A BILL FOR AN ACT

To further amend title 21 of the Code of the Federated States of Micronesia, as amended, by amending sections 209, 210, 213, 219, 225 and 227 thereof relating to the composition, powers and responsibilities of the Board of Directors of Telecommunications Corporation, and for other purposes.

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

Section 1. Section 209 of title 21 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 209. Board of Directors - Establishment, Powers and Responsibilities.

The affairs of the Corporation shall be managed and its corporate powers exercised under the supervision of a Board of Directors, hereinafter referred to as "the Board. In addition to such powers and responsibilities as may be described in other sections of this title, the Board shall

(a) Approve a strategic plan for the Corporation and receive periodic reports from management of the Corporation regarding implementation of the plan;

(b) Review and approve the annual budget for the Corporation prepared pursuant to section 225 of this title;

(c) Require management of the Corporation to implement such internal controls as necessary to ensure
that financial information reported by the Corporation
is complete and reliable and that all receipts and
expenditures of the Corporation are processed and
reported in accordance with approved policies and
procedures;

(d) Approve significant accounting standards and
policies to be applied in preparing the financial
statements of the Corporation;

(e) Establish a management compensation policy,
addressing the objectives of management compensation,
the factors to be considered by the Board in approving
the compensation of management, the appropriate
relationship between compensation levels for management
of the Corporation and the compensation of management of
other businesses in the Federated States of Micronesia
and in other comparable countries, and such other
matters as the Board may deem pertinent;

(f) Adopt a conflict of interest policy
applicable to the Board and employees of the
Corporation, and take such actions as necessary and
appropriate to prevent violations of that policy; and

(g) Adopt a schedule of authority which shall set
forth (i) the limits of each member of management’s
authority to enter into transactions or incur
obligations on behalf of the Corporation and (ii) the
limits of management’s authority to enter into transactions or incur obligations without approval of the Board.”

Section 2. Section 210 of title 21 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 210. Board of Directors -- Composition.
The Board shall be composed of five voting members. [One member shall be appointed by the President of the Federated States of Micronesia with the advice and consent of the Congress. The Governor of each State of the Federated States of Micronesia shall appoint one member of the Board with the advice and consent of the respective State legislature.] One member of the Board shall be a representative of the National Government, and there shall be one member representing each of the States. All appointments to the Board, on or after the effective date of this Act [or thereafter], shall be made by the President of the Federated States of Micronesia with the advice and consent of Congress. The appointment of any State representative on the Board shall be upon the recommendation to the President by the Governor of the pertinent State. Appointments shall be made so that all times,
beginning no later than January 1, 2006, the Board includes at least one member with knowledge of financial matters by virtue of having training or work experience as an accountant, business financial manager, banker or regulator. In making all appointments, preference shall be given to persons with experience or training relating to telecommunications, business management, accounting or finance, however, each member shall have a college degree and five-years of related work experience. The chief executive officer of the Corporation shall serve ex officio as a member of the Board but he shall have no right to vote."

Section 3. Section 213 of title 21 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

'Section 213. Board of Directors—Vacancies.

(1) Every vacancy on the Board shall be filled for the unexpired portion of the term in the same manner as originally filled. Upon determination that a vacancy exists, the chairman or, in his absence, the presiding officer of the Board shall issue a notice of vacancy to all members of the Board and the parties responsible for filling the vacancy.
(2) Any vacancy occasioned by failure to make a nomination to the Congress [or a State legislature] prior to the expiration of the previous term, or by failure to submit a nomination within sixty days of receipt of notice that a vacancy exists, or within ten days of receipt of notice of rejection of nomination, shall be filled by nomination of the Speaker of the Congress [or the Speaker of the State legislature], subject to advice and consent of the Congress [or the legislature] or an authorized committee thereof. The nomination of the President [or Governor] shall be entitled to consideration if such nomination is made prior to that of the Speaker."

Section 4. Section 219 of title 21 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 219. Board of Directors -- Executive committee -- Establishment; Meetings. There shall be an executive committee of the Board composed of the chairman, vice chairman, and secretary-treasurer, or their individually designated substitutes chosen from among the membership of the Board. At all times, beginning no later than January 1,
2006, at least one member shall have knowledge of financial matters by virtue of having training or work experience as an accountant, business financial manager, banker or regulator. The executive committee shall meet with the chief executive officer at least once per calendar quarter at such times and places as shall be determined by the bylaws."

Section 5. Section 225 of the Code of the Federated States of Micronesia is hereby amended to read as follows:


The budget and finance officer shall prepare in advance of each fiscal year, under the supervision of the chief executive officer, an annual budget for the Corporation, taking into consideration anticipated capital and operational expenditures and anticipated revenues. [The budget shall be subject to the approval of the Board.]

Upon approval by the Board, the budget shall be transmitted to the President and the Congress of the Federated States of Micronesia. The Corporation shall use the same fiscal calendar as that of the Government of the Federated States of Micronesia. The budget shall indicate the operational, capital, and maintenance requirements of the Corporation that will be met with the anticipated revenues of the Corporation, and such essential requirements as cannot be met without increase
in the rate of revenues or outside financial assistance.”

Section 6. Section 227 of title 21 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 227. Accounts and records.

(1) The Board and the chief executive officer shall be jointly responsible to ensure that the budget and finance officer prepares proper and complete books of account reflecting all income, expenses, assets, liabilities, capital, and retained earnings of the Corporation. Accounting for the Corporation shall be on the accrual basis so as to enable periodic determination of profit and loss from operations and the full cost of providing services. Expenses shall include depreciation on fixed assets and amortization of long term debt.

(2) The Board, not later than ninety days after the close of each governmental fiscal year, shall submit to the President, the Congress, and the Governor and legislature of each State a complete report, on the year just concluded including audited financial statements, a comparison of actual financial results with the budget for the year, [•]
statement as to the monetary and other compensation received during the year by the Corporation’s chief executive officer and four other most highly compensated employees] any personnel contracts for a value greater than $30,000, a description of the principal activities of the Corporation during the fiscal year, the present condition of the Corporation, and such other matters as the Board shall deem appropriate. The report submitted under this section shall be signed by all members of the Board. The financial statements shall include at least a balance sheet, operating statements, statement of changes in financial position, and analysis of changes in retained earnings. The financial statements shall include information on the financial results for the year just concluded and for the two previous years.

(3) The Public Auditor shall audit the financial statements and annually by independent auditors approved by the Public Auditor and the Board. Each year, within thirty days of the completion of the audit, the Board or the Executive Committee shall meet with the independent auditors, outside the presence of any member of management of the Corporation, to discuss with the auditors any significant issues identified during the audit, any
differences between management and the auditors respecting the reporting of any item contained in the financial statements, the adequacy of the Corporation’s internal controls, any contingencies that could have a material effect on the financial condition of the Corporation and such other matters as the auditors or the Board deems appropriate."

Section 7. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

Date: 10/10/04

Introduced by: /s/ Moses A. Nelson

Moses A. Nelson