



EPUBLIC OF THE MARSHALL ISLANDS

OFFICE OF THE AUDITOR-GENERAL

Inspection of Imprest Fund Management in RMI Consulate-General Office in Honolulu, HI Fiscal Years 2009 to 2013



REPORT NO: 15/13-1662

July 31, 2015

Date

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REPUBLIC OF THE MARSHALL ISLANDS



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OFFICE OF THE AUDITOR-GENERAL**

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

Subject: Inspection Report: Honolulu Consulate Management of Imprest Fund

Dear Minister:

The Office of the Auditor-General (OAG) performed an inspection review of Imprest Fund management by the Republic of the Marshall Islands Honolulu Consulate - General in Honolulu. 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 Consulate were properly accounted for. Our inspection 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.

Our review found that the Consulate varied in its compliance with key policies and guidelines governing the Imprest Fund. For example, the Consulate utilized one official signature to authorize disbursements rather than two, and not all of the Consulate assets were reflected on its Fixed Assets Register while the Consulate had all six of other applicable Imprest Fund controls that we examined. We conclude that greater attention is needed by the Consulate to ensure that all of the key requirements governing the Imprest Fund are implemented effectively. Any partially implemented internal control framework leaves Imprest Fund vulnerable to potential collusion and mismanagement.

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

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

We wish to express our sincere appreciation to the Consul-General, the Secretary of Foreign Affairs, the 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
Consul-General, Consulate-General Office in Honolulu, HI
OAG File

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BACKGROUND

Republic of the Marshall Islands (RMI) Consulate-General's Office in Honolulu, HI was established pursuant to Cabinet Minute 146(88) dated August 26, 1988. Pursuant to the Foreign Affairs Act of 2007, Section 11 (2) entitled *Establishment of Missions of the Republic*, the primary functions of Missions, Embassies or posts include:

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

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

The Consulate operates through an Imprest Fund. The Consul-General 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 Consul-General 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.

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

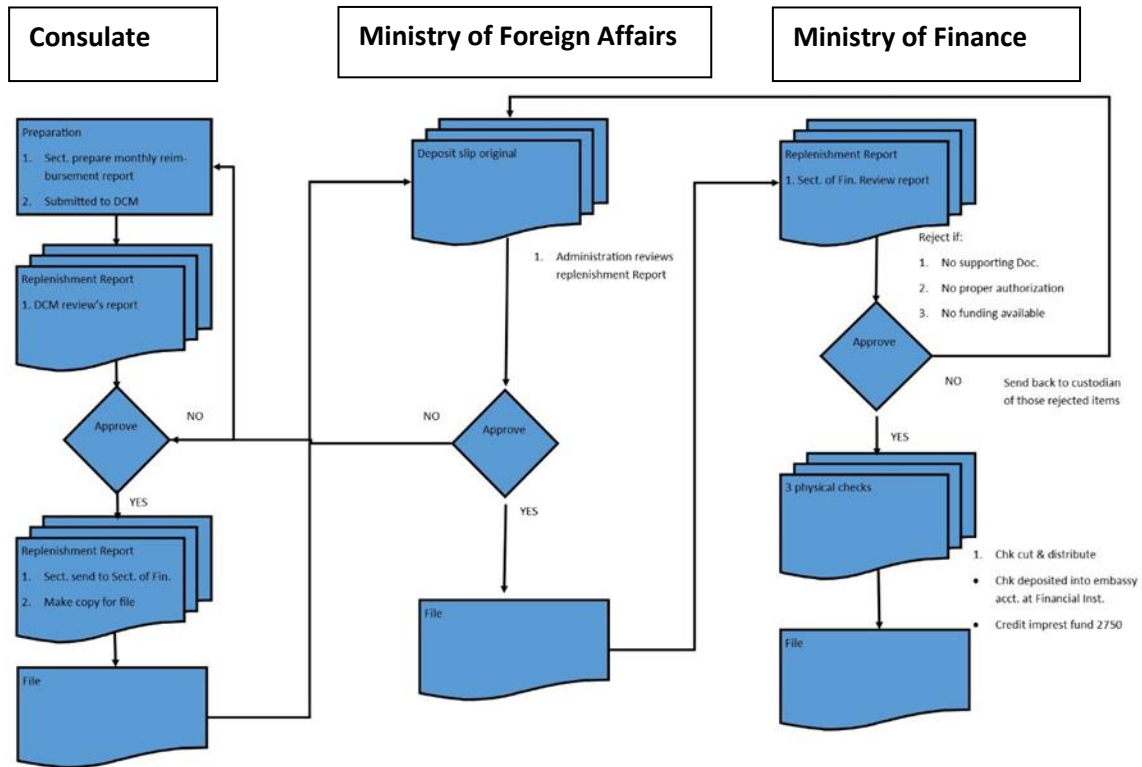
At the time of our field work, four Consulate officers and staff have management and administrative responsibilities for complying with RMI laws, policies and procedures - the Consul-General, Assistant Consul, the Administrative Assistant, and the Community Outreach Coordinator.

Unless well controlled, Imprest Fund provides 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 Consulate 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
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Figure 1.0: Imprest Fund Replenishment Process



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

Table 1 – Operational Budget

Fiscal Year	Approved Budget	Amended Budget
2009	\$142,531	169,251
2010	\$142,531	154,186
2011	\$148,129	171,682
2012	\$160,129	154,348
2013	\$178,853	215,984

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 Consulate were properly accounted for.

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

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

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

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

- Analyzed actual expenditures versus appropriations to assess whether the Consulate exceeded its appropriations limit.
- Verified a random sample for each fiscal year from 2009 to 2013 of reimbursement forms to determine whether expenditures were included in the Consulate’s line item budget, the permissibility of the expenditure, 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.

- Evaluated the adequacy of internal controls to safeguard the assets of RMI by interviewing and evaluating RMI policies and procedures governing cash receipts, cash disbursements, purchasing, receiving, and acquisitions and dispositions of property and equipment.
- Verified the existence of all capital assets recorded on the Consulate'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.

In accordance with OAG procedure, any illegal act or potentially fraudulent activity discovered during reviews are to be reported separately to OAG's Investigation Unit for further review. During this review, we did not identify applicable issues or concerns at the Consulate in Honolulu that rendered such action. Issues concerning the objectives for this inspection are addressed in this report.

The matters covered in this report were discussed with Consulate officials 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 Consulate-General and Secretary of Foreign Affairs, see Appendix I and II, respectively.

PRIOR AUDIT COVERAGE

This is the first inspection review undertaken by the Office of the Auditor-General on the Consulate's Imprest Fund operation. However, the OAG has performed internal control reviews in prior years.

PRINCIPLE FINDINGS

Finding No 1 – Consulate Does Not Maintain Two-Signatory Policy for its Account

An effective system of internal control for RMI requires at least two signatures for every withdrawal and disbursement from its bank account. The importance of this control is evident

by its inclusion in the Imprest Fund Guidelines, which require that at least two people agree that the withdrawal is legitimate and appropriate for valid official purposes.

Our review disclosed that the Consulate does not utilize two signatures for withdrawal of funds from the checking account. Presently, the Assistant Consul is the only authorized signature. As a result, all of the checks issued that we examined (180) were authorized with one signature only. Without a fully effective system of internal control over check issuance, risks increase for possible misuse of funds and unauthorized transactions.

Recommendation:

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

Finding No 2 - Consulate Expenditures Exceeded Budget Authorizations

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

Act stipulates that no personnel shall authorize or expend any government funds in excess of appropriated amounts, except in emergencies, and only pursuant to procedures provided by law.

Our analysis of available budget and expense financial reports show the Consulate did not comply with RMI laws for four of the five years under review, as shown in Table 2 below.

Specifically, the Consulate's expenditures exceeded budgeted appropriation for the years 2010-2013. Consulate staff explained that some budgeted line items, such as utilities, communication,

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supplies and materials, and salaries exceeded current year appropriations because they were prior year expenses. We noted cabinet minutes 118 (FY 2010) and 050 (FY 2011) authorized the Secretary of Finance to identify from other sources about \$241,000 to supplement the budgetary structural shortfalls of the RMI Embassies including RMI Consulate in Honolulu. About \$68,000 was appropriated to the Honolulu Office to offset shortfalls, but we could not determine for FY 2012 whether the additional funds were sufficient to cover all employee salaries, utilities, communication, and supplies and materials expenditures because no transfer forms were available at MOFA and MOF. Finally, we noted the Consulate does not have a system in place to ensure expenditures do not exceed the approved budget appropriation. Without an effective financial management structure at the Consulate Office, budget deficits impact MOF's ability to effectively manage RMI's available revenues. **Exhibits 1 through 5** of this report provides a detailed analysis of our review of expenditures.

Table 2: Annual Budget and Expenditure Analysis

Fiscal Year	Amended Budget	Expenditures	Budget Remaining
2009	\$169,251	\$164,265	\$2,821*
2010	\$154,186	\$164,752	(\$10,566)
2011	\$171,682	\$175,699	(\$4,017)
2012	\$154,348	\$178,729	(\$24,381)
2013	\$215,984	\$199,630	(\$5,828)*

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

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

Recommendations:

We recommend that the Consulate-General Office:

2. Maintain a control or monitoring tool (e.g. spreadsheets) that includes amounts allocated by line item. Each time a purchase is made the budget control log must reflect a decrease in the authorization. This is important to avoid the risk of incurring expense in excess of appropriate amount. In addition, only incur expenditures within appropriate amounts.

3. Obtain on a monthly basis the financial budget report from the Ministry of Finance and reconcile its own records. Any discrepancies are to be investigated and reported to the Ministry of Finance for correction in a timely manner.

Finding No 3 - Consulate Implements Required Controls that we Examined

Imprest Fund policies and procedures require a myriad of internal controls that govern the Consulate use and management of the Imprest Funds. We verified the existence of all six applicable controls that we were

able to examine, as shown in Table 3 below.

Table 3 - Consulate Implementation of Internal Controls for the Imprest Fund

Internal Control	Honolulu Consulate General
Separate bank account for Imprest Fund	✓
Checks written in compliance with various guidance requirements	✓
Imprest Fund Disbursement Journal prepared and checks issued in sequential order	✓
Are advances to staff to make purchases accounted for as receivables until proper receipts are presented for liquidation	Not applicable
Cash is available for the Consulate at all times	Not applicable
Are key payments identified as priority costs	✓
Does the Consulate submit replenishment on a monthly basis	✓
Is a voucher used for petty cash	Not applicable
Worksheet maintained of all of the expenses	Not applicable
Cash payment book details petty cash reimbursements	Not applicable
Are there any use of petty cash funds for large Purchases, or for private expenses?	Not applicable
Imprest Fund is reconciled	✓

Source: OAG Analysis

Finding No 4 – The Consulate Generally Adheres 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 Consulate, whether donated or purchased with

funds appropriated to the Consulate. 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 Consulate at all times. The Fixed Assets Register requires updating of asset acquisition and disposal every two years.

Our review found that the Consulate was in compliance with all of the key fixed assets requirements with some exceptions noted in their execution. The Consulate had not recorded two items on its Fixed Assets Register, and the Consulate had not placed proper tags on any of their property or equipment that would identify RMI as the owner of the asset, as established by industry best practices for asset management. Instead, RMI staff placed on the assets their own tags as no official government tags have been provided. The primary purpose of tagging fixed assets is to provide an accurate method of identifying assets as RMI property; to control the location of all physical assets; and, to provide a link to records for physical inventories. Without ownership information on RMI assets and equipment, RMI is vulnerable to theft that could go undetected.

Recommendation:

4. The Consul-General should ensure that all assets purchased are recorded in the fixed asset register and properly tagged.

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EXHIBITS

Exhibit 1: Budget Authorization and Expenditures for Fiscal Year 2009

Account Name	Acct No.	Adjusted Budget	Expended	Encumbered	Balance Remaining
Salaries Expat	1010	-	2,700.00	-	(2,700.00)
Salaries Marsh	1011	62,000.00	64,805.29	-	(2,805.29)
Pers Benefit – Marsh	1115	7,035.00	5,462.02	-	1,572.98
Employee Ins Exp	1116	900.00	1,048.04	-	(148.04)
Professional Services	1510	5,000.00	-	-	5,000.00
Travel	2020	1,000.00	1,299.68	-	(299.68)
International Travel	2021	2,000.00	2,616.30	2,165.00	(2,781.30)
Cost of Living Allowances	2110	36,600.00	25,000.00	-	11,600.00
Utilities	2215	15,613.00	21,508.81	-	(5,895.81)
Communication	2305	4,000.00	11,172.26	-	(7,172.26)
Insurance	2315	4,000.00	876.07	-	3,123.93
Printing & Reproduction	2320	900.00	1,042.85	-	(142.85)
Repairs	2325	-	1,470.99	-	(1,470.99)
Freight	2401	800.00	22.57	-	777.43
office/Computer supplies	2405	1,603.00	5,667.52	-	(4,064.52)
POL (Fuel)	2410	3,300.00	6,230.70	-	(2,930.70)
Food Stuff	2415	-	(156.43)	-	156.43
Water	2445	500.00	443.77	-	56.23
Other Supplies/Materials	2450	2,000.00	9,524.20	-	(7,524.20)
Representation	2605	2,000.00	2,375.40	-	(375.40)
Other Charges & Exp	2750	-	945.76	-	(945.76)
Equipment	3134	-	209.42	-	(209.42)
Vehicle	3135	20,000.00	-	-	20,000.00
TOTAL		169,251.00	164,265.22	2,165.00	2,820.78

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

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Inspection of Imprest Fund Management in RMI Honolulu Consulate in Hawaii
Fiscal Years 2009 - 2013

Exhibit 2: Budget Authorization and Expenditure for Fiscal Year 2010

Account Name	Acct No.	Adjusted Budget	Expended	Balance Remaining
Salaries Marsh	1011	\$ 67,000.00	\$ 69,142.23	\$ (2,142.23)
Pers Benefit - Marsh	1115	7,035.00	6,117.00	918.00
Employee Insurance	1116	900.00	1,112.65	(212.65)
Travel	2020	193.55	-	193.55
International Travel	2021	4,728.35	4,222.39	505.96
Cost of Living Allowances	2110	25,000.00	25,000.00	-
Utilities	2215	8,588.33	13,247.78	(4,659.45)
Communication	2305	7,855.11	10,095.78	(2,240.67)
Insurance	2315	1,065.63	1,214.97	(149.34)
Printing & Reproduction	2320	385.45	462.84	(77.39)
Repairs	2325	1,317.83	1,317.83	-
Freight	2401	649.06	40.36	608.70
office/Computer supplies	2405	682.17	182.34	499.83
POL (Fuel)	2410	6,787.14	7,492.32	(705.18)
Water	2445	500.00	201.86	298.14
Other Supplies/Materials	2450	17,873.12	20,829.16	(2,956.04)
Representation	2605	2,695.29	2,592.46	102.83
Other Charges & Exp	2750	930.00	1,479.95	(549.95)
TOTAL		\$154,186.03	\$164,751.92	\$(10,565.89)

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

Office of the Auditor-General
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Exhibit 3: Budget Authorization and Expenditure for Fiscal Year 2011

Account Name	Acct No.	Adjusted Budget	Expended	Balance Remaining
Salaries Marsh	1011	\$ 67,000.00	\$ 69,834.55	\$ (2,834.55)
Pers Benefits - Marsh	1115	7,035.00	6,133.17	901.83
Employee Insurance Exp	1116	900.00	1,112.64	(212.64)
Audit Exp	1515	(182.00)	-	(182.00)
Travel	2020	1,000.00	4,820.83	(3,820.83)
International Travel	2021	5,000.00	3,335.70	1,664.30
Cost of Living Allowances	2110	25,000.00	25,000.00	-
Utilities	2215	34,276.44	30,467.04	3,809.40
Communication	2305	6,000.00	9,256.63	(3,256.63)
Insurance	2315	4,000.00	4,627.35	(627.35)
Printing & Reproduction	2320	900.00	786.53	113.47
Repairs	2325	500.00	-	500.00
Freight	2401	900.00	-	900.00
Office/Computer Supplies	2405	2,000.00	3,244.39	(1,244.39)
POL (Fuel)	2410	5,000.00	7,442.39	(2,442.39)
Water	2445	1,000.00	455.73	544.27
Other Supplies/Materials	2450	4,094.03	5,822.80	(1,728.77)
Representation	2605	1,972.53	505.23	1,467.30
Other Charges & Exp	2750	596.00	2,853.78	(2,257.78)
Vehicle	3135	4,690.00	-	4,690.00
TOTAL		\$171,682.00	\$175,698.76	\$(4,016.76)

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

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Exhibit 4: Budget Authorization and Expenditures for Fiscal Year 2012

Account Name	Acct No.	Adjusted Budget	Expended	Balance Remaining
Repairs	2325	\$ -	\$ 566.99	\$ (566.99)
Salaries – Marsh	1011	\$ 67,000.00	\$ 69,576.85	\$ (2,576.85)
Pers Benefit - Marsh	1115	\$ 7,035.00	\$ 6,106.11	\$ 928.89
Employee Ins Exp	1116	\$ 900.00	\$ 1,061.40	\$ (161.40)
International Travel	2021	\$ -	\$ 144.00	\$ (144.00)
Cost of Living Allowance	2110	\$ 24,983.30	\$ 25,000.00	\$ (16.70)
Utilities	2215	\$ 27,405.35	\$ 39,061.67	\$ (11,656.32)
Communication	2305	\$ 8,200.00	\$ 9,951.25	\$ (1,751.25)
Insurance	2315	\$ 3,100.00	\$ 3,825.34	\$ (725.34)
Printing & Reproduction	2320	\$ 900.00	\$ 393.66	\$ 506.34
Repairs	2325	\$ 1,000.00	\$ 1,176.51	\$ (176.51)
Freight	2401	\$ 109.00	\$ -	\$ 109.00
Office/Computer Supplies	2405	\$ 374.00	\$ 224.75	\$ 149.25
POL (Fuel)	2410	\$ 7,300.00	\$ 12,945.16	\$ (5,645.16)
Other Supplies/Materials	2450	\$ 200.00	\$ 796.82	\$ (596.82)
Representation	2605	\$ 1,600.00	\$ 2,081.70	\$ (481.70)
Other Charges & Exp	2750	\$ 251.70	\$ 486.20	\$ (234.50)
Vehicle	3135	\$ 3,989.65	\$ 5,330.17	\$ (1,340.52)
TOTAL		\$ 154,348.00	\$ 178,728.58	\$ (24,380.58)

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

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Inspection of Imprest Fund Management in RMI Honolulu Consulate in Hawaii
Fiscal Years 2009 - 2013

Exhibit 5: Budget Authorization and Expenditures for Fiscal Year 2013

Account Name	Acct No.	Adjusted Budget	Expended	Encumbrances	Balance Remaining
Salaries – Marsh	1011	\$ 90,205.00	\$ 82,922.97	-	\$ 7,282.03
Pers Benefit Marsh	1115	7,035.00	7,173.51	-	(138.51)
Employee Ins Exp	1116	900.00	1,092.00	-	(192.00)
Audit Expense	1515	(12.00)	-	-	(12.00)
Contractual Servcs.	1520	14,985.00	14,985.00	-	-
Travel	2020	1,000.00	-	-	1,000.00
Cost of Living Allw.	2110	46,375.00	37,000.00	-	9,375.00
Rentals	2205	-	3,550.23	-	(3,550.23)
Utilities	2215	23,060.00	24,028.26	-	(968.26)
Communication	2305	6,800.00	5,403.65	-	1,396.35
Insurance	2315	3,060.00	2,672.00	-	388.00
Printing & Repro.	2320	900.00	-	-	900.00
Repairs	2325	1,500.00	-	-	1,500.00
Freight	2401	1,896.84	1,896.84	-	-
Office/Comp Supp	2405	2,000.00	221.09	-	1,778.91
POL (Fuel)	2410	7,500.00	7,380.18	-	119.82
Water	2445	1,000.00	-	-	1,000.00
Other Suppl/Mat	2450	1,379.00	588.77	-	790.23
Representation	2605	2,500.00	1,849.21	-	650.79
Other Charg & Exp	2750	1,000.00	8,866.27	22,181.77	(30,048.04)
Vehicle	3135	2,900.00	-	-	2,900.00
TOTAL		\$215,983.84	\$199,629.98	\$22,181.77	\$(5,827.91)

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

APPENDICES: AGENCY RESPONSES

Appendix I: Consulate's Response to Recommendations



*Consulate-General of the
Republic of the Marshall Islands
Honolulu Office*

July 27, 2015

Mr. Junior Patrick
Auditor-General
Office of the Auditor-General
Republic of the Marshall Islands
Majuro, Marshall Islands 96960

Dear Mr. Patrick:

This is in response to the email dated July 9, 2015 from your office in regards to the Honolulu Consulate's Inspection Review.

I have read through the **draft report** and here are the inputs/comments on the findings;

1. The CG at the time was working on having his signature as #2 signatory but was transferred to the RMI Embassy in Taiwan. Will ensure to have the next Consul-General as the second signatory to the account.
2. No comment
3. Will follow recommendations
4. The Consulate will update its fixed assets list and apply tags to each of the RMI government properties.

Ilo Kauteij,

A handwritten signature in black ink, appearing to read 'Gloria L. Heine'.

Gloria L. Heine
Administrative Officer

Cc: File

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



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

July 29, 2015



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

Dear Auditor General Patrick:

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

Findings related to Expenditures Exceeded Budget Authorizations

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

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

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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

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

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

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

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 Honolulu Consulate in Hawaii
Fiscal Years 2009 - 2013

[Appendix IV: OAG Follow-Up System](#)

#	FINDING	ACTION TO BE TAKEN
1	Consulate Does Not Maintain Two-Signatory Policy for its Account	<p>MOFA Secretary: Provide written assurance that the Consulate follows the Imprest Fund guideline regarding two-signature requirement on bank accounts and direct Consulate to provide a copy of the new bank signature card.</p> <p>Consulate: To provide a copy of the new bank signature card.</p>
2	Consulate Expenditures Exceeded Budget Authorizations	<p>Consulate: Provide a copy of a monitoring tool as recommended.</p>
3	Consulate Implements Required Controls that we Examined	None.
4	The Consulate Generally Adheres to Fixed Assets Policies and Procedures	<p>Consulate: Provide written assurance that recommendation will be implemented.</p>

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

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