
A BILL FOR AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 5-16, 5-88, 5-119, 5-121, 5-136 and 6-22, by amending sections 202, 204, 207, 218, 223 and 227 to clarify the scope of the authority granted thereunder, and for other purposes.

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

1 Section 1. Section 202 of title 55 of the Code of the Federated
2 States of Micronesia is hereby amended to read as follows:

3 "Section 202. Declaration of Policy. It is the declared
4 policy of the Government of the Federated States of
5 Micronesia that:

6 (1) the accounting of the Federated States of
7 Micronesia Government shall provide full disclosure of the
8 results of financial operations, adequate financial
9 information needed in the management of operations, and the
10 formulation and execution of the national budget and shall
11 ensure effective control over income, expenditures, funds,
12 property, and other assets, whether tangible or intangible.

13 (2) the accounting of the Federated States of
14 Micronesia shall be performed in a manner consistent with
15 generally accepted accounting principles as established by
16 the United States Governmental Accounting Standards Board.

17 (3) full consideration be given to the needs and
18 responsibilities of both the legislative and executive
19 branches of the Government in the establishment of
20 accounting and reporting systems and such other fiscal
21 requirements.

22 (4) it is the responsibility of the executive branch
23 to maintain accounting systems and to produce financial
24 reports with respect to the operations of the executive
25 departments and staff offices, including central facilities

1 which gather and disseminate information on the results of
2 the financial operations of the Federated States of
3 Micronesia Government as a whole.

4 (5) emphasis shall be placed on effectuating
5 systematic and orderly improvements in financial management
6 of the Federated States of Micronesia Government in order
7 to formulate, adopt, and maintain simplified and more
8 effective accounting systems, financial reporting
9 procedures, budget processes, auditing requirements, and
10 procedures and to safeguard against duplication and to
11 eliminate systems and processes that do not serve a purpose
12 commensurate with the costs involved.

13 (6) the Secretary of Finance, together with the
14 Budget Officer, shall conduct a continuous review program
15 for the improvement of accounting and financial reporting
16 in the Government of the Federated States of Micronesia.

17 (7) the purpose of this chapter is to set out
18 procedural rules for financial management, such as
19 accounting and disbursement procedures, but not substantive
20 rules or limitations on the permissible purposes or limits
21 for expenditures. Nothing in this chapter shall be
22 construed as limiting the authority of each branch of the
23 National Government to promulgate its own regulations
24 relating to issues beyond the scope of this chapter, such
25 as the establishment of permissible purposes or limits on

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1 expenditures for the operations or activities of each
2 branch of government. Permissible purposes or limits on
3 expenditures shall be established, unless otherwise limited
4 by appropriation law, by regulation promulgated by the head
5 of the branch of government for whose operations or
6 activities the expenditures are made."

7 Section 2. Section 204 of title 55 of the Code of the Federated
8 States of Micronesia is hereby amended to read as follows:

9 "Section 204. Secretary of Finance - General duties.

10 (1) The Secretary of Finance shall prepare and review
11 plans for the improvement and management of revenue and for
12 the support of the public credit; supervise the collection
13 of all revenues; prescribe the forms of keeping and
14 rendering all public accounts and returns, unless directed
15 by the head of a branch of government to accept a form,
16 relating to the expenditure of funds for the operations and
17 activities of the branch, which the head of the branch has
18 determined better serves the needs of the branch and which
19 provides substantially the same information; grant, subject
20 to statutory provisions, all warrants for moneys to be
21 issued from the National Treasury in pursuance of
22 appropriations by law; prepare and issue reports and fiscal
23 information as may be required by law; and generally
24 perform all such services relative to finances as he shall
25 be directed to perform from time to time.

1 (2) The Secretary may delegate the authority for such
2 functions to such extent as he may deem practicable and is
3 permissible by law."

4 Section 3. Section 207 of title 55 of the Code of the Federated
5 States of Micronesia is hereby amended to read as follows:

6 "Section 207. Treasurer - Duties.

7 (1) The Secretary of Finance shall have full
8 responsibility and authority for the National Treasury and
9 shall be legally responsible for the administration,
10 collection, and safekeeping of all moneys due and paid into
11 the Treasury of the Federated States of Micronesia as
12 general realizations of the Government of the Federated
13 States of Micronesia, and for the disbursement and
14 appropriation thereof pursuant to law; PROVIDED, however,
15 that this responsibility and authority shall not extend to
16 the determination of permissible purposes or limits on
17 expenditures for the operations or activities of each
18 branch of government, and shall not extend to the power to
19 withhold or disapprove, on the basis of the purpose or
20 limit of the expenditure, disbursement of funds relating to
21 such expenditures.

22 (2) He shall perform his duties in accordance with
23 section 1, article XII of the Constitution and shall
24 undertake such other duties that may be prescribed by law
25 or through administrative directives issued by the

1 President from time to time.

2 (3) The Secretary may delegate authority conferred
3 upon him by this section."

4 Section 4. Section 218 of title 55 of the Code of the
5 Federated States of Micronesia is hereby amended to read as
6 follows:

7 "Section 218. Documentary evidence required to
8 support obligations. A. No amount shall be recorded
9 as an obligation of the Government of the Federated
10 States of Micronesia unless it is supported by
11 documentary evidence of:

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

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

24 (3) an order required by United States or
25 Federated States of Micronesia law to be placed with

1 an agency; or

2 (4) an order issued pursuant to United States or
3 Federated States of Micronesia law authorizing purchases
4 without advertising when necessitated by public exigency
5 or for perishable subsistence supplies or within specific
6 monetary limitations; or

7 (5) a grant or subsidy payable:

8 (a) from appropriations made for payment of
9 or contributions toward sums required to be paid in
10 specific amounts fixed by United States or Federated
11 States of Micronesia law, or in accordance with
12 formulae prescribed by United States or Federated
13 States of Micronesia law, or

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

17 (6) a liability which may result from pending
18 litigation brought under authority of United States or
19 Federated States of Micronesia law; or

20 (7) employment or services of persons or expenses
21 of travel in accordance with United States or Federated
22 States of Micronesia law, or services performed by
23 public utilities; or

24 (8) any other legal liability of the Federated
25 States of Micronesia against an appropriation or funds

1 legally available therefor.

2 B. Nothing in part A of this section shall be construed
3 to prohibit the payment of advances on funds appropriated
4 for travel or representation where the head of a branch
5 of government determines by regulation that such advances
6 are necessary in specified circumstances; PROVIDED,
7 however, that documentary evidence shall be established
8 within 30 calendar days after payment of the advance."

9 Section 5. Section 223 of title 55 of the Code of the
10 Federated States of Micronesia is hereby amended to read as
11 follows:

12 "Section 223. Disbursement procedures. Unless
13 otherwise specifically provided by law, the following
14 procedures shall control the administration and
15 management of all funds appropriated from the General
16 Fund of the Federated States of Micronesia or made
17 available to the Federated States of Micronesia from
18 other sources:

19 (1) All such funds shall remain in the custody
20 and control of the Secretary of Finance until they are
21 obligated and disbursed by him in accordance with law.

22 (2) Except as provided in part B of section 218
23 of this chapter, §such funds shall be deemed to be
24 obligated as of the date the person or entity to whom the
25 funds are allotted enters into a legally binding written

1 agreement supported by the documentary evidence required by
2 section 218 of this chapter or rules and regulations issued
3 pursuant to authority vested by section 227 of this chapter.

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

10 Section 6. Section 227 of title 55 of the Code of the Federated
11 States of Micronesia is hereby amended to read as follows:

12 "Section 227. Rules and regulations. The Secretary of
13 Finance is hereby authorized to issue and promulgate rules
14 and regulations ~~implementing the provisions of~~ providing
15 for accounting and disbursement procedures consistent with
16 this chapter which, upon approval by the President of the
17 Federated States of Micronesia, shall have the force and
18 effect of law. Where additional rules or regulations may be
19 required to clarify or implement substantive provisions of
20 this chapter, such as the establishment of permissible
21 purposes or limits on expenditures, then, to the extent not
22 so defined in the appropriating statute, the head officer of
23 each branch of the National Government is hereby authorized
24 to issue and promulgate appropriate rules and regulations
25 which shall be binding upon their respective branches with

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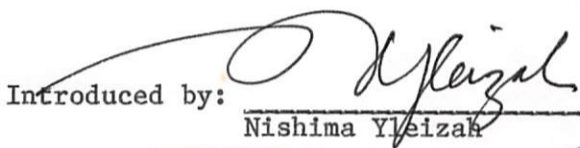
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1 the force and effect of law. For purposes of this section,
 2 the Office of the Public Auditor shall be considered a
 3 separate branch of the National Government. Also for the
 4 purposes of this section, the agencies, boards, authorities,
 5 commissions, and corporations of the National Government
 6 shall be considered part of the executive branch."

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

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Date: 11-17-89

Introduced by: 
 Nishima Yleizak

