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:
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4 "Section 11. Allotment of Funds.
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6 (1) Definitions:
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8 (a) For purposes of this act, "allotment" means the
deviation of authority to a person to create legally enforce-
able financial obligations in accordance with applicable law
on behalf of the Federated States of Micronesia, within
specified limits set forth in an appropriation act of the
Congress of the Federated States of Micronesia or as may be
required by the terms of funding available from other sources;
(b) For purposes of this act, "allot" means to make
an allotment;
(c) For purposes of this act, "allottee" means a
person to whom an allotment is made.

(2) The authority to make allotments shall be vested in
the President of the Federated States of Micronesia or his
designee, who shall make an allotment not later than ten days
before the beginning of the fiscal year for which the appro-
priation is available, or not more than thirty days after the
act under which an appropriation is made available takes effect,
whichever is later. An allottee shall be notified immediately
after the making of an allotment. If sound financial management practices and techniques so require, allotments may be made monthly, quarterly or at other intervals, provided that the allottee of such funds is made aware of the periodic nature of his allotment(s).

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

(a) The President of the Federated States of Micronesia, or his designee(s), shall be the allottee of all funds appropriated for the operations or activities of the executive branch of the Federated States of Micronesia Government;

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

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

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

(e) The Governor of a state, or his designee(s), shall be the allottee of all funds appropriated to the state;
(f) The President of the Federated States of Micronesia, or his designee(s), shall be the allottee of any funds appropriated for any activity, entity or person not included within the provisions of Subsections (a) through (e) of this section."

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

"Section 12. Documentary Evidence Required to Support Obligation of Funds.

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

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

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

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

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

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

(e) a grant or subsidy payable -

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

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

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

(g) employment or services of persons or expenses of
travel in accordance with United States or Federated States of
Micronesia law, or services performed by public utilities; or
(h) any other legal liability of the Federated
States of Micronesia against an appropriation or funds legally
available therefor.

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

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

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

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

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

(b) in advance of the availability of funds; or
(c) for purposes other than those for which an
allotment has been made.

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

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

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

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

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

(2) Such funds shall be deemed to be obligated as of the
date the person or entity to whom the funds are allotted enters
into a legally binding written agreement supported by the
documentary evidence required by Section 12 of this act or rules
and regulations issued pursuant to authority vested by Section
17 of this act;

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

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

"Section 15. Unexpended Funds.

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

(2) The Director of Finance is authorized to cancel an
obligation not liquidated within one year of the time it became
payable, as indicated by valid documentary evidence of such
obligation, if the reason for not liquidating the obligation was
the failure of a party to submit a valid claim for payment as required by the terms of the document evidencing the obligation."

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

"Section 16. Reports Required.

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

(2) Not later than October 31 of each year, each allottee shall submit a report to the Congress of the Federated States of Micronesia which shall provide for the full accounting of each line item, or subsection apportioning funds as of the end of the fiscal year, detailing obligations and expenditures incurred against all sums appropriated by the Congress of the Federated States of Micronesia or made available to an allottee from other sources, to include a detailed explanation and full justification for each major deviation from a line item, or subsection apportioning funds."
Section 7. Sections 14, 15 and 16 of Public Law No. 1-45 are hereby renumbered to be Sections 17, 18, and 19, respectively.

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

July 25, 1980

Tosiwo Nakayama
President
Federated States of Micronesia