

A BILL FOR AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia, as amended, by repealing chapter 3 in its entirety and enacting a new chapter 3, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Chapter 3 of title 55 of the Code of the
2 Federated States of Micronesia is hereby repealed in its entirety.

3 Section 2. Title 55 of the Code of the Federated States of
4 Micronesia, as amended, is hereby further amended by enacting a
5 new chapter 3 entitled "Internal Fiscal Procedures for Compact
6 Implementation".

7 Section 3. Title 55 of the Code of the Federated States of
8 Micronesia, as amended, is hereby further amended by enacting a
9 new section 301 of chapter 3 to read as follows:

10 "Section 301. Purpose. The purpose of this chapter is
11 to establish fiscal procedures for the Compact period
12 beginning in Fiscal Year 2005. The provisions set forth
13 hereinafter recognize the right of the State Governments
14 and the National Government of the Federated States of
15 Micronesia to authorize the use of Compact funds in
16 accordance with their own respective laws, plans,
17 policies and prerogatives consistent with the terms and
18 conditions set forth in the Compact and contained

1 herein. The President is hereby empowered to ensure
2 compliance
3 with such terms and conditions, and to ensure
4 accountable financial management of all Compact funds."

5 Section 4. Title 55 of the Code of the Federated States of
6 Micronesia, as amended, is hereby further amended by enacting a
7 new section 302 of chapter 3 to read as follows:

8 "Section 302. Definitions.

9 For purposes of this chapter only, the following terms
10 shall have the following meanings:

11 (1) 'Accrued Expenditures' means charges incurred by a
12 Government during a given period requiring the provision
13 of funds for: (a) goods and other tangible property
14 received; (b) services performed by employees,
15 contractors, sub-grantees, subcontractors, and other
16 third party non-contractors; and (c) other amounts
17 becoming owed under programs for which no current
18 services or performance is required, such as annuities,
19 insurance claims, and other benefit payments, all as
20 evidenced by a pending disbursements report.

21 (2) 'Annual Report' means the Annual Report of the
22 President of the Federated States of Micronesia to the
23 Government of the United States in compliance with
24 Section 214 of the Compact.

25 (3) 'Compact' means the Compact of Free Association,

1 as amended, and its related agreements entered into by
2 the Government of the Federated States of Micronesia and
3 the Government of the United States and enacted as
4 United States Public Law No. 108-188, unless otherwise
5 specified herein.

6 (4) 'Compact Budget Request' means the annual Compact
7 funding request for the upcoming Fiscal Year and
8 estimated funding levels for the two subsequent Fiscal
9 Years.

10 (5) 'Congress' means the Congress of the Federated
11 States of Micronesia, unless otherwise specified herein.

12 (6) 'Fiscal Procedures Agreement' means the 'Agreement
13 Concerning Procedures for the Implementation of United
14 States Economic Assistance Provided in the Compact of
15 Free Association, as amended, Between the Government of
16 the United States and the Government of the Federated
17 States of Micronesia' entered into in connection with
18 the Compact.

19 (7) 'Fiscal Year' means each one year period beginning
20 October 1 and ending on the next following September 30.
21 Each Fiscal Year shall be designated by the number of
22 the calendar year in which such Fiscal Year ends.

23 (8) 'Government' means a State Government or the
24 National Government of the Federated States of
25 Micronesia, unless otherwise specified.

1 (9) 'Grant Award' means a formal offer of funds by the
2 Government of the United States to the Government of the
3 Federated States of Micronesia pursuant to the terms of
4 the Compact for the purpose of funding programs and
5 activities within a specific Sector.

6 (10) 'JEMCO' means the Joint Economic Management
7 Committee established pursuant to the Compact and the
8 Fiscal Procedures Agreement.

9 (11) 'Obligation' shall have the same meaning as
10 defined in the respective Financial Management Acts of
11 the Governments.

12 (12) 'Operational Grant' means a grant associated with
13 a Sector Grant program that continues from a given
14 period to a subsequent period as defined in Article I,
15 Section 1 of the Fiscal Procedures Agreement.

16 (13) 'Original Compact' means the Compact of Free
17 Association between the Government of the Federated
18 States of Micronesia and the Government of the United
19 States in the form that was effective as of November 3,
20 1986 through September, 2003.

21 (14) 'Plan for the Division of Annual Economic
22 Assistance' means the comprehensive plan for the
23 division of economic assistance for a Fiscal Year,
24 including Annual Grant budgets by Sector, as described
25 in Article V, Section 1(b) of the Fiscal Procedures

1 Agreement, and may include such additional reports,
2 narratives, summaries, documentation and other
3 information as the President deems appropriate.

4 (15) 'Secretary' means the Secretary of the Department
5 of Finance and Administration for the Federated States
6 of Micronesia, or his successor in the executive
7 structure of the National Government of the Federated
8 States of Micronesia.

9 (16) 'Sector' means one of the six grant sectors
10 described in Section 211(a) of the Compact and Article
11 II, Section 1, of the Fiscal Procedures Agreement, as
12 such sectors may be adjusted during the term of the
13 Compact.

14 (17) 'Sector Grant' means the funds that are to be
15 provided pursuant to a given Sector.

16 (18) 'State' means any of the states of the Federated
17 States of Micronesia."

18 Section 5. Title 55 of the Code of the Federated States of
19 Micronesia, as amended, is hereby further amended by enacting a
20 new section 303 of chapter 3 to read as follows:

21 "Section 303. Division of Compact Funds among National
22 and State Governments.

23 The Compact Budget Requests for Fiscal Years 2005 and
24 2006 of the National Government and of each State
25 Government under section 305 of this chapter shall be

1 based upon a division of Compact funds in the following
 2 proportions:

3	<u>Chuuk</u>	<u>38.57%</u>
4	<u>Kosrae</u>	<u>11.06</u>
5	<u>Pohnpei</u>	<u>25.69</u>
6	<u>Yap</u>	<u>16.03</u>
7	<u>National Government</u>	<u>8.65"</u>

8 Section 6. Title 55 of the Code of the Federated States of
 9 Micronesia, as amended, is hereby further amended by enacting a
 10 new section 304 of chapter 3 to read as follows:

11 "Section 304. Compact Planning Estimates. No later
 12 than November 15 of the Fiscal Year preceding a given
 13 Fiscal Year, the President shall transmit the following
 14 Compact planning estimates to each State Government:

15 (1) Estimated levels of Compact funding available to
 16 each respective State for the upcoming Fiscal Year.

17 Such estimates shall:

18 (a) be in accordance with the division of Compact
 19 funds established pursuant to section 303 of this
 20 chapter that is effective for the relevant Fiscal Year,
 21 or as may be subsequently established;

22 (b) reflect the Compact fund decrement; and

23 (c) reflect the amount of Sector funds that were
 24 unobligated by each respective Government in the
 25 previous Fiscal Year, which amount shall be added to the

1 estimated level of funding available to that Government
2 for the same Sector for the upcoming Fiscal Year.

3 (2) Estimated levels of Compact funding available for
4 the two Fiscal Years subsequent to the upcoming Fiscal
5 Year."

6 Section 7. Title 55 of the Code of the Federated States of
7 Micronesia, as amended, is hereby further amended by enacting a
8 new section 305 of chapter 3 to read as follows:

9 "Section 305. Compact Budget Requests. No later than
10 May 15 of the year preceding a given Fiscal Year, each
11 State Government shall submit to the President a Compact
12 Budget Request for the upcoming Fiscal Year. The
13 Compact Budget Request shall not exceed the estimated
14 levels of Compact funding provided to the respective
15 Government pursuant to section 304 of this chapter."

16 Section 8. Title 55 of the Code of the Federated States of
17 Micronesia, as amended, is hereby further amended by enacting a
18 new section 306 of chapter 3 to read as follows:

19 "Section 306. Plan For the Division of Annual Economic
20 Assistance.

21 (1) The President shall consolidate the Compact Budget
22 Requests of all of the States and the National
23 Government Compact Budget Request, conforming with the
24 requirements of section 103 of this title, into the Plan
25 for the Division of Annual Economic Assistance. No

1 modification to a State's Compact Budget Request shall
2 be made in the consolidation process without the prior
3 consent of the relevant State Government, except to the
4 extent that such Compact Budget Request exceeds the
5 estimated levels of Compact funding provided to that
6 State Government pursuant to section 304 of this
7 chapter.

8 (2) No later than July 3 of the year preceding a given
9 Fiscal Year, the President shall submit the Plan for the
10 Division of Annual Economic Assistance to the Government
11 of the United States and shall transmit a copy to
12 Congress and to each State Government."

13 Section 9. Title 55 of the Code of the Federated States of
14 Micronesia, as amended, is hereby further amended by enacting a
15 new section 307 of chapter 3 to read as follows:

16 "Section 307. Grant Allocations - Approval,
17 Notification, Rejection.

18 (1) Upon receipt of notice of approval by JEMCO of
19 Sector Grant allocations, the President shall transmit
20 such notice to Congress and to each State Government.

21 (2) Any State may elect not to accept receipt of all
22 or any part of its share of an approved Sector Grant
23 allocation for the upcoming Fiscal Year. Written notice
24 of such election, detailing those portions not accepted
25 by amount and by Sector, shall be provided to the

1 President and to Congress not later than September 20 of
2 the current Fiscal Year, or within 20 days of receiving
3 notice of the Sector Grant award, whichever is later.
4 Congress may, by resolution, determine that the National
5 Government will not accept receipt of all or any part of
6 its share of an approved Sector Grant allocation for the
7 upcoming Fiscal Year. Any election by a State or by the
8 National Government not to accept receipt of approved
9 Sector Grant funds may be explicitly stated to be
10 subject to further events.

11 (3) The election by any State or by the National
12 Government not to accept receipt of its respective share
13 of an approved Sector Grant allocation for the upcoming
14 Fiscal Year shall not be a basis for rejection by the
15 Federated States of Micronesia of the Sector Grant
16 allocation unless such rejection is approved by
17 resolution of Congress. In the event that Congress does
18 approve such a rejection, the President shall
19 immediately transmit written notification of the
20 rejection of the Sector Grant allocation to the
21 Government of the United States.

22 (4) Except with respect to Compact funds not accepted
23 by a Government pursuant to subsection (2) of this
24 section or disputed pursuant to section 308 of this
25 chapter, each recipient Government agrees to abide by

1 all terms and conditions enumerated in each Sector Grant
2 Award, the provisions of this chapter and the terms of
3 the Compact, including the Fiscal Procedures Agreement."

4 Section 10. Title 55 of the Code of the Federated States of
5 Micronesia, as amended, is hereby further amended by enacting a
6 new section 308 of chapter 3 to read as follows:

7 "Section 308. Appeal of Special Conditions.

8 (1) If, at any time, JEMCO or the Government of the
9 United States imposes, or notifies the Federated States
10 of Micronesia of its intent to impose, any special
11 conditions or restrictions on any Compact Grant Awards,
12 the President shall immediately notify any and all
13 affected State Governments thereof and provide such
14 Government(s) with copies of all relevant documentation,
15 including the explanation that is received from the
16 United States or JEMCO of the conditions and
17 restrictions and the reasons therefor.

18 (2) Any affected Government may, subject to the terms
19 of this subsection, dispute the decision to impose
20 special conditions or restrictions by submitting a
21 written appeal for reconsideration within twenty (20)
22 days of the Federated States of Micronesia's receipt of
23 the Grant Award to which such conditions or restrictions
24 were attached or the date notification of the intent to
25 impose special conditions was received by the Federated

1 States of Micronesia from the Government of the United
2 States, in accordance with the terms of the Fiscal
3 Procedures Agreement. Any and all such appeals shall be
4 addressed to the Government of the United States and
5 routed through the Office of the President. The
6 President shall submit any such appeal(s) to the
7 Government of the United States within ten (10) days of
8 his receipt thereof unless the President determines that
9 the submitting of the appeal is likely to be harmful to
10 the national interest."

11 Section 11. Title 55 of the Code of the Federated States of
12 Micronesia, as amended, is hereby further amended by enacting a
13 new section 309 of chapter 3 to read as follows:

14 "Section 309. Grant Acceptance.

15 The President shall sign and return to the Government of
16 the United States each Grant Award, unless rejected
17 pursuant to section 307(3) hereof, and shall transmit a
18 copy thereof to Congress and each State Government."

19 Section 12. Title 55 of the Code of the Federated States of
20 Micronesia, as amended, is hereby further amended by enacting a
21 new section 310 of chapter 3 to read as follows:

22 "Section 310. Review of Spending Authority Legislation.

23 (1) Prior to disbursement of Compact funds, the
24 Secretary and each State Government shall submit to the
25 President a copy of the effective legislation detailing

1 by Sector the allocation and spending authority for
2 Compact funds.

3 (2) If the President determines that the proposed
4 spending authority contained in legislation submitted by
5 a Government differs from its proportional share of a
6 Sector Grant Award, the President shall promptly notify
7 the Government of the relevant State."

8 Section 13. Title 55 of the Code of the Federated States of
9 Micronesia, as amended, is hereby further amended by enacting a
10 new section 311 of chapter 3 to read as follows:

11 "Section 311. Compact Financial Assistance Fund.

12 (1) There is hereby created a 'Compact Financial
13 Assistance Fund' to be administered by and under the
14 authority of the Secretary.

15 (2) The Compact Financial Assistance Fund shall be
16 established at a bank or commercial financial
17 institution organized in accordance with the laws of the
18 United States or a state of the United States; or,
19 subject to the approval of the Government of the United
20 States, a bank or commercial financial institution
21 organized in accordance with the laws of the Federated
22 States of Micronesia, in either case for the purpose of
23 receiving payments of Grant funds pursuant to the
24 Compact.

25 (3) The purpose of the Compact Financial Assistance

1 Fund is to account for Compact funds received from the
2 Government of the United States by the Government of the
3 Federated States of Micronesia on behalf of itself and
4 each of the State Governments from the time of receipt
5 of such Compact funding and until such funding is
6 disbursed to the respective Government to which such
7 funding accrues.

8 (4) The accounting records and accounts maintained for
9 the Compact Financial Assistance Fund shall be in
10 sufficient detail to provide a full and complete
11 accounting of Compact funds received by the Federated
12 States of Micronesia."

13 Section 14. Title 55 of the Code of the Federated States of
14 Micronesia, as amended, is hereby further amended by enacting a
15 new section 312 of chapter 3 to read as follows:

16 "Section 312. Operational Reserve Fund.

17 (1) There is hereby created an 'Operational Reserve
18 Fund' to be administered by and under the authority of
19 the Secretary.

20 (2) The Operational Reserve Fund shall be an interest-
21 bearing account established at a bank or commercial
22 financial institution organized in accordance with the
23 laws of the United States or a state of the United
24 States; or, subject to the approval of the Government of
25 the United States, a bank or commercial financial

1 institution organized in accordance with the laws of the
2 Federated States of Micronesia, in either case for the
3 purpose of receiving payments of Grant funds pursuant to
4 Article IV, Section 5(b)(2) of the Fiscal Procedures
5 Agreement.

6 (3) Funds on deposit in the Operational Reserve Fund
7 may be used to cover unanticipated delays of payments
8 from the Government of the United States of funds in
9 respect of Grant Awards, provided that the Government of
10 the United States has approved any such use of funds.

11 (4) In the event of an unanticipated delay of
12 payments, the Secretary shall promptly notify the
13 President and the Government of each affected State.

14 (5) If requested by the Government of a State affected
15 by an unanticipated delay of payments, the President
16 shall make reasonable efforts to obtain approval from
17 the Government of the United States for the use of
18 Operational Reserve Funds.

19 (6) Any unobligated funds remaining in the Operational
20 Reserve Fund as of the date of the final payment in
21 respect of Operational Grants during any Fiscal Year
22 shall be disbursed pursuant to section 317(5) of this
23 chapter.

24 (7) The Secretary shall pay all interest and other
25 earnings on the Operational Reserve Account to the

1 Government of the United States pursuant to Article IV,
2 Section 5(b)(2) of the Fiscal Procedures Agreement.

3 (8) If the President and the Government of every State
4 agree that the Operational Reserve Account is no longer
5 necessary, the President shall use reasonable efforts to
6 obtain the consent of the Government of the United
7 States to discontinue its use."

8 Section 15. Title 55 of the Code of the Federated States of
9 Micronesia, as amended, is hereby further amended by enacting a
10 new section 313 of chapter 3 to read as follows:

11 "Section 313. Infrastructure Maintenance Fund.

12 (1) There is hereby created an 'Infrastructure
13 Maintenance Fund' to be administered by and under the
14 authority of the Secretary.

15 (2) The Infrastructure Maintenance Fund shall be
16 comprised of five interest-bearing accounts, one for
17 each Government, established at a bank or commercial
18 financial institution organized in accordance with the
19 laws of the United States or a State of the United
20 States; or, subject to the approval of the Government of
21 the United States, a bank or commercial financial
22 institution organized in accordance with the laws of the
23 Federated States of Micronesia, in either case for the
24 purpose of receiving infrastructure maintenance
25 contributions from the Government of the United States

1 and the Government of the Federated States of Micronesia
2 pursuant to Article VII, Section 7 of the Fiscal
3 Procedures Agreement.

4 (3) Not later than February 15 of each Fiscal Year,
5 each Government shall contribute from non-Compact
6 sources not less than five percent of its proportional
7 share of annual public infrastructure grants for that
8 Fiscal Year to the Infrastructure Maintenance Fund,
9 provided that a Government may delay such contribution,
10 or any portion thereof, until August 1 of that Fiscal
11 Year by written notification thereof to the President.

12 (4) The Secretary shall deposit the contributions of
13 each Government into that Government's account in the
14 Infrastructure Maintenance Fund.

15 (5) The President shall certify to the Government of
16 the United States, pursuant to Article VII, Section 7(b)
17 of the Fiscal Procedures Agreement, the consolidated
18 total amount of contributions to the Infrastructure
19 Maintenance Fund for each Fiscal Year:

20 (a) Not later than March 1 with respect to
21 contributions received on or before February 15; and

22 (b) Not later than August 15 with respect to
23 contributions received after February 15.

24 (6) The Secretary shall deposit matching contributions
25 received from the Government of the United States into

1 each Government's account in the Infrastructure
2 Maintenance Fund proportionally based upon the amount
3 contributed by each Government in that Fiscal Year.

4 (7) Not later than ninety (90) days after the end of
5 each Fiscal year, the President shall transmit an annual
6 financial report for the previous Fiscal Year, pursuant
7 to Article VII, Section 7(b) of the Fiscal Procedures
8 Agreement, showing all deposits into the Infrastructure
9 Maintenance Fund by the Government of the United States
10 and the Government of the Federated States of
11 Micronesia, the amount of income generated by the fund
12 and the fund balance.

13 (8) Each Government shall submit to the President an
14 annual infrastructure maintenance plan not later than
15 May 15 detailing the planned uses of funds available to
16 that Government from the Infrastructure Maintenance
17 Fund.

18 (9) The President shall submit to the Government of
19 the United States an annual infrastructure maintenance
20 plan not later than July 3.

21 (10) Funds on deposit in the Infrastructure Maintenance
22 Fund shall be utilized by each Government in accordance
23 with its infrastructure maintenance plan.

24 (11) The Secretary shall disburse available funds from
25 the Infrastructure Maintenance Fund account of a

1 requesting Government after:

2 (a) the requesting Government has submitted
3 Accrued Expenditure reports evidencing an authorized
4 expenditure or obligation of such funds; and

5 (b) the Secretary has determined that the
6 requesting Government has complied with each relevant
7 requirement under this section."

8 Section 16. Title 55 of the Code of the Federated States of
9 Micronesia, as amended, is hereby further amended by enacting a
10 new section 314 of chapter 3 to read as follows:

11 "Section 314. Drawdown Procedures - Cash Disbursement
12 to National and State Treasuries.

13 (1) Pursuant to Article IV, Section 5 of the Fiscal
14 Procedures Agreement, the Government of the Federated
15 States of Micronesia will receive an advance payment for
16 Compact Sector Operational Grants equivalent to two-
17 twelfths (2/12) of the annual total at the beginning of
18 the Fiscal Year and will receive advance payments
19 equivalent to one-twelfth (1/12) of the annual total at
20 the beginning of each subsequent month of the Fiscal
21 Year, except November.

22 (2) Any State Government or the Secretary may request
23 an accelerated disbursement of funds by submitting to
24 the President an Annual Cash Drawdown Schedule for
25 Compact Operational Grants for the upcoming Fiscal Year

1 based upon appropriated budgets. The request shall
2 detail by month the Government's anticipated cash
3 disbursement requirements from Compact Sector
4 Operational Grants, and shall include supporting
5 documentation.

6 (3) The President shall use reasonable efforts to
7 obtain the approval of the Government of the United
8 States for any accelerated disbursement of funds and
9 shall promptly notify the affected State Government or
10 Secretary of a decision by the Government of the United
11 States.

12 (4) The Secretary shall request cash disbursement for
13 non-Operational Grants from the Government of the United
14 States on behalf of each Government on the basis of
15 accrued expenditures pursuant to Article IV, section 5
16 of the Fiscal Procedures Agreement.

17 (5) Upon receipt of Compact funds, the Secretary shall
18 determine whether the amount and allocation of such
19 funds is consistent with the Sector Grant Awards. The
20 Secretary shall immediately notify the President and the
21 Government of any affected State of any discrepancy and
22 determine the cause.

23 (6) If the Secretary determines that Compact funds
24 have been withheld or suspended pursuant to Article IV,
25 Section 5(c) of the Fiscal Procedures Agreement, the

1 Secretary shall immediately notify the President and, if
2 the withholding or suspension affects a State, the
3 Government of that State. The Secretary shall withhold
4 from disbursement to the affected Government that
5 portion of the Compact funds not received as a result of
6 such withholding or suspension.

7 (7) Any Government whose Compact funding is withheld
8 or suspended pursuant to Article IV, Section 5(c) of the
9 Fiscal Procedures Agreement may dispute such withholding
10 or suspension through the Office of the President and in
11 the manner set forth in the Fiscal Procedures Agreement.

12 (8) Unless otherwise provided in this section, the
13 Secretary shall disburse funds from the Compact
14 Financial Assistance Fund to the National Treasury and
15 each State Treasury not later than the close of the
16 business day following the day upon which the Secretary
17 receives notice of the receipt of such funds. No Sector
18 Grant funds that a Government has elected not to accept
19 under section 307(2) hereof shall be disbursed unless
20 the Government gives notice in writing to the President
21 and to Congress that it is withdrawing its election
22 under section 307(2) and requests disbursement of such
23 funds."

24 Section 17. Title 55 of the Code of the Federated States of
25 Micronesia, as amended, is hereby further amended by enacting a

1 new section 315 of chapter 3 to read as follows:

2 "Section 315. Reprogramming/Re-Allocation of Compact
3 Funds.

4 (1) No Government shall re-allocate Compact funds from
5 one Sector to another Sector during the course of the
6 Fiscal Year.

7 (2) A Government shall reprogram funds within an
8 approved Sector Grant only upon receipt of the prior
9 written approval of the President. Within twenty (20)
10 days of the end of each fiscal quarter, the President
11 shall notify Congress of any reprogramming that he has
12 approved during that quarter with respect to Sector
13 Grant funds received or to be received by the National
14 Government.

15 (3) The President shall not unreasonably withhold
16 approval of requests for reprogramming of up to fifteen
17 percent (15%) of a Government's proportional share of a
18 total Sector budget or its proportional share of
19 \$1,000,000, whichever is less, within an approved Sector
20 Grant during the Fiscal Year; provided that such
21 reprogramming requests do not include and would not
22 require any of the following:

23 (a) any revision of the scope or performance
24 objectives of a Sector Grant or infrastructure project;

25 (b) an extension of the period of funding

1 availability;

2 (c) changes in key persons specifically named in
3 a Sector Grant award;

4 (d) the contracting out or otherwise obtaining
5 the services of a third party to perform non-
6 construction related activities (except general support
7 services) that are central to the purposes of the Sector
8 Grant; or

9 (e) any revision that would result in the need
10 for additional funding over and above the original
11 award.

12 (4) For proposed changes in Sector Grant budgets and
13 projects that would include or require any of the
14 revisions described or exceed the financial limits
15 provided in subsection (3) of this section, the
16 President shall use his best efforts to obtain the prior
17 approval of the Government of the United States."

18 Section 18. Title 55 of the Code of the Federated States of
19 Micronesia, as amended, is hereby further amended by enacting a
20 new section 316 of chapter 3 to read as follows:

21 "Section 316. Internal Reporting Requirements.

22 (1) For each fiscal quarter, not later than twenty
23 (20) days after the end of such fiscal quarter, each
24 State Government and the Secretary shall submit to the
25 President the following reports:

1 (a) for all Governmental fund types:

2 (i) a statement of revenues and
3 expenditures;

4 (ii) a comparison of budget and actual
5 expenditures by function;

6 (b) with respect to Operational Grants, a budget
7 execution report for each function, including major
8 offices, cost centers, budget activities and performance
9 reports; and

10 (c) with respect to all Sector Grants, including
11 the matching share of the Infrastructure Maintenance
12 Fund provided by the Government of the United States:

13 (i) a Standard Form SF 269, or reasonable
14 facsimile thereof approved by the Government of the
15 United States; and

16 (ii) a Federal Cash Transactions Report, or a
17 Standard Form SF 272, or reasonable facsimile thereof
18 approved by the Government of the United States.

19 (2) The Members of JEMCO appointed by the Federated
20 States of Micronesia shall at least twice annually
21 submit written reports to the President, Congress and
22 the States including the following information:

23 (a) a summary of actions taken by JEMCO since the
24 date of the last report to Congress;

25 (b) a description of any significant unresolved

1 issues before JEMCO or relating to the Compact; and

2 (c) the schedule for future JEMCO meetings.

3 Such reports shall be submitted to Congress no later
4 than April 1 and September 15 of each year, and at such
5 other times as there may be significant developments
6 relating to the interpretation or implementation of the
7 Compact.

8 (3) At least twice annually the members appointed by
9 the Federated States of Micronesia to the Joint Trust
10 Fund Committee, formed pursuant to the Agreement between
11 the Government of the United States of America and the
12 Government of the Federated States of Micronesia
13 Implementing Section 215 and Section 216 of the Compact,
14 As Amended, Regarding A Trust Fund, shall submit reports
15 to the President, Congress and the States including the
16 following information:

17 (a) the current balance of the funds in the
18 Compact Trust Fund and a comparison with the balances as
19 of (i) the same date of the previous year and (ii) the
20 date of the last previous report to Congress;

21 (b) an analysis of the performance of investments
22 made with funds in the Compact Trust Fund, including a
23 comparison with generally-accepted measures of
24 investment performance for the same period; and

25 (c) a description of significant investment

1 strategy decisions relating to funds in the Compact
2 Trust Fund.
3 Such reports shall be submitted to Congress no later
4 than April 1 and September 15 of each year, and at such
5 other times as there may be significant developments
6 relating to the Compact Trust Fund."

7 Section 19. Title 55 of the Code of the Federated States of
8 Micronesia, as amended, is hereby further amended by enacting a
9 new section 317 of chapter 3 to read as follows:

10 "Section 317. Compact Quarterly Financial Reporting
11 Requirements.
12 For each fiscal quarter, not later than thirty (30) days
13 after the end of such fiscal quarter, the President
14 shall submit to the Government of the United States a
15 consolidated report reflecting information provided in
16 each of the reports provided pursuant Section 316(1) of
17 this chapter."

18 Section 20. Title 55 of the Code of the Federated States of
19 Micronesia, as amended, is hereby further amended by enacting a
20 new section 318 of chapter 3 to read as follows:

21 "Section 318. Internal Annual Final Cash Transactions
22 Report. Not later than eighty (80) days after the end
23 of each Fiscal Year, each State Government and the
24 Secretary shall submit to the President a final cash
25 transactions report for each Sector Grant. For

1 Operational Grants, the reports shall include the amount
2 of unobligated Operational Grant funding that will carry
3 over to subsequent Fiscal Years."

4 Section 21. Title 55 of the Code of the Federated States of
5 Micronesia, as amended, is hereby further amended by enacting a
6 new section 319 of chapter 3 to read as follows:

7 "Section 319. Compact Annual Final Cash Transactions
8 Report. Not later than ninety (90) days after the end
9 of each Fiscal Year, the President shall submit to the
10 Government of the United States a final cash
11 transactions report for each Sector Grant. For
12 Operational Grants, the reports shall include the amount
13 of unobligated Operational Grant funding that will carry
14 over to subsequent Fiscal Years."

15 Section 22. Title 55 of the Code of the Federated States of
16 Micronesia, as amended, is hereby further amended by enacting a
17 new section 320 of chapter 3 to read as follows:

18 "Section 320. Annual Report of the President to the
19 Government of the United States. Not later than the
20 last day in February of each year, the President shall
21 submit the Annual Report to the President of the United
22 States in accordance with Article V, Section 1(d), of
23 the Fiscal Procedures Agreement and Section 214 of the
24 Compact, and shall transmit copies of the Annual Report
25 to the Congress and the Government of each State."

1 Section 23. Title 55 of the Code of the Federated States of
2 Micronesia, as amended, is hereby further amended by enacting a
3 new section 321 of chapter 3 to read as follows:

4 "Section 321. Accounting and Record Keeping.

5 (1) All obligation and expenditure of Compact Funds
6 shall be in accordance with the Compact and this
7 chapter.

8 (2) The financial reporting systems of each Government
9 shall provide full disclosure of the financial position
10 and results of operations of each accounting fund in
11 accordance with a uniform and standardized format. The
12 financial information generated from these systems shall
13 include, but not be limited to, all pertinent
14 information needed to prepare comprehensive annual
15 financial reports as required by the Fiscal Procedures
16 Agreement and the Compact."

17 Section 24. Title 55 of the Code of the Federated States of
18 Micronesia, as amended, is hereby further amended by enacting a
19 new section 322 of chapter 3 to read as follows:

20 "Section 322. Financial Records - Access.

21 The Secretary shall have full and complete access to all
22 financial records for all Compact funds of the State and
23 National Governments of the Federated States of
24 Micronesia."

25 Section 25. Title 55 of the Code of the Federated States of

1 Micronesia, as amended, is hereby further amended by enacting a
2 new section 323 of chapter 3 to read as follows:

3 "Section 323. Enforcement.

4 (1) Each State Government and the Secretary shall
5 immediately report to the President any violation of
6 this chapter.

7 (2) If the President of the Federated States of
8 Micronesia determines that any Government is not in
9 compliance with one or more provisions of the Compact,
10 this chapter, or rules and regulations promulgated
11 pursuant to this chapter, he shall confer with the
12 appropriate Government in an effort to remedy the
13 effects of such noncompliance and to ensure future
14 compliance with such provisions.

15 (3) Notwithstanding any provision to the contrary in
16 this chapter, the President may withhold Compact
17 financial assistance until such time as the non-
18 compliant Government has complied with all of the
19 provisions of the Compact, this chapter, and any rules
20 and regulations promulgated pursuant to this chapter."

21 Section 26. Title 55 of the Code of the Federated States of
22 Micronesia, as amended, is hereby further amended by enacting a
23 new section 324 of chapter 3 to read as follows:

24 "Section 324. Implementation.

25 The President may establish rules, regulations, and

1 forms as necessary to comply with the provisions of this
2 chapter."

3 Section 27. Title 55 of the Code of the Federated States of
4 Micronesia, as amended, is hereby further amended by enacting a
5 new section 325 of chapter 3 to read as follows:

6 "Section 325. Delegation of Authority.
7 The President and each State Government may designate
8 officials of the National and State Governments,
9 respectively, to act on their behalf with respect to the
10 duties and responsibilities vested in them by this
11 chapter. Such designations shall be in writing."

12 Section 28. Title 55 of the Code of the Federated States of
13 Micronesia, as amended, is hereby further amended by enacting a
14 new section 326 of chapter 3 to read as follows:

15 "Section 326. Transition - Original Compact.
16 (1) Until all funds received under the Original
17 Compact categories have been exhausted, each State
18 Government shall, no later than December 15 of each
19 year, submit to the President a report setting forth
20 expenditures made and year-end fund balances by Original
21 Compact category for the previous Fiscal Year; provided
22 however, that this subsection (1) shall not apply to
23 funds received pursuant to section 211 of the Original
24 Compact.

25 (2) Available capital project funds that were allotted

1 to any of the State or the National Governments pursuant
2 to section 211 of the Original Compact that subsequently
3 lapse or are de-appropriated pursuant to the laws of the
4 respective State or National Government shall revert to
5 the current account of the respective government
6 following submission of the relevant lapse provision or
7 de-appropriation legislation to the Secretary.

8 (3) Each State finance officer shall promptly close
9 out Original Compact capital project accounts upon
10 project completion. Unused spending authority resulting
11 from project close-out shall revert to the current
12 account of the respective government.

13 (4) Nothing in this section shall be deemed to change
14 or modify the distribution of capital account funds
15 between a State and any of its municipalities as it
16 existed as of September 30, 2003."

17 Section 29. This act shall become law upon approval by the
18 President of the Federated States of Micronesia or upon its
19 becoming law without such approval.

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21 Date: 1/23/05

Offered by: /s/ Sabino S. Asor

Sabino S. Asor

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