



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

Inspection of Imprest Fund Management in RMI's Permanent
Mission to the United Nations (U.N.)
Fiscal Years 2014 to 2017



REPORT NO: 04/18-1670

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 – Permanent Mission to the United Nations
Management of Imprest Funds**

Dear Minister:

We completed a review of the Imprest Fund Management by the Republic of the Marshall Islands' Permanent Mission to the United Nations (UN Mission) in New York, USA. The objectives of our review were to determine whether: (1) Imprest Fund expenses were incurred and paid in compliance with established laws, policies and guidelines; (2) fixed assets under the custody of the UN Mission were properly accounted for; and (3) prior year recommendations have been implemented. The review of the UN Mission'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 UN Mission. In particular, we commend the UN Mission for implementing a two-official signature to authorize withdrawal from the Imprest bank account, a key internal control we highlighted in our prior review. This control ensures that at least two people must agree that a withdrawal is legitimate and payment is appropriate for valid official purposes. In addition, we commend the initiative by the UN Mission to place tags on assets under its custody to indicate UN Mission ownership.

Office of the Auditor-General

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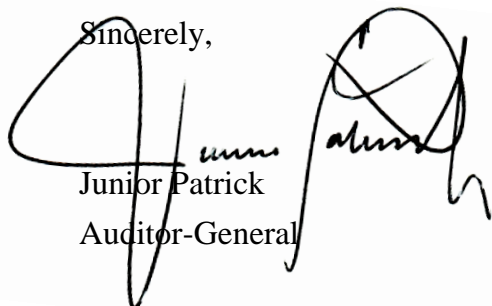
Our review also found certain areas that need improvement. The problems we found include: expenses exceeding budget authorization; unauthorized advances from the Imprest Fund; certain expenses were not reimbursed back due to insufficient documentations as proof of expenses incurred; expenses are not reported for reimbursement purposes in a timely manner; inability to maintain the 10% cash availability; and certain payments toward salaries were not accompanied by required employment contacts.

Pursuant to the Auditor-General Act of 1986, we provided the Ambassador, Secretary of Finance and Secretary of Foreign Affairs and Trade with a copy of our draft report requesting their responses in writing. We appreciate the responses from the Ambassador, Secretaries of Finance and Foreign Affairs which we have included as Appendix I, II and III, respectively. We also discussed our report during our exit meeting on August 14, 2019.

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 actions detailed in Appendix IV to be implemented.

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

Sincerely,



Junior Patrick
Auditor-General

August 23, 2019

Cc: President
Minister of Finance, Banking and Postal Services
Secretary of Foreign Affairs and Trade
Secretary of Finance
Ambassador, RMI Permanent Mission to the UN, New York
Attorney-General
OAG File

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Background

Republic of the Marshall Islands (RMI) Permanent Mission to the United Nations in New York (UN Mission) was established pursuant to Cabinet Minute 158(91) dated August 21, 1991. 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 RMI Government and governments of other countries and international organizations;
- 4) Promote and protect the interest of Marshallese citizens residing the host country;
- 5) Provide consular services for Marshallese citizens abroad; and,
- 6) Any other functions as directed by the President and Cabinet.

The Marshall Islands UN Mission is a diplomatic Mission to the United Nations. The UN

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 UN Mission.

Mission shall assume functions, duties, and responsibilities that seek to maintain, promote, and strengthen friendly relations with member states of the United Nations, non-government organizations, and private sector individuals and organizations.

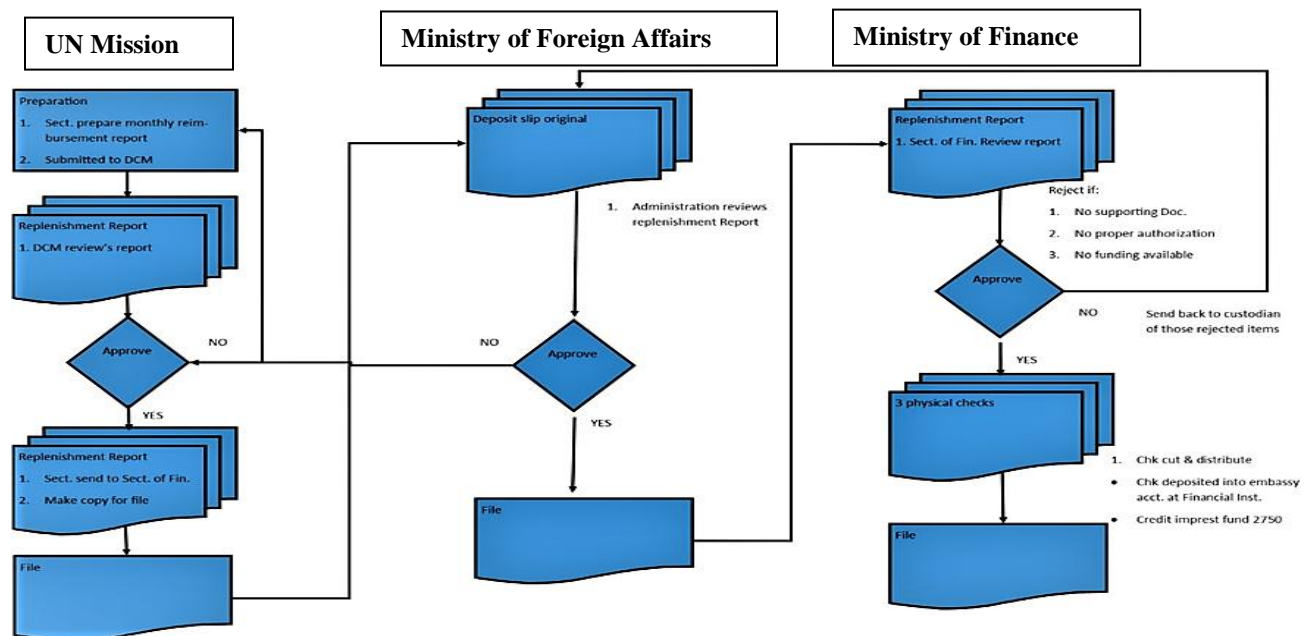
The UN Mission operates through an Imprest Fund. Imprest Funds are fixed funds advanced to RMI Embassies, Consulates and Foreign Missions for their operational expenses. They are controlled checking accounts that can be used for purchases and cash transactions. The amount is determined by the number of staff in the locations, the amount of business transactions handled and the cost of living in the host location. UN Mission management and staff shall follow the Foreign Affairs Act of 2007 and the established Procedures for Imprest Fund Operations in Foreign Offices that contain guidelines and procedures for overseeing these accounts.

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The Ambassador or the highest ranking Foreign Service Officer has the responsibility to ensure that the disbursements from the fund are intended for official purposes and within 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 expenditure 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 UN Mission staff to prepare and submit itemized reimbursement reports on a monthly basis to the Ministry of Foreign Affairs and Trade (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



For its operational needs, each year the UN Mission and the Ministry of Foreign Affairs prepare a budget for the UN Mission's recurrent operational expenses. Table 1 indicates the

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budget allocations for the operational expenses of the UN Mission during the periods from FY 2014 through FY 2017.

Table 1: Operational Budget

Periods	Approved Budget	Amended Budget
FY 2014	\$343,663	\$420,747
FY 2015	333,353	409,071
FY 2016	425,232	426,830
FY 2017	433,707	466,016

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

Objective, Scope & Methodology

The OAG is concerned about the adequacy of internal controls related to safeguarding of assets, compliance with RMI laws, policies, and guidelines regarding the Imprest Fund. The OAG examined if: (1) Imprest Fund expenses were incurred and paid in accordance with established laws, policies and guidelines, and (2) capital assets under the custody of the UN Mission were properly accounted for, and (3) 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.”

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

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To accomplish our objectives for this inspection, the OAG variously conducted the following activities at the Ministry of Finance, Ministry of Foreign Affairs, and at UN Mission located in New York:

- Analyzed actual expenses versus appropriations to assess whether the UN Mission exceeded its appropriations limit.
- Verified a random sample for each fiscal year from 2014 to 2017 of reimbursement forms to determine whether all expenditures incurred were allowable, properly supported and reported. The examination tested transactions excluding permanent employees' payrolls and cost of living allowances that were not subject to disbursement from the Imprest Fund.
- Evaluated the adequacy of internal controls to safeguard the assets of RMI by 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 UN Mission'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.
- Reviewed prior audit reports and management letter reports issued by RMI's external financial auditor.

Prior Audit Coverage

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

Findings and Recommendations

Finding No. 1 – Mission Expenses Exceeded Budget Authorizations

The Financial Management Act restricts departments and agencies of RMI from exceeding budget appropriations. In addition, Section 2 of the 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 the available budget and expense financial reports showed the UN Mission did not comply with RMI laws

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for two of the four years we reviewed as illustrated in Table 2 below. Specifically, the UN Mission Expenses exceeded the budgeted appropriations for fiscal years 2014 and 2016. Although the UN Mission did not exceed the overall budgeted appropriations for fiscal years 2015 and 2017, we noted certain line items have exceeded their approved budget, details of which are presented in Exhibit 1-A and Exhibit 1-D, attached to this report, respectively.

Table 2: Budget vs Expenses Analysis for period from October 1, 2013 thru September 30, 2017

Fiscal Year	Amended Budget	Actual Expenditures	Encumbrance*	Budget Remaining
2014	\$420,747	\$369,635	\$63,385	\$ (12,272)
2015	409,071	287,821	5,000	116,250
2016	426,830	422,868	5,000	(1,038)
2017	466,016	451,732	6,000	8,284

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 Exhibit 1-A through 1-D for detailed expenditure reports

Without an effective financial management and reconciliation process at the UN Mission, budget deficits impact the Ministry of Finance, Banking, and Postal Services' ability to effectively manage the RMI's available revenues. In addition, the effect of this condition is non-compliance with the Over-Expenditure and Over-Obligations of Fund Act.

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

Recommendations:

We reiterate our recommendation that:

1. The UN Mission should:
 - Only incur expenses within the budget authorization. Unexpected expenses are to be processed only in accordance with procedures prescribed by RMI laws.
 - Develop a 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. This is important to avoid risk of incurring expenses in excess of the appropriations limit.
 - Obtain, on a periodic basis, a financial budget report from the Ministry of Finance and reconcile with its own records and if discrepancies are noted, they

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

2. The Secretary of Foreign Affairs should ensure realistic budget that includes all operational needs of the UN Mission.

Auditee's Response:

Response from the UN Mission can be found in Appendix I

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

Finding No. 2 – Advances made from Imprest Fund

The Imprest Fund Procedures for Overseas Missions states that no official may borrow from the Imprest Fund. Furthermore, the Foreign Policy Manual states that the petty cash account and other government funds under the custody and management of each Head of Mission, or an authorized officer, shall not be used for personal expenses unless for justifiable emergency situations; the petty cash account shall not be used for salary, COLA, advances, tuition, medical and dental insurance, etc.

The UN Mission did not comply with these regulations as we noted various advances from the Imprest Fund account totaling \$7,132 to Mission employees and Government Officials traveling to New York. We summarize these advances and present them in Table 3 below:

Table 3: Advance Payments from the Imprest Fund

Date	Amount	Advance to	Description	Reference
4/20/16	\$ 748	Government Official #1	Adv. for Hotel Accommodation	UN Credit Card
4/21/16	484	Government Official #1	Adv. for Hotel Accommodation	UN Credit Card
9/20/16	1,500	Government Official #2	Adv. for Hotel Accommodation	UN Credit Card
9/20/16	1,000	Government Official #2	Adv. for Hotel Accommodation	UN Credit Card
Sub-Total	3,732			
09/16/16	400	Employee #1	Adv. against Employee COLA	Check #1514
01/18/17	1,000	Employee #2	Adv. against Employee COLA	Check #1593
01/18/17	1,000	Employee #1	Adv. against Employee COLA	Check #1594
01/18/17	1,000	Employee #3	Adv. against Employee COLA	Check #1595
Sub-Total	3,400			
Total	\$7,132			

Source: Mission Monthly Check Registers

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Advance to Employee #1

Advance to employee #1 were processed through UN Mission Check No. 1514 for \$400 and Check No. 1594 for \$1,000 on 9/16/2016 and 1/18/2017, respectively. These advances were made against the employee's cost of living allowance. Both were paid back in full to the UN Mission on January 27, 2017.

Advance to Employee #2

Advance to Employee # 2 was processed through UN Mission Check No. 1593 on 1/18/2017 in the amount of \$1,000. This cash advance was made against the employee's cost of living allowance. This advance was paid back in full to the UN Mission on 1/27/2017.

Advance to Employee #3

Advance to Employee # 3 was processed through UN Mission Check No. 1595 on 1/18/2017 in the amount of \$1,000 against the employee's cost of living allowance. It was indicated that the COLA payments were received late. This advance was paid back in full to the UN Mission.

Although these advances have been paid back to the UN Mission account in full, it appeared that established Imprest Fund Guidelines were overridden for flexibility of operation.

In addition to the advances above, the UN Mission also secured hotel accommodations for two Government Officials that travelled to New York. Based on review of documents at the UN Mission, Ministry of Foreign Affairs and Finance, we could not locate the Travel Authorizations that could have showed if these trips were Government paid trip or funded by other parties:

Advance to Government Official #1

During a meeting with Government Official#1 in an attempt to try to understand the facts around this travel in the absence of the Travel Authorizations, this Official stated that the hotel accommodation paid by the UN Mission were never communicated to him. During this meeting, the Official claimed that he had stayed at another hotel. This Official also stated he did, in fact, stayed one night at the hotel. The other nights he did not. This Official also sent an email, dated June 6 2019, further disputing the reasons to make payments/reimbursements back to the UN Mission. As of the conclusion of our fieldwork, the amounts paid by the UN Mission on behalf of Official#1 has not been paid back to the UN Mission despite numerous attempts and email communications to settle these unpaid advances.

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Advance to Government #2

During a meeting with Government Official # 2 on June 19th 2019, this Official explained that the purpose of the trip was to attend the 71st United Nation Assembly General after another trip to Washington DC and there should have been an amended TA for this trip which was never processed. As of the conclusion of our fieldwork, the amount paid on behalf of Government Official # 2 by the UN Mission has not been paid back to the UN Mission despite numerous attempts and email communications to settle these unpaid advances.

The delay in repayment of advances made from the UN Mission has caused the UN Mission Imprest Fund to be depleted, thereby affecting the ability of the UN Mission to pay its core payment obligations and other operational expenses in a timely manner. Additionally, established Imprest Fund Guidelines are not being followed and as a result expenses other than the Embassy-related expense are being paid out of the UN Mission.

Recommendations:

We recommend that:

3. The UN Mission should follow the established Imprest Fund Guidelines and cease the practice of borrowing from the Mission Imprest Fund account.
4. The Secretary of Ministry of Foreign Affairs should take appropriate and corrective actions to ensure that borrowing from the Imprest Fund is ceased immediately.
5. The Ministry of Finance should investigate the matter to ensure amounts owed by the travelers are paid back to the Mission Imprest Fund, or seek the assistance of the Attorney General's Office.

Auditee's Response:

Response from the UN Mission 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

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Finding No. 3 – Not all Mission Expenses Were Reported For Replenishment Purposes

Pursuant to the Imprest Fund Procedure, the Imprest Fund Custodian shall file and submit a monthly replenishment request for expenses incurred on a monthly basis, along with the relevant supporting documentations. Additionally, the Foreign Affairs

Regulations stipulates that it is the duty of every Mission to submit the financial reports on the administration and expenses paid from the Mission's Imprest Fund. The monthly reimbursement requests, with all relevant and supporting documentations, are the basis to replenish the Imprest Fund.

Our review identified variances between the total expenses incurred and recorded in the UN Mission's check registers and the reimbursement vouchers submitted to Ministry of Finance. Based on our review, the total expenses per the check registers were more than the total Expenses reported for reimbursement, which suggests that not all of the UN Mission's expenses were reported to the Ministry of Finance for reimbursement during FY 2014 to FY 2016, except for 2017 as illustrated in Table 4 below.

Table 4: Comparison of disbursement per Check Register and Reimbursement Vouchers

Fiscal Years	Amount Per Check Registers	Amount Per Reimbursement Vouchers	Under/Over (-/+) Reported
2014	\$327,105	\$321,971	\$ (5,134)
2015	229,280	227,367	(1,913)
2016	296,402	281,509	(14,893)
2017	346,303	346,490	187

Source: Mission Monthly Reimbursement Reports and Check Registers

The cause of the above condition is the lack of adherence to established Imprest Fund Guidelines and Procedures and the Foreign Affairs Regulations 2016 that were instituted to safeguard Imprest Fund account.

When the expenses are not reported together with the underlying supporting documentation as proof of expenses incurred, we could not determine whether those expenses were directly related to the operation of the UN Mission. This diminishes accountability over UN Mission operations and increases the risk that unauthorized transactions can occur which may not be detected and corrected in a timely manner.

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Recommendations:

We recommend that:

6. The UN Mission should ensure all expenses paid out of the Imprest Fund are properly accounted for and reported to Ministry of Finance.
7. The Secretary of Ministry of Foreign Affairs should ensure that all monthly disbursements are reported together with the underlying supporting documentation before forwarding to Ministry of Finance for payments.

Auditee's Response:

Response from the UN Mission can be found in Appendix I

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

Finding No. 4 – Certain Mission Disbursements Were Not Reimbursed Back to Imprest Fund

All expenses from UN Mission Imprest Fund account should agree to amounts reported and reimbursed back to the Imprest Fund.

Our review found discrepancies between expenses paid and reported by the UN Mission compared to actual reimbursement back to the UN Mission Imprest Fund by the Ministry of Finance. The total of these variances for fiscal years 2014, 2015, 2016, and 2017 amount to \$192,496 as illustrated in Table 5 below. The variances are a result of certain expenses being disallowed by the Ministry of Finance due to lack of adequate supporting documentations, such as receipts or invoices to support the expenses reported. In other instances, the expenses were disallowed because either those line items have exceeded the authorization or (and/or no budget allocation), or because expenses were not related to UN Mission operation.

Table 5: Comparison of Expenses Reported for reimbursement and Actual Reimbursement

Fiscal Year	Per Reimbursement Reports	Per Wire Transfers/Bank Statements	Under/Over (-/+) reported
2014	\$321,971	\$283,485	\$(38,486)
2015	227,367	210,121	(17,246)
2016	281,509	246,781	(34,729)
2017	346,490	244,454	(102,035)
Total	1,177,337	984,841	(192,496)

Source: Mission's Reimbursement Reports and Bank Statements and MOF Wire-Transfer Confirmations

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The effect of the above conditions have resulted in the Imprest Fund being depleted, thereby affecting the UN Mission'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. This has prompted the government to authorize cash injections of \$75,000 (\$50,000 in 2014 & \$25,000 in 2015). 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:

8. The UN Mission should make absolute sure that the required monthly reimbursement reports are submitted to the Ministry of Foreign Affairs contains all of the proper and verifiable supporting documentations for all payment issued out of the Imprest fund for reimbursements.
9. The Secretary of Ministry of Foreign Affairs should review the nature of all disallowed expenses and determine the appropriate course of actions to ensure the amounts expended from the Imprest Fund are put back to the Imprest Fund account.

Auditee's Response:

Response from the UN Mission can be found in Appendix I

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

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

All overseas missions shall annually furnish to Ministry of Foreign Affairs a list of fixed assets valued over \$300 that belong to RMI under the custody of the Mission, whether donated or purchased with funds appropriated to the Mission. RMI defines fixed assets as buildings, improvements, furniture, and equipment, ships, over the road vehicles and aircrafts. In addition, the Imprest Fund Operational Guidelines require that a Fixed Asset Register (FAR) be maintained at the Mission at all times. The FAR needs to be updated every two years indicating all assets acquired and disposed of every two years. The primary purpose of tagging fixed assets is to provide an accurate method of identifying assets as RMI properties,

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to control the location of all physical assets, and to provide a link to records for physical inventories.

Our review found that UN Mission did not comply with key fixed assets requirements. The UN Mission maintained a FAR but this was updated during our fieldwork. In addition, we noted that the UN Mission has tagged all assets under its custody to indicate UN Mission ownership. UN Mission official informed us that they had resorted to procuring and utilizing own tag after multiple attempts to obtain Government-issued tag – without success. Figure 2 below illustrates the sample tag currently used by the UN Mission.

Figure 2: Tag Used to Identify Government Assets.



Source: Picture was taken by OAG Staff

We commend the initiative by the UN Mission to tag assets under its custody. However, we determined also that the records of those assets and tag numbers are not captured in the central fixed assets registry maintained by the designated property coordinator – Procurement and Supply Office. Without the proper records keeping and central maintenance of RMI assets, these assets are vulnerable to theft that could go undetected.

In our report dated July 31, 2015, we highlighted the same issue related to lack of proper accounting of RMI assets under the UN Mission's custody.

Recommendation:

We recommend that:

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10. The Secretary of Ministry of Foreign Affairs should work with the Procurement and Supply Office to establish standard internal controls procedures (proper tag and bar code labels) on all assets acquired by the UN Mission, including developing and implementing instructions for overseas Missions.

Auditee's Response:

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

Finding No. 6 – Two Signatory Policy For Imprest Fund Disbursements

An effective system of internal control requires at least two signatures for every withdrawals and disbursements from checking account. The importance of this control is evident by its inclusion in the Imprest Fund Guidelines, which ensures that at least two people must agree that withdrawal is legitimate and appropriate for valid official purposes.

The UN Mission began implementing the Two-Signatory policy requiring all of its transactions to be endorsed by at least two Mission staff. Our review found that prior to June 2016 the UN Mission continued to rely on a single signatory requirement for all its transactions dating back to October 1, 2013 for a total of \$35,407. We commend the UN Mission for implementing this key internal control requiring two people to sign every check that is issued from its Imprest Fund account. With the implementation of Two-Signatory for the bank account and a fully implemented system of internal control over the check issuance, this decreases the risk of unauthorized transactions and/or misuse of public funds to occur.

Recommendation:

We recommend that:

11. The Secretary of Ministry of Foreign Affairs continue to reinforce the existing policy that requires at least two signatures for all checks issued from the overseas Mission Imprest fund account.

Auditee's Response:

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

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Finding No. 7 – 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. The 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 lease rental, electricity and water which we considered as recurrent costs and critical for the continued operation of the UN Mission. We examined these expenses to determine whether the expenses were reported and paid back to the Imprest Fund in a timely manner. Our examination found that of the 40 samples tested, 26 (65%) expenses were paid on time while 14 expenses (35%) were not paid in a timely manner.

When the expenses are not reported to the Ministry of Finance and reimbursed back to the UN Mission in a timely manner, this affects the UN Mission's cash flow situation and ability to meet its recurrent obligation costs. Specifically, we found that UN Mission defaulted to make payment according to a payment schedule and ended up paying late charges (fees) on top.

Recommendation:

We recommend that:

12. The UN Mission should prepare and submit all monthly expenses report on all monies paid out of the Imprest Fund for reimbursement in a timely fashion to improve its cash position at all times to meet its payment obligations.

Auditee's Response:

Response from the UN Mission can be found in Appendix I

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Finding No. 8 – Mission Is Unable To Maintain The 10% Available Balance 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.

Our review found that the UN Mission did not maintain the 10% cash availability requirement as stated in the Imprest Fund Guidelines for several months as summarized below:

- × Did not maintain cash equivalent (bank balance) of 10% of original amount during the months of December, January, February, March, April, and June of 2014;
- × Did not maintain cash equivalent (bank balance) of 10% of original amount during the months of November, December, January, April, June, and July of 2015;
- × Did not maintain cash equivalent (bank balance) of 10% of original amount during the months of April, July, and September of 2016; and
- × Did not maintain cash equivalent (bank balance) of 10% of original amount during the months of January, April, July, and August of 2017.

Further, we were unable to perform similar analysis for the months of May 2016 and 2017 to determine whether the 10% was maintained due to missing bank statements for those period.

The cause of the above condition is due to the fact that certain expenses were not reported for reimbursement in a timely manner, certain expenses were denied reimbursement due to inadequate documentation to support expenses incurred and because of budget issues. These expended funds were never reimbursed and put back to the Imprest Fund which affected UN Mission's cash flow situation which we also reported in our report dated July 31, 2015.

Recommendations:

We recommend that:

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13. The UN Mission should ensure expenses are reported for reimbursement in a timely manner and that expenses report are accompanied by verifiable invoices and receipts as proof of expenses incurred.
14. The UN Mission should ensure there is fund available 10% in the Imprest Fund as suggested in the Imprest Fund Guidelines to avail cash for payment of core payment obligations as well as under unforeseen billings that may arise during course of operation.
15. The Secretaries of Ministry of Foreign Affairs and Finance should institute additional measures to ensure recommended 10% cash balance availability as suggested in the Imprest Fund Guidelines is followed.

Auditee's Response:

Response from the UN Mission 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

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**Finding No. 9 – Checks
 Are Not Issue Sequentially**

The Proper Internal Control dictates that all checks should be issued sequentially for internal control purpose and proper management of payments made out of the Imprest fund.

During our review we noted that the UN Mission did not issue certain checks in a sequential manner during fiscal years 2014, 2016 and 2017 as illustrated in the Table 6 below.

Table 6: Checks That Were Not Issued Sequentially

Fiscal Year	Check No	Issue Date	Comments
2014	10998 to 11000	9/25/2014	Checks numbers 10998 to 11000 were issued before check numbers 10995 to 10997 dated 9/26/2014
2016	1518	9/16/2016	Check numbers 1518 and 1519 were issued before check numbers 1515 and 1516 dated 9/23/2016
	1519	9/19/2016	
2017	1617	2/28/2017	Check number 1617 was issued before check number 1616 dated 3/06/2017
	1629 and 1630	4/7/2017	Check numbers 1629 and 1630 were issued before check number 1627 dated 4/21/2017
	1633	4/21/2017	Check number 1633 was issued before check number 1632 dated 5/8/2017
	1671	6/29/2017	Check number 1671 was issued before check number 1670 dated 6/30/2017
	1697 and 1698	8/22/2017	Check numbers 1697 and 1698 were issued before check numbers 1694 and 1695 dated 8/25/2017 and check number 1696 dated 9/7/2017

Source: UN Mission Monthly Check Registers

The cause of the above condition is due to management lacking oversight over check issuance which create the possibility that expenses may not be recorded in the proper period.

Recommendation:

We recommend that:

16. The UN Mission should ensure that all checks are issued in a sequential manner for better tracking and reference.

Auditee's Response:

Response from the UN Mission can be found in Appendix I

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Finding No. 10 – Salaries for Locally Engaged Staff (LES)

The Proper Internal Control System requires that the payments for salaries be supported by valid employment contracts and be executed as specified within the contract agreement, terms and conditions. In addition, a standard employment contract template to be used uniformly across for all overseas Mission, Embassy, and Consulate.

Our review identified discrepancies in relation to payments of salaries and certain other payments for Locally Engaged Staffs (LES) employed by the UN Mission. Discrepancies we noted include payments without a written contract; contracts not fully signed by required signatories; and bonus payments. We summarized these issues in Table 7 below:

Table 7: Payment of Salaries and other form of Payments to Employees

Employee	Amount	Ref	Comments
LES#1	\$1,846	10731,10813, 10883	Purpose of payment was for Appreciation and Christmas “thank you”. This type of payment was not expressly written in the employment contract.
LES#2	1,439	Various checks	No contract to support salary payments received during the period from September 4, 2014 thru September 26, 2014.
	22,000	Various checks	No contract to support salary payments received during the period from September 29, 2014 thru September 26, 2015.
	170	10822 & 10855	Purpose of Payment was for Appreciation for hard work and patience during late payment of salaries. This type of payment was not expressly written in the employment contract.
LES#3	8,547	Various checks	No contract to support salary payments received during the period from September 30, 2013 thru February 14, 2014.
	85	10823	Purpose of Payment was for Appreciation for hard work and patience during late payment of salaries This type of payment was not expressly written in the employment contract.
LES#4	13,366	Various checks	No contract to support salary payments received during the period from March 2, 2015 thru September 25, 2015
	85	10886	Purpose of payment was for Appreciation for hard work and patience during late payment of salaries This type of payment was not expressly written in the employment contract.
Total	47,538		

Source: Monthly Check Registers and Employment Contracts

In the absence of the formal contract agreements with the employees there is the possibility that the payments UN Mission made for salaries of these employees were not authorized. In addition, we question the appropriateness of additional payment of bonuses to employees

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without being expressly written in their respective employment contracts (in those period there were contract).

The issue occurred because there exists no formalized and standardized employment contracts that clearly defines the terms of reference, conditions of employment, benefits/incentives; lack of administrative oversight by the Ministry of Foreign Affairs; and lack of adherence to established RMI policies and regulations.

Recommendation:

We recommend that:

17. The UN Mission should ensure that locally engaged staff employment contracts are fully formalized and signed by all parties prior to employment.
18. The Secretary of Ministry of Foreign Affairs should ensure all locally engage staff have existing valid contract on file.
19. The Secretary of Ministry of Finance should ensure that all salary payment requests are supported by valid contracts prior to make disbursements.

Auditee's Response:

Response from the UN Mission 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

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Exhibits

Exhibit 1-A: Budget vs Actual Fiscal Year 2014

Account Name	Acct No.	Adjusted Budget	Expenditures	Encumbrance	Balance Remaining
Salaries & Wages Expat	1010	\$ 0	\$ 1,038.46	\$ 0	\$ (1,038.46)
Salaries & Wages Marsh	1011	57,000.00	46,367.01		10,632.99
Pers Benefits - Marsh	1115	5,985.00	3,314.77		2,670.23
Professional Services	1510	60,404.35	73,327.39		(12,923.04)
Audit Expense	1515	522.70	280.49		242.21
Contractual Services	1520	9,889.28	9,892.28		(3.00)
Travel	2020	14,958.34	14,958.34		
International Travel	2021	21,797.80	21,797.80		
Cost of Living Allowances	2110	15,000.00	15,000.00		
Repatriation & Home Leave	2123	4,440.71	4,440.71		
Rentals	2205	76,035.44	82,879.79		(6,844.35)
Utilities	2215	17,842.31	18,952.83		(1,110.52)
Communication	2305	6,919.97	7,622.76		(702.79)
Insurance	2315	2,304.00	2,304.00		
Printing & Reproduction	2320	200.00			200.00
Repairs	2325	151.00	151.00		
Subscriptions, Dues & Fee	2330		337.18		(337.18)
Subsidies & Contributions	2345	280.49	280.49		
Office/Computer Supplies	2405	2,201.17	2,432.39		(231.22)
POL (Fuel)	2410	4,504.72	5,568.94		(1,064.22)
Other Supplies/Materials	2450	3,729.73	2,387.77		1,341.96
Representation	2605	42,794.07	43,728.93		(934.86)
Other Charges & Expenses	2750	64,420.64	1,035.42	63,385.22	
Vehicle	3135	9,365.77	11,535.77		(2,170.00)
Total		420,747.49	369,634.52	63,385.22	(12,272.25)

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

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Exhibit 1-B: Budget vs Actual Fiscal Year 2015

Account Name	Acct No.	Adjusted Budget	Expenditures	Encumbrance	Balance Remaining
Salaries & Wages Marsh	1011	\$ 57,000.00	\$ 28,519.22	\$ 0	\$ 28,480.78
Pers Benefits - Marsh	1115	5,985.00	2,261.96		3,723.04
Professional Services	1510	46,769.16	46,769.15		0.01
Contractual Services	1520	38,794.94	38,462.77		332.17
International Travel	2021	46,700.00	16,141.62	5,000.00	25,558.38
Cost of Living Allowances	2110	17,500.00	17,500.00		
Leased & Rental Housing	2115	40,600.00	39,871.92		728.08
Repatriation & Home Leave	2123	12,000.00	1,190.60		10,809.40
Rentals	2205	17,867.27	36,861.20		(18,993.93)
Utilities	2215	12,784.28	12,768.62		15.66
Communication	2305	5,893.28	6,074.22		(180.94)
Insurance	2315	3,771.00	3,541.00		230.00
Printing & Reproduction	2320	200.00			200.00
Repairs	2325	1,200.00	710.76		489.24
Subsidies & Contributions	2345	500.00			500.00
Freight	2401	500.00	21.85		478.15
Office/Computer Supplies	2405	2,000.00	1,964.70		35.30
POL (Fuel)	2410	3,000.00	3,714.94		(714.94)
Water	2445	962.62	668.14		294.48
Other Supplies/Materials	2450	2,515.00	1,002.00		1,513.00
Representation	2605	9,115.10	5,765.63		3,349.47
Allowances	2615	(615.72)			(615.72)
Other Charges & Expenses	2750	71,009.29	10,640.45		60,368.84
Vehicle	3135	13,020.00	13,370.59		(350.59)
Total		409,071.22	287,821.34	5,000.00	116,249.88

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

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Exhibit 1-C: Budget vs Actual Fiscal Year 2016

Account Name	Acct No.	Adjusted Budget	Expenditures	Encumbrance	Balance Remaining
Salaries & Wages Expat	1010	\$ 0	\$ 3,076.92	\$ 0	\$ (3,076.92)
Salaries & Wages Marsh	1011	80,000.00	80,080.91		(80.91)
Pers Benefits - Marsh	1115	6,615.00	5,592.84		1,022.16
Employee Insurance Expense	1116	5,415.00	463.82		4,951.18
Professional Services	1510	49,482.32	49,482.32		
Contractual Services	1520	35,583.03	35,633.78		(50.75)
Travel	2020	7,210.09	6,773.31		436.78
International Travel	2021	17,568.47	12,068.47	5,000.00	500.00
Cost of Living Allowances	2110	34,375.00	34,375.00		
Leased & Rental Housing	2115	29,788.70	29,788.70		
Rentals	2205	72,924.00	72,924.00		
Utilities	2215	12,087.34	12,024.16		63.18
Communication	2305	6,664.10	6,808.93		(144.83)
Insurance	2315	6,368.00	6,368.00		
Printing & Reproduction	2320	645.00	645.00		
Repairs	2325	11,236.00	11,236.00		
Freight	2401	490.90	330.90		160.00
Office/Computer Supplies	2405	1,02.42	1,785.41		(758.99)
POL (Fuel)	2410	3,924.70	3,924.70		
Water	2445	656.09	656.09		
Other Supplies/Materials	2450	1,342.45	1,489.35		(146.90)
Representation	2605	4,469.81	3,969.81		500.00
Allowances	2615	2,399.47	3,218.08		(818.61)
Other Charges & Expenses	2750	24,052.04	27,645.43		(3,593.39)
Vehicle	3135	12,506.07	12,506.07		
Total		426,830.00	422,868.00	5,000.00	(1,038.00)

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

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Exhibit 1-D: Budget vs Actual Fiscal Year 2017

Account Name	Acct No.	Adjusted Budget	Expenditures	Encumbrance	Balance Remaining
Salaries & Wages Marsh	1011	\$ 80,000.00	\$ 80,000.18	\$ 0	\$ (0.18)
Pers Benefits - Marsh	1115	4,200.00	7,677.02		(3,477.02)
Employee Insurance Expense	1116	5,415.00	4,017.96		1,397.04
Professional Services	1510	77,692.28	24,999.91		52,692.37
Audit Expense	1515	(1,475.66)			(1,475.66)
Contractual Services	1520	28,944.20	26,207.75		2,736.45
Travel	2020	3,000.00			3,000.00
International Travel	2021	13,000.00	5,377.56	6,000.00	1,622.44
Cost of Living Allowances	2110	50,000.00	50,000.00		
Leased & Rental Housing	2115	36,383.93	58,744.53		(22,360.60)
Rentals	2205	72,924.00	72,924.00		
Utilities	2215	12,351.00	12,262.67		88.33
Communication	2305	8,032.52	12,286.85		(4,254.33)
Insurance	2315	5,771.00	3,239.61		2,531.39
Printing & Reproduction	2320	261.30	261.30		
Repairs	2325	6,841.70	915.76		5,925.94
Subsidies & Contributions	2345	1,597.00	1,597.00		
Freight	2401	500.00	203.20		296.80
Office/Computer Supplies	2405	2,000.00	1,820.82		179.18
POL (Fuel)	2410	3,732.30	5,078.44		(1,346.14)
Water	2445	300.00	765.69		(465.69)
Other Supplies/Materials	2450	11,415.00	12,454.14		(1,039.14)
Representation	2605	2,500.00	2,790.08		(290.08)
Allowances	2615	13,000.00	4,402.42		8,597.58
Other Charges & Expenses	2750	14,209.33	51,081.35		(36,872.02)
Vehicle	3135	13,421.00	12,623.85		797.15
Total		466,015.90	451,732.09	6,000.00	8,283.81

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

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Appendices: Agency Responses

Appendix I: UN Mission's Response to Findings and Recommendations



Permanent Mission of the Republic of the Marshall Islands to the United Nations
800 2nd Avenue, 18th Floor
New York, NY 10017
Phone: 212.983.3040 Fax: 212.983.3202

August 22, 2019

RMI Office of the Auditor General

Inspection and Evaluation Report: Management of Imprest Fund UN Mission

Thank you for the opportunity to review and provide responses to the Draft Inspection Report for the New York Mission for fiscal year 2014-2017.

We note your request to provide responses earlier than (15) days and have provided our responses based on the recommendations identified in the report as well as the steps we have identified and implemented.

The Mission is highly supportive of the recommendations that have been identified and would suggest a more regular review of Imprest fund management processes to further improve the overall compliance and management of the Fund by all responsible Ministries.

Please find enclosed responses to the recommendations identified in the Draft Inspection Report for the New York Mission for fiscal years 2014-2017.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amatlain E. Kabua'.

Amatlain E. Kabua, Ambassador
Permanent Representative

Permanent Mission of the Marshall Islands to the United Nations

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Finding No. 1 Mission Expenditures Exceeded Budget Authorizations

The UN Mission has in place a budget monitoring spreadsheet since 2015 to assist with tracking spending per line item and does request 240 and 245 reports from Ministry of Finance on a regular basis to identify any discrepancies. The UN Mission reiterates its recommendation from 2015 Audit response as well as agrees with the Auditor General's recommendation for the Secretary of Foreign Affairs and Trade to ensure realistic budget that includes all operational needs of the Mission.

Expenses exceeding budget authorization is a long-standing issue which is likely to continue in the medium to long term due to current lack of a robust, transparent and inclusive budgetary & strategic planning process led by the Ministry of Foreign Affairs Management with Personnel, including all overseas Ambassadors and Staff. The UN Mission has raised with MOFA management the need to implement on an annual basis and well in advance of the budgeting cycle effective consultations with overseas Missions and staff. This year for the first time an online e-meeting session was organized with the Budget Committee to go over Missions and Embassies budgets. The Mission continues to recommended prior internal management meetings of MOFA and Ambassadors and staff to allow better sharing of information on overall Government priorities, as well as resource needs for basic operations.

Finding No. 2 – Advances made from Imprest Fund

The Mission agrees with finding and has discontinued practice of advances, including securing hotel rooms for high-level delegations with Imprest Fund.

It is a constant challenge for the UN Mission to receive timely information on composition and travel itineraries for delegations traveling to New York for meetings. The annual high-level opening of the UN General Assembly each year in September is particularly challenging as it involves providing assistance with logistics, accommodations, security and facilitating meaningful multilateral and bilateral engagement and participation of the delegation during the high-level week.

The advances for hotel accommodations in 2016 were intended to secure room bookings for high level officials with the understanding that upon check out the officials would pay the amount due to the hotel. In both instances payments to the hotel were not made and the Mission card was charged. It should be noted that in 2016, a number of personal Bank of Guam cards were declined at check-in/check-out due to late deposits of perdiems and/or issues with international travel notification requirements by Bank of Guam. The practice of securing rooms for delegations in New York using the UN Missions bank card has since been discontinued to avoid additional charges to the UN Imprest Fund.

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Advances to Employees for late Cost of Living Allowances – a one-time advance payment was made in 2017 to (3) Employees of the UN Mission due to late payment of Cost of Living Allowance from Government. While the UN Mission recognizes the guidelines for advancing cost of living allowances, it is equally important for the Ministry of Foreign Affairs and Ministry of Finance to adhere to timely processing of Cost of Living Allowances for posted staff. Staff posted overseas, particularly in New York receive salary and wage rates in line with the PSC pay-scale while living in one of the most expensive cities in the world. These staff rely heavily on the supplemental Cost of Living Allowances to pay for personal utilities and daily family needs. The Cost of Living Allowance advanced in 2017 was a one-time advance by the UN Mission to assist staff and their families when they otherwise should have received this allowance from Government in a timely manner. This practice has since discontinued due to improvements in receiving Cost of Living allowance on a timely basis.

Finding No. 3 – Not all Mission Expenses were reported for replenishment purposes & Finding No. 4 – Certain Mission Disbursements were not reimbursed back to imprest fund

The UN Mission repeats vital recommendation from the prior audit report that clear guidelines for “reimbursable expenses” and “representation” be developed by the Ministry of Foreign Affairs in consultation with embassies, missions (especially Ambassadors) and Ministry of Finance and that these guidelines are utilized in trainings and orientation sessions with heads of missions and staff.

The UN Mission will continue its efforts to ensure all mission expenses are reported for replenishment. New reporting templates for special funds reporting have since been developed by the Ministry of Foreign Affairs and are being utilized by the UN Mission report expenditures from sources other than Imprest Fund utilized for specific purposes.

The UN Mission reiterates the importance of a transparent, inclusive and robust budgeting process for the entire Ministry of Foreign Affairs, including its overseas embassies and missions. This will help to align operations with budgetary needs to avoid insufficient funding for various line items that are recurring operational costs for the UN Mission.

Finding No. 5 – Fixed Asset Register

The UN Mission has tagged all fixed assets at the UN Mission Office and residences utilizing its own tagging system due to lack of tags received from government. We agree with the suggestion by the auditing team to include fixed assets of overseas missions into the wider government asset management system. The UN Mission will work to implement recommendations of the audit and look forward to improvements in fixed asset management through Ministry of Foreign Affairs and Ministry of Finance and Procurement.

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Finding No. 6 – Two signatory Policy for Imprest Fund Disbursements
Finding No. 7 Some Priority Expenses were not timely reported for reimbursement &
Finding No. 8 Mission is Unable to Maintain the 10% available balance requirement

In 2016, the UN Mission implemented the 2-signatory policy for imprest fund disbursements, UN Mission continues to adhere to this policy. A modified 2-signatory policy was in effect prior to 2016, which used a cover signature page, due to unavailable 2 signature checks at that time.

The majority of late payments from the Imprest Fund for recurrent costs are due to having inadequate funding in the bank account to make all required payments. The UN Mission has raised the issue of aligning the budget with actual costs of operations to the Ministry of Foreign Affairs and has recommended improvements in budgetary process with overseas Missions. The insufficient budget allocated and the actual disbursements required for operations of the UN Mission are the reason for the UN Mission being unable to maintain 10% available balance at all times.

Finding No. 9 – Checks are not issued in sequence
Finding No. 10 – Salaries for Locally Engaged Staff

The UN Mission has taken note of this and will work to ensure checks disbursed are properly tracked and in sequence.

Since 2016, the UN Mission has ensured all Locally Engaged Staff have valid employment contracts on file at the UN Mission. The UN Mission further recommends fully signed contracts for all overseas posted staff and Locally Engaged Staff also be placed on file with Administration and Finance at the Ministry of Foreign Affairs as some prior year contracts could not be produced when UN Mission sought to follow up obtaining signed contracts for prior years. It should be noted that in some instances the contracting process took almost a year to complete due to “lost” contracts between various Ministries affecting ability of staff to meet daily expenses. We recommend a dedicated/expedited process within the Government to ensure timely signing of contracts for locally engaged staff as well as posted staff, who along with all government employees rely on regular and uninterrupted salaries as part to meet daily living expenses.

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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

Phone: (692) 625-3181/3012 Fax: (692) 625-4979 Website: <http://www.rmiembassyus.org/>

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New York

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

The Ministry agrees with the recommendations. Despite the Ministry constantly emphasizing the need to avoid advances from the Imprest Fund, these have already taken place at the missions before the Ministry is able to prevent it. The Head of Missions should already know that any advances from the Imprest Fund are not allowed.

Finding No3 & No4

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.

The Ministry will continue to work closely with the mission to ensure that complete documentation of expenses is submitted, and to adhere to the Imprest Fund Guidelines. A measure the Ministry has recently undertaken from FY2018, the Recap Summary submitted to Ministry of Finance, Banking and Postal Services have been revised to list missing documents which the missions have to submit or flag unallowable expenditures, if any.

Finding No5

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.

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Finding No6

The Ministry agrees with the recommendation and will ensure compliance by the mission.

Finding No8

For every fiscal year, the missions have been submitting realistic and actual budget proposals, but most of them aren't entertained when presented to Budget Committee. The Budget Committee and the MFBPS have constantly emphasized the need to maintain the overall budgets of all Ministries, SOEs and other government agencies, and therefore, cannot accommodate the increases that the Ministry requests.

There are mandates set by the GRMI that the overseas missions and offices are obligated to fulfill activities or tasks that the missions are required to accomplish despite the budget constraints. In turn, these resulted in over expenditures.

In addition to over expenditures, there is the case of partial reimbursements upon submission of the monthly Imprest Fund Reports. In some instances, there are missing receipts and other supporting documents, which the consulate is unable to receive full reimbursement and therefore unable to maintain the 10% cash balance (bank account) availability as recommended by the Auditor General Office.

Finding No10

Before any individual is hired as locally engaged staff at the overseas mission and offices, all contracts need approval from the Secretary of Foreign Affairs and Trade and Minister of Foreign Affairs and Trade. In the case of Arkansas, it is unclear why these said contracts were never circulated.

However, steps have been done to ensure that any, new or existing, employees have valid a contract. In the case of the "Appreciation" or "Thank You" payments, this is not acknowledged in any Locally Engaged Staff (LES) contract, and therefore, not allowed.

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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 black ink, appearing to read 'Maybelline'.

Maybelline Bing

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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 Permanent Mission to the U.N. NY, USA

Finding No.	Compliance Requirement	Finding(s)	Recommendation(s)/Number	Corrective Action(s)																												
No. 2		<p>A. Advances made from Imprest Fund. The Imprest Fund procedures for Overseas Missions states that no official may borrow from the Imprest Fund. Furthermore, the Foreign Policy Manual states that the petty Cash Account and other Government funds under the custody and management of each Head of Mission, or an authorized officer, shall not be used for personal expenses unless for justifiable emergency situations; the petty cash account shall not be used for salary, COLA, advances, tuition, medical and dental insurance, etc.</p> <p>It was noted that the Mission did not comply with these regulations since various advances from Imprest Fund were made to Mission employees and Government Officials travelling to New York totaling to USD7,132.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Advance to</th> <th>Amount (USD)</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>4/20/16</td> <td>Government Official #1</td> <td style="text-align: right;">748</td> <td>Hotel Accom.</td> </tr> <tr> <td>4/21/16</td> <td>Government Official #1</td> <td style="text-align: right;">484</td> <td>Hotel Accom.</td> </tr> <tr> <td>9/20/16</td> <td>Government Official #2</td> <td style="text-align: right;">1,500</td> <td>Hotel Accom</td> </tr> <tr> <td>9/20/16</td> <td>Government Official #2</td> <td style="text-align: right;">1,000</td> <td>Hotel Accom</td> </tr> <tr> <td colspan="2">Subtotal</td> <td style="text-align: right;">3,732</td> <td></td> </tr> <tr> <td>9/16/16</td> <td></td> <td style="text-align: right;">400</td> <td>COLA</td> </tr> </tbody> </table>	Date	Advance to	Amount (USD)	Description	4/20/16	Government Official #1	748	Hotel Accom.	4/21/16	Government Official #1	484	Hotel Accom.	9/20/16	Government Official #2	1,500	Hotel Accom	9/20/16	Government Official #2	1,000	Hotel Accom	Subtotal		3,732		9/16/16		400	COLA	<p>3. The Mission should follow the established Imprest Fund Guidelines and cease the practice of borrowing from the Mission Imprest Fund Account.</p> <p>4. The Secretary of Foreign Affairs should take appropriate and corrective actions to ensure that borrowing from the Imprest Fund is ceased immediately.</p> <p>5. The Ministry of Finance should investigate the matter to ensure amounts owed by the travellers are paid back to the Mission Imprest Fund, or seek the assistance of the Attorney General's Office.</p>	<p>The Ministry of Finance agrees with the recommendation and will tap the Attorney General's Office for necessary assistance to carry out the appropriate course of action.</p>
Date	Advance to	Amount (USD)	Description																													
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		<table border="1"> <tr> <td>1/18/17</td> <td></td> <td>1,000</td> <td>COLA</td> </tr> <tr> <td>1/18/17</td> <td></td> <td>1,000</td> <td>COLA</td> </tr> <tr> <td>1/18/17</td> <td></td> <td>1,000</td> <td>COLA</td> </tr> <tr> <td colspan="2">Subtotal</td> <td>3,400</td> <td></td> </tr> <tr> <td colspan="2">TOTAL</td> <td>7,132</td> <td></td> </tr> </table>	1/18/17		1,000	COLA	1/18/17		1,000	COLA	1/18/17		1,000	COLA	Subtotal		3,400		TOTAL		7,132			
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TOTAL		7,132																						
		<p>The delay in repayment of advances made from the Mission Imprest Fund to be depleted, thereby affecting the ability of the Mission to pay its core payment obligations and other operational expenses in a timely manner. Additionally, established Imprest Fund Guidelines are not being followed and as a result expenses other than the Embassy-related expenses are being paid out of the Mission.</p>																						
No. 8		<p>A. <u>Mission is unable to maintain the 10% available balance requirement.</u></p> <p>The Imprest Fund Custodian is required to maintain a level of cash availability at all times.</p> <p>Review found that the Mission did not maintain the 10% cash availability requirement as stated in the Imprest Fund Guidelines for several months as summarized below:</p> <ul style="list-style-type: none"> ➤ Did not maintain cash equivalent of 10% of original amount during the months of December, January, February, March, April and June of 2014; ➤ Did not maintain cash equivalent of 10% of original amount during the months of November, December, January, April, June and July of 2015; ➤ Did not maintain cash equivalent of 10% of original amount during the months of April, July and September of 2016; and ➤ Did not maintain cash equivalent of 10% of original amount during the months of 	<p>13. The Mission should ensure expenses are reported for reimbursement in a timely manner and that expenses report are accompanied by verifiable invoices and receipts as proof of expenses incurred.</p> <p>14. The Mission should ensure there is fund available 10% in the Imprest Fund as suggested in the Imprest Fund Guidelines to avail cash for payment of core payment obligations as well as under unforeseen billings that may arise during course of operation.</p> <p>15. The Secretary of Ministry of Foreign Affairs and Finance should institute additional measures to ensure recommended 10% cash</p>	<p>The Ministry of Finance fully agrees with the recommendations. And as a continuing effort to improve systems and procedures, MOF</p>																				

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		<p>January, April, July, and August of 2017.</p> <p>The cause of the above condition is due to the fact that certain expenses were not reported for reimbursement in a timely manner, certain expenses were denied reimbursement due to inadequate documentation to support expenses incurred and because of budget issues. These expended funds were never reimbursed and put back to the Imprest Fund which affected Mission's cash flow situation which we also reported in our report dated 31 July 2015.</p>	<p>balance availability as suggested in the Imprest Fund Guidelines is followed.</p>	<p>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 a.) Budget Monitoring; b.) Check Voucher Monitoring and shared the c.) 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 basis, between the DCM with the MOF's focal person solely responsible to reconcile the Imprest Fund Accounts.</p>									
No. 10	<p>A. Salaries for Locally engaged Staff (LES). The Proper Internal Control System requires that the payments for salaries be supported by valid employment contracts and be executed as specified within the contract agreement, terms and conditions. In addition, a standard employment contract template to be used uniformly across for all overseas Mission, Embassy, and Consulate.</p> <p>The course of review identified discrepancies in relation to payments of salaries and certain other payments for LES employed by the Mission without written contract as follows:</p>	<table border="1"> <thead> <tr> <th>Employee</th> <th>Amount (USD)</th> <th>Comments</th> </tr> </thead> <tbody> <tr> <td>LES #1</td> <td>1,846</td> <td>Purpose of payment was for Appreciation and Christmas "Thank you"</td> </tr> <tr> <td>LES# 2</td> <td>1,439</td> <td>No contract to support salary</td> </tr> </tbody> </table>	Employee	Amount (USD)	Comments	LES #1	1,846	Purpose of payment was for Appreciation and Christmas "Thank you"	LES# 2	1,439	No contract to support salary	<p>17. The Mission must ensure that locally engaged staff employment contracts are fully formalized and signed by all parties prior to employment.</p> <p>18. The Secretary of Ministry of Foreign Affairs should ensure all locally engaged staff have existing valid contract on file.</p> <p>19. The Secretary of Finance should ensure that all salary payments requests are supported by valid contracts prior to make disbursements.</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</p>
			Employee	Amount (USD)	Comments								
			LES #1	1,846	Purpose of payment was for Appreciation and Christmas "Thank you"								
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			payment		February 2019 and subsequently conducted consecutive trainings for all the embassies from Feb-Mar 2019 on a.) Budget Monitoring; b.) Check Voucher Monitoring and shared the c.) 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 basis, between the DCM with the MOF's focal person solely responsible to reconcile the Imprest Fund Accounts.
		22,000	Purpose of payment was for Appreciation for hard work and patience during late payment.		
		170	No contract to support salary payment		
	LES #3	8,547	No contract to support salary payment		
		85	Purpose of payment was for Appreciation for hard work and patience during late payment.		
	LES #4	13,366	No contract to support salary payment		
		85	Purpose of payment was for Appreciation for hard work and patience during late payment.		
	Total	47,538			
<p>In the absence of the formal contract agreements with the employees there is the possibility that payments Mission paid for salaries of these employees were not authorized.</p>					

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Appendix IV: Auditor's Response to the Comments from the UN Mission and Ministry of Foreign Affairs and Finance

We acknowledge the comments by the UN Mission, Ministry of Foreign Affairs and Finance for taking steps to improve Imprest Fund management at UN Mission. In particular, we commend both Ministries for the initiative to establish a more comprehensive Imprest Fund Procedure Manual (2019) and conduct workshops to ensure proper execution of these guidelines and procedures. In addition, we commend the initiative by the UN Mission to tag assets under its custody and as well as implementing the two-official signatures on all its withdrawals.

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Appendix V: OAG Follow Up System

NO	FINDINGS	ACTION TO BE TAKEN
1.	Mission Expenses Exceeded Budget Authorization	<p>UN Mission: Provide written assurance that action has been taken to implement recommendation.</p> <p>Secretary of Foreign Affairs: Provide written assurance that action has been taken by the ministry to make sure realistic budget that includes all operational needs for the Mission.</p>
2.	Advances Made From Imprest Fund	<p>UN Mission and Secretary of Foreign Affairs: Provide written assurance that action has been taken to discontinue the practice of giving out cash advances from the Imprest Fund account.</p> <p>Secretary of Finance: Provide written assurance that action has been taken to implement our recommendation.</p>
3.	Not All Mission Expenses Were Reported For Replenishment Purposes	<p>UN Mission: Provide written assurance that all expenses disbursed will be reported to Ministry of Finance and provide a copy of the reporting templates for special funds reporting that is being utilized.</p> <p>Secretary of Foreign Affairs: Provide written assurance that recommendation will be implemented.</p>
4.	Certain Mission Disbursements Were Not Reimbursed Back To Imprest Fund	<p>UN Mission: Provide written assurance that action has been taken to implement our recommendation.</p> <p>Secretary of Foreign Affairs: Provide written assurance that action has been taken to implement our recommendation.</p>
5.	The Mission Does Not Adhere To Fixed Assets Policies and Procedures	<p>UN Mission: Provide written assurance that action has been taken to implement recommendation and seek Ministry of Foreign Affairs assistant to obtain government tags from procurement and supply on this need.</p>
6.	Two Signatory Policy For Imprest Fund Disbursements	<p>Secretary of Foreign Affairs: Provide written assurance that the two-signatory policy will continue to be enforced and implemented</p>
7.	Some Priority Expenses Were Not Timely	<p>UN Mission: Provide written assurance that monthly reimbursement reports</p>

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	Reported For Reimbursement	will reported in a timely manner.
8.	Mission Is Unable To Maintain The 10% Available Balance Requirement	<p>UN Mission: Provide written assurance that action has been taken to implement our recommendation.</p> <p>Secretary of Foreign Affairs and Finance: Provide copy of said Imprest Fund Manual and Procedures that address our recommendation.</p>
9.	Check Register Are Not Issued Sequentially	<p>UN Mission: Provide instruction memo to the staff regarding discontinue of issuance of checks out of sequence.</p>
10.	Salaries For Locally Engaged Staff (LES)	<p>UN Mission: Provides copy of formal and fully executed contract for LES employed the Mission.</p> <p>Secretary of Foreign Affairs: Provides copy of formal and fully executed contract for LES employed the Mission.</p> <p>Secretary of Finance: Provide a copy of the said Imprest Fund Manual of Procedures (2019) that address our recommendation</p>

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Contact and Acknowledgement

OAG Contact

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Acknowledgement

The following auditors made key contributions to this report.

Ms. Atmita Jonathan, Assistant Auditor-General

Mr. Richard A. Bruce, Audit Manager

Ms. Elizabeth Jack, Audit Supervisor

Mr. David John, Staff Auditor

Mr. Nicodemus Anuntak, Staff Auditor

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Office of the Auditor-General

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Majuro, MH 96960

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