



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 2009 to 2013



REPORT NO: 13/13-1670

July 31, 2015

Date

P.O. BOX 245

MAJURO, MH 96960

REPUBLIC OF THE MARSHALL ISLANDS



**REPUBLIC OF THE MARSHALL ISLANDS**  
**OFFICE OF THE AUDITOR-GENERAL**  
P.O. Box 245  
Majuro, Republic of the Marshall Islands 96960  
[www.rmioag.com](http://www.rmioag.com)

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

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

**Subject: Inspection Report – Permanent Mission to the United Nations Management of Imprest Funds**

Dear Minister:

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

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

We could not complete many of our inspection activities because of incomplete records and the absence of information. Where work could be performed, we found that the UN Mission did not comply with RMI laws, policies and procedures or implement key internal controls to prevent fraud, waste, and abuse. For instance, UN Mission management did not maintain adequate supporting documentation for expenditures and did not properly safeguard RMI properties. Many of the significant deficiencies that we identified were forwarded to the OAG's Investigative Unit

for further review. The results of the investigative review will be transmitted to the Attorney General as appropriate.

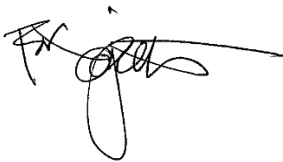
The extent of non-compliance of UN Mission activities regarding the Imprest Fund and the safeguarding of RMI properties across the five year time period of our review show systemic and chronic Imprest Fund mismanagement. While the UN Mission, MOFA, and MOF each have responsibility for ensuring compliance to RMI laws, policies, and procedures, lack of effective financial management, poor oversight and monitoring activities of Imprest Funds places RMI at unnecessary risk of potential fraud, waste and abuse.

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

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

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

Sincerely,

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

Junior Patrick  
Auditor-General

Date: July 31, 2015

CC: President  
Minister of Finance  
Secretary of Finance  
Secretary of Foreign Affairs  
Ambassador, RMI Permanent Mission to the U.N.  
Attorney-General  
OAG File

## Table of Contents

<b>BACKGROUND</b> .....	1
<b>OBJECTIVES, SCOPE &amp; METHODOLOGY</b> .....	4
<b>PRIOR AUDIT COVERAGE</b> .....	6
<b>PRINCIPLE FINDINGS</b> .....	6
Finding No. 1 – UN Mission Expenditures Exceeded Budget Authorization .....	6
Finding No. 2 – Mission Imprest Fund Receipts and Expenditures are Not Properly Accounted For .....	7
Finding No. 3 – Some Expenditures Did Not Match Reimbursement Documents .....	8
Finding No. 4 - UN Mission Did Not Have Sufficient Controls In Place for the Imprest Fund .....	10
Finding No. 5 – The UN Mission Does Not Adhere to Fixed Assets Policies and Procedures .....	11
<b>EXIBITS</b> .....	13
Exhibit 1: Budget Authorization and Expenditures for Fiscal Year 2009 .....	13
Exhibit 2: Budget Authorization and Expenditures for Fiscal Year 2010 .....	14
Exhibit 3: Budget Authorization and Expenditures for Fiscal Year 2011 .....	15
Exhibit 4: Budget Authorization and Expenditures for Fiscal Year 2012 .....	16
Exhibit 5: Budget Authorization and Expenditure for Fiscal Year 2013 .....	17
<b>APPENDICES: Agency Responses</b> .....	18
Appendix I: Permanent Mission of the RMI to the UN Response to Recommendations .....	18
Appendix II: Ministry of Finance Response to Recommendations .....	23
Appendix III: Ministry of Foreign Affairs Response to Recommendations .....	25
Appendix IV: Auditor-General's Response to Comments from the Mission .....	28
Appendix V: Auditors-General's Response to Comments from Ministry of Foreign Affairs (MOFA) .....	31
Appendix VI: OAG Follow-Up System .....	32

## BACKGROUND

Republic of the Marshall Islands (RMI) Permanent Mission to the United Nations in New York 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 Government of the RMI and Government 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 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

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.

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 newly established Procedures for Imprest Fund Operations in Foreign Offices that contain 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 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.

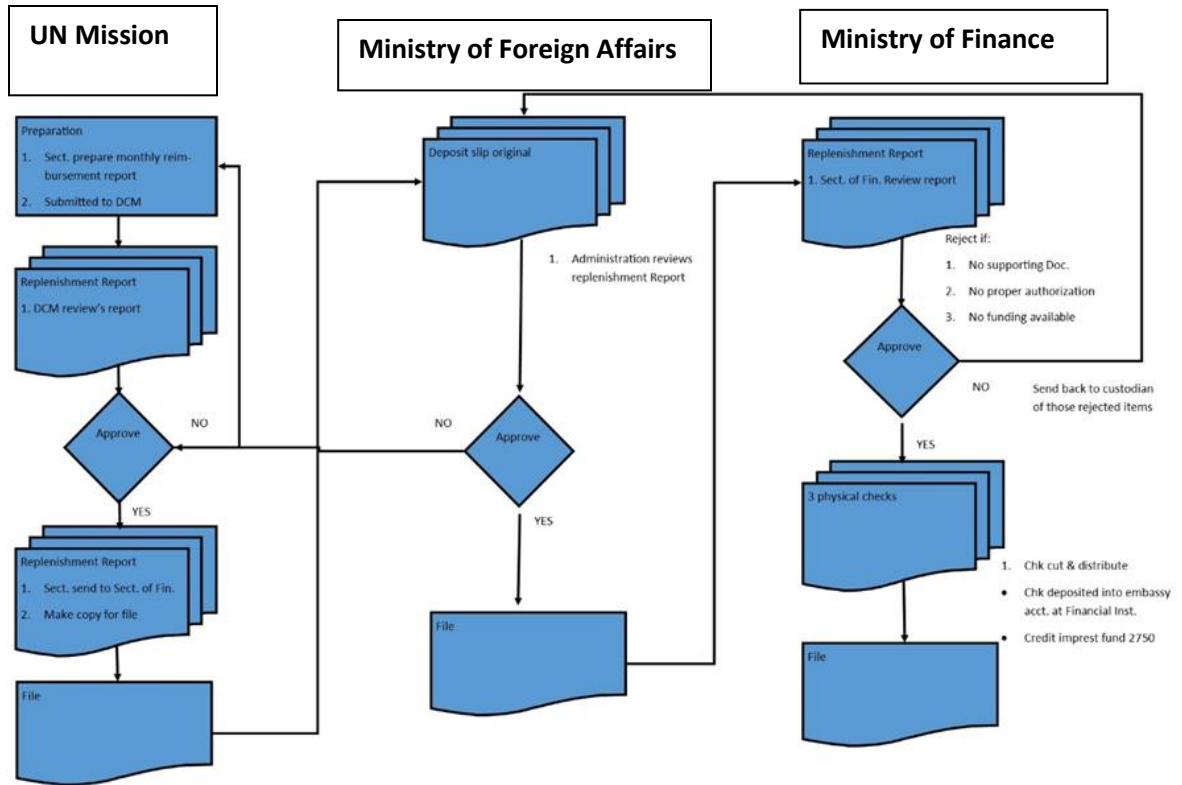
During the time of our fieldwork, the UN Mission had two officers who have responsibility for complying with RMI laws, policies, and procedures, and one staff. The two officers and one staff include the Ambassador, Administrative Secretary, and a Driver. The UN Mission also employed the services of a Legal Counsel whose contract states that this position is an Independent Consultant and not an employee of the Mission.

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

As illustrated in Figure 1.0 below, Imprest Fund management requires UN Mission 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.

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

**Figure 1.0: Imprest Fund Replenishment Process**



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

**Table 1: Operational Budget**

Periods	Approved Budget	Amended Budget
FY 2009	\$205,594	\$329,200
FY 2010	175,663	202,364
FY 2011	201,002	311,316
FY 2012	261,002	273,730
FY 2013	343,663	343,800

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

## OBJECTIVES, SCOPE & METHODOLOGY

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

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

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

Our inspection was conducted from June to October 2014 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 conclusions.

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 expenditures versus appropriations to assess whether the Embassy exceeded its appropriations limit.
- Verified a random sample for each fiscal year from 2009 to 2013 of reimbursement forms to determine whether the expenditure was permissible and whether the expenditure was properly supported. The examination tested transactions over \$500 and excluded payroll and cost of living allocation that were not subject to disbursement from the Imprest Fund.

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

- Evaluated the adequacy of internal controls to safeguard the assets of RMI by interviewing and evaluating RMI policies and procedures governing cash receipts, case 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.
- Randomly selected assets purchased from April to September 2013 to determine their existence on the fixed assets listing.
- Reviewed prior year audit reports and management letters prepared by RMI's external financial auditor.

We could not complete our inspection related to analyzing the expenditures of the Imprest Fund because of the absence of documentation and records throughout our inspection period. As a result, we relied on prior audit findings by RMI's external financial auditors to evaluate the effectiveness of the UN Mission's efforts to manage its Imprest Fund.

We referred to the OAG Investigation Unit for further review multiple instances of potentially fraudulent activities discovered during our inspection. The potential concerns related to use of education allowances, payment of compensation and other payments to family members, use of accounting for donations, missing government assets, and records.

The activities of concern occurred prior to the year 2012.

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

## PRIOR AUDIT COVERAGE

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

## PRINCIPLE FINDINGS

### Finding No. 1 – UN Mission Expenditures Exceeded Budget Authorization

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 available budget and expense financial reports shows how the UN Mission was not in compliance with RMI laws for four of the five years under review, as shown in Table 1 below. Specifically, UN Mission expenditures exceeded budgeted appropriations for fiscal years 2010 through 2013. Without effective financial management at the UN Mission, budget deficits impact MOF's ability to effectively manage RMI's available revenues. We did not conduct a reconciliation to identify the reasons for the variances.

**Table 1: Annual Budget and Expenditure Analysis**

Fiscal Year	Amended Budget	Expenditure	Budget Remaining
2009	\$329,200.48	\$329,122.21	\$78.27
2010	202,364.10	349,897.06	(147,532.96)
2011	311,316.00	390,036.13	(79,765.13)*
2012	273,729.96	289,897.23	(16,167.27)
2013	343,800.00	359,217.67	(81,227.89)*

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

\*Difference in Budget Remaining totals is due to Year to Date Encumbrance balances. Please refer to Exhibit 1 through 5 for detailed expenditure report.

**Recommendations:**

1. Maintain a control 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. This is a very helpful tool that will help mitigate the risk of incurring expenses over the appropriated amount.
2. Obtain, on a monthly basis, the financial budget report from the Ministry of Finance and reconcile the report to the UN Mission's log. Any discrepancies are to be investigated and reported to the Ministry of Finance for correction in a timely manner.

**Finding No. 2 – Mission Imprest Fund Receipts and Expenditures are Not Properly Accounted For**

For the five-year period between FYs 2009 through 2013, multiple accounting and reporting deficiencies have prevented the effective management of the Mission's Imprest Account. For example, in FYs 2009, 2010, and 2011, the Ministry of Finance accounting records show beginning fund balances of \$50,000. However, reconciliation activities by RMI's external auditor reported different fund balances, ranging from \$7,588 to \$109,775 despite repeated recommendations to the MOF Secretary to better track the activities of the account. In addition, for FYs 2011 to 2013, the Mission omitted the recording of deposits. The source of some of the deposits remain unknown, with one deposit in the amount of \$27,846 that occurred in each of the three years without an explanation provided by the UN Mission. Finally, the UN Mission issued reimbursement checks multiple times for disallowed expenditures and issued checks without documentation to support the reimbursement, which we discuss in further detail below in Table 2. Without effective financial management of the Mission's Imprest Fund coupled with the absence of corrective action taken, RMI has significant exposure to fraud, waste, and abuse. MOFA officials explained they have updated their Manual that requires Embassies to post all deposits in RMI's General Fund. The Manual requires review and approval of MOF.

**Recommendations:**

3. The Secretary of Finance should take immediate steps to implement prior audit recommendations by RMI's external auditors to require the UN Mission to conduct

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

monthly reconciliations of the Imprest Fund and to investigate timely unknown deposits and other reconciliation variances.

4. The Secretary of Foreign Affairs should take immediate steps to review all reimbursement vouchers prior to check issuance to ensure the existence of supporting documentation and to prohibit the payment of disallowed expenditures.

**Finding No. 3 – Some Expenditures Did Not Match Reimbursement Documents**

Imprest Fund policy and procedures require documentation to support the requested reimbursement. The documentation can be in the form of vendor invoices, purchase receipts, and travel vouchers. For salary checks issued to selected staff, the documentation can be in the form of employment contracts and time and labor reports. The amount recorded on the supporting documentation must match the amounts requested within the Reimbursement Reports submitted to MOFA for processing prior to the issuance of reimbursement checks.

Our analysis of about 180 sampled transactions between 2009 through 2013 identified 83 percent (150 transactions) of expenditure transactions that were properly supported by documentation. The remaining 17 percent (30 transactions) were not supported by correct documentation because the reimbursed amount did not match the documentation, or the check was issued without supporting documentation. All of the 30 checks in question are shown in Table 2 below and total \$58,367.

**Table 2: Checks Issued Without Supporting Documentation**

Date	Check Number	Amount
4/7/2009	6131	\$100.00
6/30/2009	6219	\$5,034.10
7/24/2009	6246	\$85.00
7/8/2009	Txfr	\$1,000.00
7/8/2009	Txfr	\$500.00
9/22/2009	6297	\$125.00
9/18/2009	6295	\$1,000.00
9/22/2009	6301	\$452.93
10/6/2009	6327	\$400.00
3/4/2010	6472	\$1,500.00
8/6/2010	6649	\$1,000.00
9/2/2010	7761	\$2,550.00
10/7/2010	6745	\$400.00

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

11/20/2010	6802	\$2,700.00
12/10/2010	6831	\$625.00
12/10/2010	6830	\$625.00
5/13/2011	10002	\$750.00
5/19/2011	10006	\$3,000.00
12/5/2011	10235	\$5,525.00
1/3/2012	10259	\$130.00
1/17/2012	10261	\$2,750.00
2/12/2012	10272	\$2,750.00
5/15/2012	10345	\$5,525.00
7/27/2012	10383	\$5,525.00
9/28/2012	10450	\$223.74
10/3/2012	1830	\$497.11
11/15/2012	10486	\$4,702.26
11/20/2012	1049	\$481.44
12/17/2012	10511	\$5,525.10
9/26/2013	10718	\$2,885.00
	<b>Total</b>	<b>\$58,366.68</b>

Source: OAG Analysis

We also identified variances between the amounts shown per the UN Mission's check registers and the reimbursement reports. Throughout the Fiscal Years 2009 to 2013, reimbursement vouchers did not match the amounts disbursed by the UN Mission, which suggests that not all of the UN Mission's expenditures were reported to the Ministry of the Finance for reimbursement as shown in Table 3 below:

**Table 3: Disbursement Analysis**

Year	Amount Disbursed Per Check Register	Reimbursement Voucher	Under Reported Amount
2009	\$244,479.03	\$233,783.71	(\$10,695.32)
2010	370,198.28	257,266.29	(112,931.99)
2011	402,623.83	283,546.82	(119,077.01)
2012	299,871.36	273,731.22	(26,140.14)
2013	314,894.17	295,982.43	(18,911.74)

Source: OAG Analysis

**Recommendations:**

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

**Finding No. 4 - UN Mission Did Not Have Sufficient Controls In Place for the Imprest Fund**

Imprest Fund policies and procedures require a myriad of internal controls that govern the UN Mission use and management of the Imprest Funds. We verified the existence and implementation of four of nine controls that

we were able to examine as indicated in Table 4 below. The remaining controls were not implemented as checks were not written in compliance with Imprest Fund, financial management guidance and proper receipts were not presented for reimbursements, and the Imprest Fund was not reconciled. Without an effective framework for internal controls, the financial management of the UN Mission's Imprest Fund will continue to be problematic for RMI.

**Table 4 - UN Mission Implementation of Internal Controls for the Imprest Fund**

Internal Control	UN Mission
Separate bank account for Imprest Fund	✓
Checks written in compliance with various guidance requirements	No
Imprest Fund Disbursement Journal prepared and checks issued in sequential order	Yes
Are advances to staff to make purchases accounted for as receivables until proper receipts are presented for liquidation	No
Cash is available for the UN Mission at all times	No
Is there cash equivalent of 10% of original amount maintained at all times to secure payment of vital services as well as other unexpected billings	No
Are key payments identified as priority costs	✓

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

<b>Does the UN Mission submit replenishment on a monthly basis</b>	✓
<b>Is a voucher used for amounts used for petty cash</b>	Not applicable – UN Mission does not maintain a petty cash fund
<b>Worksheet maintained of all of the expenses on the petty cash</b>	Not applicable – UN Mission does not maintain a petty cash fund
<b>Cash payment book details petty cash reimbursements</b>	Not applicable – UN Mission does not maintain a petty cash fund
<b>Does not use petty cash funds for large purchases or private expenses</b>	Not applicable – UN Mission does not maintain a petty cash fund
<b>Imprest Fund is reconciled</b>	No

Source: OAG Analysis

**Recommendation:**

7. The Ambassador should implement a system of internal controls as required by Imprest Fund policies and procedures and ensure that Mission staff receive subsequent training on Imprest Fund procedures.

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

All overseas missions shall annually furnish to MOFA a list of fixed assets valued over \$300 that belong to RMI under the custody of the UN Mission, whether donated or purchased with funds appropriated to the UN Mission. 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 UN Mission at all times. The Fixed Assets Register needs to be updated every two years indicating all assets acquired and disposed of every two years.

Our review found that the UN Mission did not comply with key fixed assets requirements. The UN Mission did not prepare, maintain, or update a fixed assets register. In addition, the UN

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

Mission had not placed proper tags on any of their properties or equipment that would identify RMI as the owner of the assets, as established by industry best practices for asset management<sup>1</sup>.

The primary purpose of tagging fixed assets is to provide an accurate method of identifying assets as RMI properties, to control the location of all physical assets, and to provide a link to records for physical inventories. Without ownership information on RMI assets and equipment, RMI is vulnerable to theft that could go undetected. We forwarded reports received by UN Mission management regarding missing furniture purchased by RMI to the OAG Investigations Unit for further review.

**Recommendation:**

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

---

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

Office of the Auditor-General  
 Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.  
 Fiscal Years 2009 - 2013

EXHIBITS

Exhibit 1: Budget Authorization and Expenditures for Fiscal Year 2009

Account Name	Account Number	Adjusted Budget	Expended	Balance Remaining
Salaries & Wages Expat	1010	\$ 60,807.60	\$ 84,157.55	\$ 23,349.95)
Salaries & Wages Marsh	1011	31,340.80	32,988.57	(1,647.77)
Pers Benefits - Marsh	1115	8,190.00	5,331.91	2,858.09
Employee Ins Exp	1116	500.00	-	500.00
Professional services	1510	2,628.63	4,287.91	(1,659.28)
Travel	2020	7,471.67	12,674.15	(5,202.48)
International Travel	2021	5,675.28	5,800.28	(125.00)
Cost of Living Allowances	2110	32,500.00	32,500.00	-
Leased & Rental Housing	2115	10,000.00	-	10,000.00
Rentals	2205	120,691.70	74,940.62	45,751.08
Utilities	2215	10,181.14	12,936.63	(2,755.49)
Communication	2305	6,703.85	14,607.64	(7,903.79)
Insurance	2315	3,771.00	5,250.34	(1,479.34)
Printing & Reproduction	2320	728.63	1,043.63	(315.00)
Repairs	2325	3,999.35	4,783.90	(784.55)
Subsidies & Contrib.	2345	500.00	302.00	198.00
Freight	2401	500.00	80.00	420.00
Office/Comp supplies	2405	823.94	1,259.47	(435.53)
Pol (Fuel)	2410	2,903.60	5,732.58	(2,828.98)
Water	2445	500.00	-	500.00
Other Supplies/Materials	2450	1,156.68	2,183.30	(1,026.62)
Representation	2605	5,193.42	6,519.70	(1,326.28)
Other Charges & Expenses	2750	4,004.19	8,458.03	(4,453.84)
Furniture & Fixtures	3133	709.00	709.00	-
Vehicle	3135	7,720.00	12,545.00	(4,825.00)
Heavy Machinery	3136	-	30.00	(30.00)
<b>Total</b>		<b>329,200.48</b>	<b>329,122.21</b>	<b>78.27</b>

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

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

**Exhibit 2: Budget Authorization and Expenditures for Fiscal Year 2010**

<b>Account Name</b>	<b>Account Number</b>	<b>Adjusted Budget</b>	<b>Expended</b>	<b>Balance Remaining</b>
Salaries & Wages Expat	1010	\$ -	\$55,226.84	\$(55,226.84)
Salaries & Wages Marsh	1011	65,328.97	60,953.90	4,375.07
Pers Benefits – Marsh	1115	8,190.00	4,223.02	3,966.98
Employee Insurance Exp	1116	500.00	-	500.00
Professional services	1510	2,330.94	8,140.94	(5,810.00)
Audit Expense	1515	(176.00)	-	(176.00)
Travel	2020	2,231.10	3,144.10	(913.00)
International Travel	2021	10,709.41	15,156.17	(4,446.76)
Cost of Living Allowances	2110	36,250.00	36,250.00	-
Leased & Rental Housing	2115	9,065.36	25,600.00	(16,534.64)
Repatriation & Home Leave	2123	-	2,300.00	(2,300.00)
Rentals	2205	27,300.00	65,975.00	(38,675.00)
Utilities	2215	6,355.00	8,809.55	(2,454.55)
Communication	2305	9,475.29	20,448.83	(10,973.54)
Insurance	2315	3,771.00	4,306.66	(535.66)
Printing & Reproduction	2320	318.23	170.80	147.43
Repairs	2325	699.00	1,677.50	(978.50)
Subsiding & Contributions	2345	500.00	-	500.00
Freight	2401	158.50	-	158.50
Office/Computer supplies	2405	1,681.58	2,525.02	(843.44)
Pol (Fuel)	2410	3,000.00	5,285.29	(2,285.29)
Water	2445	500.00	-	500.00
Other Supplies/Materials	2450	2,516.84	3,808.56	(1,291.72)
Representation	2605	2,330.69	5,368.86	(3,038.17)
Allowances	2615	3,000.00	4,500.00	(1,500.00)
Other Charges & Expenses	2750	2,260.51	4,661.63	(2,401.12)
Furniture & Fixtures	3133	207.68	749.39	(541.71)
Vehicle	3135	3,860.00	10,615.00	(6,755.00)
<b>Total</b>		<b>202,364.10</b>	<b>349,897.06</b>	<b>(147,532.96)</b>

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

Office of the Auditor-General  
 Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.  
 Fiscal Years 2009 - 2013

Exhibit 3: Budget Authorization and Expenditures for Fiscal Year 2011

Account Name	Acct No	Adjusted Budget	Expenditure	Encumbrances	Balance Remaining
Salaries & Wages Expat	1010	\$ -	\$1,442.31	\$ -	\$(1,442.31)
Salaries & Wages Marsh	1011	78,000.00	77,757.69	-	242.31
Pers Benefits - Marsh	1115	8,190.00	4,162.45	-	4,027.55
Employee Ins Exp	1116	500.00	-	-	500.00
Professional services	1510	40,000.00	49,461.73	-	(9,461.73)
Audit Expense	1515	(523.00)	-	-	(523.00)
Travel	2020	9,712.60	13,437.60	-	(3,725.00)
International Travel	2021	4,070.00	3,216.25	1,045.00	(191.25)
Cost of Living Allow.	2110	32,500.00	32,500.00	-	-
Lease & Rental Housing	2115	66,300.90	29,950.00	-	36,350.90
Repat & Home Leave	2123	-	11,611.82	-	(11,611.82)
Rentals	2205	30,600.00	81,893.20	-	(51,293.20)
Utilities	2215	3,644.00	10,341.81	-	(6,697.81)
Communication	2305	9,000.00	18,467.73	-	(9,467.73)
Insurance	2315	2,771.00	6,249.68	-	(3,478.68)
Printing & Reprod.	2320	800.00	414.96	-	385.04
Repairs	2325	507.25	2,844.55	-	(2,337.30)
Freight	2401	500.00	6,324.57	-	(5,824.57)
Office/Comp. supplies	2405	1,500.00	3,209.52	-	(1,709.52)
Pol (Fuel)	2410	2,492.75	8,872.71	-	(6,379.96)
Water	2445	500.00	-	-	500.00
Other supplies/Matrl.	2450	1,500.00	5,046.07	-	(3,546.07)
Representation	2605	3,000.00	3,087.94	-	(87.94)
Other Charges & Exp	2750	2,240.50	6,289.16	-	(4,048.66)
Vehicle	3135	13,510.00	13,454.38	-	55.62
<b>Total</b>		<b>311,316.00</b>	<b>390,036.13</b>	<b>1,045.00</b>	<b>(79,765.13)</b>

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

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

**Exhibit 4: Budget Authorization and Expenditures for Fiscal Year 2012**

<b>Account Name</b>	<b>Account Number</b>	<b>Adjusted Budget</b>	<b>Expended</b>	<b>Balance Remaining</b>
Salaries & Wages Expat	1010	\$ -	\$1,833.90	\$(1,833.90)
Salaries & Wages Marsh	1011	57,000.00	41,653.85	15,346.15
Pers Benefits – Marsh	1115	5,985.00	2,968.27	3,016.73
Professional services	1510	35,845.00	33,226.52	2,618.48
Contractual Services	1520	13,700.00	2,987.73	10,712.27
Travel	2020	3,000.00	1,650.00	1,350.00
International Travel	2021	4,065.96	3,742.40	323.56
Cost of Living Allowances	2110	17,500.00	17,500.00	-
Leased & Rental Housing	2115	28,020.00	47,050.00	(19,030.00)
Repatriation & Home Leave	2123	5,300.00	5,300.00	-
Rentals	2205	42,313.00	56,808.75	(14,495.75)
Utilities	2215	5,000.00	6,810.46	(1,810.46)
Communication	2305	10,500.00	17,274.38	(6,774.38)
Insurance	2315	2,771.00	5,111.53	(2,340.53)
Printing & Reproduction	2320	560.00	627.35	(67.35)
Repairs	2325	800.00	1,133.96	(333.96)
Freight	2401	500.00	-	500.00
Office/Computer supplies	2405	1,000.00	1,344.66	(344.66)
Pol (Fuel)	2410	3,000.00	3,465.25	(465.25)
Water	2445	500.00	-	500.00
Other supplies/Materials	2450	700.00	370.84	329.16
Representation	2605	3,500.00	3,300.69	199.31
Allowances	2615	-	1,448.36	(1,448.36)
Other Charges & Expenses	2750	6,920.00	11,791.91	(4,871.91)
Vehicle	3135	25,250.00	22,496.42	2,753.58
<b>Total</b>		<b>273,729.96</b>	<b>289,897.23</b>	<b>(16,167.27)</b>

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

Office of the Auditor-General  
 Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.  
 Fiscal Years 2009 - 2013

Exhibit 5: Budget Authorization and Expenditure for Fiscal Year 2013

Account Name	Acct No.	Adjusted Budget	Expended	Encumbrances	Balance Remaining
Salaries & Wages Expat	1010	\$ -	\$ 1,615.38	\$ -	\$(1,615.38)
Salaries & Wages Marsh	1011	57,000.00	67,014.66	-	(10,014.66)
Overtime	1013	-	-	-	-
Pers Benefits - Marsh	1115	5,985.00	4,223.02	-	1,761.98
Professional services	1510	40,000.00	33,982.03	-	6,017.97
Audit Expense	1515	(891.00)	82.30	-	(973.30)
Contractual Services	1520	2,000.00	3,638.45	-	(1,638.45)
Travel	2020	-	2,800.00	-	(2,800.00)
International Travel	2021	17,000.00	8,122.20	2,425.00	6,452.80
Cost of Living Allownc.	2110	32,500.00	26,250.00	-	6,250.00
Leased & Rental Housing	2115	34,600.00	37,232.02	-	(2,632.02)
Repat & Home Leave	2123	2,000.00	-	-	2,000.00
Rentals	2205	66,300.00	49,725.00	-	16,575.00
Utilities	2215	8,400.00	6,803.41	-	1,596.59
Communication	2305	12,000.00	19,131.84	-	(7,131.84)
Insurance	2315	5,771.00	6,403.08	-	(632.08)
Printing & Reprod.	2320	200.00	301.63	-	(101.63)
Repairs	2325	1,200.00	1,375.00	-	(175.00)
Subsiding & Contrib.	2345	500.00	-	-	500.00
Freight	2401	500.00	-	-	500.00
Office/Comp supplies	2405	3,000.00	865.42	-	2,134.58
Pol (Fuel)	2410	4,500.00	2,380.65	-	2,119.35
Water	2445	500.00	-	-	500.00
Other Supplies/Materials	2450	8,215.00	845.55	-	7,369.45
Representation	2605	8,000.00	10,305.22	-	(2,305.22)
Allowances	2615	18,000.00	2,862.11	-	15,137.89
Other Charges & Expenses	2750	3,500.00	62,408.70	63,385.22	(122,293.92)
Vehicle	3135	13,020.00	10,850.00	-	2,170.00
<b>Total</b>		<b>343,800.00</b>	<b>359,217.67</b>	<b>65,810.22</b>	<b>(81,227.89)</b>

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

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

## APPENDICES: Agency Responses

### Appendix I: Permanent Mission of the RMI to the UN Response to Recommendations



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

July 23, 2015

Atmita Jonathan  
Assistant Auditor General  
RMI Office of the Auditor General

Inspection and Evaluation Report: Management of Imprest Fund UN Mission

Dear Ms. Jonathan,

Thank you for the opportunity to review and provide responses to the Draft Inspection Report for the New York Mission for fiscal year 2009-2013.

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 2009-2013.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Deborah Barker-Manase'.

Deborah Barker-Manase  
Députy Permanent Representative/Charge d' affaires a.i  
Permanent Mission of the Marshall Islands to the United Nations

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**



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

**Responses to Background section**

*“...pursue foreign policy objectives in the host country...” “...promote and protect the interest of Marshallese citizens residing in the host country...” and “provide consular services [sic] for Marshallese citizens abroad...” (Background)*

The Marshall Islands UN Mission is accredited to the United Nations. The UN Mission is not accredited as a consulate of the Marshall Islands Embassy to the United States in Washington DC and does not have the same functions and mandate as a “consular” office. Such status is granted by the US State Department Office of Foreign Missions. As such, consular services, including those relating to Marshallese citizens residing in the US, are formally addressed only by the DC Embassy and it's accredited consulates. The Marshall Islands UN Mission is a diplomatic Mission to an international organization-the United Nations.

*“Four Embassy management and staff have responsibility for complying with RMI laws, policies and procedures, including those involving the Imprest Fund.” (Background)*

The Permanent Representative/Ambassador (or charge d'affaires) has formal control and responsibility over the Imprest account, e.g. signatory status, bank account access, and final decision-making regarding the appropriateness and documentation of expenditures.

Review and approval of the Imprest fund reimbursement report are the collective responsibility of officials within the Ministry of Foreign Affairs and the Ministry of Finance. Both offices are responsible for ensuring compliance with RMI laws, policies and procedures prior to issuance of reimbursement funds to the Mission.

*“We could not complete our inspection related to analyzing the expenditures of the Imprest Fund because of the absence of documentation and records throughout our inspection period.” (Objectives)*

In order to receive monthly reimbursements from Ministry of Finance, the Mission is required to submit hard and more recently soft copies of monthly Imprest account reports, including bank statements, checks and supporting documents. These documents should in principle be on file at the Mission in New York, the Ministry of Foreign Affairs home office and at the Ministry of Finance.

As of February 2015, an extra hard and soft copy (and back-up e copies) of the entire monthly Imprest Fund Report is kept on file by the Mission for each month along with relevant supporting documents relating to expenditures and deposits.

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**



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

*“This inspection is the first undertaken by the Office of the Auditor General on UN Mission's operation” (Prior Inspection Coverage)*

The Mission's records indicate that Susan Thompson, then-RMI Auditor General, issued an audit on the Mission's Imprest Fund on 23 February 1995, covering the years 1992-1994. It would be worth reviewing the 1995 Audit's recommendations as there are similar issues raised, and to review any follow-up in the intervening years, including that of the Auditor General.

In this regard, the Mission recommends that more frequent audits be conducted, or other related activity take place, so as to best identify and/or resolve issues with the respective Ambassadors/charges currently responsible for the Imprest account decision-making and oversight, rather than conducting infrequent auditing or oversight activities many years after transactions and reports, when such individuals have long since been replaced. These audits and/or related activities should be conducted more frequently than once every 20 years.

#### **Responses to findings and recommendations**

##### **Finding 1 – Embassy Expenditures Exceeded Budget Authorization**

As of February 2015, the Mission has implemented the use of a budget monitoring spreadsheet to monitor expenses against approved budget for the fiscal year. This budget monitoring spreadsheet is used to ensure expenditures of the Mission remain within the approved budget for the fiscal year in total and for each line item. Where discrepancies are identified – these have been raised with Ministry of Foreign Affairs and Ministry of Finance.

As of January 2015, the Mission requests the financial budget report from Ministry of Finance on a regular basis and more recently on a monthly basis to reconcile with the Embassy's financial reports. The 240 report received from Ministry of Finance is currently being used to track and resolve discrepancies identified.

The Mission further recommends that the Ministry of Foreign Affairs, as a whole, undertake performance based budgeting as part of its annual budgeting and planning process and with full participation by overseas missions/embassies. This will improve the overall budgetary process within the entire Ministry of Foreign Affairs. It is noted that for all the fiscal years covered by this audit, the budget was exceeded for most of those years. The budgeting process provides an opportunity to review the mandate and activities of the Mission each year and adjust priorities in accordance with the availability of funds.

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**



**Permanent Mission of the Republic of the Marshall Islands to the United Nations**  
**800 2<sup>nd</sup> Avenue, 13<sup>th</sup> Floor**  
**New York, NY 10017**  
**Phone: 212.983.3040 Fax: 212.983.3202**

**Finding 2 – Mission Imprest Fund Receipts and Expenditures are Not Properly Accounted For**

The Mission desk top used for administrative purposes had crashed in January 2015, along with data and information lost, the accounting program was not retrieved. The Mission has installed QuickBooks and purchased an external back up drive to ensure that the QuickBooks is backed up regularly. Monthly reconciliations are completed and attached to the Imprest fund report, which is sent to Ministry of Foreign Affairs and Ministry of Finance each month for review.

While the Mission agrees that immediate steps are needed to review all reimbursement vouchers to ensure compliance with financial management policies, the operations of the Mission would be considerably delayed if each transaction required this review before a check is issued.

The Mission has started implementing measures to ensure all staff understand processes and policies relating to the financial management, procurement and TA processes. Hard and electronic copies of RMI policies and procedures relevant to the management of the Mission and the Imprest fund have been collected and placed in an accessible location for ready reference.

All incoming foreign services staff, locally engaged staff and in particular Ambassadors should undergo orientation with the Ministry of Foreign Affairs and the Ministry of Finance regarding allowable and disallowed transactions, processes, procedures and policies prior to taking up posts.

Training for administrative staff on fiscal policies and procedures should be conducted by the Ministry of Foreign Affairs and Ministry of Finance annually, at the very least.

**Finding 3 – Some Expenditures Did Not Match Reimbursement Documents**

**Finding 4 - Embassy Did Not Have Sufficient Controls In Place for the Imprest Fund**

The Mission agrees with the recommendations of the Auditor regarding the need for the Secretary of Foreign Affairs and the Secretary of Finance to develop a checklist of disallowed and allowable transactions to improve internal control over Imprest fund management. This list should be distributed to all staff. Both the Secretary of Foreign Affairs and Secretary of Finance need to review monthly Imprest Fund Reports submitted by the mission to ensure expenditures and deposits are in compliance with policies and legislation. As stated in previous sections, the Mission has started implementing measures to ensure all staff understand processes and policies relating to the financial management, procurement and TA processes. All incoming foreign services staff, locally engaged staff and in particular Ambassadors should undergo orientation by the Ministry of Foreign Affairs and the Ministry of Finance regarding allowable and disallowed transactions prior to taking up posts.

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**



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

The Mission recommends that Ambassadors and account signatories be provided with advance, clear and consistent training and information regarding RMI laws, policies and procedures. This training should be provided by the Ministry of Foreign Affairs and the Ministry of Finance. It would also be useful to ensure there is consistent understanding on these issues between the Ambassador/signatories, responsible MOFA and MOF officials, and the Auditor General.

The Mission would further recommend that more frequent audits be conducted, or other related activity take place, so as to best identify and/or resolve issues with the respective Ambassadors/charges responsible for the Imprest account decision-making and oversight, rather than conducting infrequent auditing or oversight activities many years after transactions and reports, when such individuals have long since been replaced. These audits and/or related activities should be conducted more frequently than once every 20 years.

**Finding 5 – The Embassy Does Not Adhere to Fixed Assets Policies and Procedures**

The Mission notes that a fixed asset inventory for 2004 was the last inventory completed. This list is being reviewed and updated as necessary. The Mission will consult with the Ministry of Foreign Affairs and Ministry of Finance on an appropriate labeling system that is in compliance with RMI finance legislation.

Office of the Auditor-General  
Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.  
Fiscal Years 2009 - 2013

Appendix II: Ministry of Finance Response to Recommendations



Republic of the Marshall Islands  
Ministry of Finance

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

July 13, 2015

Junior Patrick  
Auditor General  
Majuro, RMI 96960



Dear Auditor General Patrick,

RE: Audit Response for New York & Washington DC Imprest Fund 2009-2013

The Ministry of Finance is pleased to submit its responses to the New York & Washington DC Embassies Imprest Fund Inspection for 2009-2013. Please let us know should you have any questions and concerns.

Thank you very much!

Sincerely,

  
Maybelline A. Bing  
Ministry of Finance

**Audit Response for New York Embassy Imprest Fund 2009-2013**

**Finding 1:** The Ministry of Finance agrees with the finding. It will continue to work on improving and strengthening of internal control. Over expenditure needs to stop, hence MOF will ensure that this does not happen.

**Finding 2:** The Ministry of Finance agrees with the finding. MOF will continue to ensure reports are provided to MOFA home office for timely reconciliation. Monthly reconciliation should be a practice and is already a prerequisite of reimbursement.

**Finding 3:** The Ministry of Finance agrees with the finding. MOF will continue to ensure all vouchers are reviewed thoroughly and accordingly. Disallowable or unallowable costs will not be reimbursed, as currently practiced. MOF further recommends collaboration with MOFA home office to remind and provide continues training to embassy personnel on imprest fund policies & procedures.

Office of the Auditor-General  
Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.  
Fiscal Years 2009 - 2013

Appendix III: Ministry of Foreign Affairs Response to Recommendations



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

July 29, 2015

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



Dear Auditor General Patrick:

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

**Findings related to Expenditures Exceeded Budget Authorizations**

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

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

Phone:(692) 625-3181/3012 Fax (692) 625-4979 Email: mofat @ntamar.com RMI Website:http://www.rmiembassyus.org/

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

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

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

**Findings related to Advances from Imprest Fund**

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

**Findings related to Expenditures did not Match Reimbursement Documents**

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

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

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

**Findings related to Other Matters**

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

Office of the Auditor-General  
Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.  
Fiscal Years 2009 - 2013

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

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

Sincerely,



Bruce Kijiner  
Secretary of Foreign Affairs

Copy to:  
Minister of Foreign Affairs  
Chief Secretary  
File

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

**Responses to Background section**

*“...pursue foreign policy objectives in the host country...” “...promote and protect the interest of Marshallese citizens residing in the host country...” and “provide consular servicers [sic] for Marshallese citizens abroad...” (Background)*

**OAG Response:** Pursuant to the Foreign Affairs Act of 2007, Section 11 (2) entitled *Establishment of Missions of the Republic*, the UN Mission, as we previously described in this report is responsible for promoting and protecting the interest of Marshallese citizens residing the host country, and providing consular servicers for Marshallese citizens abroad.

We acknowledge that the UN Mission does not have the same functions and mandate as a “consular” office, but the purpose of our inspection and evaluation was to assess the Mission’s effort to manage the Imprest Fund and other operations, which is responsibility for all Missions, Embassies, and accredited consulates.

*“Four Embassy management and staff have responsibility for complying with RMI laws, policies and procedures, including those involving the Imprest Fund.” (Background)*

**OAG Response:** While we agree the UN Representative/Ambassador has formal control and responsibility as required by RMI policies and procedures, each entity has also delegated responsibility for Imprest Fund management and for other operations, such as the management of fixed assets. We described in our report the four positions at the UN Mission who share some type of responsibility for these activities.

*“We could not complete our inspection related to analyzing the expenditures of the Imprest Fund because of the absence of documentation and records throughout our inspection period.” (Objectives)*

**OAG Response:** The period of our inspection and evaluation was for FYs 2009, 2010, 2011, 2012, and 2013. We commend the UN Mission for taking action as of February 2015 to maintain an extra hard and soft copy of the entire Imprest Fund report. It is the responsibility of the Mission to ensure that all documents and records are copied and retained for filing and reference.

*“This inspection is the first undertaken by the Office of the Auditor General on UN Mission's operation” (Prior Inspection Coverage)*

**OAG Response:** A strong system of internal control to prevent fraud, waste, and abuse and to facilitate efficiency and effectiveness of operations requires continuous monitoring and

evaluation by executive management. The routine monitoring and evaluation that should be implemented could include spot checking expenditures to ensure they are properly documented and supported, monthly reviews of budgeting versus expenditures analysis, and inspecting the existence of selected fixed assets on a quarterly or semi-annual basis. Fully depending on the OAG's office to fulfill a management responsibility is not our role. In response to the Mission's comment on a previous audit conducted in 1995, the OAG would like to clarify that the audit that was conducted in 1995 was an Internal Control Review. Whereas, this Inspection and Evaluation Review is not an audit, but an evaluation on management actions to fulfill its responsibilities to RMI. Our inspection and evaluation is the first of its kind to be conducted of the Mission. The OAG plans to conduct bi-annual Inspection Reviews of each Embassy, Mission, and Consulates on a regular basis as the division responsible for conducting such audits is fully staffed.

**Finding 1 – UN Mission Expenditures Exceeded Budget Authorization**

**OAG Response:** The period of our inspection and evaluation was for FYs 2009, 2010, 2011, 2012, and 2013. We commend the UN Mission for taking action to implement a budget monitoring tool and to perform more frequent reconciliations, including resolving discrepancies.

**Finding 2 – Mission Imprest Fund Receipts and Expenditures are Not Properly Accounted For**

**OAG Response:** We commend the Mission for taking action to ensure that all documents and records are copied and retained for filing and reference. Nevertheless, an effective system of internal control requires transaction processing procedures, such as supervisory review and approval of transactions and related expenditures prior to the purchase and/or prior to issuance of checks depending on the nature of the transactions. No purchase should be made if the expenditures should exceed the agency's budget, unless specific approval is provided by MOFA and/or MOF. In addition, supervisory review and approval procedures extend to the review of reimbursements reports. Because MOF is the last safeguard against preventing fraud, waste and abuse, we continue to recommend that MOF review and approve the reimbursement reports prior to reimbursement and given the limited resources of RMI, it is paramount for MOF to ensure that funding is available prior to the issuance of the check. Any delay could likely be avoided if the UN Mission effectively implements its current procedures to reconcile reimbursement vouchers, resolve variances, and ensure that supporting documentation is attached.

**Finding 3 – Some Expenditures Did Not Match Reimbursement Documents**

**Finding 4 - UN Mission Did Not Have Sufficient Controls in Place for the Imprest Fund**

**OAG Response:** The UN Mission's response shows that it is committed to improving internal controls over the Imprest Fund, which by itself, shows a good tone at the top. While MOFA and MOF have a secondary role in ensuring UN Mission compliance with RMI policies and procedures, UN Mission management must have primary responsibility in implementing financial management activities that fully adhere to RMI requirements. To administer a lessor role would likely create the same the exceptions and conditions that we identified during our inspection and evaluation. Finally, the OAG's role is not to provide daily and or monthly monitoring of compliance. By waiting for bi-annual inspections and evaluations, the UN Mission will not be in a position to prevent problems prior to their occurrence.

**Finding 5 – The UN Mission Does Not Adhere to Fixed Assets Policies and Procedures**

**OAG Response:** We commend the UN Mission for its plans to take action to implement this recommendation.

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

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

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

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

**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in RMI's Permanent Mission to the U.N.**  
**Fiscal Years 2009 - 2013**

Appendix VI: OAG Follow-Up System

#	FINDING	ACTIONS TO BE TAKEN
1	<b>UN Mission Expenditures Exceeded Budget Authorization</b>	<p>Mission: No further action is required as monitoring tool is already put in place (Quickbooks).</p> <p>Secretary of MOF: Provide copies of additional measures to ensure all spending are in accordance with budget requirement and ceilings.</p>
2	<b>Mission Imprest Fund Receipts and Expenditures are Not Properly Accounted For</b>	Secretary of MOF and Foreign Affairs: Provide written assurance that recommendation will be implemented.
3	<b>Some Expenditures Did Not Match Reimbursement Documents</b>	<p>Secretary of Foreign Affairs: Provide checklist of do's and don'ts for Imprest Fund management.</p> <p>Secretary of MOF: Provide written assurance that recommendation will be implemented.</p>
4	<b>UN Mission Did Not Have Sufficient Controls In Place for the Imprest Fund</b>	Mission: Provide written assurance that recommendation will be implemented.
5	<b>The UN Mission Does Not Adhere to Fixed Assets Policies and Procedures</b>	Secretary of Foreign Affairs: Provide copy of internal control procedures regarding recording and tagging of Government-bought fixed assets.

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

### **HOTLINE**

#### **Telephone Line (692) 625-1155**

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

You may also contact us by writing to:

#### **Facsimile (Fax) (692) 625-1156**

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

**OR**

#### **Office of the Auditor-General**

**P.O. Box 245**

**Majuro, MH 96960**

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

**OR**

**Fill out the Complaint Form from our website [www.rmioag.com](http://www.rmioag.com)**