



**FISCAL ACCOUNTABILITY  
PLAN**

**For the**

**MILLENNIUM CHALLENGE ACCOUNT**

**VANUATU**

**REVISED DECEMBER 2009**

## Table of Contents

1	General.....	4
2	Authorized Parties.....	4
3	Procurement.....	4
4	Procurements Prior To Placement of A Procurement Agent.....	7
5	Financial Management.....	7
	Financial Plans	
	Financial Plan Preparations, Changes and Approval	
	Payments	
	Reporting	
6	Audits.....	14
7	Personnel.....	14
	Timesheets and Time clock	
	Payroll	
	Bonus Payment	
8	Imprest Accounts and Other Agreed Purchases.....	15
	Petty Cash	
	Travel	
	Special Imprest	
	Petrol and Diesel	
9	Asset Management.....	17
10	Vehicle Usage Policy.....	17
11	Tax Exemptions.....	18
12	Common Payment System.....	19
	<b>Allocation ceiling and CPS</b>	
	<b>Ceiling Allocation through CPS</b>	
	<b>CPS Payment Timeframes</b>	
	<b>Common Payment System Codes</b>	
	<b>Local Bank Account Balances</b>	
	<b>Proper Invoicing</b>	
	<b>CPS Payments</b>	
13	Working Capital.....	22
	<b>Expiration of Spending Authority at the End of a Period</b>	
	<b>Reinstatement of Limited Spending Authority</b>	
14	Delegations.....	23
15	Misappropriation of funds and fraud.....	24

16 Whistle Blower Policy.....24

**Reporting Procedure for Allegations of Fraud and Corruption**  
**Allegation Reporting Basics**

Parties Acknowledgments.....26

**APPENDICES**

Procurement Process Flowchart

Government of Vanuatu Financial Regulations Manual

CPS Manual

## MCA-VANUATU

### FISCAL ACCOUNTABILITY PLAN

This plan shall serve as the policy on all financial and procurement issues undertaken under the Millennium Challenge Account grant received from the Millennium Challenge Corporation. This plan shall be updated as new policies and procedures are implemented by MCA-Vanuatu. At a minimum, the Fiscal Accountability Plan will need to be updated every six months.

#### 1 **General**

- (a) In all events, no financial or procurement transaction shall take place that is contrary to the requirements or prohibition of the Compact, the Disbursement Agreement, the Procurement Agreement, the Fiscal Agent Agreement, Governance Agreement or any other related documents.

#### 2 **Authorized Parties**

- (a) Parties authorized to act in procurement and financial management matters on behalf of MCA-Vanuatu are:
  - i. Procurement Agent
  - ii. Fiscal Agent – Department of Finance, Ministry of Finance and Economic Management. Key personnel of the Fiscal Agent shall include:

Benjamin Shing, Fiscal Agent Team Leader  
Anna Matansawan Salwai, Development Accountant  
Emile Laban, Secondary Development Accountant  
Cainton Milroy, Website Developer

- (b) A Requesting Agency shall include MCA-Vanuatu, or any agency designated by MCA-Vanuatu that has entered into an Implementing Entity Agreement giving authority to make requests for goods, works, or services to MCA-Vanuatu.

#### 3 **Procurement**

A flowchart of required steps in the procurement process is included in the Appendices to this Plan.

- (a) Basic procedures for the procurement of goods, services and works by any provider are covered in the Procurement Guidelines as a part of the Procurement Agreement between the Government of Vanuatu and

MCC. In all procurement matters requiring action by MCA-Vanuatu, the Procurement Agent will administer the procurement process.

- (b) While the Chair of the MCA-Vanuatu Steering Committee has general signatory authority for any contracts to which MCA-Vanuatu is a party, the Director of MCA-Vanuatu has the signatory authority for contracts up to US \$50,000 with third party contractors on behalf of MCA-Vanuatu.
- (c) No procurement action shall be finalized nor contracts signed until it is determined to have complied with the approval requirements of the MCA-Vanuatu Steering Committee and MCC as required by the Procurement Agreement and this Fiscal Accountability Plan.
- (d) Procurements related to the Compact for works, goods and services will be outlined in the Procurement Plan prepared by the Procurement Agent. Even though the procurement may be indicated in the plan, the Procurement Agent will need written authorization from the Director of MCA-Vanuatu, as evidenced by a properly executed Requisition Form, to start the procurement process.
- (e) In addition to the thresholds requiring approval per Schedule 2 of the Procurement Agreement, all Procurement actions in excess of the equivalent of US \$50,000 shall require the approval of the MCA-Vanuatu Steering Committee. If the MCA-Vanuatu Unit or Steering Committee would like to obtain MCC “no objection” for procurement actions which fall below MCC’s approval threshold, a request in writing shall be submitted from the MCA-Vanuatu Steering Committee to the Procurement Agent, who will then forward the request onto MCC.
- (f) A Requisition Form will be completed for all procurements (except those purchased under standing imprest arrangements) by the agency requesting the goods, works, or services. The required Requisition Form is provided as Attachment B to this Plan. The Director of MCA-Vanuatu shall approve all requisition requests and by doing so confirms that the current approved budget for the MCC Program is sufficient to cover the projected amount of the procurement obligation. The Director of MCA-Vanuatu shall indicate the remaining budget for this class of procurements on the requisition form (as shown in the SmartStream funds control workbench). The Director shall provide evidence of any required authorizations from the Steering Committee and MCC along with the requisition form.
- (g) Once the Procurement Agent receives written authorization by way of the Requisition Form, advertisements as part of the procurement process can be initiated. The original of the Requisition Request will be kept with the Procurement Agent and a copy with Director of MCA-Vanuatu.

- (h) The Procurement Agent shall assure that the requested procurement is in the approved Procurement Plan. In the event that a requested procurement is not in an approved Procurement Plan, the Procurement Agent shall request evidence of approval of the procurement by the MCA-Vanuatu Steering Committee and MCC.
- (i) The Procurement Agent will undertake the procurement process and request MCA-Vanuatu to obtain approvals of the procurement steps as required by the Procurement Guidelines. The Procurement Agent will be responsible for assuring that any participating companies and individuals are checked against the excluded parties list at appropriate times during the procurement process. The Procurement Agent shall fulfill the periodic eligibility verification requirements of the Program Procurement Guidelines (PPG) by checking all required persons or entities within valid contracts which are active as of January 1 and July 1 of each calendar year. Documentation of these checks should be produced and kept on record as per the requirements of the PPG, and file no later than 15 days after the dates stated above.
- (j) Upon completion of the procurement process, the Procurement Agent will propose an award recommendation, ensure that the selected contractor is checked against the excluded parties list, and return a signed copy of the Requisition Form to the Requesting Agency for their final confirmation to go ahead with the purchases.
- (k) The Requesting Agency shall sign and approve the Requisition Form and return it to the Fiscal Agent who shall record as a commitment a local purchase order for the purchase of the goods, works, or services. The Fiscal Agent will provide the local purchase order to the Director of MCA-Vanuatu. The Fiscal Agent shall investigate and halt the procurement process if any anomalies are suspected or if insufficient budget is available for the actual purchase.
- (l) After the supplier/provider is selected the contract will be approved by the appropriate parties depending on the approval thresholds listed in Schedule 2 of the Procurement Agreement. Once the contract negotiation process is over, the contract will be signed between the third party and the Director of MCA-Vanuatu or the Chair of the Steering Committee, if the contract amount is more than US \$50,000 or such signatory authority has not been delegated to the Director.
- (m) The Procurement Agent shall be responsible for providing a notice, prepared by the Fiscal Agent, to all contractors concerning the tax exemption applying to all activities resulting from funds provided by MCC and instructions on obtaining such tax exemption.
- (n) The Procurement Agent will keep an original copy of the contract. The Director of MCA-Vanuatu will keep a copy and provide a copy to

the Fiscal Agent so that the Fiscal Agent can record a commitment of the MCC Program.

#### **4 Procurements Prior To Placement of A Procurement Agent**

- (a) In the event that a Procurement Agent is not in place after Entry Into Force of the Compact, the Director of MCA-Vanuatu is authorized to conduct procurements during the period between Entry Into Force and the placement of the Procurement Agent.
- (b) The Director is authorized only to conduct procurements that are:
  - i. Less than the equivalent of US \$10,000
  - ii. In accordance with the Procurement Guidelines
  - iii. Only in accordance with an approved Procurement Plan.
- (c) The Director shall assure that all procedures outlined in this Interim Fiscal Accountability Plan are followed.
- (d) In the event that the Director conducts a procurement under this provision, the Director shall not serve as an authorized signatory for vouchers resulting from the procurement. One of the Analysts of the Management Unit (such designation to be evidenced in a written delegation submitted to the Fiscal Agent) shall have sole authority to serve as an authorized signatory for such transactions.

#### **5 Financial Management**

- (a) Procedures for financial management of the MCA-Vanuatu program will be governed by the Compact, the Procurement Agent Agreement, other Compact documents and specific procedures will be governed by the Public Finance and Economic Management Act No. 6 of 1998 and the regulations promulgated there under (the “Financial Regulations”).
- (b) The Director of MCA-Vanuatu shall be the authorized signatory for purposes required by the Financial Regulations. It will be the responsibility of the Director of MCA-Vanuatu to assure that all necessary approvals required by the MCA-Vanuatu Steering Committee and MCC have been obtained prior to authorizing any action. In the absence of the Director, one of the Analysts of the Management Unit (such designation to be evidenced in a written delegation submitted to the Fiscal Agent) shall serve as the authorized signatory and shall be responsible for obtaining all required approvals. Evidence of any required approvals, either from minutes of Steering Committee meetings, written approvals from MCC, or other appropriate evidence shall be included in any vouchers or other documentations to which the Director is authorizing.

## Financial Plans

- (c) The Detailed Financial Plan for the MCC program and MCA-Vanuatu will be prepared on a rolling quarterly basis throughout the Compact Term. For the purposes of the financial plans and the disbursement requests, the quarter shall begin on the 1st day of each of January, April, July and October. The first quarter will start on the Entry into Force date and end on June 30, 2006. The program will have the following project, project activities, and subproject activities, as described in Exhibit A of the Compact:

<b>Transport Infrastructure Project</b>			
<b>A. Infrastructure Activity</b>			
<b>MCA01</b>	<b>02</b>	<b>8CEC</b>	<b>Evaluation Expert for Design Build Contract - Prequalification</b>
<b>MCA01</b>	<b>03</b>	<b>8CEC</b>	<b>Evaluation Expert for Design Build Contract - Bid Documents</b>
MCA01	03	8CEC	Consultant Fees
MCA01	03	8CBI	International Accommodation
MCA01	03	8CBL	Local Accommodation
			<b>Pre-bid Conference</b>
MCA01	04	8CAB	Subsistence Allowances
MCA01	04	8CIF	Facilities Hire
MCA01	04	8CTI	International Travel
MCA01	04	8CBL	Local Accommodation
MCA01	04	8CTL	Local Travel
MCA01	04	8COI	Other incidentals
MCA01	04	8CEC	Consultants Fees
MCA01	04	8CZV	Value Added Tax
MCA01	04	8ZZV	Value Added Tax Expenses Refund
<b>MCA02</b>	<b>01</b>	<b>8EIR</b>	<b>Design and Build/Construction of Civil Works</b>
			Advance Payment
			Investigation and Design
			Mobilization and Site Establishment
			Constructions
			Contingency
<b>MCA13</b>	<b>01</b>	<b>8CEC</b>	<b>Technical Assistance to PWD</b>
<b>MCA19</b>	<b>01</b>	<b>8CEC</b>	<b>Environment and Social Assessment</b>
			Consultant Fees
			Land Survey Assessment
<b>B. Institutional Strengthening Activity</b>			
			<b>PWD Equipment</b>
MCA14	01	8CEC	Equipment - Additional General
<b>MCA16</b>	<b>01</b>	<b>8CEC</b>	<b>PWD Institutional Strengthening</b>
			<b>Engineering Supervision Unit (ESU)</b>
MCA16	02	8AWP	Wages & Salaries
MCA16	02	8AAF	Family Allowance
MCA16	02	8AAH	Housing allowances
MCA16	02	8ASP	Provident Fund
MCA16	02	8CAB	Subsistence Allowances & Accommodation
MCA16	02	8CBL	Local Accommodation
MCA16	02	8CFV	Vehicles Fuel



MCA16	02	8CKS	Stationery - Communications
MCA16	02	8CRE	Equipment Repair & Maintenance
MCA16	02	8EVA	Additional 3 Vehicle
MCA16	02	8CRV	Vehicles Repairs & Maintenance
MCA16	02	8CTL	Local Travel <b>(ESU/ESA/TA PWD)</b>
MCA16	02	8EEA	Equipment - Additional General
MCA16	02	8EEC	Equipment - Computer
MCA16	02	8EFO	Furniture - Office Furniture
MCA16	02	8CEC	Other Institutional Development
<b>MCA Program Management Unit</b>			
MCA17	01	8AAF	Family Allowance
MCA17	01	8AAH	Housing allowances
MCA17	01	8AAS	Paid Annual Bonus for MCA-Vanuatu Staff
MCA17	01	8ASP	Provident Fund
MCA17	01	8AWP	Wages & Salaries
MCA17	01	8CAB	Subsistence Allowances
MCA17	01	8CBI	International Accommodation
MCA17	01	8CBL	Local Accommodation
MCA17	01	8CEC	Consultants Fees - Lawyer
MCA17	01	8CET	Other Fees - Bid Challenge Panel
MCA17	01	8CFV	Vehicles Fuel
MCA17	01	8CGM	Mail Carriage Freight
MCA17	01	8CGO	Other Charges - Freight
MCA17	01	8CHL	Local Medical Treatment
MCA17	01	8CIF	Facilities Hire
MCA17	01	8CIV	Vehicle Hire
MCA17	01	8CJO	Office Cleaning
MCA17	01	8CKD	Advertising - Communication & Radio Programs
MCA17	01	8CKP	Postage - Communications
MCA17	01	8CKR	Printing - Communications
MCA17	01	8CKS	Stationery - Communications
MCA17	01	8CKT	Telephone/Fax - Communications
MCA17	01	8COI	Incidentals
MCA17	01	8COP	Official Entertainment
MCA17	01	8CRB	Office Repair & Maintenance
MCA17	01	8CRE	Equipment Repair & Maintenance
MCA17	01	8CRV	Vehicles Repairs & Maintenance
MCA17	01	8CTI	International Travel
MCA17	01	8CTL	Local Travel
MCA17	01	8CWL	Local Workshops
MCA17	01	8CZV	Value Added Tax
MCA17	01	8EEA	Equipment - Additional General
MCA17	01	8EEC	Equipment - Computer
MCA17	01	8EET	Equipment- Computer Software
MCA17	01	8EFO	Furniture - Office Furniture
MCA17	01	8EVA	Additional Vehicle
MCA17	01	8FCB	Bank Charges
MCA17	01	8AAS	Contingency
MCA17	01	8ZZV	Value Added Tax Expense Refund
<b>Customs and Inland Revenue</b>			
MCA17	02	8AWP	Wages & Salaries
MCA17	02	8AAF	Family Allowances

MCA17	02	8AAP	Provident Fund
MCA17	02	8AAH	Housing allowances
MCA17	02	8CKS	Stationery - Communications
MCA17	02	8CTL	Local Travel
MCA17	02	8CAB	Subsistence Allowance
MCA17	02	8CFV	Vehicle Fuel
MCA17	02	8COI	Incidentals
MCA17	02	8CRV	Equipment Repair & Maintenance
MCA17	02	8EEC	Equipment - Computer
MCA17	02	8EFO	Furniture - Office Furniture
<b>Household Income Expenditure Survey</b>			
MCA18	01	8CEC	Consultants fees
<b>MCA18</b>	<b>02</b>	<b>8CEC</b>	<b>Database, reporting systems and manuals</b>
<b>MCA18</b>	<b>03</b>	<b>8CEC</b>	<b>Data Quality Auditor</b>
<b>MCA18</b>	<b>04</b>	<b>8CEC</b>	<b>Tourism Survey (Funded by AusAID)</b>
<b>MCA-Vanuatu Site Visits</b>			
MCA18	05	8CAB	Subsistence Allowances
MCA18	05	8CBL	Local Accommodation
MCA18	05	8COI	Incidentals
MCA18	05	8CTL	Local Travel
<b>MCA18</b>	<b>06</b>	<b>8COD</b>	<b>Accommodation Survey</b>
MCA18	06	8CFV	Vehicles Fuel
MCA18	06	8COD	Research and Development
MCA18	06	8CTL	Local Travel
MCA19	07	8CKT	Telephone / Fax - Communications
<b>MCA18</b>	<b>07</b>		<b>Road-side Enterprise Survey</b>
MCA18	07	8CAB	Subsistence Allowances
MCA18	07	8CTL	Local Travel
MCA18	07	8CKS	Stationary
MCA18	07	8CKT	Telephone / Fax - Communication
MCA18	07	8COI	Incidentals
<b>MCA18</b>	<b>08</b>	<b>8COD</b>	<b>Traffic Count Survey</b>
<b>MCA18</b>	<b>09</b>	<b>8COD</b>	<b>Outer Island Wharf &amp; Warehouse Use Survey</b>
<b>MCA18</b>	<b>10</b>	<b>8COD</b>	<b>Final Evaluation</b>
<b>Fiscal Agent</b>			
MCA17	05	8AAF	Family Allowance
MCA17	05	8AAH	Housing allowances
MCA17	05	8ASP	Provident Fund
MCA17	05	8AWP	Wages & Salaries
MCA17	05	8CEC	Consultants
MCA17	05	8CFV	Vehicles Fuel
MCA17	05	8CKL	Translation
MCA17	05	8CKP	Postage-Communications
MCA17	05	8CKS	Stationery
MCA17	05	8CKT	Telephone / Fax - Communications
MCA17	05	8CKD	Advertising
MCA17	05	8COI	Other Incidentals
MCA17	05	8CUE	Electricity utilities
MCA17	05	8CZV	Value Added Tax
MCA17	05	8EBN	Buildings - Storage Facility
MCA17	05	8EEA	Equipment - Additional

MCA17	05	8EEC	Equipment - Computer
MCA17	05	8EFO	Furniture - Office Furniture
MCA17	05	8ZZV	Value Added Tax Refund
MCA17	06	8CEC	Procurement Agent Fees
MCA17	07	8COA	<b>External Financial Audit</b>

- (d) The Financial Plan will have the following structure:
- i. Project
  - ii. Project Component (milestones or components of the main project). Economic classification shall be determined for each Project Component.
  - iii. Project Cost Element (detailed breakdown of expenses)

Financial Plan Preparations, Changes and Approval

- (e) In accordance with the plan of activities of the different projects, the Director of MCA-Vanuatu, with the assistance of the Fiscal Agent, will present the financial plan (budget) proposal for approval by the MCA-Vanuatu Steering Committee each year prior to deadlines set by the Ministry of Finance and Economic Management (MFEM). After approval is obtained, the financial plan shall be submitted to the MFEM for inclusion in the national budget of Vanuatu.
- (f) Budget adjustments may be made if done in accordance with terms of the Compact and upon approval of the MCA-Vanuatu Steering Committee. A request for any kind of budget adjustments will normally be communicated to MCC via quarterly MCC Disbursement Requests.
- (g) Budget adjustments without approval of MCC can be made between the quarterly MCC disbursements if (i) the adjustment is evidenced with proper justification on the standard Government budget adjustment form utilized in accordance with the Financial Regulations and (ii) the adjustment is made in accordance with the procedure outlined in sub-section xii of Section 1.7 (c) of the Governance Agreement that states: “MCA-Vanuatu may, without the approval of MCC, modify the Detailed Financial Plan so long as (A) all such modifications relating to the same line item described in the Multi-Year Financial Plan set forth in Annex II of the Compact do not exceed in the aggregate the lesser of 10% of the relevant line item in the most currently approved Multi-Year Financial Plan and US \$500,000, (B) such modification is consistent with the Objectives and does not cause the amount of MCC Funding to exceed the aggregate amount specified in Section 2.1(a) of the Compact and (C) MCA-Vanuatu promptly delivers to MCC any such modified Detailed Financial Plan, together with a modified Multi-Year Financial Plan to reflect the corresponding modifications.”
- (h) The Director for MCA-Vanuatu shall obtain the approval of the Steering Committee for any budget adjustments and any adjustments that do not require prior approval of MCC shall be communicated to MCC

within three days of Steering Committee approval of the budget adjustment.

- (i) The Director of MCA-Vanuatu may initiate request for a special Disbursement from MCC in between quarterly Disbursement Requests in the event that valid cash requirements require a cash replenishment prior to the end of a quarter.
- (j) Upon preparation of a new Quarterly Budget an average rate for the 30 days prior to budget preparation will be used as the Base Exchange rate.

### Payments

- (k) Procedures for requesting payments shall be governed by the Financial Regulations.
- (l) The Director of MCA-Vanuatu shall serve as the authorized signatory and shall provide evidence of any approvals required by any Compact documents and this Fiscal Accountability Plan. In the absence of the Director, one of the Analysts of the Management Unit (such designation to be evidenced in a written delegation submitted to the Fiscal Agent) shall serve as the authorized signatory and shall be responsible for evidencing all required approvals.
- (m) The Fiscal Agent shall counter-sign all payment request documents to confirm that it is approved for payment.
- (n) Vatu payments may be made through the normal cheque run procedures and be paid from the Government of Vanuatu's normal payment account.
- (o) USD payments may be made by telegraphic transfer directly from the MCA-Vanuatu account held with the Reserve Bank of Vanuatu
- (p) Reimbursements of payroll and other vatu denominated operating costs shall be made on a monthly basis by transfer of the USD equivalent from the MCA-Vanuatu account to the Government of Vanuatu Number 1 account, both held with the Reserve Bank of Vanuatu. The Fiscal Agent shall maintain records of all such reimbursements.
- (q) Reimbursements to the Government of Vanuatu shall take place on a monthly basis.
- (r) The official receipt of a valid invoice starts upon receipt of the invoice by the Fiscal Agent along with a MCA-Vanuatu certification that goods, works, or services have been received and accepted. Fiscal Agent shall enter the invoice details, including date of receipt, into its

automated accounting system to create a liability in order to comply with the 30-day payment period.

- (s) The Fiscal Agent shall check that the invoice complies with the contract. The Fiscal Agent also shall check the completeness of the supporting documentation on its face, as well as its compliance with all relevant conditions and all approvals required in the Compact, the Governance Agreement, the Procurement Agreement, the Disbursement Agreement, and other relevant supplemental agreements. The FISCAL AGENT also shall compare the payee to the excluded parties' lists as directed by the MCC Website guidance documents located at <HTTP://www.mcc.gov/documents/mcc-ppg-eligibilityverification.pdf> to confirm that the payee has not been added to the lists since the date of contract award. In the case of any deviations or discrepancies, the FISCAL AGENT shall issue to the Project Manager and Project Officer an exceptions report describing such deviations or discrepancies, with a copy to the MCC Resident Country Director.
- (t) The Fiscal Agent shall fulfill the periodic eligibility verification requirements of the Program Procurement Guidelines (PPG) by checking all required persons or entities within valid contracts which are active as of January 1 and July 1 of each calendar year. Documentation of these checks should be produced and kept on record as per the requirements of the PPG, and file no later than 15 days after the dates stated above.

### Reporting

The Fiscal Agent will produce monthly, quarterly and annual reports for the use of MCA-Vanuatu and MCC as required by all Compact documents. Ad hoc and customized reports will be prepared by the Fiscal Agent upon written request of MCA-Vanuatu with reasonable notification.

The Fiscal Agent shall produce the following reports on a monthly basis:

1. Income and Expense Report for the MCA-Vanuatu Director
2. Fiscal Agent Performance Report which briefly describes fiscal agent activities for the month and any problems or issues that need to be brought to the attention of the MCA-Vanuatu Director and the MCC Resident Country Director.

The Fiscal Agent shall produce the following reports on a quarterly basis:

1. Disbursement Request
2. Quarterly Financial Report
3. Detailed Financial Plan
4. Fiscal Agent Certificate

The Fiscal Agent shall produce the following reports on a semi-annual basis:

1. Revised Fiscal Accountability Plan
2. Revised Audit Plan
3. Fund Accountability Statement

## **6 Audits**

- (a) The Director of MCA-Vanuatu, with assistance from the Fiscal Agent, will prepare an Audit Plan no later than August 31, 2006. The Audit Plan will include any required audits of MCA-Vanuatu, Implementing Entities, and Covered Providers, as required by the Audit Guidelines. The Audit Plan shall be updated and submitted to MCC every six months.
- (b) The Statement of Work included in bidding and contract documents will conform to that provided for by the MCC Inspector General. As required by the Audit Guidelines and approved Statement of Work, the auditor will also conduct a review of compliance with the Compact, Procurement Agreement, MCC Cost Principles for Government Affiliates, Fiscal Agent Agreement, Fiscal Accountability Plan, and other supplemental agreements. The auditor will also express an opinion on the Fund Accountability Statement and review internal controls.
- (c) The Fiscal Agent will designate one person from its team to serve as a contact point with the auditors.
- (d) Upon receipt of any findings by an auditor, the Director of MCA-Vanuatu will prepare a written response and submit it to the Steering Committee for approval, prior to submission to the MCC. Timing of these actions will be done to assure that the written response is provided to MCC within 30 days of the finding.

## **7 Personnel**

- (a) Employees of MCA-Vanuatu shall be employed through employment agreements approved by MCC. The employment agreements shall incorporate certain provisions of the Public Service Commission Staff Manual.
- (b) All personnel actions shall be approved by the Steering Committee. Any action regarding the employment or termination of employment of the Director shall be approved by MCC. Employment of staff of other agencies (in Department of Finance, Customs and Inland Revenue and the Labour Department) will be subject to Chapter 3 of the Public Service Staff Manual.

### Timesheets and Time clock

- (c) Procedures for maintaining timesheets and utilizing a time clock for all MCA-Vanuatu employees shall be governed by the Public Service Commission Staff Manual. Approval of the timesheet of the Director

of MCA-Vanuatu shall be signed by the Director-General of the Ministry of Finance.

#### Payroll

- (d) Procedures for establishment and payment of payroll shall be governed by the Financial Regulations, except to the extent that any relevant provisions of the Compact, related documents, and this Fiscal Accountability Plan shall prevail.

#### Bonus Payment

- (e) Employees of MCA shall be entitled to an annual bonus consisting of up to 10% of Employee's salary to be paid at the end of each calendar year pending a performance review by the Steering Committee, with performance to be judged against Employee's successful completion of the duties as set out in the Employee's Agreement. A performance Plan must be prepared by the Employee which will establish additional performance evaluation criteria, at the beginning of each calendar, and be subsequently approved by Steering Committee.

### **8 Imprest Accounts and Other Agreed Purchases**

#### Petty Cash

- (a) Petty Cash shall be governed by the Financial Regulations of the Government of Vanuatu and each of the following Departments shall maintain a petty cash Standing Imprest that will not exceed 30,000 vatu for each Department:
- i. MCA-Vanuatu Program Administration
  - ii. Department of Customs and Inland Revenue
  - iii. Ministry of Land
  - iv. Department of Finance (Fiscal Agent)
  - v. Public Works Department ( Engineering Supervision Unit )
  - vi. National Statistics Office
- (b) Petty Cash Reimbursements shall be approved by the MCA-Vanuatu Director and also by the Fiscal Agent. The Director of MCA-Vanuatu shall confirm that all purchases made using petty cash are for purchases approved in the financial plan.
- (c) All petty cash disbursements shall be reconciled and retired to the Fiscal Agent at least 5 working days before the end of each 6 monthly reporting period (i.e. 5 working days before 30 June and 31 December).
- (d) Petty cash holders must take all due precaution against the loss or theft of cash held and are personally responsible for any loss.

#### Travel

Travel of MCA-Vanuatu shall be governed by Chapter 4, subsection 4.8 and 4.9 of the Public Service Staff Manual. Any deviations from this travel policy must be approved by MCC and expressed in the Fiscal Accountability Plan.

MCA-Vanuatu will use modified per diem rates for **internal travel**:

- (a) 1,700 vatu for per diem on official travel
- (b) Reimbursement or payment of transportation expenses based on actual costs
- (c) Reimbursement or payment of lodging expenses based on actual costs as shown on receipts
- (d) If local, regional or overseas travel, which has been approved and funded, is cancelled, all allowances received and All unused air tickets **MUST** be returned to the secretary of the MCA Unit within 7 days from date of cancellation. All unused air tickets shall be cancelled with the airline that issued the ticket and any funds paid returned to the fiscal agent.

For **foreign travel** the per diem rates to be paid will be determined from the US published rates for the country the staff is traveling to and for USA, based on the City the person is visiting. The rates vary from county to county and from season to season. The applicable rates will be downloaded from the websites mentioned below at the time of applying for per diem. The per diem will cover boarding, meals and other incidentals but this will not cover taxis and communication, these expenses will be claimed separately. Receipts for hotel/lodging must be produced on retirement.

Mode of travel will also follow USG policy and guidelines.

The links to the websites is given below:

USA Domestic rates:

[http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA\\_BASIC&contentId=17943](http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=17943)

All other countries:

[http://aopral.state.gov/content.asp?content\\_id=185&menu\\_id=78](http://aopral.state.gov/content.asp?content_id=185&menu_id=78)

#### Special Imprests

Special imprests in the form of a cash advance may be issued for travel or special project purposes and must be in accordance with Part 6 of the Financial Regulations. In particular:

- (a) Accountable Imprests must be retired and accounted for within 10 days after being used for the purposes for which it was obtained.
- (b) If the purpose for which the imprest has been obtained is cancelled or altered then the imprest must be returned immediately to the fiscal agent and a new imprest applied for.
- (c) Imprest holders must take all due precaution against the loss or theft of cash held on imprest and are personally responsible for any loss.

#### Petrol and Diesel

- (a) Petrol or diesel shall be purchased in accordance with the normal Government advance imprest process as set forth in the Financial Regulations.



- (b) Each Government Agency authorized to utilize MCC funds under the Detailed Financial Plan to purchase petrol or diesel shall be allocated a specific monthly allotment per vehicle to be used for the MCA Project. The monthly allotment will be paid in advance to the supplier and will be approved by the Fiscal Agent.
- (c) The Director of each Government Agency approved to purchase fuel utilizing MCC funds shall notify the Fiscal Agent of the officer who is approved to purchase fuel and provide a sample signature for that officer.
- (d) Each respective Government Agency will authorize only one officer per approved vehicle to draw down on this facility from the fuel depot. At the end of the month, each authorized officer will submit a request for replenishment of the fuel allotment from the Fiscal Agent, attaching all receipts from the supplier evidencing the fuel consumption. This process will then be reconciled and cross-referenced for signatory authorization compliance. Once this process is completed and all documents are deemed to be in order by the Fiscal Agent, the request will be approved and a purchase order will then be committed and authorized for payments processing of the next months allotment.
- (e) A log book will be maintained for each vehicle utilizing MCA funds and fuel consumption will be tested using the vehicle log book.

## **9 Asset Management**

- (a) Asset management and disposition shall be governed by the Financial Regulations of the Government of Vanuatu. The Office of Assets with the assistance of the Development Accountants shall be responsible for preparing the inventory of MCA-Vanuatu assets. All assets purchased by MCA-Vanuatu for the Implementing entities will remain the property of MCA-Vanuatu until the end of the Compact term.
- (b) Assets acquired with funds provided by MCC shall only be used in furtherance of Compact objectives and shall not be used for the personal benefit of any employee or individual other than incidental and occasional use.
- (c) A log book will be maintained in accordance with the Finance Regulations for any vehicles purchased with MCC funds.

## **10 Vehicle Usage Policy**

- (a) Employees of MCA Vanuatu shall be entitled to use an MCA Vehicle for official MCA duties and otherwise provided subject to the same rules as to use of official vehicles set out in Chapter 4.6 of the Public Service Commission Manual, provided that the power

and authorities of the PSC under Chapter 4.6 shall be exercised by the Steering Committee of MCA Vanuatu.

- (b) The following general rules govern the use of all Office vehicles:
- i. Vehicles are for official use
  - ii. Transport Officers and/or Vehicle Maintenance Supervisors must keep records of the movement of all vehicles via a log book
  - iii. Driver's must keep the vehicle log up to date
  - iv. Vehicles must be maintained in good working condition to ensure the maximum degree of efficiency and safety
  - v. Drivers must report any mechanical failures, breakdowns or internal/external damage immediately to a Transport Officer and/or Vehicle Maintenance Supervisor
  - vi. All accidents must be reported immediately to the Director, MCA-Vanuatu, plus to the police as required by Vanuatu law
  - vii. Office vehicles must always be driven courteously and in a professional manner
  - viii. Drivers must adhere to any local speed limits and to those established by their offices
  - ix. Drivers must be physically and mentally fit to operate a vehicle
  - x. Drivers must not consume alcoholic beverages or other intoxicating substances before operating a vehicle
  - xi. After office hours or when not in use, vehicles are parked in the office compound (where one exists) or in a secure area
  - xii. Driving at night is generally discouraged unless specifically approved in advance; in such cases, all security restrictions and curfews must be complied with
  - xiii. Smoking is not allowed in vehicles
  - xiv. No unauthorized person may drive office vehicle
  - xv. Any change of a driver must be authorized by the office
  - xvi. NO use of Cell phones while driving
  - xvii. Local Traffic rules must be observed. No side driving in a queue
  - xviii. The driver must make sure the vehicle is always kept clean. (Inside, Outside, and the Engine)

## **11 Tax Exemptions**

- (a) MCA-Vanuatu, as a unit within the Ministry of Finance and Economic Management, shall be zero-rated for all Vanuatu taxes.
- (b) As an approved donor program ratified by Parliament, the MCC funds provided under the Compact and the Project are automatically exempted from taxes under Schedule III, Section 1 of the Import Duties Act. The relevant project code assigned to the Compact and the Project are required to evidence such exemption. No annual appropriation is necessary for the reimbursement of VAT, customs duties or other related taxes.

- (c) Contractors providing goods, works and services funded by the MCC Program shall be required to register with the Director of Customs to be eligible for reimbursement of taxes. The Fiscal Agent will be responsible for ensuring all eligible contractors are properly notified of registration requirements and that tax reimbursements are being processed within 30 days after such request for reimbursement is submitted. The Fiscal Agent shall immediately notify MCA-Vanuatu, with a copy to MCC, of any failure by the Director of Customs to timely administer such tax exemptions or promptly reimburse such taxes relating to the MCC Program.
  
- (d) Government Departments or Ministries utilizing MCC funds for the purchase of goods, works and services related to the Project are automatically reimbursed for VAT through direct credits to their respective budgets for amounts spent.

## **12 Common Payment System**

The Common Payment System (CPS) is a just-in-time mechanism for the movement of grant funds for direct payments to a vendors or beneficiaries and to for transferring funds to a approved permitted account. The CPS system requires all pertinent parties to a payment at the MCA level to be:

- Identified via delegations of authority outlined in this FAP which include the roles and responsibilities of each individual i.e., fiscal agent, CEO, etc
- Signatory to the CPS paperwork which includes a signature card required by the National Business Center (NBC) and an affirmation and signature to the 'Rules of Behavior' listing provided by the US Department of the Treasury. All signature cards with original signatures must be mailed to the Fiscal Director at MCC for formal transmission to NBC through the MCC Division of Finance.
- Aware of all methods available to ensure payments are made and reconciled which includes accessing the US Treasury web-based payment system.
- Available to receive confirming payment reports by NBC.
- Aware of all methods to make inquiry into payments processed.
- Knowledgeable of the operations manual provided by MCC

### **Allocation ceiling and CPS:**

The CPS is designed to adhere to the approved and formal MCC process incorporated in the Quarterly Financial Reporting (QFR). The QFR process details the major Compact Program's past expenditures and expected expenditures by each major Project and Activity. CPS will mirror image the Compact's multi-year plan major Project and Activity level with an Oracle code assigned to each program/project level. The fiscal agent is responsible for aligning the chart of accounts which depict these summary level program/project budget lines and note the Oracle code assigned by NBC. In addition, NBC provides a Country Code which will remain constant for the duration of the Compact. Both of these codes- the Country Code and the Oracle code by major Project and Activity budget line is important for each payment request. As

identified on the 'Payment Form', these Oracle codes must be identified for each payment request. These codes enable MCC to update on a real time basis each payment against the major project area. It's important to note, the memorializing of each payment using this Oracle code becomes the historical payment information embedded in the MCC reports and will be used to respond to any official internal or external call of financial reporting. Thus accuracy in posting of payments and use of the correct Oracle code is paramount to clean financial reports.

### **Ceiling Allocation through CPS**

As each QFR and Disbursement Request is approved, the ceiling amount by major Project and Activity will be tracked as '*Not to Exceed*' Budget Authority. This budget authority for each program/project will expire at the end of 90 days or on the first day of the month of the new quarter. There is a narrow allocation of emergency spending authority in the amount of \$500,000, which will be considered similar to *working capital* and available only for those valid invoices that are submitted to the MCA-Vanuatu after the quarterly budget authority has expired, yet the services or goods were approved through the prior QFR process and delivered within the quarterly time frame. A typical example of this occurrence is salaries, rents, utility payments.

Upon occasions where goods or services, which were approved in the QFR, and are delayed in delivery and/or the presentation of invoice falls into the next quarterly time frame, a one time '*Special Payment Request Form*' must be utilized if the payment IF this invoice falls above the working capital threshold of \$500,000. Although the form for the 'Special Payment Request Form' is distinct from other Payment Request Forms to alert NBC of their use, the invoice approval process leading to its use is the same. One critical difference is MCC must approve use of each Special Payment Request Form, and the signature of the Resident Country Director or delegated alternate must be included. This form performs two actions. First, it increases the spending allowance that was zeroed out at the end of the prior period to an amount equal to the approved Payment Request, but no greater than the amount of the approved QFR for that project and activity in the previously approved QFR. Second, it initiates the payment process to the beneficiary as would a standard Payment Request Form.

### **CPS Payment Timeframes**

Each Disbursement Request process includes submission of a Detailed Financial Plan (DFP) with two sections; DFP Cash and DFP Commitment. The Cash section of the report is the genesis of establishing the quarterly spending authority. It is important that the cash portion of the DFP include all major payments which stem from the commitments as presented.

The CPS method of payment should be considered a "just in time" payment system, wherein from presentation of the form via email to NBC, the payment should be delivered to the beneficiary bank account within 5-7 days. The payment through CPS is easily available at any time of the day and as often as desired by the MCA. The payments are made after:

- Completing all procedures described in the FAP to review and approve an invoice prior to formal submission for payment.
- Preparing the Payment Request Form for approval using the authority delegation matrix.
- Affixing all signatures to the form
- Scanning and uploading the completed PDF form to MCC Secure FTP System. The MCC Secure FTP system, available at <https://sftp.mcc.gov>, is a web based for secure file upload system.
- Periodically check the status of the payment request through the web-based system and/or through the return payment confirmation process performed by NBC via email

### **Common Payment System Codes**

The following codes will be used to post transactions on the Payment Request Forms:

<b>VANUATU COMMON PAYMENT SYSTEM (CPS) CODES</b>				
<b>Vanuatu Agency Location Code (ALC) 95-77-0017</b>				
<b>Project/Component</b>	<b>Activity</b>	<b>Funding Source</b>	<b>Project code</b>	<b>Activity Code</b>
Transportation	Infrastructure	Compact	TRANSPORTI	0039
Transportation	Institutional Strengthening	Compact	TRANSPORTI	0090
Monitoring and Evaluation	Monitoring and Evaluation	Compact	MON & EVAL	0016
Program Administration	Program Administration	Compact	PGM ADMIN	0017
Program Administration	Fiscal and Procurement Agents	Compact	PGM ADMIN	0059
Program Administration	Audit	Compact	PGM ADMIN	0031

### **Local Bank Account Balances**

CPS performs payment delivery within five to seven business days. For most countries, the payment system should not exceed this time frame. Therefore, there is no value to retaining cash reserves in the local bank account. The amount residing in the local accounts should be a very minimal level and should only support the MCA's immediate cash needs. At this time, the MCC will not provide a prescriptive local currency amount to be held in this permitted account; however, MCC will monitor on a monthly basis the existing values in these accounts. If the values grow excessive, MCC will provide further guidance as to the allowable amount to be retained in this account.

### **Proper Invoicing**

With the MCC transition to the Common Payments System (CPS), the auditing of payment documentation will be stressed. Proper invoicing will help insure no finding in this area. CPS will process payment transactions to vendors on a timely basis by eliminating the need to submit accompanying invoices and support documentation. While CPS will provide an efficient method for vendors to receive payments directly to their bank accounts, MCA-Vanuatu, through the Fiscal Agent, is still required to

maintain invoices and other relevant documentation on file to justify payment requests via s CPS for audit purposes.

### **CPS Payments**

Based on the operational needs of MCA-Vanuatu, the Fiscal Agent will make payments within the CPS structure in two ways. Either of the payment mechanisms can be used at anytime at the discretion of the Fiscal Agent.

#### **CPS Direct Payment Reimbursing the Government of Vanuatu**

1. These funds will be requested on a PRF and received into the Government of Vanuatu Number 1 Account for reimbursable expenses
2. The funds will be allocated to the appropriate Fund/Project/Activity on the Payment Request Form.

#### **CPS Direct Payment using vendor's banking information**

1. This is the traditional CPS payment method described in the CPS Manual
2. Direct Payments to the vendors will be made by the U.S. Treasury within 5 working days.
3. The Fiscal Agent will submit a Payment Request Form listing each invoice, vendor, vendor banking information, and the MCC Project Codes (Fund/Project/Activity).
4. This method of payment will be most appropriate when making large USD payment to vendors.

## **13 Working Capital**

MCC will authorize a Working Capital allocation of \$500,000.00. This amount represents spending authority via the Common Payment System above the amount approved on the Disbursement Request; it does not represent cash in a permitted account. Approval of a Disbursement Request automatically creates the Working Capital allocation for a given period; no special action is necessary from the MCA-Vanuatu. The Working Capital allocation is valid during the given quarterly approval period and for 30 additional days after its close of the quarter.

Working Capital may be used only for expenditures that were approved by MCC in the most recent Detailed Financial Plan, but for which inadequate funds were budgeted or whose timing for payment is later than originally anticipated. Working Capital may not be used for expenditures for which Conditions Precedent to disbursement were not met, and the expense to be paid with the Working Capital may not be included in the Detailed Financial Plan of the next period.

Requests to use Working Capital are to be submitted to MCC's Financial Services Provider (FSP) on a Payment Request Form (PRF) using the following procedure: the fiscal agent submits a standard payment request form and includes the designation "WC" at the beginning of the entry in the "Invoice Number" column. The fiscal agent should state the reason for the request in column 12, "Additional Information."

### **Expiration of Spending Authority at the End of a Period**

MCA-Vanuatu's authority to submit payment requests (via the FA) to the FSP for expenditures included in an approved Disbursement Request shall expire on the last day of the applicable quarter covered by such Disbursement Request, except as otherwise noted above and in "Reinstatement" section below. No less than ten working days prior to the end of such quarter, FSP or MCC shall notify MCA-Vanuatu in writing that its authority to submit payment requests to NBC pursuant to the approved Disbursement Request will expire.

If a new Disbursement Request is not approved by the first day of the next quarter, MCA-Vanuatu will not have the authority to submit requests for payment to FSP for any expenditures relating to the approved Disbursement Request for the previous period, except as provided above in section 7.1.2 above and section 7.1.4 of the CPS manual (both of which provide for an additional 30 days). At the end of that 30-day period, FSP must halt payments until such time as MCC approves a new Disbursement Request Package and/or FSP receives notification from MCC's Department of Finance that they can continue making payments.

### **Reinstatement of Limited Spending Authority**

After the expiration of spending authority at the end of the period described above in section 7.3 of the CPS Manual, MCC may authorize in exceptional circumstances only a temporary reinstatement of spending authority to cover specific payments that exceed the usual Working Capital amounts of \$500,000.00 for Compact funding, or when Working Capital is otherwise not available. The total amount of the reinstated spending authority may only be as high as the unused spending authority from the prior period, and is only available during the first 30 days after the close of that period or until the date of the next Disbursement Request submitted to MCC, whichever is earlier.

The reinstated spending authority may be used only for expenditures that were approved by MCC in the most recent Detailed Financial Plan, but for which inadequate funds were budgeted or whose timing for payment is later than originally anticipated. The reinstated spending authority may not be used for expenditures for which Conditions Precedent to disbursement were not met, and the expense to be paid with the reinstated spending authority may not be included in the Detailed Financial Plan of the next period.

Requests to use such funds are to be submitted to FSP using the following procedure: The fiscal agent submits a special payment request form authorized by the usual signatories and the MCC Vanuatu Resident Country Director (or her proxy). The Fiscal Agent should state the reason for the request in column 12, "Additional Information."

## **14 Delegations**

The Fiscal Agent may delegate his responsibilities under this Fiscal Accountability Plan as required. All delegations will be notified to the MCA-Vanuatu Steering Committee, MCA-Vanuatu Program Management, and MCC.

## **15 Misappropriation of funds and fraud**

The fiscal agent shall report any suspected misappropriation of funds or fraudulent activities immediately to the Director, MCA-Vanuatu, the MCA Steering Committee and the appointed Auditors.

## **16 Whistle Blower Policy**

It shall be the policy of MCA-Vanuatu to use the USAID Office of Inspector General (OIG) HOTLINE as a mechanism to report Waste, Fraud or Abuse. Employees, contractors, consultants, and the public may report instances of waste, fraud or abuse of MCA-Country's funds or assets via telephone, email, or mail.

The purpose of the Office of Inspector General Hotline is to receive complaints of Waste, Fraud or Abuse in MCA-Vanuatu's operations, including mismanagement or violations of law, rules or regulations by employees, consultants, contractors, or program participants.

HOTLINE Reporting Method	Contact Information	Confidential
Telephone	1-800-230-6539	
or		
202-712-1023	YES, if requested	
E-Mail	ig.hotline@usaid.gov	NO
Mail	US Agency for International Development	
	Office of Inspector General Investigations (USAID/OIG/I)	
	P.O. Box 657	
	Washington, DC 20044-0657	YES, if requested

The OIG provides oversight services for USAID and the Millennium Challenge Corporation (MCC). Complaints may be received directly from employees, program participants, consultants, contractors, or the general public. The Inspector General Act and other pertinent laws provide the protection of persons making Hotline complaints. Individuals have the option of submitting their complaint(s) via Internet electronic mail, telephone, or U.S. mail. However, if you elect to submit your complaint(s) via Internet e-mail you must waive confidentiality due to the non-secure nature of Internet electronic mail systems.

### **Reporting Procedures for Allegations of Fraud and Corruption**

Any MCC staff member having knowledge of an allegation of fraud and corruption in an MCC compact or threshold program will:

- Report such allegation to the MCC Intake Team; or
- Report such allegation to the OIG; or
- Report such allegation to both OIG and the MCC Intake Team.

Contact Information

MCC Intake Team: [allegations@mcc.gov](mailto:allegations@mcc.gov)

USAID OIG: [ig.hotline@usaid.gov](mailto:ig.hotline@usaid.gov) / 800-230-6539/202-712-1023

### **Allegation Reporting Basics**



Do:

- Read and understand MCC's Policy on Fraud and Corruption and Reporting Procedures at [www.mcc.gov](http://www.mcc.gov)
- Call or email official(s) as designated in the Reporting Procedures
- Provide a clear and complete description of the allegation
- Include relevant facts that will assist in verifying the allegation's credibility

Do NOT:

- Report allegation to anyone other than the official(s) named in the MCC Reporting Procedures
- Conduct any form of investigation – MCC staff must limit involvement to reporting
- Discuss allegation or follow-up action with anyone unless so directed by the official(s) to the allegation was reported

By signing below, each of the parties acknowledges and certifies that this Fiscal Accountability Plan is valid and binding until such time as the parties agree to amend this plan after obtaining MCC approval.

\_\_\_\_\_/S/\_\_\_\_\_  
Chairman, MCA-Vanuatu

Date: \_\_\_\_\_

Acknowledged by:

\_\_\_\_\_/S/\_\_\_\_\_  
Authorized Rep of Fiscal Agent

Date: December 10, 2009

\_\_\_\_\_/S/\_\_\_\_\_  
Authorized Rep of the Procurement Agent

Date: December 10, 2009

## **APPENDICES**

**Government of Vanuatu Financial Regulations Manual  
CPS Manual**