



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

Compliance Audit on Procurement Sourcing
Fiscal Year 2015



REPORT NO: 01/15-9999

August 11, 2017

Date

P.O. BOX 245
MAJURO, MH 96960
REPUBLIC OF THE MARSHALL ISLANDS



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Chief Secretary, Office of the Chief Secretary
Secretary, Ministry of Finance, Banking and Postal Services (FBPS)
Government of the Republic of the Marshall Islands

Subject: Compliance Audit on Procurement Sourcing Practices

Dear Chief Secretary & Secretary:

The Office of the Auditor-General (OAG) performed a compliance audit of the Government of the Republic of the Marshall Islands' (GRMI) procurement sourcing practices. The purpose of the audit was to determine if the Procurement & Supply Division and the Bid Committee approved sourcing of purchasing requisitions and bid proposals in accordance with the Procurement Code and other applicable laws and regulations. The period under review covers fiscal year 2015.

Based on our audit, we found that instances of non-compliance with the Procurement Code continue to exist even after corrective actions were taken when these were previously and repeatedly raised in the independent audits of the GRMI. In addition, we determined that the additional procurement guidelines required by the Procurement Code to guide and govern all procurements by the GRMI have not been promulgated by the Policy Office. Further, Bid Committee lacks procedures and guidelines to properly evaluate and award government contracts. In general, there is a lack of oversight and enforcement of approved GRMI procurement policies.

We conclude in this report that until the Policy Office implements effective procurement policies and guidelines, it will be unable to provide assurance that GRMI is receiving the best value for procurements or that contractors are meeting the procurements' terms and conditions to deliver goods and services.

Pursuant to the Auditor General Act of 1986, we provided your Offices with a copy of our draft report requesting your responses in writing. We appreciate your Offices' responses which we have

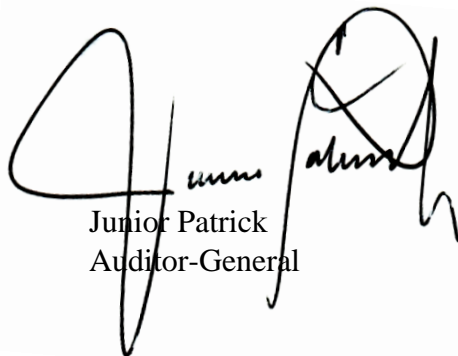
included as Appendix I and Appendix II, respectively. We also discussed our report during our exit conference on June 29, 2017.

We acknowledge your responses to our audit and would like to commend both Offices for your continuous efforts to improve government procurement. In particular, we commend the initiative to establish an Internal Audit function to scrutinize procurement requests, and conducting annual procurement trainings.

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 III to be implemented.

We wish to express our sincere appreciation to you and your staffs for the cooperation we received during the course of our audit.

Sincerely,



Junior Patrick
Auditor-General

Date: August 11, 2017

CC: President
Minister-In-Assistance to the President and Environment
Minister of Finance, Banking & Postal Services
Chief Procurement Officer
Attorney General
OAG File

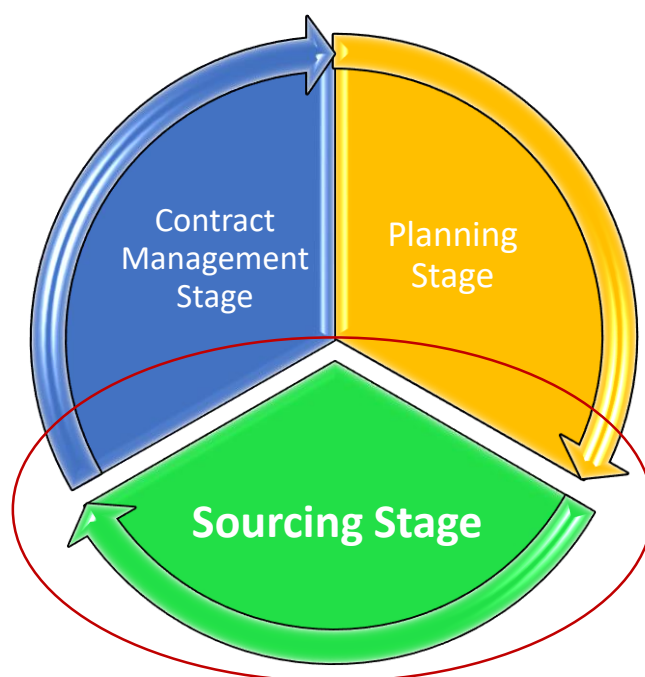
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Background

Government procurement is purchasing of goods and services by public institutions. The procurement life cycle consists of three stages: planning, sourcing, and contract management. This audit focused on the sourcing stage of the procurement life cycle as indicated in Figure 1.1 below. This audit was undertaken by the Office of the Auditor-General as part of an initiative developed by the Pacific Association of Supreme Audit Institutions (PASAI) with the support of INTOSAI Development Initiative (IDI). Other participating audit offices in this cooperative audit included the Cook Islands, FSM-National, Pohnpei State, Samoa, Solomon Islands, Papua New Guinea, Fiji, Tonga, and Tuvalu.

Figure 1.1 Procurement Lifecycle



Source: OAG Generated

Government Procurement Practices in the Marshall Islands

In 1988, the Nitijela (Legislature) of the Marshall Islands enacted Public Law 1988-33 (The Procurement Code Act of 1988) which governs procurement of all goods and services by the Government of the Republic of the Marshall Islands (GRMI). The Procurement Code is based on

the principles of fairness, transparency and value-for-money and requires all parties involved in the negotiation, performance, or administration of Government contracts to act in good faith. The Procurement Code applies to all goods and services procured by the GRMI with public funds irrespective of their source.¹

The Procurement Code created within the Office of the Chief Secretary the Government Procurement Office often referred to as the Policy Office. The Policy Office is tasked under the Act to promulgate additional supplemental regulations to govern the procurement, management, control, and disposal of any and all supplies, services, and construction that are procured by the GRMI, in a manner that is consistent with the Act. Also created under the Procurement Code is the Office of the Chief Procurement Office commonly referred to as the Procurement and Supply Office, a division with the Ministry of Finance (MOF), which is headed by the Chief Procurement Officer. The Chief Procurement Officer is the purchasing agent and ensures government purchases comply with the procurement methods as stipulated under the Procurement Code. Other functions of the Chief Procurement Officer include:

- procure or supervise procurement of all supplies, services, and construction needed by the Government;
- exercise general supervision & control of all inventories of supplies belonging to the Government; and
- establish and maintain programs for the inspection, testing and acceptance of supplies, services, and construction in accordance with regulations promulgated by the Policy Office.²

The Procurement Code requires all government procurement to be procured through the Chief Procurement Officer, with exemptions to certain specialized services such as accountants, clergy, physicians, lawyers, and dentist that any governmental body may act as the Purchasing Agent and contract on its own behalf, subject to the Act and regulations promulgated by the Policy Office³.

¹ Procurement Code: Section 103 & 106

² Procurement Code: Section 111-115

³ Procurement Code: Section 117-119

Currently, all Government Ministries procure through the Chief Procurement Office while other statutory bodies procure on their own behalf.

As a general rule, the Procurement Code requires all Government contracts to be awarded by competitive bidding, unless otherwise authorized by law. In addition, procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures promulgated by the Policy Office. MOF has instituted supplement policies requiring that at least three price quotations shall be solicited from qualified sources. In addition, MOF has created and adopted certain Standards Operating Procedures (SOP) to guide staff in approving public expenditures. The SOP includes a checklist that aims at improving compliance with the Procurement Code.

All government purchases above the \$25,000 threshold are required to be solicited and awarded using competitive bidding. These purchases are reviewed by a Bid Committee that is chaired by the Chief Secretary and consists of the representative of the Purchasing Agency, Chief of Procurement, a representative from the Ministry of Public Works' Project Management Unit, a representative from the Attorney General's Office, and the Secretary of Finance. The Bid Committee evaluates if a procurement request meets all the requirements of the Procurement Code and award contract to the lowest and most responsive bidder whose bids meets the requirement and criteria set forth in the GRMI's Invitations for Bid. The Bid Committee was originally established to oversee infrastructure projects funded with Compact funds. Over the years, its role has been expanded to include other big purchases by GRMI.

In addition to the Procurement Code, the GRMI is also required to comply with procurement requirements as stipulated under the Fiscal Procedures Agreement as a recipient of economic assistance funds under the Compact Agreement between the GRMI and the United States of America.

These legal and binding documents concerning government procurement were used as audit criteria throughout the course of the audit and were discussed with and agreed to by the Ministry of Finance.

Government Procurement – A Concern

The independent audit reports of the GRMI over the years have found repeated incidences of non-compliance with the established procurement regulations and the lack of adequate internal control policies and procedures to satisfy compliance with applicable procurement requirements. While the GRMI has identified corrective actions to address the audit citations, independent audits have continued to find recurring problems, which has resulted in auditors issuing repeat recommendation in many of these areas.

Objective, Scope & Methodology

The purpose of the audit was to determine if the Procurement & Supply Division and the Bid Committee approved sourcing of purchasing requisitions and bid proposals in accordance with the Procurement Code and other applicable laws and regulations. To achieve this objective, sufficient audit evidence on compliance was obtained through appropriate controls and substantive procedures as described below:

- Obtained an understanding of the requirements of the Procurement Code Act and the Fiscal Procedures Agreement by reading and reviewing these documents;
- Assessing whether the Ministry of Finance has properly maintained all records in accordance with the requirements of the RMI Procurement Code and the Ministry of Finance's Standard Operating Procedures by reviewing documents;
- Reviewed relevant laws, regulations, and policies relevant to the procurement sourcing;
- Obtained an understanding of the procurement process by interviewing:
 - The Secretary of Finance
 - Procurement Division Staff
 - Bid Committee Members
 - Ministry of Finance Key Staff

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- Obtained an understanding of the internal controls over PR processing and Bid Evaluation by interviewing key staff;
- Obtained and analyzed check disbursement transaction reports;
- Judgmentally selected and tested for compliance 25 small purchases with a value of \$3,000 through \$24,999; and
- Judgmentally selected and tested for compliance 25 big purchases with a value of \$25,000 to \$250,000.

The scope of this audit covers the sourcing phase of the procurement cycle. The process includes awarding bids and sourcing practices by the Division throughout fiscal year 2015 with the total amounts of \$3,000 through \$250,000.

The audit 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 audit was conducted in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based upon on our audit objective. We believe that the evidence obtained provides a reasonable basis on our findings and conclusion.

Prior Audit Coverage

This is the first procurement compliance audit focusing on the sourcing aspect of government purchases. However, previous audits, including the independent audits of GRMI have also looked at general compliance with the Procurement Code.

Conclusion

Based on our audit, we found that instances of non-compliance with the Procurement Code continue to exist even after corrective actions were taken when these were previously and repeatedly raised in the independent audits of the GRMI. In addition, we determined that the additional procurement guidelines required by the Procurement Code to guide and govern all procurements by the GRMI have not been promulgated by the Policy Office. Further, Bid Committee lacks procedures and guidelines to properly evaluate and award government contracts. In general, there is a lack of oversight and enforcement of approved GRMI procurement policies.

Until the Policy Office implements effective procurement policies and guidelines, it will be unable to provide assurance that GRMI is receiving the best value for procurements or that contractors are meeting the procurements' terms and conditions to deliver goods and services.

Our findings, based on our audit, along with our recommendations are discussed in the next section.

Findings and Recommendations

Finding No. 1 – Policy Office has not been established and functioning as an organized Office.

Procurement Code Act, Section 111 created Government Procurement Office or Policy Office within the Office of the Chief Secretary. Section 112 specifies the authority and responsibility of the Policy Office. It states in part that “... the Policy Office shall have authority and responsibility to promulgate regulations, consistent with this Act, governing the procurement, management, control, and disposal of any and all supplies, services, and construction to be procured by the Government.” It also proceeds to state that “...Policy Office shall have the power to audit and monitor the implementation of its regulations and the requirement of this Act, but shall not exercise authority over the award or administration of any particular contract, or over any disputes, claim, or litigation pertaining thereto.”

Our audit noted the following conditions:

- We reviewed the organizational structure of the Office of the Chief Secretary and found that the Policy Office has not been established and functioned as an organized body as required by Procurement Code. Discussions with the Chief Secretary at that time and the Acting Chief Secretary both confirmed that there was not a Policy Office operating out of the Office of the Chief Secretary. It was evident that there were confusions as to the creation of the Policy Office, however, the Procurement Code states clearly that it should be created within the Office of the Chief Secretary with clear authority and responsibility. In the absence of the Policy Office, regulations to streamline and supplement the enforcement of the Procurement Code were promulgated by the Secretary of Finance throughout the years, instead.
- In the current set up the Chief Secretary chairs the Bid Committee that evaluates and awards contracts for provision of goods and services solicited by the GRMI. We determined, however, that since the Policy Office is situated within the Office of the Chief Secretary, the Chief Secretary may be overstepping the boundaries of a regulatory authority and is inconsistent with the Procurement Code which states that the Policy Office “...shall not exercise authority over the award or administration of any particular contract, or over any disputes, claim, or litigation pertaining thereto.” Due to the fact that there is no Policy Office, we question the appropriateness of the Office of the Chief Secretary’s role in the Bid Committee.
- In addition, we determined that the provisions under Section 117 requiring all government procurements to be procured through the Chief of Procurement’s Office and the Policy Office have not been fully implemented and followed. It is our understanding that with the exception of government ministries, all governmental bodies procure on their own behalf.

In the absence of the Policy Office, there is minimal independent oversight over the duties and responsibilities of the Bid Committee, or whether the procurement process adopted are adequate and consistent with the requirements of the Procurement Code. Abiding by the Procurement Code is fragmented as there is no Policy Office set up to oversee whole of Government purchasing as

well as other governmental bodies' purchasing to ensure that the Procurement Code is complied with. This poses a risk that any sourcing and procurement of goods and services by GRMI that is inconsistent with the Procurement Code may result in legal battle and unnecessary costs, should the GRMI be faced with one by unsuccessful bidders.

Recommendations:

1. We recommend that the Chief Secretary works with the Public Service Commission to establish the Policy Office within the Office of the Chief Secretary and consistent with requirement Procurement Code.
2. We recommend that the Chief Secretary seek legal assistance of the Attorney General in relation to the functions of the Chief Secretary and Policy Office, and whether it would be appropriate for Chief Secretary to continue to engage in evaluating and awarding GRMI contracts, as a regulatory authority per Section 112.
3. We recommend that Chief Secretary, Secretary of Finance, and Chief Procurement Officer revisit Section 117, the purpose of which is to centralize all government procurement, to determine if goods and services solicited by other statutory bodies should be procured through the Office of the Chief Procurement Officer and Policy Office.

Finding No. 2 – No formally established policies and procedures in place for the Bid Committee to adhere to.

Procurement Code, Section 112 states in part that: "...Except as otherwise provided in this Act, the Policy Office shall have the authority and responsibility to promulgate regulations, consistent with this Act, governing the procurement, management, control, and disposal of any and all supplies, services, and construction to be procured by the Government."

The Bid Committee members indicated that there are no formally established policies and procedures for the committee. To guide their meetings, they rely on a Procedures 003 document. Procedures 003 was developed for the purpose of evaluating Compact funded projects for the Infrastructure Development and Maintenance Plan. This document details who should be in the committee and what criteria to use when evaluating bids. However, as indicated by the Bid Committee members, the document does not provide guidance on how to deal with conflict of

interests as well as answering to grievances from vendors, among other concerns. One member stated that if a conflict should arise, the Committee should follow the Government's Code of Ethics to address it.

The cause of the above condition is lack of written policies and procedures in place to guide and regulate the Bid Committee to ensure procurement processes are in compliance with the Procurement Code and to address conflict of interests and grievances.

In the absence of clearly written policies and procedures, the Bid Committee is not able to perform to its fullest potential and decisions made may present inconsistencies and may also lead to instances of non-compliance with the Procurement Code. Clearly written policies and procedures will ensure that the members have a clear understanding of the committee's duties and responsibilities. Having this in place will also ensure the Government is not susceptible to transactions that are in direct conflict with decision makers, therefore limiting the possibility of grievances by other vendors.

Recommendation:

4. We recommend that the Policy Office establishes clear and written procurement policies and procedures to govern and administer all procurements by the GRMI that are consistent with the Procurement Code. At a minimum, these policies and procedures should include the following:
 - a. Guidelines for developing Invitation to Bids;
 - b. Guidelines for developing Bid Evaluation criteria; and
 - c. Regulations to maintain objectivity (e.g. Written Independence Declaration by Bid Evaluators).

Finding No. 3 –
Inappropriate approval
to waive the
procurement process

Procurement of goods and services should be in accordance with the Procurement Code, which states the following:

- Section 124 – unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.
- Section 127 – procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures promulgated by RepMar's Policy Office. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. RMI's Ministry of Finance has previously declared that if small purchase procedures are used, price or rate quotations shall be from three qualified sources.
- Section 128 – a contract may be awarded for a supply, service, or construction item without competition when it is determine in writing that there is only one source for the required supply, service, or construction item.

We selected 25 contracts maintained by the Ministry of Finance and performed a review to determine compliance with the Procurement Code. Based on our review we noted three incidences where procurement requirements were waived in a manner inconsistent with the Procurement Code.

1. At the request of the Ministry of Health, the Cabinet approved [per CM049 (2015)] a waiver to the bidding process to allow for the construction of a concrete fence at the MOH complex. This Cabinet Minute stated that this was an emergency purchase, however, upon inspection of the location we found that there was no fence being built surrounding the areas mentioned in the Cabinet Minute. Per discussions with MOH staff, the concrete fence was not built as they feared neighbors would use that enclosed area to dump household trash. No contract was formulated after obtaining the instruction from Cabinet to waive the process.
2. In 2015, Cabinet approved, through Cabinet Minute 068(2015), an extension of a vehicle rental contract for use by the Ministry of Health for another year. The Ministry of Finance, Ministry of Health, and the Bid Committee were not able to provide supporting

documentation to determine the rationale behind the extension of this contract without rebidding it out to the public as documents were missing.

3. Government Contract No. M09850 was a payment towards the purchase of a Dornier Aircraft for the Air Marshall Islands, Inc. Per Cabinet Minute 059(2105), the cabinet approved and authorized emergency funding from the FY 2015 Special Appropriation from the Marshall Islands Shipping Corporation (MISC) Repairs and Maintenance in the amount of \$421,044.48 for an additional and final payment towards the purchase of the Aircraft in Manila. This contract did not go through the bidding process but was treated as an emergency procurement.

The instances of these waivers occurred when the Cabinet approved exemption of the bidding process for these purchases. As stipulated in Section 124 of the Procurement Code, no exemption of the Procurement Code is allowed unless otherwise authorized by law. Since there are no clearly written policies and procedures in place to identify how a Cabinet Minute should be treated, the Bid Committee and the Ministry of Finance accepted the Cabinet Minute as a form of waiver as they indicated that the Cabinet Minute was treated as an executive order and acted upon it accordingly.

Non-compliance of Section 124 of the Procurement Code presents a great opportunity for the recurrent practices of Cabinet Minutes waiving the bidding process. It also allows for non-competitive bidding to occur which will not ensure that the Government is getting value for money spent.

Recommendation:

5. To ensure that the Government is getting value for money and that big purchases comply with the Procurement Code, we recommend all government contracts to be solicited through competitive bidding. We also recommend that any future exemptions to

procurement policy to be executed in accordance with the procedures prescribed in the procurement regulation.

Finding No. 4 – Lack of oversight to ensure compliance with small purchase requirements

Procurement of goods and services should be in accordance with the Procurement Code, which states the following:

- Section 124 – unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.
- Section 127 – procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures promulgated by RepMar's Policy Office. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. RMI's Ministry of Finance has previously declared that if small purchase procedures are used, price or rate quotations shall be from three qualified sources.
- Section 128 – a contract may be awarded for a supply, service, or construction item without competition when it is determine in writing that there is only one source for the required supply, service, or construction item.

We tested 25 transactions with a total value of \$227,299 and whose values ranged from \$3,000 to \$24,999 to determine the following:

- if they had adequate supporting documentation such as a minimum of three price quotations,
- if purchase requisitions were awarded to the lowest quotation, and
- if checks issued were adequately supported.

Out of these 25, we found that two of the transactions appeared to be in violation of the procurement code sections 127 and 128 as listed in Table 1 below:

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Table 1: Transactions with Inadequate Supporting Documentation

Date	Check #	Amount
October 1, 2014	120792	\$3,462
October 13, 2014	121166	9,464
TOTAL		\$12,926

Source: OAG Generated

Check numbers 120792 was for the purchase of two Apple Mac Books from a local vendor for a public school. For this purchase we were only able to identify one quotation instead of the required three quotations. Upon further inquiry with staff at the Procurement and Supply Division, we found that these two items were not properly recorded and tagged as GRMI property. Additionally, check number 121166 was for the purchase of fuel from a certain vendor. For this purchase, it appeared that it was a sole source purchase; however, we were not able to find a justification letter or a completed sole source document to justify why it was a sole source purchase. We have noted similar incidences of non-compliance with small purchase that have been repeatedly reported in the Single Audit of GRMI over the years.

Lack of adherence to the small purchase requirement as stipulated in the Procurement Code along with MOF's SOP, which requires reviewing of supporting documentation to verify if adequate supporting documentation and vendor quotation, was evident during our data collection. Non-compliance with the Procurement Code presents a possible questioned cost of \$12,926 to the Government as purchases were not solicited properly and in accordance with the Procurement Code.

Recommendation:

6. To ensure that purchase requisitions are approved in accordance with applicable laws and regulations, we recommend that the Chief of Procurement and Supply staff adhere to the requirements stipulated under the MOF's SOP and the Procurement Code by reviewing and ensuring that supporting documents are provided prior to approval.

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Appendices: Agency Responses

Appendix I: Office of the Chief Secretary Response to Recommendations



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE CHIEF SECRETARY
P.O. Box 15, MAJURO, MARSHALL ISLANDS 96960

11 August 2017

**To : Mr. Junior Patrick
Auditor General
Office of the Auditor General**

Fr : Office of the Chief Secretary

Re : Draft report for the Compliance Audit on Procurement Sourcing for FY2015

Dear Auditor General Patrick,

We have reviewed the draft report for the Compliance Audit on Procurement Sourcing for FY2015. Below are some general and specific comments on the draft report.

General comments

The draft report is clearly written and provides useful conclusions, findings, and recommendations.

We are concerned that instances of non-compliance with the Procurement Code Act persist, despite corrective actions and recommendations set out in previous audits. The Office of the Chief Secretary (OCS) will work with the relevant ministries and offices to address these issues more effectively and as a matter of priority.

We will review the Procurement Code Act and other existing policy and institutional documents related to procurement, as well as current procurement practices and organizational arrangements—including the role, composition, and functions of the Bid Committee—to ensure compliance with the Procurement Code Act, as it stands.

We recognize the critical role the OCS and the Procurement Policy Office play in the procurement process, as set out in the Procurement Code Act, and will take immediate measures to ensure that this office complies with the Procurement Code Act. We will also consider possible revisions to update and improve the law.

Specific comments

Finding 1 and recommendation: OCS will take immediate steps to identify an organizational unit, within its existing structure and resources (human and financial), to serve the role and function of the Procurement Policy Office in the interim period. A more permanent arrangement

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will be made once adequate human and financial resources are secured, and subject to any possible revisions to the Procurement Code Act.

OCS agrees with the three recommendations set forward under Finding 1 and will pursue these actions with the corresponding offices identified (PSC, Attorney General, Ministry of Finance). Government has already identified procurement reform, as part of broader public financial management reform, as a priority and these proposed actions will support our efforts related thereto.

Finding 2 and recommendation: OCS will take immediate steps toward developing the recommended regulations and guidelines.

Finding 3 and recommendation: OCS will discuss and work with the Attorney General, Secretary of Finance, and the Cabinet to ensure compliance with the existing Procurement Code Act with regard to big purchases and competitive bidding.

Finding 4 and recommendation: OCS will work with the Chief of Procurement and Supply to ensure that small purchase transactions comply with the Ministry of Finance's standard operating procedures and Procurement Code Act and are properly and adequately document.

In conclusion, we look forward to seeing more compliance and performance audits undertaken by the Office of the Auditor General (OAG). In combination with the standard financial audits that you undertake, compliance and performance audits will directly help our effort to strengthen performance and accountability across the public sector.

Komol tata for providing the opportunity to comment on the draft report and its findings and proposed recommendations.

Sincerely,



Kino S. Kabua
Acting Chief Secretary

Office of the Auditor-General
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Appendix II: Ministry of Finance, Banking & Postal Services Response to
Recommendations



Republic of the Marshall Islands

Ministry of Finance

P.O. Box D ~ Majuro ~ Marshall Islands ~ 96960

Phone: (692) 625-8290 Fax: (692) 625-3607

Ministry of Finance Responses to Procurement Audit

Responses to all Findings: The Ministry of Finance agrees with all Findings of the Procurement Audit. There is continuous effort to improve and strengthen procurement process and procedures. Ministry of Finance will continue to work with Ministries to ensure that procedures and policies are adhered to. Ministry of Finance will also continue coordinate an annual Procurement Training to inform of the processes and any changes that have been made. Additionally, an Internal Audit unit has been established to check on compliance, internally.


Maybelline A. Bing
8/11/2017

Appendix III: OAG Follow-Up System

#	FINDING	ACTION TO BE TAKEN
1	Policy Office has not been established and functioned as an organized body	<p>Chief Secretary:</p> <p>Provide written assurance that recommendation will be implemented to establish the Policy Office within the Office of the Chief Secretary.</p> <p>Provide written legal opinion from the Attorney General's Office regarding functions of the Chief Secretary and Policy Office, and whether it would be appropriate for Chief Secretary to engage in evaluating and awarding GRMI contracts, as regulatory authority per Section 112 in the procurement code.</p> <p>Chief Secretary, Secretary of Finance, and Chief Procurement Officer:</p> <p>To provide written assurance that recommendation will be implemented.</p>
2	No formally established policies and procedures in place for the Bid Committee to adhere to.	<p>Policy Office :</p> <p>Provide written procurement policies that are consistent with the Procurement code including:</p> <ul style="list-style-type: none"> a. Guidelines for developing Invitation to Bids b. Guidelines for developing Bid Evaluation criteria; and c. Regulations to maintain objectivity (e.g. Written Declaration by Bid Evaluators).
3	Inappropriate Approval to Waive the Procurement Process	Written assurance that recommendation will be implemented.
4	Potential Question Cost of \$12,926 on Two Small Purchase Transactions	<p>Chief of Procurement and Staff:</p> <p>Provide written assurance that the Chief of Procurement and staff adhere to requirements under MOF's SOP.</p>

Contact and Acknowledgement

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Acknowledgement

The following auditors made key contributions to this report:

Atmita Jonathan, Assistant Auditor-General

Ayako Yamaguchi-Eliou, Audit Manager

Elizabeth Jack, Audit Supervisor

Lynna Rockyland, Staff Auditor

David John, Staff Auditor

Nicodemus Anuntak, Staff Auditor

Special thanks to the *Pacific Association of Supreme Audit Institutions (PASAI)* and *INTOSAI Development Initiative (IDI)* who provided guidance and advice throughout this audit.

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