
Supplies/Materials	2450	3,000	2,475		525
Representation	2605	7,500	7,403		97
Other Charges And					
Expenses	2750	16,143	15,192		951
Office Equipment					
& Computer	3132	3,125	3,121		4
Furniture &					
Fixtures	3133	9,739	6,118		3,622
Total		504,449	327,066	9,737	167,646

Source: Appropriation Acts & Ministry of Finance Budget Report (DILOG 240-P).

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Exhibit 1-D: Budget vs Actual Fiscal Year 2017

Account Name	Acct No.	Adjusted Budget	Expenses	Encumbrance	Balance Remaining
Salaries & Wages					
Marsh	1011	178,396	176,423		1,973
Pers Benefits -					
Marsh	1115	8,400	10,850		(2,450)
Employee					
Insurance Expense	1116	7,980	770		7,211
Audit Expense	1515	(1,350)			(1,350)
Contractual					
Services	1520	26,000	29,804		(3,804)
Travel	2020	17,000	15,610		1,390
International					
Travel	2021	21,337	12,603	4,690	4,044
Cost Of Living					
Allowances	2110	70,833	70,833		
Rentals	2205	100,400	86,427		13,973
Utilities	2215	20,000	13,798		6,202
Communication	2305	17,000	16,162		838
Insurance	2315	44,014	55,105		(11,091)
Printing &					
Reproduction	2320	2,000	1,109		891
Repairs	2325	14,500	157,953	66,881	(210,334)
Office/Computer					
Supplies	2405	-	396		(396)
Pol(Fuel)	2410	7,000	3,983		3,017
Water	2445	500	529		(29)
Other					
Supplies/Materials	2450	3,000	6,693		(3,693)
Representation	2605	15,000	9,694		5,306
Other Charges And					
Expenses	2750	10,200	35,919		(25,719)
Office Equipment					
& Computer	3132	1,067			1,067
Furniture &					
Fixtures	3133	16,600	4,652		11,948
Total		579,877	709,314	71,571	(201,008)

Source: Appropriation Acts & Ministry of Finance Budget Report (DILOG 240-P).

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Appendices: Agency Responses

Appendix I: Embassy's Response to Findings and Recommendations



EMBASSY OF THE REPUBLIC OF THE MARSHALL ISLANDS

2433 Massachusetts Avenue, N.W.
Washington, DC 20008
Tel. # (202) 234-5414
Fax # (202) 232-3236
info@rmiembassyus.org

August 22, 2019

Mr. Junior Patrick
Auditor General
Office of the Auditor General
MAJURO

Iakwe Auditor General Patrick,


The Embassy received the preliminary Report of Findings based on the Audit conducted on the Embassy's financial records for Fiscal Years 2014-2017.

The Embassy hereby submits its Responses to these Findings.

If there are any questions regarding our Responses, please feel free to contact the Embassy.

Komol Tata.

Respectfully,



Gerald M. Zackios
Ambassador

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

RMI Washington, DC Embassy Response to Draft Audit Finding
Fiscal Years 2014-2017

Finding No. 1 -Embassy Expenses Exceeded Budget Authorization

Response: In response to this audit finding, the Embassy notes (from the report) that the year in question is FY 2017. This said, the Embassy states that this over expenditure is an accounting/recording error which should have not been charged by the Ministry of Finance, Banking and Postal Services (MFBPS) against the RMI Washington DC Budget, rather this amount should be deducted and reflected as an expenditure for renovation of the RMI Washington Properties whose budget was with the Ministry of Works, Infrastructure and Utilities (WIU). Further clarification on this issue can be clarified with MFBSP.

The Embassy notes the recommendation under finding 1.

Finding No. 2. – Several Expenses of the Embassy Were Not Reimbursed

Response: The Embassy notes the issues raised in finding 2, and states that the Embassy has worked with the Ministry of Finance and Ministry of Foreign Affairs and Trade (MOFAT) to address these issues. The Embassy agrees that there is need for the MFBPS and MOFAT to better address the review and payment of reimbursement requests by the Embassy as stated by the report.

Finding No. 3. – Fixed Assets Record of the Embassy is not Updated and Maintained Periodically

Response: The Embassy agrees with this finding, and states that the Embassy took its own initiative to place tags on the RMI/WDC Embassy Property/Assets and has started a Fixed Assets List. The Embassy requests the Ministry of Finance, Division of Procurement to visit the RMI Embassy and do a proper fixed asset inventory and recording, including placing tags on all RMI Embassy/Government Assets.

Finding No. 4 - \$104,739 Erroneously Deposited Into The Embassy Imprest Fund Account

Response: The Embassy agrees that it did receive an erroneous deposit of \$104, 739 in its Imprest Fund. This said, immediately recognizing this error, the Embassy reported the matter to the Ministry of Finance and asked if the Embassy should issue a check to the contractor as this amount was for contract payment to Monarch Construction for renovation work to the RMI Embassy and Residence. Instead of getting a reply to the request, the Ministry of Finance instead wired the same amount to Monarch Constructions and informed the Embassy that this will be an advance on its imprest fund to be deducted from future quarterly allocations. It is also the understanding of the Embassy that a Cabinet Paper to address this discrepancy would be submitted to the Cabinet by the Ministry of Finance to rectify this issue.

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Finding No. 5 – Embassy Is Not Maintaining 10% Cash Availability Requirement

Response: The Embassy agrees with this finding and will take necessary step to address this finding and recommendations. The Embassy further notes that in order to be able to fully comply with this requirement, unresolved, questioned costs from previous years that reduce the imprest fund total allocation be rectified.

The Embassy recommends that the total amount for the imprest fund be changed under the appropriate regulations to correctly reflect the current amount of allocation to the Embassy.

Finding No. 6 – Payment for Salaries Are Not Properly Documented

Response: The Embassy agrees with this finding and recommendation. The Embassy further states that beginning FY 17 the Embassy has maintained proper documentation for salary payments for its LES.

Finding No. 7 – Embassy Did Not Comply With the Procurement Code For Several Procurement

Response: The Embassy agrees with this finding and recommendation and will work to comply with the requirements of the Procurement Code Regulations and Ministry of Finance supplement policies.

Finding No. 8 – A Representation Expense Was Not Adequately Documented and Supported

Response: The Embassy agrees with this finding and recommendations, and notes that starting FY 2017, the Embassy has maintained the required documentation for its Representation Expenses. The Embassy will continue to ensure that all representation expenditures of the Embassy comply with these requirements.

Finding No. 9 – Some Priority Expenses Were Not Timely Reported For Reimbursement

Response: The Embassy notes this finding and recommendation and will work diligently to comply. The embassy, however states it is important that important findings of this nature be a bit more detailed for appropriate response and compliance.

Finding No. 10 – Educational Expenses Are Improperly Supported

Response: The embassy agrees with this finding and recommendations and will work closely with MOFAT to comply with this finding and recommendations and the Foreign Affairs Act, Regulations and Manual. The embassy further notes that as of FY 17, it has begun to comply with these requirements.

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Appendix II: Ministry of Foreign Affairs' Response to Findings and Recommendations



Republic of the Marshall Islands
MINISTRY OF FOREIGN AFFAIRS AND TRADE
P.O. Box 1349*Majuro, MH 96960 Phone: (692) 625-3181/3012/2699 Fax: (692) 625-4979

August 23, 2019

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

Dear Auditor General Patrick,

The Ministry of Foreign Affairs and Trade is pleased to submit responses to the Audit Findings of RMI Consulate in Arkansas, RMI Permanent Mission in New York, and **RMI Embassy in Washington, DC.** Furthermore, we are grateful for the efforts taken by the Office of the Auditor General to conduct periodic audits at the overseas missions in order for the GRMI to identify problem areas, coordinate ways of improvements and moving forward.

As part of moving forward, this year, the Ministry jointly conducted a first-ever virtual Imprest Fund guidance with the Ministry of Finance, Banking and Postal Services, connecting all the overseas missions and offices to participate on hands-on and knowledge based online training followed by sessions of Q&A. It was a successful exercise and we look further to having these trainings again in the near future.

Should you have any questions, please do not hesitate to contact us at the Ministry.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rina Keju'.

Rina Keju
Acting Secretary of Foreign Affairs and Trade

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Washington, DC

Finding No1

From FY2016, the overseas missions and offices have been given monitoring tools for ease of maintaining a running balance whenever needed. However, not all of the missions use these tools for reasons unknown to the Ministry.

The overseas missions and offices have tried to spend within their annual budget appropriations. However, for as long as the Budget Committee and MFBPS do not entertain the increases from the proposed budget submissions, then repeated instances of overspending will take place, consequently resulting in non-compliance with the Financial Management Act and Over Expenditure and Over Obligation of Fund Act.

Finding No2

Over the years, there have been unresolved question costs due to incomplete documentations and overspending. The Ministry, with the assistance of the MFBPS, has been emailing monthly summary of disallows to each mission to which are able to gather documents or submit transfer requests to resolve the number of question costs listed.

Furthermore, in the case of overspending, this will never be solved until the Budget Committee and MFBPS strongly considers the annual budget proposals that have incorporated all operational needs of the missions.

Finding No3

In order to cut costs in travelling and unnecessary expenditures, the Ministry had tried an approach that the GRMI Asset tags be hand-carried by Ministry staff travelling to the missions, and then the tags be administered on site by the mission's staff. However, despite a number of requests and reasoning with the Procurement & Supply Office, these were never entertained, based on the fact that the staff responsible for FAR stresses that only Procurement Officer is to administer the tags and no other employee, thus, the missions having their own system of asset tagging.

For compliance with the FAR requirement, in August 2019, the MFBPS is working with all government ministries and agencies to designate a FAR Coordinator who will be responsible for updating the Fixed Asset Registry. So far, the Chief of Administration is currently the FAR Coordinator who will then be working closely with the overseas missions and offices to maintain an updated Fixed Asset Registry. At each mission, there is also a designated FAR Coordinator (from its existing staff) who will correspond with Chief of Administration from home office.

Finding No7

The Ministry agrees with the recommendation and will ensure compliance.

Finding No8

The Ministry agrees with the recommendation and will ensure compliance. Furthermore, when these expenses are flagged, the report reviewer at Home Office will instruct mission's staff to put notes as to reason for the meeting and with whom, and further identify whether the meeting is government related.

Finding No9

The Ministry agrees with the recommendation and will ensure compliance.

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Appendix III: Ministry of Finance' s Response to Findings and Recommendations



Republic of the Marshall Islands
Ministry of Finance, Banking and Postal Service

P.O. Box D ~ Majuro ~ Marshall Islands ~ 96960
Phone No. (692) 625-8311/8370/7420 ~Email Address: mayabing@gmail.com

19 August 2019

Mr. JUNIOR PATRICK

Auditor-General
Office of the Auditor-General, Republic of the Marshall Islands
P.O. Box 245
Majuro, MH 96960

Dear Auditor-General Patrick:

This is in relation to your letter dated 08th August 2019 relative to the preliminary Draft Findings and Recommendations of the **RMI Permanent Mission to the UN's and RMI Washington, D.C. Embassy's Imprest Fund Account** requiring official comment from the Ministry of Finance on finding issues that must be addressed as follows:

- A. Washington D.C: Recommendation Nos. 5, 8, 9 13 and 15
- B. UN Permanent Mission: Recommendation Nos. 5, 15 and 19 (as corrected thru email)

The Ministry of Finance culled out those items that are relevant and enclosed in this letter the Schedule of Management's Comments on Findings and Recommendations of the RMI Permanent Mission to the UN's and RMI Washington, D.C. Embassy's Imprest Fund Account.

We hope the responses provided herein satisfy your queries. Please do not hesitate to contact our office should additional information is needed.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Maybelline'.

Maybelline Bing

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017



Republic of the Marshall Islands
Ministry of Finance, Banking and Postal Service

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SCHEDULE OF MANAGEMENT'S RESPONSES
RMI Permanent Mission to the UN's and RMI Washington, D.C. Embassy's Imprest Fund Account

I. Imprest Fund, RMI Embassy –Washington D.C, USA

Finding No.	Compliance Requirement	Finding(s)	Recommendation(s)/ Recommendation Number	Response																								
No. 2	Foreign Affairs Regulations 2006	<p>A. Several Expenses of Embassy were not reimbursed. Review found discrepancies between expenditures paid and reported by the Embassy when compared to actual amounts reimbursed back to the Imprest Fund. The total of these variances for FY 2014 to 2017 amounted to USD59,337. The variances were result of certain expenditures reported not being reimbursed or were disallowed by the Ministry of Finance due to lack of adequate supporting documentations, receipts or invoices to support expenses incurred. In other instances, the expenditures were disallowed because either those line items have exceeded the authorization budgets or no budget was approved for.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>FY</th> <th>Per Reimbursement Report (USD)</th> <th>Per Wire Transfer/ Bank Statements (USD)</th> <th>Under/Over (-/+) (USD)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>154,373</td> <td>154,373</td> <td>0.00</td> </tr> <tr> <td>2015</td> <td>178,386</td> <td>178,386</td> <td>0.00</td> </tr> <tr> <td>2016</td> <td>161,288</td> <td>159,787</td> <td>1,501</td> </tr> <tr> <td>2017</td> <td>342,676</td> <td>284,840</td> <td>57,836</td> </tr> <tr> <td>Total</td> <td>836,723</td> <td>777,386</td> <td>59,337</td> </tr> </tbody> </table> <p>The effect of the above conditions have resulted in the Imprest Fund being depleted, thereby affecting the Embassy's ability to</p>	FY	Per Reimbursement Report (USD)	Per Wire Transfer/ Bank Statements (USD)	Under/Over (-/+) (USD)	2014	154,373	154,373	0.00	2015	178,386	178,386	0.00	2016	161,288	159,787	1,501	2017	342,676	284,840	57,836	Total	836,723	777,386	59,337	<p>4. The Secretary of Foreign Affairs should take immediate steps to review all the reimbursement vouchers prior to the check issuance to ensure that existence of supporting documentations and to prohibit the payment of disallowed expenses.</p> <p>5. The Secretary of Finance should carefully review the reimbursement vouchers to ensure all disbursements are supported by the documentations that verify the existence and allowable purchases of goods and services.</p>	<p>The Ministry of Finance fully agrees with the recommendations. And as a continuing effort to improve systems and procedures, MOF has developed an Imprest Fund Manual of Procedures in February 2019 and subsequently conducted consecutive trainings for all the embassies from Feb-Mar 2019 on Budget Monitoring, Check Voucher Monitoring and shared the Imprest Fund Reimbursed and Disallowed Monitoring Tool (MS Spreadsheet) with the Deputy</p>
FY	Per Reimbursement Report (USD)	Per Wire Transfer/ Bank Statements (USD)	Under/Over (-/+) (USD)																									
2014	154,373	154,373	0.00																									
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Total	836,723	777,386	59,337																									

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Finding No.	Compliance Requirement	Finding(s)	Recommendation(s)/ Recommendation Number	Response
		maintain cash availability on hand to pay for its recurrent operational expenses and other unexpected billings that may arise during the course of the operation. Furthermore, there is possibility that unauthorized transactions may occur which may not be detected and corrected in a timely manner.		Chief of Mission (DCM). The tool aims at promoting coordination, on a monthly basis, between the DCM with the MOF's focal person solely responsible to reconcile the Imprest Fund Accounts.
No. 4		<p>A. <u>USD104,739 Erroneously deposited into the Embassy Imprest Fund Account.</u> A deposit of USD 104,739 was erroneously made by the MOF on 02/14/2017 to the Imprest Fund Account. The payment was intended for a private contractor that was awarded a contract to renovate the Embassy complex. Review of cumulative trial balance report from MOF for the year ended 09/30/2018 showed that the total sum of USD104,739 was recorded as Accounts Receivable from the Embassy.</p>	<p>8. The MOF reviews its internal control governing the processing of payment via telegraphic wire transfer to ensure there is a system of check and balance to avoid errors.</p> <p>9. The Embassy and MOF continue to work together to offset the Embassy reimbursement claims against the erroneous payment of USD104,739 and ensure that the payment, in its full amount, is accounted for and reflected in their respective accounting records.</p>	<p>The Ministry of Finance fully agrees with the recommendations. And as a continuing effort to improve systems and procedures, MOF has developed an Imprest Fund Manual of Procedures in February 2019 and subsequently conducted consecutive trainings for all the embassies from Feb-Mar 2019.</p> <p>As of date, USD30,458.43 has already been offsetted against the Embassy's reimbursement claims and will continue ensuring payment of the full amount.</p>
No. 7	Procurement Code Chapter 1, Section 127	<p>A. <u>Embassy did not comply with Procurement Code for Several Procurements.</u> It was found out that the Embassy employed the services of a private contractor to develop its official website with a value of USD5,785. However, the solicitation and procurement of the website development services did not appear to follow the small purchase requirement under the Section 127 as the only price quotation noted on file was from</p>	<p>12. The Embassy to comply with the Procurement Code for all procurement with public funds and properly document all history of procurements to evident compliance with the procurement code.</p> <p>13. The Ministry of Foreign Affairs and Trade and Ministry of</p>	<p>To supplement the routine operational reviews</p>

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
Fiscal Years 2014 – 2017

Finding No.	Compliance Requirement	Finding(s)	Recommendation(s)/ Recommendation Number	Response
		the selected contractor. The Embassy staff asserted to us that they had called around to obtain other price quotations from other website developers; However, no other records was found indicating any attempt by the Embassy to obtain these price quotations.	Finance requires that all procurements by the Embassy do comply with Procurement Code Regulations.	conducted by Division Supervisors and Heads, the MOF will also enforce an internal control and compliance monitoring system.
No. 8		<p>A. <u>A representation expense was not adequately documented and supported.</u> The Imprest Fund Procedures and Guidelines requires that expenses submitted for reimbursement should be authorized and supported by invoices, receipts, and relevant supporting documentation prior to approval. Common internal controls to implement this requirement would include providing a detailed description and purpose of the expense, for whom the expense was incurred, and if meals were involved, identification of the persons incurring meal expenses. This type of documentation provides the information needed to ensure that expenditures were in direct support of the operations of the Embassy. Review noted that of the 64 samples of regular tested, a sum of USD1,946 in representation expenses did not indicate the purpose of the expense, such as attendance to specific Embassy meetings or events, or names of officials for which the expense was incurred, accordingly we were unable to determine the appropriateness of these claims.</p>	<p>14. The Embassy to develop procedures to ensure payments for all representation expenses submitted in the monthly reimbursement reports are supported by receipts that clearly described the purpose and nature of the expenses.</p> <p>15. The Ministries of Foreign Affairs and Finance should carefully review reimbursement claims to ensure they are adequately supported prior to the issuance of reimbursement payments.</p>	The Ministry of Finance fully agrees with the recommendations. And as a continuing effort to improve systems and procedures, MOF has developed an Imprest Fund Manual of Procedures in February 2019 and subsequently conducted consecutive trainings for all the embassies from Feb-Mar 2019 on Budget Monitoring, Check Voucher Monitoring and shared the Imprest Fund Reimbursed and Disallowed Monitoring Tool (MS Spreadsheet) with the Deputy Chief of Mission (DCM). The tool aims at promoting coordination, on a monthly

Finding No.	Compliance Requirement	Finding(s)	Recommendation(s)/ Recommendation Number	Response
				basis, the DCM with the MOF's focal person solely responsible to reconcile the Imprest Fund Accounts.

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General
Inspection of Imprest Fund Management in RMI Embassy in Washington D.C.
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Appendix IV: Auditors' comments to Response from the Embassy and Ministries of Foreign Affairs and Finance

We acknowledge the comments by the Embassy and the Ministry of Finance for taking steps to improve Imprest Fund management at the Embassy. In particular, we commend the initiative to establish a more comprehensive Imprest Fund Procedure Manual (2019) and conduct workshops for relevant officials to ensure proper execution of those guidelines and procedures. In addition, we commend the initiative by the Embassy to place tags on all assets under its custody to indicate Embassy/Government ownership.

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Appendix V: OAG Follow-Up System

#	FINDING	ACTION TO BE TAKEN
1	Embassy Expenses Exceeded Budget Authorization	<p>Embassy: To copy of a budget control/monitoring log sheet to monitor annual budget of the Embassy against spending.</p> <p>Secretary of Foreign Affairs: Provide assurance that Ministry will implement the recommendation to ensure realistic budget that includes all operational needs of the Embassy.</p>
2	Several Expenses of Embassy Were Not Reimbursed	<p>Secretary of Foreign Affairs: Provide written assurance that the Ministry will implement the recommendation that all reimbursement vouchers are reviewed prior to submitting vouchers to Ministry of Finance for process to prohibit the payment of disallowed expenses.</p> <p>Secretary of Finance: Provide written assurance that the recommendation will be implemented to ensure all disbursements are supported by documentations. Provide also copy of updated Imprest Fund Guidelines that address our recommendation.</p>
3	Fixed Assets Record of the Embassy is Not Updated and Maintained Periodically	<p>Embassy: Provide an updated copy of Fixed Asset Register indicating assets that were acquired or disposed off during two year period. Provide assurance those assets under the custody of the Embassy will be tagged using Government-issued tags.</p> <p>Secretary of Foreign Affairs: Provide written assurance that our recommendation will be implemented to ensure that Fixed Asset Registers are maintained regularly and establish standard internal control procedures to place Government tag to identify Government ownership.</p>

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4	\$104,739 Erroneously Deposited Into The Embassy Imprest Fund Account	<p>Secretary of Finance: Provide written confirmation that recommendation will be implemented to ensure there is a system of checks and balances to avoid future errors.</p> <p>Embassy and Secretary of Finance: Provide periodic update on the offsetting of the Embassy’s reimbursement claims against the erroneous payment of \$104,739 until the whole erroneous payment has been fully accounted for.</p>
5	Embassy Is Not Maintaining 10% Cash Availability Requirement	<p>Embassy: Provide written assurance that the recommendation will be implemented to follow established procedures and maintain 10% cash availability of the original amount.</p>
6	Payment For Salaries Are Not Properly Documented	<p>Embassy: Provide written assurance that recommendation will be implemented and payments towards salaries are accompanied by timesheets as proof of services rendered to the Embassy.</p>
7	Embassy Did Not Comply With Procurement Code For Several Procurements	<p>Embassy: Provide written confirmation that recommendation will be implemented to comply with the Procurement Code and properly document history of procurements.</p> <p>Secretary of Foreign Affairs/Finance: Provide written confirmation that recommendation will be implemented to ensure all procurements by the Embassy comply with the Procurement Code.</p>

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8	A Representation Expense Was Not Adequately Documented and Supported	<p>Embassy: Written confirmation that the Embassy will implement the recommendation to ensure payments for all representation expenses are supported by receipts that clearly describe the purpose and nature of the expense</p> <p>Secretary of Finance/Foreign Affairs: Provide written copy of new policies that outlines the documentation requirement for representation expenses.</p>
9	Some Priority Expenses Were Not Timely Reported For Reimbursement	<p>Embassy: Provide written assurance that the recommendation will be implemented to ensure all monthly expenses paid out of the Imprest Fund should be prepared and submitted in a timely fashion.</p>
10	Educational Expenses Are Improperly Supported	<p>Embassy: Provide written assurance that recommendation will be implemented to ensure education-related expenses are properly documented.</p> <p>Secretary of Foreign Affairs: Provide written assurance that recommendation will be implemented to ensure that diplomats will provide their list of dependents under their care before deploying to their assigned posts.</p>

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