



REPUBLIC OF THE MARSHALL ISLANDS  
OFFICE OF THE AUDITOR-GENERAL

Inspection of Imprest Fund Management in RMI  
Consulate General Office in Arkansas, USA  
Fiscal Years 2014 - 2017



Report No: 06/18-1663

August 23, 2019  
Date

P.O. Box 245  
Majuro, MH 96960  
Republic of the Marshall Islands



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**OFFICE OF THE AUDITOR-GENERAL**

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

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

Dear Minister:

We completed a review of the Imprest Fund Management by the Republic of the Marshall Islands' Consulate General Office in Arkansas, USA (Consulate Office). The objectives of our review were to determine whether (1) Imprest Fund expenses were incurred and paid in compliance with established RMI laws, policies, and guidelines; (2) fixed assets under the custody of the Consulate Office were properly accounted for; and (3) prior recommendations have been implemented. Our review covered the period from October 1, 2013 through September 30, 2017 (FY2014 thru FY2017).

Unless well controlled, Imprest Funds provide opportunities for misuse, loss and theft of money. Accounting and physical controls to minimize these opportunities are specified in the Imprest Fund Policy and Foreign Affairs Regulations.

Overall, our review found improvements in the management of the Imprest Fund by the Consulate Office when compared to the prior review. Our review found also areas that need improvement. Among the issues we found include: monthly expenses were not submitted for reimbursements in a timely manner; certain expenses were not reimbursed due to inadequate documentation to support expenses incurred; certain line-items exceeded their appropriations limit; fixed asset register was not completed and updated regularly; accounting function is not segregated which create the potential for unauthorized transactions to occur which may not be detected and corrected in a timely manner; certain salary payments for locally engaged staffs (LES) were not accompanied by required employment contract; and Consulate was not able to maintain the recommended 10% of cash availability as at times as guarantee for

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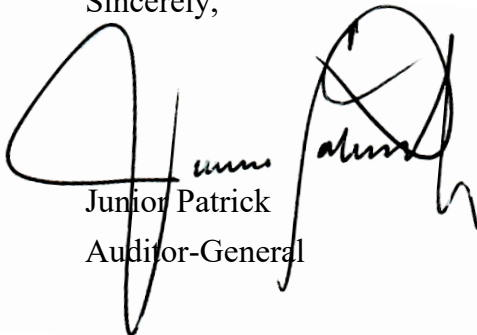
payment of vital services as well as other unexpected billings that may arise during the course of operation.

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

The most important outcome of any audit or review is the correction of past deficiencies and improvement in the internal controls and operation. We believe 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 V to be implemented.

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

Sincerely,



Junior Patrick  
Auditor-General

August 23, 2019

Cc: President  
Minister of Finance, Banking and Postal Services  
Secretary of Finance  
Secretary of Foreign Affairs and Trade  
Consul General, RMI Consulate General Office in Arkansas, USA  
Ambassador, RMI Embassy in Washington D.C  
OAG File

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## Background

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

The Consulate Office operates through an Imprest Fund. The Imprest Fund are cash fund set aside for the operational expenses of the Consulate Office. The amount is determined by the number of staff in the location, the amount of business transactions handled and the cost of living in the host location. The Consul General is responsible to ensure disbursements from the fund are intended for official purposes and within the approved annual budget. The maintenance of complete and accurate supporting documentation is required in an Imprest Fund environment.

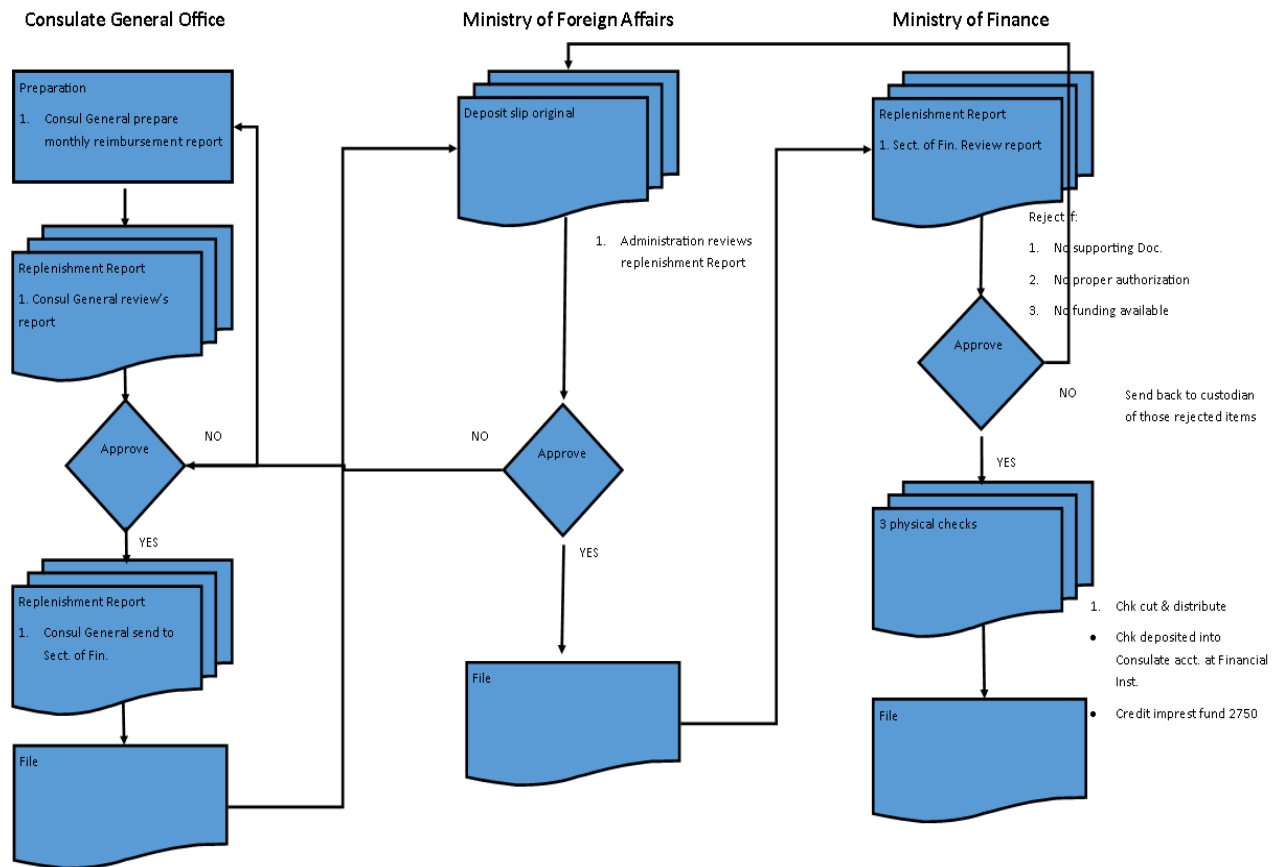
The Consulate Office management has the responsibility to comply with all relevant RMI laws, policies and procedures, including those procedures adopted by the Secretary of Finance for the Imprest Fund operation.

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

As illustrated in Figure 1.0 below, the Imprest Fund management requires the Consulate Office to prepare and submit the 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, bank reconciliations, and other required documents. The reimbursement reports are then forwarded to the Secretary of Finance for review, approval, and payment. The payment serves the purpose to replenish the Imprest Fund to its original amount.

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**Figure 1: Imprest Fund Replenishment Process**



For its operational needs, each year the Consulate Office and the Ministry of Foreign Affairs prepare a budget for the Consulate Office’s recurrent operational expenses. Table 1 indicates the annual budget allocations to the Consulate Office during the periods from FY2014 through FY 2017.

**Table 1: Operational Budget**

Period	Approved Budget	Amended Budget
FY 2014	<b>\$ 118,737</b>	<b>\$ 91,816</b>
FY 2015	<b>\$ 115,175</b>	<b>\$ 107,110</b>
FY 2016	<b>\$ 122,743</b>	<b>\$ 112,429</b>
FY 2017	<b>\$ 122,743</b>	<b>\$ 61,032</b>

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

## Objectives, Scope & Methodology

The objectives of our review were to determine whether (1) Imprest Fund expenses were incurred and paid in compliance with established RMI laws, policies, and guidelines; (2) fixed assets under the custody of the Consulate Office were properly accounted for; and (3) prior recommendations have been implemented. Our review covered the period from October 1, 2013 through September 30, 2017 (FY2014 thru FY2017).

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

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

Our review was conducted from March to June 2019 in accordance with the quality standards for Inspection and Evaluation as put forth by the Inspector General on Integrity and Efficiency (CIGIE). We believe that the work performed provide a reasonable basis for our findings and recommendations.

The fieldwork was conducted at the Consulate Office, the Ministry of Finance and Foreign Affairs. We reviewed and examined the accounting records, financial reports and documentations related to the financial transactions of the Consulate Office. We examined all checks issued during the periods under review and verified if they matched the invoices and receipts to determine whether the expenditures were properly authorized and expended in accordance with existing policies. Additionally, we reviewed the Consulate Office’s transactions through the Ministry of Finance’s accounting system to verify the accuracy and completeness of accounting entries and account postings. Furthermore, we verified the existence of all capital assets recorded on the Consulate’s fixed asset register and the completeness of the fixed asset listing submitted to the Ministry of Foreign Affairs. The

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review included other test procedures that were considered necessary under the circumstances.

### Prior Review Coverage

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

### Findings and Recommendations

**Finding No: 1 – Implementing The 10% Cash Availability Requirement Can Improve Management Of The Imprest Fund**

The Imprest Fund custodian is required to maintain a level of cash availability at all times. Specifically, the Imprest Fund guidelines stipulates that cash equivalent of 10% of the original amount is recommended to be maintained at all times to guarantee and secure payments of vital services as well as other unexpected billings that may arise during the course of operation.

The review discovered that although the Consulate Office priority expenses were paid in each respective month, the Consulate Office did not maintain the 10% cash availability requirement as stated in the Imprest Fund Guidelines for several months as summarized below:

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

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The issue of not maintaining 10% float was reported in our prior report dated July 31, 2016. Accordingly, the Consulate bears the risk of not being able to make payments for priority obligations and unforeseen billing that may arise during the course of operation. For example, we found two Consulate Office checks totaled \$1,385 (ck # 1701 – \$692.31 & 1745 - \$692.31) which were returned by the Custodial Bank during fiscal year 2016 due to insufficient fund. As a consequence, the Custodial Bank charged the Consulate Office check returned fees of \$28.30.

The cause of the above condition is certain Consulate Office expenses were not reported for reimbursement in a timely manner, certain expenses were denied reimbursement due to inadequate supporting documentation to support expenses incurred, and because of budget issues.

### **Recommendation**

We recommend that:

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

### **Auditee's Response:**

Response from the Consulate Office can be found in Appendix I

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

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

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**Finding No: 2 – Timely Submission of The Imprest Fund can Improve Management of the Imprest Fund**

The Imprest Fund Guidelines states that the Imprest Fund Custodian shall file and submit a monthly report of expenses incurred and paid for reimbursement on a monthly basis. Timely reporting of monthly expenses and reimbursement of those expenses back to Imprest Fund is important to maintain a cash position at all time

for the security and uninterrupted operation.

This review found that the Consulate Office’s monthly reports of expenses were not consistently submitted on time by the Consulate Office for processing of reimbursement claims - turnaround time for reimbursement claims was two months.

Table 2 below shows the months the Consulate Office succeeded or failed to submit the Imprest Fund Reports in a timely manner.

**Table 2: Monthly Imprest Fund Reports and Wired**

No	Months	FY 2014		FY 2015		FY 2016		FY 2017	
		Report Timely Submitted	Timely Wired	Report Timely Submitted	Timely Wired	Report Timely Submitted	Timely Wired	Report Timely Submitted	Date Wired
1	Oct	No	Yes	No	Yes	Yes	Yes	No	Yes
2	Nov	No	Yes	No	Yes	Yes	Yes	No	Yes
3	Dec	No	Yes	Yes	Yes	Yes	No	No	Yes
4	Jan	No	Yes	No	Yes	No	Yes	No	Yes
5	Feb	No	Yes	No	Yes	*	*	No	Yes
6	Mar	No	Yes	Yes	Yes	No	Yes	No	Yes
7	Apr	No	Yes	Yes	Yes	No	Yes	No	Yes
8	May	No	Yes	No	Yes	No	Yes6	No	Yes
9	Jun	No	Yes	Yes	Yes	Yes	Yes6	Yes	Yes
10	Jul	No	Yes	Yes	Yes	No	Yes	No	No
11	Aug	No	Yes	No	Yes	No	Yes	No	No
12	Sep	No	Yes	No	Yes	No	Yes	Yes	No

Source: Monthly Reimbursement Reports. Those mark with (\*) could not be determined as date received by MOF is not indicated in the Reimbursement Report

We determined that one of the reasons for the delay in submitting reimbursement claims is due to management not maintaining a neat filing system for all reimbursable documents such as receipts and invoices. Without an organized filing system, the Consulate Office’s documents can be easily misplaced and/or lost, thus, contributing to the delayed reporting of the monthly expenses reports for reimbursement purposes.

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The result of delay in submission affects the payment of Consulate monthly claims causing the Imprest Fund to deplete which affects the Consulate's ability to pay for its recurring operational expenses.

### **Recommendation**

We recommend that:

4. The Consulate Office establishes a filing system to secure and enable convenient access to reimbursement documents for purpose of preparing replenishment requests.
5. The Consulate Office submits the required monthly reimbursement reports in a timely manner to the responsible Offices in order for reimbursement claims to be processed in a timely fashion.

### **Auditee's Response:**

Response from the Consulate Office can be found in Appendix I

**Finding No. 3 – Certain  
Consulate Office Expenses  
Were Not Reimbursed**

The Imprest Fund Guidelines and Procedures require that all expenses submitted for reimbursement are accompanied by receipts and invoices as proof as expenses incurred. Furthermore, the policy also requires that the employment contracts, including time and labor reports, be included to justify and/or support salaries to staff members. The amounts recorded on the supporting documentations must match the amounts requested within the Reimbursement Reports submitted to Secretaries of Foreign Affairs and Finance for processing prior to the issuance of reimbursement checks.

We commend the Consulate for its diligence in reporting amounts expended during FY 2014 & 2015 which were in turn reimbursed back to the Imprest Fund (100% reimbursement). During FY 2016 and FY 2017, however, the team noted that a total of \$12,514, in spending was not reimbursed back to the Consulate Office due to lack of supporting documentation to support the expenses incurred. In addition, certain expenses were not reimbursed due to insufficient budget. We prepared Table 3 below to provide a summary of expenses reported for reimbursements against actual reimbursement for the fiscal years covered by this review.

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**Table 3: Amount Request per Reimbursement Voucher and Amount Wired**

<b>Fiscal Year</b>	<b>Amount Requested</b>	<b>Amount Wired</b>	<b>Variance (+/-)</b>
2014	\$ 76,561	\$ 76,561	\$ -
2015	\$ 67,940	\$ 67,940	\$ -
2016	\$ 67,035	\$ 62,781	\$ ( 4,254)
2017	\$ 49,264	\$ 41,004	\$ (8,260)
<b>Total</b>	<b>\$ 260,800</b>	<b>\$ 248,286</b>	<b>\$ (12,514)</b>

Source: Monthly Reimbursement Reports

In our report dated July 31, 2016, we reported similar issues where expenses were not reimbursed and returned back into the Imprest Fund.

**Recommendation**

We reiterate our recommend that:

6. The Consulate Office should ensure that future reimbursement claims are accompanied with proper and verifiable vendor invoices and receipts as proof of expenses incurred.
7. The Secretary of Foreign Affairs should make budget allocations that incorporate all operational needs of the Consulate Office.

**Auditee’s Response:**

Response from the Consulate Office can be found in Appendix I

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

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**Finding No. 4 - Lack Of Proper Segregation Of Duties Can Allow Unauthorized Transaction To Occur**

The segregation of duties is an internal control designed to prevent error and fraud by requiring at least two individuals to be responsible for the separate parts of any task. The segregation of duties involves breaking down tasks that may reasonably be completed by a single individual into multiple tasks so that no one person is solely in control. The segregation of duties is critical as an effective internal control mechanism to reduce the risk of both errors and unauthorized transactions.

Our review found that Consul General was solely responsible for all accounting functions of the Consulate Office during May thru August 2016 and during October thru December 2017. When accounting functions are not segregated, there is no check and balance. This increases the risk of unauthorized transactions to occur which may not be detected and corrected in a timely manner.

The cause of the above condition is due to the lack of established internal controls and procedures that requires the need to have segregation of duties in the accounting functions of the Consulate Office.

### **Recommendation**

We recommend that:

8. The Secretary of Foreign Affairs develops additional internal control procedures for Consulate Office to address proper segregation of duties in relation to handing of Imprest Fund.
9. The Secretary of Foreign Affairs develops employment contract for Consulate official that clearly defines and segregates tasks for individuals handling Imprest Fund.

### **Auditee's Response:**

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

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**Finding No. 5 – Consulate Office  
Fixed Assets Register Is Not  
Complete And Updated  
Regularly**

All overseas Missions shall, on an annual basis, furnish to the Ministry of Foreign Affairs a list of fixed assets valued over \$300 that belongs to RMI under the custody of the Consulate. The RMI defines fixed assets as buildings, improvements, furniture, and equipment, ships, over the road vehicles and aircraft. In addition, the Imprest Fund operational guidelines requires that a fixed assets register be maintained at the Missions at all times. The fixed Assets Register (FAR) needs to be updated every two years.

The Consulate Office, generally, was not in compliance with the key fixed asset requirements. The fixed assets register provided for our review was incomplete as information such as date and cost of acquisition of assets were not provided. Furthermore, the fixed asset was not updated every two years to indicate all assets that were acquired and/or disposed every two-year.

The cause of the above condition is a result of the Ministry of Foreign Affairs not requiring the Consulate Office to report its fixed assets as guided by the Imprest Fund Guidelines. Without proper accounting and maintenance of Fixed Assets Register, the assets under the custody of Consulate Office are vulnerable to theft that could go undetected.

The lack of proper accounting and maintenance of fixed assets was reported in our report dated July 31, 2016.

### **Recommendation**

We recommend that:

10. The Consulate Office maintains a proper record of all assets under its custody in accordance with the Fixed Asset policy as stipulated in the Imprest Fund Guidelines. Records should be updated every two-year period to indicate all assets acquired or disposed during the two year periods.
11. The Secretary of Foreign Affairs requires the Consulate to maintain and update its fixed assets records and furnish a copy to the Ministry on an annual basis.

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**Auditee’s Response:**

Response from the Consulate Office can be found in Appendix I

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

**Finding No. 6 – Certain  
Consulate Office Expenses  
Exceeded Appropriations  
Limit**

The Financial Management Act restricts departments and agencies of RMI from exceeding the annual budget Appropriation. In addition, Section 2 of the Over Expenditures and Over Obligation of Fund Act stipulates that no personal shall be authorized or expend any funds in excess of the appropriated amount, except in emergencies.

Our review of budget authorization and actual expense revealed that although the Consulate Office expenses did not exceed its overall budget allocation, however, certain line-item budgets appeared to have exceeded their appropriations limit. The details of budget versus actual expenses are presented in Exhibit 1 through 4 attached to this report.

The repeated instances of expense exceeding appropriations limit is a result of lack of monitoring of budget against actual spending on a parodic basis.

The effect of the above condition is a possibility that certain expenses were not duly authorized and noncompliance with Financial Management Act and Over Expenditure and Over Obligation of Fund Act.

**Recommendation**

We recommend that:

12. The Consulate Office maintains a control of log or monitoring tool (e.g. spread sheets) that accurately indicates the amounts allocated and expended for each line item. Each time a payment is made the budget control log must reflect a decrease in the authorization. This is important to avoid the risk of incurring expenses in excess of the appropriated amount.

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13. The Secretaries of Foreign Affairs and Finance ensure the Consulate Office comply with the Financial Management and the Over Obligation of Fund Act pertaining to budget control. Specifically, the Ministries should review that there is available funding for each expense item being reported for reimbursement prior to processing of payment.

**Auditee's Response:**

Response from the Consulate Office can be found in Appendix I

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

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

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**Finding No. 7 – Certain Salary Payments Paid by Consulate Were Not Accompanied By Required Documentations**

Section 2(2) of the Imprest Fund Guideline requires payment for salaries of the Consulate Office staff to be accompanied with a valid employment contract and time sheet.

Our review discovered discrepancies related to the payments of salaries for certain Locally Engaged Staffs (LES) employed by the Consulate Office. These discrepancies are summarized in Table 4 below:

**Table 4: Issues Identified for Payment of Salaries for Certain LES**

Employee	Amount	Comment
LES#1	\$18,000	From October 1 to November 2, 2013, Contract was not fully signed by required signatories. No contract to support salary payment received during periods from November 3, 2013 through September 30, 2014
	\$17,308	No contract to support salary payment received during periods from October 1, 2014 thru September 30, 2015
	\$12,489	No contract to support salary payment received during periods from October 1 thru November 1, 2015. During periods from November 2 thru September 30, 2016, contract was not fully signed by all required signatories.
LES#2	\$1,120	No contract to support salary payment received during periods from October 1 thru April 24, 2014. During periods from April 25 to September 30, 2014, contract was not fully signed by required signatories and missed pages.
	\$500	During periods from October 1 thru September 30, 2015, contract was not fully signed by required signatories and missed pages.
	\$1,480	During periods from Oct 1 thru April 25, 2016, contract was not fully signed by required signatories and missed pages. During periods from April 26 thru September 30, 2016, No contract to support salary payments.
	\$520	No contract to support salary payments during periods from October 1 thru October 26, FY 2017.

Source: Monthly Check Registers and Employment Contracts

In the absence of formal contract agreements with the employees there is the possibility that payments the Consulate Office paid for salaries of these employees were not authorized.

The cause of the above conditions is due to lack of execution of formal contracts prior to the engagement of services to clearly define the terms of reference, conditions of employment;

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and lack of administrative oversight by the Ministry of Foreign Affairs; and lack of adherence to established RMI Policies and Regulations.

**Recommendation**

We recommend that:

14. The Consulate Office ensure all locally engaged staff employment contracts are fully formalized and signed by all parties prior to employment.
15. The Secretary of Foreign Affairs ensure all locally engage staff have existing valid contract prior to commencement of services with the Consulate Office.
16. The Secretary of Finance should ensure all salary payments requests are supported by valid contracts prior to processing of reimbursement claims.

**Auditees' Response:**

Response from the Consulate Office can be found in Appendix I.

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

Response from the Ministry of Finance can be found in Appendix II.

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**Exhibits**

Exhibit 1-A: Budget Authorization and Expenditures for fiscal Years 2014

<b>Account Name</b>	<b>Acct No.</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Expenditure</b>	<b>Encumbrance</b>	<b>Balance Remaining</b>
Salaries & Wages Marsh	1011	\$ 27,000	\$ 27,000	\$ 27,104	\$ 0	\$ (104)
Per Benefits -Marsh	1115	2,835	2,835	2,111		724
Employee Insurance Expense	1116	500	500	444		56
Audit Expense	1515	1,142	192			192
Contractual Services	1520	20,822	20,616	13,934	1,040	5,642
Travel	2020	1,000	1,000	108		892
Cost of Living Allowance	2110	12,500	12,500	9,375		3,125
Leased & Rental Housing	2115	20,000	20,000	15,750		4,250
Rentals	2205	15,388	15,388	9,986		5,402
Utilities	2215	2,000	2,000	828		1,172
Communication	2305	6,000	6,000	5,376		624
Insurance	2315	2,000	2,416	2,147		269
Printing & Reproduction	2320	500	286	40		246
Freight	2401	200	204	148		56
Office/Computer Supplies	2405	1,000	1,000	469		531
POL (Fuel)	2410	3,000	3,000	2,937		63
Other Supplies/Materials	2450	850	850	340		510
Representation	2605	2,000	2,000	719		1,281
Other Charges & Expenses	2750		54,033		54,033	
<b>Grand Total</b>		<b>118,737</b>	<b>171,820</b>	<b>91,816</b>	<b>55,073</b>	<b>24,931</b>

Source: FY 2014 Appropriation Acts & MOF Financial Budget Reports (DILOG 240-P)

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA**  
**Fiscal Years 2014 – 2017**

Exhibit 1-B: Budget Authorization and Expenditures for fiscal Years 2015

Account Name	Acct No.	Original Budget	Adjusted Budget	Expenditure	Balance Remaining
Salaries & Wages Marsh	1011	\$ 27,000	\$ 27,000	\$ 27,104	\$ (104)
Per Benefits -Marsh	1115	2,835	2,835	2,111	724
Employee Insurance Expense	1116	500	500	580	(80)
Audit Expense	1515	921			
Contractual Services	1520	20,822	21,862	16,995	4,867
Travel	2020	1,000	1,639	1,639	
Cost of Living Allowance	2110	12,500	12,500	9,471	3,029
Leased & Rental Housing	2115	21,000	18,700	18,250	450
Rentals	2205	12,047	11,951	12,050	(99)
Utilities	2215	2,000	1,060	705	355
Communication	2305	5,000	6,300	6,802	(502)
Insurance	2315	2,000	2,769	2,860	(91)
Printing & Reproduction	2320	500	500	200	300
Freight	2401	200	457	462	(5)
Office/Computer Supplies	2405	1,000	1,515	2,286	(771)
POL (Fuel)	2410	3,000	2,756	2,878	(122)
Other Supplies/Materials	2450	650	1,050	1,187	(137)
Representation	2605	2,000	1,500	1,004	496
Other Charges & Expenses	2750	200	54,433	524	53,908
<b>Grant Total</b>		<b>115,175</b>	<b>169,327</b>	<b>107,110</b>	<b>62,217</b>

Source: FY2015 Appropriation Acts & MOF Financial Budget Reports (DILOG 240-P)

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA**  
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Exhibit 1-C: Budget Authorization and Expenditures for fiscal Years 2016

<b>Account Name</b>	<b>Acct No.</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Expenditures</b>	<b>Balance Remaining</b>
Salaries & Wages Marsh	1011	\$ 27,000	\$ 27,000	\$ 27,208	\$ (208)
Per Benefits -Marsh	1115	2,835	2,835	2,013	822
Employee Insurance Expense	1116	500	500	658	(158)
Audit Expense	1515	921	(61)		(61)
Contractual Services	1520	20,822	20,822	16,767	4,055
Travel	2020	1,000			
International Travel	2021		2,025	2,025	
Cost of Living Allowance	2110	12,500	12,500	9,375	3,125
Leased & Rental Housing	2115	21,000	15,684	15,500	184
Rentals	2205	15,388	21,769	21,769	
Utilities	2215	1,200	1,200	1,098	102
Communication	2305	5,000	7,363	7,363	
Insurance	2315	2,000	3,630	3,630	
Printing & Reproduction	2320	500			
Freight	2401	200	334	334	
Office/Computer Supplies	2405	1,000	1,521	1,521	
POL (Fuel)	2410	3,000	1,969	1,813	156
Other Supplies/Materials	2450	650	669	669	
Representation	2605	2,000	1,561	256	1,306
Other Charges & Expenses	2750	200	200	192	8
Budget - All Others	2799	5,027	240	240	
<b>Grand Total</b>		<b>122,743</b>	<b>121,761</b>	<b>112,429</b>	<b>9,332</b>

Source: FY2016 Appropriation Acts & MOF Financial Budget Reports (DILOG 240-P)

REPUBLIC OF THE MARSHALL ISLANDS  
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Exhibit 1-D: Budget Authorization and Expenditures for fiscal Years 2017

<b>Account Name</b>	<b>Acct No.</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Expenditures</b>	<b>Balance Remaining</b>
Salaries & Wages Marsh	1011	\$ 27,000	\$ 27,000	\$ 10,385	\$ 16,615
Pers Benefits - Marsh	1115	2,835	2,314	644	1,670
Employee Insurance Exp	1116	500	500	170	330
Audit Expense	1515	921	(61)		(61)
Contractual Services	1520	20,822	17,822	2,077	15,745
Travel	2020	1,000	4,000	1,092	2,908
International Travel	2021	5,027	5,027		5,027
Cost of living Allowance	2110	12,500	9,375	9,375	
Leased & Rental Housing	2115	21,000	21,000	16,231	4,769
Rentals	2205	15,388	15,388	9,990	5,398
Utilities	2215	1,200	1,200	744	456
Communication	2305	5,000	5,000	5,088	(88)
Insurance	2315	2,000	2,000	2,341	(341)
Printing & Reproduction	2320	500	500	250	250
Freight	2401	200	200	26	174
Office/Computer Supplies	2405	1,000	1,000	543	457
POL (Fuel)	2410	3,000	3,000	1,519	1,481
Other Supplies/Materials	2450	650	650	206	444
Representation	2605	2,000	2,000	243	1,757
Other Charges & Expenses	2750	200	200	108	92
<b>Grand Total</b>		<b>122,743</b>	<b>118,115</b>	<b>61,032</b>	<b>57,083</b>

Source: FY2017 Appropriation Acts & MOF Financial Budget Reports (DILOG 240-P)

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA  
Fiscal Years 2014 – 2017

## Appendices: Agency Responses

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### Appendix I: Consulate General's Responses to Findings and Recommendations

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Consulate General of the Republic of the Marshall Islands  
109 Spring Street Suite 3; Springdale, AR 72764  
Phone: (479) 419-9332 Cell: (503)718-8749 Fax: (503)213-5925  
Email Address: eldonalik@protonmail.com

August 22, 2019

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

RE: RMI Arkansas Consulate General Office Responses to Auditor General Staffs' Draft Report of Findings from Inspection of RMI Arkansas Consulate Imprest Fund Management for Fiscal Years 2014 – 2017

Dear Auditor-General Patrick,

Greetings from Springdale, Arkansas.

I'm honored to present to you the responses of the RMI Consulate Office in Arkansas to the Findings from the Inspection of the Imprest Fund Management in the RMI Consulate-General Office in Arkansas for Fiscal Years 2014-2017. However, before you read my responses, it's important that you understand that these Findings were from years when the current staffs were not in this office. Additionally, I must also stress that although we were not in office when these Findings took place, we take them seriously and view them as learning tools to prevent repeated oversights.

**Finding No. 1: Implementing The 10% Availability Requirement Can Improve Management Of The Imprest Fund**

Maintaining the 10% availability of funds is achievable if Imprest Fund Reports are submitted and reimbursed on time. However, sometimes funds are not reimbursed accordingly due to missing supporting documents such as Travel Allowances, receipts, etc. There is no doubt that efficiency and communications between the offices (MOFAT Budget, Consulate Office, and Finance) can be better.

**Finding No. 2: Timely Submission of the Imprest Fund can Improve Management of the Imprest Fund**

The Consulate Office will always seek better ways to ensure Imprest Funds are submitted on time. However, our inability to print the Bank of Guam monthly statement from online often cause for the delay of the Imprest Fund Report. If we can have access to print this statement online, we won't have to wait for this required document in the mail.

**Finding No. 3: Certain Consulate Office Expenses Were Not Reimbursed:**

The Consulate Office will make every effort to ensure supporting documents and receipts are kept and turned in accordingly. Again, Home Office needs to do its part in processing documents when submitted.

**Finding No. 4: Lack Of Proper Segregation Of Duties Can Allow Unauthorized Transaction To Occur:**

The Consulate Office currently is requiring two signatures on all checks. Additionally, a staff is designated to the accounting functions of the office.

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA**  
**Fiscal Years 2014 – 2017**



Consulate General of the Republic of the Marshall Islands  
109 Spring Street Suite 3; Springdale, AR 72764  
Phone: (479) 419-9332 Cell: (503)718-8749 Fax: (503)213-5925  
Email Address: eldonalik@protonmail.com

**Finding No. 5: Consulate Office Fixed Assets Register Is Not Complete And Updated Regularly:**

The Fixed Assets Register is currently complete and updated. Additionally, a staff member has been assigned to be the custodian of the Office Fixed Assets Register.

**Finding No. 6: Certain Consulate Office Expenses Exceeded Appropriations Limit:**

The Consulate Office is currently using Quickbooks to record all financial transactions to prevent this from occurring again.

**Finding No. 7: Certain Salary Payments Paid By Consulate Were Not Accompanied By Required Documentations:**

All staff members in the Consulate Office have fully signed contracts and are/will be paid according to their contracts.

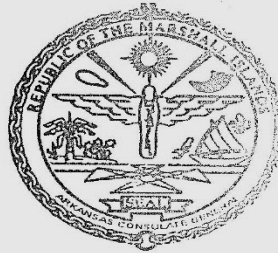
Although the Findings in this report were created by the previous administrations of this office, we consider them to be "warnings" or "things to look out for" as we try our very best to safeguard the Imprest Fund. We understand that as humans, from time to time we tend to lose sight of our responsibilities to follow procedures and guidelines. That is why this office appreciates the job of the Auditor General's Office. It's the Auditor's Office that will make us accountable and diligent in handling the money that belongs to the people of the Marshall Islands. Thank you very much for all you do!

Please contact me should you have any further questions.

Respectfully,

A handwritten signature in black ink, appearing to read 'Eldon Alik'.

Eldon Alik  
Consul General – Arkansas  
Republic of the Marshall Islands



REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA**  
**Fiscal Years 2014 – 2017**

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



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

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

22 August 2019

**Mr. JUNIOR PATRICK**

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

Dear Auditor-General Patrick:


This is in relation to your letter dated 08<sup>th</sup> August 2019 relative to the preliminary Draft Findings and Recommendations for the **RMI Arkansas Consulate General for the periods 01 October 2013 through 30 September 2017** requiring official comment from the Ministry of Finance on finding issues that must be addressed as follows:

- A. Finding No. 1
- B. Finding No. 6
- C. Finding No. 7

The Ministry of Finance culled out those items that are relevant and enclosed in this letter the Schedule of Management's Comments on Findings and Recommendations Schedule of Management's Response on Draft Findings and Recommendations of the RMI Arkansas Consulate General.

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

Sincerely,

  
**Maybelline A. Bing**  
Secretary

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA**  
**Fiscal Years 2014 – 2017**



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

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

**SCHEDULE OF MANAGEMENT'S RESPONSE ON DRAFT FINDINGS AND RECOMMENDATIONS**  
**RMI ARKANSAS CONSULATE GENERAL**  
**01 October 2013 to 30 September 2017**

Finding No.	Compliance Requirement	Finding(s)	Recommendation(s)/- Recommendation Number	Response
No. 1	Imprest Fund Guidelines	<p><b>A. <u>Implementing the 10% Cash Availability requirement can improve management of the Imprest Fund.</u></b></p> <p>The review discovered that although the Consulate Office priority expenses were paid in each respective month, the Consulate Office did not maintain the 10% cash availability requirement as stated in the Imprest Fund Guidelines for several months as summarized below:</p> <ul style="list-style-type: none"> <li>➤ Did not maintain cash equivalent of 10% of original amount during the months of November and December of Fiscal Year 2014;</li> <li>➤ Did not maintain cash equivalent of 10% of original amount during the months of October of Fiscal Year 2015;</li> <li>➤ Did not maintain cash equivalent of 10% of original amount during the months of October, November, February, March, June and September of Fiscal Year 2016</li> <li>➤ Did not maintain cash equivalent of 10% of original amount during the months of June and September of Fiscal year 2017</li> </ul>	<ol style="list-style-type: none"> <li>1. The Consulate Office should ensure expenses are reported for reimbursement in a timely manner and that expenses report are accompanied by verifiable invoices and receipts as proof of expenses incurred.</li> <li>2. The Consulate Office should ensure there is fund available of 10% in the Imprest Fund as suggested in the Imprest Fund Guidelines to avail cash for payment of core payment obligations as well as other unforeseen billings that may arise during course of operation.</li> <li>3. The Secretaries of Foreign Affairs and Finance should institute additional measures to ensure recommended 10% cash balance availability is implemented as suggested in the Imprest Fund Guidelines.</li> </ol>	<p>The Ministry of Finance fully agrees with the recommendations. And as a continuing effort to improve systems and procedures, MOF has developed an Imprest Fund Manual of Procedures in February 2019 and subsequently conducted</p>

**Office of the Auditor-General**

**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA  
Fiscal Years 2014 – 2017**

Finding No.	Compliance Requirement	Finding(s)	Recommendation(s)/ Recommendation Number	Response
		<p>The issue of not maintaining 10% float was reported in the prior report dated 31 July 2016. Accordingly, the Consulate bears risk of not being able to make payments for priority obligations and unforeseen billing that may arise during the course of operation. For example, we found two Consulate Office checks totaled \$1,385 were returned by the Custodian Bank during Fiscal Year 2016 due to insufficient fund. As a consequence, the Custodian Bank charged the Consulate Office check returned fees of \$28.30.</p>		<p>consecutive trainings for all the embassies from Feb-Mar 2019 on Budget Monitoring, Check Voucher Monitoring and shared the Imprest Fund Reimbursed and Disallowed Monitoring Tool (MS Spreadsheet) with the Consulate Office. The tool aims at promoting coordination, on a monthly basis, between the Consulate Office with the MOF's focal person solely responsible to reconcile the Imprest Fund Accounts.</p>
<p><b>No. 6</b></p>	<p><b>Imprest Fund Guidelines</b></p>	<p><b>A. <u>Certain Consulate Office expenses exceeded appropriation limit.</u></b>                      The review of budget authorization and actual expenses revealed that although the Consulate Office expenses did not exceed its overall budget allocation, however, certain line-item budgets appeared to have exceeded their appropriations limit.</p> <p>The repeated instances of expense exceeding appropriations limit is a result of lack of monitoring of budget against actual spending on a parodic basis.</p> <p>The effect of the above condition is the possibility that certain expenses were not duly</p>	<p>12. The Consulate Office maintains a control of log or monitoring tool (e.g. spreadsheets) that accurately indicates the amounts allocated and expended for each line item. Each time payment is made the budget control log must reflect a decrease in the authorization. This is important to avoid the risk of incurring expenses in excess of the appropriate amount.</p> <p>13. The Secretaries of Foreign Affairs and Finance ensure the Consulate Office comply with the Financial Management and the Over Obligation of Fund Act pertaining to budget control. Specifically,</p>	<p>The Ministry of Finance fully agrees with the recommendations. To supplement the routine operational reviews</p>

**Office of the Auditor-General**

**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA  
Fiscal Years 2014 – 2017**

Finding No.	Compliance Requirement	Finding(s)	Recommendation(s)/ Recommendation Number	Response																	
		authorized and noncompliance with Financial Management Act and Over Expenditure and Over Obligation of Fund Act.	the Ministries should review that there is available funding for each expense item being reported for reimbursement prior to processing of payment.	conducted by Division Supervisors and Heads, the MOF will also enforce an internal control and compliance monitoring system.																	
NO. 7	Imprest Fund Guidelines	<p><b>A. <u>Certain Salary Payments paid by Consulate were not accompanied by Required Documentations.</u></b></p> <p>The review discovered discrepancies related to the payments of salaries for certain Locally Engaged Staff (LES) employed by the Consulate Office. These discrepancies are summarized Table 3 below:</p> <table border="1"> <thead> <tr> <th>Employee</th> <th>Amount (USD)</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td rowspan="3">LES # 1</td> <td>18,000.00</td> <td>No contract to support salary payment received during periods from Nov 3 through Sept 30 2014</td> </tr> <tr> <td>17,308.00</td> <td>No contract to support salary payment received during periods from Oct 1 thru Sept 30 2015</td> </tr> <tr> <td>12,489.00</td> <td>During periods from Nov 2 thru Sept 30 2016, contract was not fully signed by all required signatories.</td> </tr> <tr> <td rowspan="3">LES # 2</td> <td>1,120.00</td> <td>During periods from April 25 to Sept 30 2014, contract was not fully signed by required signatories and missed pages.</td> </tr> <tr> <td>500.00</td> <td>During periods from Oct 1 to Sept 30 2015, contract was not fully signed by required signatories and missed pages.</td> </tr> <tr> <td>1,480.00</td> <td>During periods from April 25 to Sept 30 2016, contract was not fully signed by required signatories and missed pages.</td> </tr> </tbody> </table> <p>In the absence of formal contract agreements with the employees there is possibility that</p>	Employee	Amount (USD)	Comment	LES # 1	18,000.00	No contract to support salary payment received during periods from Nov 3 through Sept 30 2014	17,308.00	No contract to support salary payment received during periods from Oct 1 thru Sept 30 2015	12,489.00	During periods from Nov 2 thru Sept 30 2016, contract was not fully signed by all required signatories.	LES # 2	1,120.00	During periods from April 25 to Sept 30 2014, contract was not fully signed by required signatories and missed pages.	500.00	During periods from Oct 1 to Sept 30 2015, contract was not fully signed by required signatories and missed pages.	1,480.00	During periods from April 25 to Sept 30 2016, contract was not fully signed by required signatories and missed pages.	<p>14. The Consulate Office ensures that locally engaged staff employment contracts are fully formalized and signed by all the parties prior to employment.</p> <p>15. The Secretary of Foreign Affairs ensure that all locally engage staff have existing valid contract prior to commencement of services with the Consulate Office.</p> <p>16. The Secretary of Finance should ensure that all salary payments requests are supported by valid contracts prior to processing of reimbursement claims</p>	<p>The Ministry of Finance fully agrees with the recommendations. And as a continuing effort to improve systems and procedures, MOF has developed an Imprest Fund Manual of Procedures in February 2019 and subsequently conducted consecutive trainings for all the embassies from Feb-Mar 2019 on Budget Monitoring, Check Voucher Monitoring and shared the Imprest Fund Reimbursed and Disallowed Monitoring Tool (MS</p>
Employee	Amount (USD)	Comment																			
LES # 1	18,000.00	No contract to support salary payment received during periods from Nov 3 through Sept 30 2014																			
	17,308.00	No contract to support salary payment received during periods from Oct 1 thru Sept 30 2015																			
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	500.00	During periods from Oct 1 to Sept 30 2015, contract was not fully signed by required signatories and missed pages.																			
	1,480.00	During periods from April 25 to Sept 30 2016, contract was not fully signed by required signatories and missed pages.																			

**Office of the Auditor-General**

**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA  
Fiscal Years 2014 – 2017**

Finding No.	Compliance Requirement	Finding(s)	Recommendation(s)/ Recommendation Number	Response
		payments the Consulate Office paid for salaries of these employees were not authorized.		Spreadsheet) with the Consulate Office. The tool aims at promoting coordination, on a monthly basis, between the Consulate Office with the MOF's focal person solely responsible to reconcile the Imprest Fund Accounts.

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA  
Fiscal Years 2014 – 2017

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



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

August 23, 2019

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

Dear Auditor General Patrick,

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

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

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

Sincerely,

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

Rina Keju  
Acting Secretary of Foreign Affairs and Trade

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

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA**  
**Fiscal Years 2014 – 2017**

**Arkansas, USA**

Finding No1

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

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

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

Finding No2

Postal mail has delayed most of the reporting of monthly Imprest Fund Reports by all the overseas missions. To counter this case, the Ministry has taken measures to rectify the situation of late submissions by utilizing technology whereby all reports are digitized and emailed to capital office, while original copies are retained at the missions for audit purposes.

Finding No3

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

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

Finding No4

Under the administration of the new Consul General, the office hired an Admin staff to ensure there is proper segregation of duties in relation to the handling of Imprest Fund. Each staff at the consulate has clearly stated duties and responsibilities stipulated under their contracts, which eliminates the duplication of duties and responsibilities.

Finding Nos

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

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

Finding No6

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

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA**  
**Fiscal Years 2014 – 2017**

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

Finding No7

Before any individual is hired as locally engaged staff at the overseas mission and offices, all contracts need approval from the Secretary of Foreign Affairs and Trade and Minister of Foreign Affairs and Trade. In the case of Arkansas, it is unclear why these said contracts were never circulated. However, steps have been done to ensure that any, new or existing, employees have valid a contract.

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA**  
**Fiscal Years 2014 – 2017**

Appendix IV: Auditor's Response to the Comments from the Auditees

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**Auditors' Response to Comments by Secretary of Foreign Affairs in Finding No. 7 (Certain Salary Payments Paid by Consulate Were Not Accompanied By Required Documentation).**

We reiterate our recommendation to the Ministry of Foreign Affairs to actively pursue our recommendation to ensure all locally engaged staff have formal contract prior taking up employment with the Consulate Office and other Missions abroad.

REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**  
**Inspection of Imprest Fund Management in the RMI Consulate-General Office, Arkansas, USA**  
**Fiscal Years 2014 – 2017**

Appendix V: OAG Follow up System

No	FINDING	ACTION TO BE TAKEN
<b>1</b>	Implementing the 10% Cash Availability Requirement Can Improve Management of the Imprest Fund	<p><b>Consulate Office:</b> Provide written assurance that the recommendation has been implemented.</p> <p><b>Secretary of Foreign Affairs:</b> Provide written confirmation that additional measures have been taken to ensure that the recommended 10% is maintained at all times.</p> <p><b>Secretary of Finance:</b> Provide copy of new Imprest Fund Manual (2019) that address implementation of our recommendation.</p>
<b>2</b>	Timely Submission of The Imprest Fund can Improve Management of the Imprest Fund	<p><b>Consulate Office:</b> Provide written assurance that Consulate Office has taken action to ensure recommendation is implemented and expenses of the Consulate will be reported in a timely manner.</p>
<b>3</b>	Certain Consulate Office Expenses Were Not Reimbursed	<p><b>Consulate Office:</b> Provide written assurance recommendation has been implemented and future expenses of the Consulate Office will be submitted to reimbursement.</p> <p><b>Secretary of Foreign Affairs:</b> Provide written assurance that recommendation has been implemented.</p>
<b>4</b>	Lack Of Proper Segregation Of Duties Can Allow Unauthorized Transaction To Occur	<p><b>Secretary of Foreign Affairs:</b> Provide copy of additional internal control procedures to address the current problem of lack of proper segregation of duties in the management of the Imprest Fund.</p>
<b>5</b>	Consulate Office Fixed Assets Register Is Not Complete And Updated Regularly	<p><b>Consulate Office:</b> Provide a copy of the updated fixed assets register.</p> <p><b>Secretary of Foreign Affairs:</b> Provide written assurance that the recommendation will be implemented to address better accounting</p>

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		for fixed assets under the custody of the Consulate Office.
<b>6</b>	Certain Consulate Office Expenses Exceeded Appropriations Limit	<p><b>Consulate Office:</b> No further action is required as a monitoring tool has already been in place (Quick Book).</p> <p><b>Secretary of Foreign Affairs:</b> Provide written assurance that has been taken to implement our recommendation to address budget needs of the Consulate Office.</p> <p><b>Secretary of Finance:</b> Provide written assurance that the Ministry has taken steps to strengthened monitoring of budget to avoid processing of expenses in excess of appropriations limits.</p>
<b>7</b>	Certain Salary Payments Paid by Consulate Were Not Accompanied By Required Documentations	<p><b>Consulate Office:</b> Provide copies of completed employment contract for all LES currently employed by the Consulate Office.</p> <p><b>Secretary of Foreign Affairs:</b> Provide copies of the LES' employment contracts.</p> <p><b>Secretary of Finance:</b> Provide copy of the Imprest Fund Manual and procedures (2019) that address contracting by Consulate Office or other foreign missions.</p>

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## Contact and Acknowledgement

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### Acknowledgement

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*David John, Staff Auditor*

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