

A BILL FOR AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia, as amended, by repealing section 102 and enacting a new section 102; by repealing section 103 and enacting a new section 103; by enacting new sections 103A to 103G; by repealing section 106 and enacting a new section 106; by enacting new sections 106A to 106D; by enacting a new section 201A; by amending section 202; by repealing section 204 and enacting a new section 204; by enacting new sections 205A to 205G; by repealing section 215 and renumbering sections 216 to 223 as sections 215 to 222; by enacting a new section 223; by enacting new sections 223A to 223D; by repealing sections 225 and 226; and by enacting a new section 226; for the purpose of enhancing effective and responsible management by government; and for other purposes.

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

1 Section 1. Purpose. The purposes of the amendments contained
2 herein are to foster and enhance effective and responsible economic
3 and fiscal management by government, including adherence to policy;
4 and to provide enhanced accountability arrangements; thereby
5 requiring the Executive to produce:

- 6 (1) statements of proposed policy;
7 (2) confirmation of adherence to fiscal disciplines;
8 (3) economic and fiscal statements, including economic
9 and fiscal forecasts and updates; and
10 (4) financial management information, including
11 comprehensive annual reports.

12 Section 2. Section 102 of title 55 of the Code of the
13 Federated States of Micronesia is hereby repealed in its entirety
14 and a new section 102 is hereby enacted to read as follows:

15 "Section 102. Definitions. In this title, unless
16 otherwise expressly provided and unless the context
17 otherwise requires:

18 (1) 'Agency' or 'Agencies' means any agency,
19 commission, authority, board, bureau, or other
20 organization of the National Government established by
21 law and not specifically part of one of the three
22 branches of the National Government.

23 (2) 'Allotment' means the delegation of authority to a

1 person to create legally enforceable financial
2 obligations in accordance with applicable law on behalf
3 of the Federated States of Micronesia, within specified
4 limits set forth in an appropriation act of the
5 Federated States of Micronesia or as may be required by
6 the terms of funding available from other sources.

7 (3) 'Allot' means to make an allotment.

8 (4) 'Allottee' means any person or entity to whom an
9 allotment is made.

10 (5) 'Annual budget proposal' means the annual request
11 for new obligation and expenditure authority during the
12 ensuing fiscal year by all branches and agencies of the
13 National Government for all purposes, including but not
14 limited to, Government operations, development programs
15 and projects, special programs, contributions, grants
16 and subsidies.

17 (6) 'Appropriation' or 'appropriation act'
18 means a law enacted by Congress which authorizes the
19 National Government to incur obligations and make
20 payments out of the National Treasury in accordance with
21 law.

22 (7) 'Borrowing' means money loaned to the National
23 Government and not required to be repaid in full within
24 the current fiscal year and 'borrowing expenses' are
25 expenses related to such a borrowing.

1 (8) 'Congress' means the Congress of the Federated
2 States of Micronesia.

3 (9) 'Department' means a department or office.

4 (10) 'Fiscal year' means the twelve month period from
5 October 1 of one calendar year through September 30 of
6 the succeeding calendar year.

7 (11) 'FSM' means the Federated States of Micronesia.

8 (12) 'Head of department' or 'department head' means a
9 secretary or head of a department or agency, however
10 called.

11 (13) 'National Government' means the department and
12 offices of the executive branch, Congress, the judicial
13 branch and agencies of the National Government.

14 (14) 'Output' and 'outcome' means the production of
15 goods and services by a department, Congress, the
16 judicial branch, agency of the National Government or an
17 allottee.

18 (15) 'Person' means any natural person, company,
19 corporation, partnership, trust, incorporated or
20 unincorporated society, charitable body, or other
21 organization or entity recognized by law.

22 (16) 'Public funds' means all the funds, resources and
23 entitlements owned by, owed to, or held by the National
24 Government, or held by any person for or on behalf of
25 the National Government, and includes public resources.

1 (17) 'Public resources' means real or personal property
2 that is the property of the National Government, and
3 includes public funds.

4 (18) 'Secretary' or 'Secretary of Finance' means the
5 Secretary of Finance and Administration or his
6 successor."

7 Section 3. Section 103 of title 55 of the Code of the
8 Federated States of Micronesia is hereby repealed in its entirety
9 and a new section 103 is hereby enacted to read as follows.

10 "Section 103. Annual budget.

11 (1) No later than June 30 of each year, the President
12 shall submit to the Congress the annual budget proposal
13 for the National Government for the ensuing fiscal year.
14 The annual budget proposal shall contain a statement of
15 anticipated revenues from all sources, details of
16 operations and development expenditures, and planned
17 expenditures for all sources of funds.

18 (2) The annual budget proposal shall be in a form that
19 will provide for a separate appropriation for each
20 department, Congress, the judicial branch, and agencies
21 of the National Government for each of the following
22 categories:

23 (a) each category of output;

24 (b) each category of benefits, grants or
25 subsidies;

1 (c) each category of borrowing expenses or
2 repayment of debts;

3 (d) each category of other non-operating
4 expenses; and

5 (e) each category of capital acquisitions or
6 capital contributions.

7 (3) The authority to expend cash or incur expenses or
8 obligations under an appropriation act will lapse at the
9 end of the fiscal year to which that act relates but any
10 unexpended balance of any appropriation may be dealt
11 with in accordance with this act.

12 (4) The President shall submit the following with the
13 annual budget proposal:

14 (a) a budget message, which shall include such
15 supporting financial, statistical, output performance,
16 and other information, data and recommendations as the
17 President may determine are in the public interest and
18 consistent with the principles of fiscal responsibility
19 set out in section 201A of this title;

20 (b) proposed legislation to appropriate funds for
21 the National Government for the ensuing fiscal year,
22 reflecting the President's recommendations as contained
23 in the proposed budget and in accordance with the
24 requirements specified under section 106A of this title;

25 (c) a statement, including forecasts, providing a

projection of expenditures for each category of outputs
for the ensuing fiscal year and the two years following
that fiscal year including:

(i) the details of the estimated revenue of
the National Government;

(ii) the details of the estimated
expenditures for each department or agency;

(iii) the National Government's debt
management responsibilities and, where necessary, the
details of a financial plan to meet those
responsibilities; and

(iv) that the annual budget proposal is
fiscally responsible in accordance with the principles
set forth in section 201A of this title, particularly,
and in title 55, generally."

Section 4. Title 55 of the Code of the Federated States of
Micronesia, as amended, is hereby further amended by enacting a new
section 103A to read as follows:

"Section 103A. Fiscal strategy report.

(1) The President shall submit to Congress, at the
same time as, and in addition to the annual budget
proposal, a report on the Executive's fiscal strategy.

(2) The fiscal strategy report shall:

(a) include an assessment of the extent to which
the annual budget proposal is consistent with the

economic and fiscal policy statement required under
section 103B of this title;

(b) include an explanation of the reasons for any
significant differences between the current economic and
financial situation of the National Government and the
information and intentions presented in the previous
economic and fiscal policy statement required under
section 103B of this title;

(c) where the circumstances have changed, present
an amended set of intentions;

(d) provide projections of movements in the
variables specified in sections 103F and 103G of this
title which demonstrate intended progress towards
achieving the longer term objectives specified in the
economic and fiscal policy statement most recently
published and state the significant assumptions on which
the projections are based."

Section 5. Title 55 of the Code of the Federated States of
Micronesia, as amended, is hereby further amended by enacting a new
section 103B to read as follows:

"Section 103B. Economic and fiscal policy statement.

(1) The President shall submit to Congress and
publish, not later than March 31 of each year, an
economic and fiscal policy statement for the fiscal year
commencing on October 1 after publication, and forecasts

1 for the two years following that fiscal year and this
2 economic and fiscal policy statement shall:

3 (a) specify the economic and fiscal policy that
4 the executive branch and agencies will follow in all
5 economic and fiscal dealings, and disciplines that each
6 will adhere to;

7 (b) specify or re-affirm the President's long-
8 term fiscal policy objectives and in particular, provide
9 for the principle variables specified in sections 103F
10 and 103G of this title;

11 (c) specify the broad strategic priorities by
12 which the executive branch and agencies will be guided
13 in preparing the budget for that fiscal year;

14 (d) indicate by use of ranges, ratios, or other
15 means, the President's intentions regarding the
16 variables specified in sections 103F and 103G of this
17 title; and

18 (e) indicate other expenditures that the
19 President anticipates will be in the budget.

20 (2) The economic and fiscal policy statement shall
21 also:

22 (a) assess the extent to which the objectives,
23 priorities, and intentions referred to under subsection
24 (1) of this section are consistent with the requirement
25 to produce a balanced budget under section 104 of this

1 act; and

2 (b) assess the consistency of the objectives,
3 priorities, and intentions referred to under subsection
4 (1) of this section with the objectives, priorities, and
5 intentions indicated in the immediately preceding
6 economic and fiscal policy statement; or, if amended,
7 the amended statement and, where these are not
8 consistent, justify the departure.

9 (3) Any member of the public may, within twenty-eight
10 days of the economic and fiscal policy statement being
11 published, deliver in writing to the office of the
12 President any submission that person may have in respect
13 of that statement. The President shall consider any
14 submission made in accordance with this section."

15 Section 6. Title 55 of the Code of the Federated States of
16 Micronesia, as amended, is hereby further amended by enacting a new
17 section 103C to read as follows:

18 "Section 103C. Economic and fiscal update.

19 (1) The President shall, no later than October 1 in
20 each fiscal year, publish a report updating the economic
21 and fiscal policy statement for the fiscal year
22 beginning from that day.

23 (2) The economic and fiscal update report shall
24 contain:

25 (a) an economic and fiscal update for the current

fiscal year, and forecasts for the following two fiscal
years, containing the information specified in sections
103F and 103G of this title; and

(b) a statement of the date on which the contents
of the report were finalized."

Section 7. Title 55 of the Code of the Federated States of
Micronesia, as amended, is hereby further amended by enacting a new
section 103D to read as follows:

"Section 103D. Information to be supplied by Congress,
the judicial branch, and agencies.

The Congress, the judicial branch, and agencies shall
transmit to the President, no later than June 1 of each
year, details of planned operational and development
expenditures and projected revenue. The Congress, the
judicial branch, and agencies shall also transmit budget
projections for each of the two subsequent fiscal years
and such other information as may be required by law.
The President shall include such planned expenditures,
projected revenue, and budget projections in the annual
budget proposal without revision, and subject to his or
her recommendations."

Section 8. Title 55 of the Code of the Federated States of
Micronesia, as amended, is hereby further amended by enacting a new
section 103E to read as follows:

"Section 103E. Information to be supplied by

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governments, entities and others.

Each State Government, municipality, or other government organization or official who seeks National Government funds for development programs or projects shall transmit to the President, no later than June 1 of each year, planned developmental expenditures for the ensuing fiscal year. State Governments shall also transmit a statement of the State's general economic and fiscal plan, including a priority schedule of the development projects the State plans to undertake and the reasons therefor; developmental budget projections for each of the two subsequent fiscal years; and such other information as may be required by law. The President shall include such planned expenditures, economic and fiscal plans, and budget projections in the annual budget proposal, without revision, but subject to his or her recommendations."

Section 9. Title 55 of the Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 103F to read as follows:

"Section 103F. Economic and fiscal data.

(1) Economic reports required under chapters 1 and 2 of title 55 shall include forecasts depicting movements in the Federated States of Micronesia of:

(a) gross domestic product, including the major

components of gross domestic product;

(b) consumer prices;

(c) employment levels;

(d) balance of payments; and

(e) such other information deemed necessary by the President (after consultation with the Secretaries of Economic Affairs and Finance and Administration) to provide a comprehensive economic forecast.

(2) Fiscal forecasts required under chapters 1 and 2 of title 55 shall include:

(a) forecast information with respect to the statements required under section 103G of this title;

(b) forecast information with respect to the current fiscal year update and comparative budgeted and actual figures for the fiscal year immediately preceding the first of the fiscal years to which the fiscal forecast relates; and

(c) details of fiscal risks and, where they cannot be quantified, a description of possible impacts.

(3) Economic forecasts shall include a statement of all significant assumptions underlying them."

Section 10. Title 55 of the Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 103G to read as follows:

"Section 103G. Reporting requirements.

(1) Any forecast or statement required under chapters 1 and 2 of title 55 shall include details of:

- (a) the total operating expenditures;
- (b) the total benefits, grants or subsidies;
- (c) all other expenditures;
- (d) the total operating revenues;
- (e) all other revenue;
- (f) the difference between all expenditure and all revenue;

(g) the level of total debt; and

(h) the level of asset holdings.

(2) Each report shall also include:

- (a) a statement of financial position;
- (b) a statement of financial performance;
- (c) a statement of cash flows;
- (d) a statement of borrowings;
- (e) a statement of obligated but unexpended funds (excluding borrowings);
- (f) such other statements as are required to be consistent with generally accepted accounting principles and practice; and
- (g) a statement of accounting policies."

Section 11. Section 106 of title 55 of the Code of the Federated States of Micronesia is hereby repealed in its entirety

1 and a new section 106 is hereby enacted to read as follows:

2 "Section 106. Appropriations by Congress.

3 (1) The Congress, after receipt of the proposed budget
4 from the President shall, no later than August 29 of
5 each year, by act, adopt the annual budget of the
6 National Government for the ensuing fiscal year.

7 (2) Congress may alter the budget submitted by the
8 President, in any respect.

9 (3) Prior to altering the annual budget proposal
10 submitted by the President, Congress shall first advise
11 the President what specific part or parts it intends to
12 alter, and the reasons therefor, and give the President
13 (or his designee) the opportunity, within no less than
14 seven days, to address Congress on the alterations
15 proposed.

16 (4) The budget alteration authority of Congress shall
17 be executed by means of appropriation legislation.
18 Appropriations or authorizations for the expenditure of
19 funds shall be made by law, except as provided in
20 section 108 of this title.

21 (5) Congress may restrict, by law, the expenditure of
22 funds for a specific purpose.

23 (6) Notwithstanding section 217 of this title and
24 unless otherwise specified by law:

25 (a) appropriations of National Government funds

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for National Government development projects shall be
allotted through the President or the Governor of the
State where the project is being undertaken;

(b) appropriations of National Government funds
for non-National Government development projects shall
be allotted through the Governor of the State where the
project is being undertaken; and

(7) The President, or the Governor, as the case may
be, may only obligate funds where he or she is satisfied
that the project is in accordance with the
appropriation, is planned with realistic estimates of
proposed expenditures, and shall release funds where
appropriate, by progress payments, upon obtaining
satisfactory evidence of the obligation to incur such
expenditure.

(8) If Congress does not appropriate National
Government funds through the President or Governor in
accordance with subsection (6) of this section, it shall
record in the Congress journal or in a committee report
the reasons for the departure and, shall record the
details of the project, the project plan, and the result
intended to be achieved, and ensure that the
appropriation act reflects those details."

Section 12. Title 55 of the Code of the Federated States of
Micronesia, as amended, is hereby further amended by enacting a new

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1 section 106A to read as follows:

2 "Section 106A. Appropriations format.

3 (1) No expense or liability will be incurred by the
4 National Government unless the expenditure, in relation
5 to such expense or obligation, is capable of being
6 charged to a category specified in subsection (2) of
7 this section.

8 (2) Within an appropriation act, separate
9 appropriation lines shall be made for each of the
10 following categories:

11 (a) each category of output;

12 (b) each category of benefits, grants, or
13 subsidies;

14 (c) each category of borrowing expenses or
15 repayment of debts;

16 (d) each category of other non-operating
17 expenses; and

18 (e) each category of capital acquisitions or
19 capital contributions."

20 Section 13. Title 55 of the Code of the Federated States of
21 Micronesia, as amended, is hereby further amended by enacting a new
22 section 106B to read as follows:

23 "Section 106B. Reprogramming.

24 (1) A department head may, from time to time, make
25 transfers between outputs where:

1 (a) the transfer does not conflict with
2 performance of the outputs specified in the budget
3 policy;

4 (b) the total appropriation for that fiscal year
5 for that department is unaltered.

6 (2) The department head must advise the Secretary who
7 shall ensure that sufficient details to explain any
8 transfer made pursuant to subsection (1) of this section
9 will be included in a report to the President.

10 (3) The President may reprogram up to ten percent to
11 and from the funds appropriated to each department and
12 office in the annual budget act, after first specifying
13 the outputs for which funding is either increased or
14 decreased."

15 Section 14. Title 55 of the Code of the Federated States of
16 Micronesia, as amended, is hereby further amended by enacting a new
17 section 106C to read as follows:

18 "Section 106C. Net appropriations.

19 (1) An appropriation may be shown in the appropriation
20 act to be off-set by an amount of revenue where that
21 revenue applies to the recovery costs of the relevant
22 budget output and meets the criteria set for that output
23 by the Secretary.

24 (2) Where an appropriation is for a net appropriation,
25 all estimated expenditures and revenue, from all

1 sources, must be included in the budget statement and
2 provided for in the annual budget proposal to reflect
3 how the net appropriation figure was ascertained."

4 Section 15. Title 55 of the Code of the Federated States of
5 Micronesia, as amended, is hereby further amended by enacting a new
6 section 106D to read as follows:

7 "Section 106D. Transfer and subsequent expenditure of
8 unexpended appropriations.

9 Where provision has been made in any appropriation act
10 for expenditure, but that expenditure was not incurred
11 during the fiscal year to which the act relates, the
12 President may, after consultation with the Cabinet,
13 direct that the unexpended amount, or a portion thereof,
14 be reappropriated for the next fiscal year to the
15 department or government agency that did not expend the
16 amount appropriated to it for expenditure in accordance
17 with the outputs specified in the original
18 appropriation."

19 Section 16. Title 55 of the Code of the Federated States of
20 Micronesia, as amended, is hereby further amended by enacting a new
21 section 201A to read as follows:

22 "Section 201A. Fiscal responsibility.

23 (1) The National Government shall pursue its policy
24 objectives in accordance with the principles of
25 responsible fiscal management specified in subsection

1 (2) of this section.

2 (2) The principles of responsible fiscal management
3 are:

4 (a) managing and keeping the total debt at such
5 levels that a balanced budget is achieved;

6 (b) achieving and maintaining levels of FSM net
7 worth that provide a buffer against factors that may
8 adversely impact the FSM's net worth in the future;

9 (c) prudently managing the fiscal risks facing
10 the FSM; and

11 (d) pursuing policies that are consistent with a
12 reasonable degree of predictability about the level and
13 stability of tax rates for future years."

14 Section 17. Section 202 of title 55 of the Code of the
15 Federated States of Micronesia is hereby amended to read as follows:

16 "Section 202. [Declaration of policy] Disclosure of
17 accounting policy.

18 (1) ~~[It is the declared policy of the Government of~~
19 ~~the Federated States of Micronesia that:]~~ The accounting
20 of the Federated States of Micronesia Government shall
21 provide full disclosure of the results of financial
22 operations, adequate financial information needed in the
23 management of operations, and the formulation and
24 execution of the national budget and shall ensure
25 effective control over income, expenditures, funds,

1 property, and other assets, whether tangible or
2 intangible.

3 (2) [~~The accounting of the Federated States of~~
4 ~~Micronesia shall be performed in a manner consistent~~
5 ~~with generally accepted accounting principles as~~
6 ~~established by the United States Governmental Accounting~~
7 ~~Standards Board]~~ The accounting of the Federated States
8 of Micronesia shall be performed in a manner consistent
9 with generally accepted accounting principles.

10 (3) Full consideration shall be given to the needs and
11 responsibilities of both the legislative and executive
12 branches of the Government in the establishment of
13 accounting and reporting systems and such other fiscal
14 requirements.

15 (4) It is the responsibility of the executive branch
16 to maintain accounting systems and to produce financial
17 reports with respect to the operations of the executive
18 departments and staff offices, including central
19 facilities which gather and disseminate information on
20 the results of the financial operations of the Federated
21 States of Micronesia Government as a whole.

22 (5) Emphasis shall be placed on effectuating
23 systematic and orderly improvements in financial
24 management of the Federated States of Micronesia
25 Government in order to formulate, adopt, and maintain

1 simplified and more effective accounting systems,
2 financial reporting procedures, budget processes,
3 auditing requirements, and procedures, to safeguard
4 against duplication and to eliminate systems and
5 processes that do not serve a purpose commensurate with
6 the costs involved.

7 (6) The Secretary of Finance, together with the Budget
8 Officer, shall conduct a continuous review program for
9 the improvement of accounting and financial reporting in
10 the Government of the Federated States of Micronesia."

11 Section 18. Section 204 of title 55 of the Code of the
12 Federated States of Micronesia is hereby repealed in its entirety
13 and a new section 204 is hereby enacted to read as follows:

14 "Section 204. Secretary of Finance - general duties.

15 (1) The Secretary of Finance shall be the principal
16 financial adviser for the Government and shall, in
17 addition, prepare and review plans for the improvement
18 and management of revenue and for the support of the
19 public credit; shall supervise the collection of all
20 revenues; prescribe the forms of keeping and rendering
21 all public accounts and returns; grant, subject to
22 statutory provisions, all warrants for money to be
23 issued from the National Treasury in pursuance of
24 appropriations by law; prepare and issue reports and
25 fiscal information as may be required by law; and

1 generally perform all such services as he or she may be
2 directed to perform from time to time.

3 (2) Subject to the provisions of this act, or any
4 other enactment or any regulations, the Secretary may,
5 from time to time, issue instructions to ensure
6 compliance with the financial disciplines and rules
7 provided for in title 55.

8 (3) The Secretary may delegate the authority
9 for such functions to such extent as he or she may deem
10 practical and permissible by law."

11 Section 19. Title 55 of the Code of the Federated States of
12 Micronesia, as amended, is hereby further amended by enacting a new
13 section 205A to read as follows:

14 "Section 205A. Statements of account.

15 (1) The Secretary must as soon as practical after the
16 end of each fiscal year, but no later than the end of
17 the third month of the next succeeding fiscal year,
18 prepare and send to the Public Auditor a financial
19 statement of transactions affecting the funds
20 established under this act and encompassing the
21 information required under section 103G of this title.

22 (2) The financial statement of transactions, together
23 with the report thereon by the Public Auditor, must be
24 forwarded to the Speaker of the Congress within one
25 month of it being received by the Public Auditor, and

1 the Speaker shall circulate the statement to members and
2 offer the members the opportunity to debate the
3 statement in open session.

4 (3) When the Public Auditor has not completed his or
5 her report on the financial statement of transactions,
6 he or she must report on those which are accountable and
7 list those which are accountable that cannot yet be
8 reported, state why, and when they can be expected."

9 Section 20. Title 55 of the Code of the Federated States of
10 Micronesia, as amended, is hereby further amended by enacting a new
11 section 205B to read as follows:

12 "Section 205B. Reporting, responsibilities of officials
13 for reporting; other relevant matters under this act.

14 (1) The Secretaries of Finance and Administration and
15 Economic Affairs are jointly responsible for preparing
16 and delivering to the President the financial
17 information required under chapters 1 and 2 of title 55.

18 (2) Every department head shall at intervals fixed by
19 the Secretary, but in any event at the end of each
20 quarter in each fiscal year, report in accordance with
21 the instructions of the Secretary, on the variables
22 specified in section 103G of this title as they relate
23 to the applicable department or agency.

24 (3) At the conclusion of each fiscal year, all heads
25 of departments and agencies shall present to the

Secretary an annual report as specified by the Secretary and covering all the information required under section 103G of this title as it applies to the department or agency.

(4) Such annual report shall specify the results achieved in comparison with the budget message and the provision of outcomes in the annual budget proposal for which all appropriation was provided under the appropriation act.

(5) The financial statements of each department or agency shall at the end of the fiscal year, be examined and reported upon by the Public Auditor and transmitted to the Speaker of Congress as soon as practical after forwarding of the financial statement of transactions required under section 205A(2) of this title."

Section 21. Title 55 of the Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 205C to read as follows:

"Section 205C. Responsibilities of heads of departments and agencies.

(1) Each department head is responsible for ensuring, in addition to meeting the reporting requirements specified in section 205B of this title, that:

(a) all activities of the department or agency are undertaken in a manner consistent with National

Government financial and fiscal policies, guidelines,
directions and sound financial management; and

(b) adequate arrangements exist within the
department or agency to ensure the requirements of
section 205B of this title are met.

(2) Each department head shall ensure that all
financial management obligations are met including:

(a) that forecasts provided for budgetary
purposes are as accurate as possible, take account of
all relevant information available at the time they are
prepared, are free from methodological and arithmetic
error, and are subjected to appropriate internal and
external quality assurance with respect to methodology
and timeliness;

(b) that material required by the responsible
department heads for the preparation of the annual
budget proposal will meet stated requirements with
respect to timeliness, completeness, accuracy and
format;

(c) achievement at a minimum of the forecast
levels of revenue most recently supplied for budgetary
purposes;

(d) that sound financial management systems and
internal controls exist and are operating so as to
provide:

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(i) timely and accurate financial
information; and

(ii) reasonable assurances that the
transactions recorded are within statutory authority and
properly disclose the use of all public financial
resources administered by the department or agency on
behalf of the National Government; and

(e) providing all information required by the
department or agency to enable it to meet reporting
requirements.

(3) When the Secretary of Finance and Administration
draws to the attention of the department head a case of
non-compliance with any of the sections of this title,
the department head shall immediately take action to
remedy the failure, explain the failure and the remedial
action taken."

Section 22. Title 55 of the Code of the Federated States of
Micronesia, as amended, is hereby further amended by enacting a new
section 205D to read as follows:

"Section 205D. Statements of responsibility.

(1) All reports prepared under chapters 1 and 2 of
this title shall be accompanied by statements of
responsibility.

(2) A statement of responsibility for the financial
statements of the Executive branch must be prepared and

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1 signed separately by:

2 (a) the Secretary; and

3 (b) the President.

4 (3) A statement of responsibility for the financial
5 statements of a department or agency must be prepared
6 and signed separately by:

7 (a) the department head responsible for that
8 department or agency; and

9 (b) the Secretary.

10 (4) A statement of responsibility for the financial
11 statements of Congress or the Judiciary branch must be
12 prepared and signed by the head of the respective
13 branch.

14 (5) It shall be the responsibility of the President to
15 produce the required reports for the Executive branch to
16 Congress.

17 (6) It shall be the responsibility of the Speaker of
18 Congress to ensure compliance with title 55 as it
19 applies to the role and responsibilities of Congress.

20 (7) At a minimum, all statements shall warrant the:

21 (a) integrity of the disclosures; and

22 (b) consistency with all the requirements of
23 chapters 1 and 2 relevant to the department, agency or
24 branch."

25 Section 23. Title 55 of the Code of the Federated States of

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1 Micronesia, as amended, is hereby further amended by enacting a new
2 section 205E to read as follows:

3 "Section 205E. Publication, inspection and purchase of
4 statements and reports.

5 (1) The Secretary shall, in respect of every statement
6 and report required to be published under any provision
7 of title 55, arrange for a notice to be posted in a
8 prominent position in every field office of the
9 Department of Finance and Administration in every State
10 stipulating:

11 (a) that it has been published;

12 (b) where it can be inspected free; and

13 (c) where it can be purchased and the cost
14 thereof.

15 (2) The Secretary shall, for at least two months after
16 the date of giving notice under subsection (1) of this
17 section, ensure that opportunities for free inspection
18 or purchase are available in each field office of the
19 Department of Finance and Administration in each State
20 of the Federated States of Micronesia."

21 Section 24. Title 55 of the Code of the Federated States of
22 Micronesia, as amended, is hereby further amended by enacting a new
23 section 205F to read as follows:

24 "Section 205F. Availability of financial figures.

25 Where financial figures are to be reported or published,

1 actual, rather than estimated figures, shall be used
2 whenever available."

3 Section 25. Title 55 of the Code of the Federated States of
4 Micronesia, as amended, is hereby further amended by enacting a new
5 section 205G to read as follows:

6 "Section 205G. Disclosure of policy decisions and other
7 matters that may influence future fiscal situations.

8 (1) Every economic and fiscal update prepared
9 under this act shall incorporate all Government
10 decisions that may have a material effect on the
11 economic and fiscal outlooks.

12 (2) Where the fiscal implications of Government
13 decisions referred to in subsection (1) of this section
14 cannot be quantified, they must be disclosed in the
15 statement of fiscal risks required under section
16 103F(2)(c) of this title and the said statement shall
17 specify that they cannot be quantified, and the reasons
18 why."

19 Section 26. Section 215 of title 55 of the Code of the
20 Federated States of Micronesia is hereby repealed in its entirety.

21 Section 27. Sections 216 to 223 of title 55 of the Code of the
22 Federated States of Micronesia are hereby renumbered as sections 215
23 to 222 respectively.

24 Section 28. Title 55 of the Code of the Federated States of
25 Micronesia, as amended, is hereby further amended by enacting a new

1 section 223 to read as follows:

2 "Section 223. Offenses.

3 (1) A person commits a National offense who,
4 without reasonable excuse:

5 (a) refuses or fails to produce any material
6 information that is in that person's control, in
7 relation to the financial management, financial
8 performance, or banking activities of an allottee or in
9 relation to the management or control of any public
10 resource or liability when required to do so pursuant to
11 this title; or

12 (b) resists or obstructs any person acting in the
13 discharge of that person's functions or duties or in the
14 exercise of that person's powers under this title.

15 (2) A person commits a National offense who:

16 (a) without reasonable excuse, refuses or
17 neglects to pay any public funds into a bank account of
18 the General Fund or any other fund established under
19 this title; or

20 (b) makes any statement or declaration, or gives
21 any information or certificate, required by or pursuant
22 to title 55, without adequate investigation or knowing
23 it to be false or misleading; or

24 (c) does any act for the purpose of procuring for
25 that person or for any other person or organization:

1 (i) the improper payment of any public
2 funds or trust money; or

3 (ii) the improper use of any public
4 resource; or

5 (d) willfully fails to carry out any duty or
6 obligation imposed on that person under title 55."

7 Section 29. Title 55 of the Code of the Federated States of
8 Micronesia, as amended, is hereby further amended by enacting a new
9 section 223A to read as follows:

10 "Section 223A. Obligation to report.

11 (1) A person who has knowledge of any circumstances
12 which may cause him or her to consider that an offense
13 under section 223 of this title may have occurred must
14 report those circumstances to the Secretary.

15 (2) A person who alleges a breach of title 55 to the
16 Secretary shall not be penalized in any way whether the
17 allegation is proved or not."

18 Section 30. Title 55 of the Code of the Federated States of
19 Micronesia, as amended, is hereby further amended by enacting a new
20 section 223B to read as follows:

21 "Section 223B. Penalties for offenses.

22 (1) A person who commits an offense under section
23 223(1) of this title is liable upon conviction:

24 (a) in the case of an individual, to a fine not
25 exceeding \$2,000 or imprisonment for a term not

1 exceeding three years or both; and

2 (b) in the case of a person or organization other
3 than an individual, to a fine not exceeding \$5,000.

4 (2) Every person who commits an offense under section
5 223(2) of this title is liable upon conviction:

6 (a) in the case of an individual to a fine not
7 exceeding \$3,000 or imprisonment for a term not
8 exceeding five years or both;

9 (b) in the case of a person other than an
10 individual, to a fine not exceeding \$7,000.

11 (3) Where any body corporate commits an offense
12 against this title, every director, secretary, manager
13 and other officer of the body corporate and every person
14 purporting to act in any such capacity shall also be
15 guilty of an offense unless that person satisfies the
16 Court that either:

17 (a) the offense was committed without that
18 person's knowledge or consent or not through that
19 person's gross negligence; or

20 (b) that person took all reasonable steps to
21 prevent the commission of the offense."

22 Section 31. Title 55 of the Code of the Federated States of
23 Micronesia, as amended, is hereby further amended by enacting a new
24 section 223C to read as follows:

25 "Section 223C. Transitional.

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(1) No person, in the preparation of financial statements, reports, annual budget proposals or forecasts, unless it is proved that the person acted intentionally, shall be convicted of any offense under section 223 of this title for any failure by that person to produce the economic and fiscal data required under section 103F of this title or the information required under the reporting requirements of section 103G of this title during a period of two years from the coming into force of this act.

(2) Where, during the two years from the coming into force of this act, any of the information required to be produced under sections 103F and 103G of this title is not able to be produced, the person responsible for producing the statement, report, annual budget proposals or forecast will record in writing the reasons why the information cannot be produced at the beginning of the statement, report, annual budget proposals or forecast, as the case may be."

Section 32. Sections 225 and 226 of title 55 of the Code of the Federated States of Micronesia are hereby repealed in their entirety.

Section 33. Title 55 of the Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 226 to read as follows:

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1 "Section 226. Allottees' reports required.

2 (1) No later than May 1 of each year, each allottee
3 shall submit a report to the Congress which shall
4 provide for a performance assessment, as of the end of
5 the second quarter of the fiscal year, against all sums
6 appropriated by the Congress or made available to that
7 allottee from another source. The performance
8 assessment shall evaluate whether the outcomes delivered
9 are consistent with the outputs specified in the
10 appropriation obligating the funds, and, where the
11 performance is not delivered, justify why not.

12 (2) No later than October 31 of each year,
13 each allottee shall submit a report to the Congress
14 which shall provide for a performance assessment, as of
15 the end of the fiscal year, all sums appropriated by the
16 Congress or made available to that allottee from another
17 source. The performance assessment shall evaluate
18 whether the outcomes delivered are consistent with the
19 outputs specified in the appropriation obligating the
20 funds, and, where the performance is not delivered,
21 justify why not."

1 Section 34. This act shall become law upon approval by the
2 President of the Federated States of Micronesia or upon its becoming
3 law without such approval.

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5 Date:

1/26/2000

Introduced by:

Joseph J. Urusemal
(by request)

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