
AN ACT

To amend Public Law No. 1-45, the Financial Management Act of 1979, and for other purposes.

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

1 Section 1. Public Law No. 1-45 is hereby amended by adding a new

2 Section 11 as follows:

3 "Section 11. Allotment of Funds.

4 (1) Definitions:

5 (a) For purposes of this act, "allotment" means the
6 delegation of authority to a person to create legally enforce-
7 able financial obligations in accordance with applicable law
8 on behalf of the Federated States of Micronesia, within
9 specified limits set forth in an appropriation act of the
10 Congress of the Federated States of Micronesia or as may be
11 required by the terms of funding available from other sources;

12 (b) For purposes of this act, "allot" means to make
13 an allotment;

14 (c) For purposes of this act, "allottee" means a
15 person to whom an allotment is made.

16 (2) The authority to make allotments shall be vested in
17 the President of the Federated States of Micronesia or his
18 designee, who shall make an allotment not later than ten days
19 before the beginning of the fiscal year for which the appro-
20 priation is available, or not more than thirty days after the
21 act under which an appropriation is made available takes effect,
22 whichever is later. An allottee shall be notified immediately

1 after the making of an allotment. If sound financial manage-
2 ment practices and techniques so require, allotments may be
3 made monthly, quarterly or at other intervals, provided that
4 the allottee of such funds is made aware of the periodic
5 nature of his allotment(s).

6 (3) Unless otherwise specifically required by law, funds
7 shall be allotted as follows:

8 (a) The President of the Federated States of
9 Micronesia, or his designee(s), shall be the allottee of all
10 funds appropriated for the operations or activities of the
11 executive branch of the Federated States of Micronesia Govern-
12 ment;

13 (b) The Speaker of the Congress of the Federated
14 States of Micronesia, or his designee(s), shall be the allottee
15 of all funds appropriated for the operations or activities of
16 the Congress;

17 (c) The Chief Justice of the Supreme Court of the
18 Federated States of Micronesia, or his designee(s), shall be
19 the allottee of all funds appropriated for the operations or
20 activities of the judicial branch of the Federated States of
21 Micronesia Government;

22 (d) The Public Auditor shall be the allottee of all
23 funds appropriated to the Public Auditor;

24 (e) The Governor of a state, or his designee(s),
25 shall be the allottee of all funds appropriated to the state;

1 (f) The President of the Federated States of Micro-
2 nesia, or his designee(s), shall be the allottee of any funds
3 appropriated for any activity, entity or person not included
4 within the provisions of Subsections (a) through (e) of this
5 section."

6 Section 2. Subsections (1) and (2) of Section 12 of Public Law
7 No. 1-45 are hereby renumbered to be Subsections (2) and (3) respectively
8 and Section 12 of Public Law No. 1-45 is amended by the addition of a new
9 Subsection (1), as follows:

10 "Section 12. Documentary Evidence Required to Support Obliga-
11 tion of Funds.

12 (1) Definition. For purposes of this act, "obligation"
13 means legal liability for salaries and wages, contractual services,
14 contracts entered into for the purchase of supplies and equipment,
15 construction and land; and loans or other commitments requiring
16 the payment of money.

17 (2) No amount shall be recorded as an obligation of the
18 Government of the Federated States of Micronesia unless it is
19 supported by documentary evidence of:

20 (a) a binding agreement in writing, between the parties
21 thereto, including Government agencies, in a manner and form and
22 for a purpose authorized by United States or Federated States of
23 Micronesia law, executed before the expiration of the period of
24 availability for obligation of the appropriation or fund concerned
25 for specific goods to be delivered, real property to be purchased

1 or leased, or work or services to be performed; or

2 (b) a valid loan agreement, showing the amount of
3 the loan to be made and the terms or schedule of repayment
4 thereof; or

5 (c) an order required by United States or Federated
6 States of Micronesia law to be placed with an agency; or

7 (d) an order issued pursuant to United States or
8 Federated States of Micronesia law authorizing purchases with-
9 out advertising when necessitated by public exigency or for
10 perishable subsistence supplies or within specific monetary
11 limitations; or

12 (e) a grant or subsidy payable -

13 (i) from appropriations made for payment of or
14 contributions toward sums required to be paid in specific
15 amounts fixed by United States or Federated States of Micronesia
16 law, or in accordance with formulae prescribed by United States
17 or Federated States of Micronesia law; or

18 (ii) pursuant to an agreement authorized by, or
19 plans approved in accordance with and authorized by United
20 States or Federated States of Micronesia law; or

21 (f) a liability which may result from pending litiga-
22 tion brought under authority of United States or Federated
23 States of Micronesia law; or

24 (g) employment or services of persons or expenses of
25 travel in accordance with United States or Federated States of

1 Micronesia law, or services performed by public utilities; or
2 (h) any other legal liability of the Federated
3 States of Micronesia against an appropriation or funds legally
4 available therefor.

5 (3) No appropriation or fund which is limited for obliga-
6 tion purposes to a definite period of time shall be available for
7 expenditure after the expiration of such period except for the
8 liquidation of amounts obligated in accordance with Subsection
9 (2) of this Section, PROVIDED, HOWEVER, that no appropriation
10 shall remain available for expenditure for any period beyond
11 that authorized by United States or Federated States of Micro-
12 nesia law."

13 Section 3. Section 11 of Public Law No. 1-45 is hereby renumbered
14 to be Section 13 and is amended to read as follows:

15 "Section 13. Overobligation of Funds Subject to Criminal
16 Penalty.

17 (1) Unless otherwise specifically authorized by law, no
18 officer or employee of the Federated States of Micronesia, or
19 allottee of funds shall make or authorize an expenditure from,
20 or create or authorize an obligation pursuant to any appropria-
21 tion, apportionment, reappropriation, or allotment of funds of
22 the United States Government or the Federated States of Micro-
23 nesia Government:

24 (a) in excess of the sum made available by law;

25 (b) in advance of the availability of funds; or

1 (c) for purposes other than those for which an
2 allotment has been made.

3 (2) In the case of a violation of Subsection (1) above, the
4 Director of Finance shall immediately report to the President
5 and to the Congress of the Federated States of Micronesia all
6 pertinent facts together with a statement of the action taken or
7 proposed to be taken with respect thereto.

8 (3) Any officer or employee of the Federated States of Micro-
9 nesia Government, or an allottee, who shall knowingly and willfully
10 violate Subsections (1) and (2) of this Section shall, upon con-
11 viction, be fined not more than twenty thousand dollars (\$20,000)
12 or imprisoned for not more than twenty years, or both."

13 Section 4. Public Law No. 1-45 is hereby amended by adding a new
14 Section 14 to read as follows:

15 "Section 14. Disbursements. Unless otherwise specifically
16 provided by law, the following procedures shall control the
17 administration and management of all funds appropriated from
18 the General Fund of the Federated States of Micronesia or made
19 available to the Federated States of Micronesia from other
20 sources:

21 (1) All such funds shall remain in the custody and control
22 of the Director of Finance until they are obligated and disbursed
23 by him in accordance with law;

24 (2) Such funds shall be deemed to be obligated as of the
25 date the person or entity to whom the funds are allotted enters

1 into a legally binding written agreement supported by the
2 documentary evidence required by Section 12 of this act or rules
3 and regulations issued pursuant to authority vested by Section
4 17 of this act;

5 (3) The Director of Finance shall disburse such funds as
6 may be required to liquidate valid obligations within 30 days of
7 their becoming payable, as indicated by valid documentary
8 evidence of such obligation and a valid claim for payment, if
9 required by the terms of the document evidencing the obligation."

10 Section 5. Section 13 of Public Law No. 1-45 is hereby renumbered to
11 be Section 15 and amended to read as follows:

12 "Section 15. Unexpended Funds.

13 (1) Unless otherwise provided by law, all sums of money
14 which are appropriated for any fiscal period, and which are not
15 expended during the period, shall lapse and shall not be issued
16 or applied in any future fiscal period to the particular purpose
17 for which the appropriation has been so made, unless a valid
18 obligation has been made before the expiration of the fiscal
19 period by which a liability to issue or apply the same has been
20 incurred, and a certified copy of such valid obligation has been
21 deposited with the Director of Finance.

22 (2) The Director of Finance is authorized to cancel an
23 obligation not liquidated within one year of the time it became
24 payable, as indicated by valid documentary evidence of such
25 obligation, if the reason for not liquidating the obligation was

1 the failure of a party to submit a valid claim for payment as
2 required by the terms of the document evidencing the obligation."

3 Section 6. Public Law No. 1-45 is hereby amended by adding a new
4 Section 16 to read as follows:

5 "Section 16. Reports Required.

6 (1) Not later than May 1 of each year, each allottee shall
7 submit a report to the Congress of the Federated States of Micro-
8 nesia which shall provide for the full accounting of each line
9 item, or subsection apportioning funds, as of the end of the
10 second quarter of the fiscal year, detailing obligations
11 incurred against all sums appropriated by the Congress of the
12 Federated States of Micronesia or made available to an allottee
13 from other sources, to include a detailed explanation and full
14 justification for each major deviation from a line item, or
15 subsection apportioning funds.

16 (2) Not later than October 31 of each year, each allottee
17 shall submit a report to the Congress of the Federated States of
18 Micronesia which shall provide for the full accounting of each
19 line item, or subsection apportioning funds as of the end of the
20 fiscal year, detailing obligations and expenditures incurred
21 against all sums appropriated by the Congress of the Federated
22 States of Micronesia or made available to an allottee from
23 other sources, to include a detailed explanation and full justi-
24 fication for each major deviation from a line item, or sub-
25 section apportioning funds."

1 Section 7. Sections 14, 15 and 16 of Public Law No. 1-45 are hereby
2 renumbered to be Sections 17, 18, and 19, respectively.

3 Section 8. This act shall become law upon approval by the President
4 of the Federated States of Micronesia, or upon its becoming law without
5 such approval.

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July 25, 1980


Tosiwo Nakayama
President
Federated States of Micronesia