
A BILL FOR AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia, as amended, by repealing chapter 3 in its entirety and enacting a new chapter 3 to bring the FSM's Internal Budget and Finance Procedures into compliance with the amended Compact, and for other purposes.

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

1 Section 1. Chapter 3 of title 55 of the Code of the
2 Federated States of Micronesia is hereby repealed in its entirety.

3 Section 2. Title 55 of the Code of the Federated States of
4 Micronesia, as amended, is hereby further amended by enacting a
5 new chapter 3 entitled "Internal Fiscal Procedures for Compact
6 Implementation".

7 Section 3. Title 55 of the Code of the Federated States of
8 Micronesia, as amended, is hereby further amended by enacting a
9 new section 301 of chapter 3 to read as follows:

10 "Section 301. Purpose. The purpose of this chapter is
11 to establish fiscal procedures for the Compact period
12 beginning in Fiscal Year 2004. The provisions set forth
13 hereinafter recognize the right of the State Governments
14 and the National Government of the Federated States of
15 Micronesia to authorize the use of Compact funds in
16 accordance with their own respective laws, plans,
17 policies and prerogatives consistent with the terms and

1 conditions set forth in the Compact and contained
2 herein. The President is hereby empowered to ensure
3 compliance with such terms and conditions, and to ensure
4 accountable financial management of all Compact funds."

5 Section 4. Title 55 of the Code of the Federated States of
6 Micronesia, as amended, is hereby further amended by enacting a
7 new section 302 of chapter 3 to read as follows:

8 "Section 302. Definitions.

9 For purposes of this chapter only, the following terms
10 shall have the following meanings:

11 (1) 'Accrued Expenditures' means charges incurred by a
12 Government during a given period requiring the provision
13 of funds for: (a) goods and other tangible property
14 received; (b) services performed by employees,
15 contractors, sub-grantees, subcontractors, and other
16 third party non-contractors; and (c) other amounts
17 becoming owed under programs for which no current
18 services or performance is required, such as annuities,
19 insurance claims, and other benefit payments, all as
20 evidenced by a pending disbursements report.

21 (2) 'Annual Report' means the Annual Report of the
22 President of the Federated States of Micronesia to the
23 Government of the United States in compliance with
24 Section 214 of the Compact.

25 (3) 'Compact' means the Compact of Free Association,

1 as Amended, and its related agreements entered into by
2 the Government of the Federated States of Micronesia and
3 the Government of the United States and enacted as
4 United States Public Law No. 108-188, unless otherwise
5 specified herein.

6 (4) 'Compact Budget Request' means the annual Compact
7 funding request for the upcoming Fiscal Year and
8 estimated funding levels for the two subsequent Fiscal
9 Years.

10 (5) 'Congress' means the Congress of the Federated
11 States of Micronesia, unless otherwise specified herein.

12 (6) 'Fiscal Procedures Agreement' means the 'Agreement
13 Concerning Procedures for the Implementation of United
14 States Economic Assistance Provided in the Compact of
15 Free Association, as amended, Between the Government of
16 the United States and the Government of the Federated
17 States of Micronesia' entered into in connection with
18 the Compact.

19 (7) 'Fiscal Year' means each one year period beginning
20 October 1 and ending on the next following September 30.
21 Each Fiscal Year shall be designated by the number of
22 the calendar year in which such Fiscal Year ends.

23 (8) 'Government' means a State Government or the
24 National Government of the Federated States of
25 Micronesia, unless otherwise specified.

1 (9) 'Grant Award' means a formal offer of funds by the
2 Government of the United States to the Government of the
3 Federated States of Micronesia pursuant to the terms of
4 the Compact for the purpose of funding programs and
5 activities within a specific Sector.

6 (10) 'JEMCO' means the Joint Economic Management
7 Committee established pursuant to the Compact and the
8 Fiscal Procedures Agreement.

9 (11) 'Obligation' shall have the same meaning as
10 defined in the respective Financial Management Acts of
11 the Governments.

12 (12) 'Operational Grant' means a grant associated with
13 a Sector Grant program that continues from a given
14 period to a subsequent period as defined in Article I,
15 Section 1 of the Fiscal Procedures Agreement.

16 (13) 'Original Compact' means the Compact of Free
17 Association between the Government of the Federated
18 States of Micronesia and the Government of the United
19 States in the form that was effective as of November 3,
20 1986 through September, 2003.

21 (14) 'Plan for the Division of Annual Economic
22 Assistance' means the comprehensive plan for the
23 division of economic assistance for a Fiscal Year,
24 including Annual Grant budgets by Sector, as described
25 in Article V, Section 1(b) of the Fiscal Procedures

1 Agreement, and may include such additional reports,
2 narratives, summaries, documentation and other
3 information as the President deems appropriate.

4 (15) 'Secretary' means the Secretary of the Department
5 of Finance and Administration for the Federated States
6 of Micronesia, or his successor in the executive
7 structure of the National Government of the Federated
8 States of Micronesia.

9 (16) 'Sector' means one of the six grant sectors
10 described in Section 211(a) of the Compact and Article
11 II, Section 1, of the Fiscal Procedures Agreement, as
12 such sectors may be adjusted during the term of the
13 Compact.

14 (17) 'Sector Grant' means the funds that are to be
15 provided pursuant to a given Sector.

16 (18) 'State' means any of the states of the Federated
17 States of Micronesia."

18 Section 5. Title 55 of the Code of the Federated States of
19 Micronesia, as amended, is hereby further amended by enacting a
20 new section 303 of chapter 3 to read as follows:

21 "Section 303. Division of Compact Funds among National
22 and State Governments. The chief executives of the
23 National Government and each of the State Governments
24 shall have the authority to, from time to time, enter
25 into one or more agreements setting forth the

1 proportionate amounts of Compact funds that shall be the
2 basis of each Government's Compact Budget Request under
3 section 305 of this chapter. An agreement regarding the
4 division of Compact funds may be limited to a specified
5 period of time and shall only be effective when signed
6 by the chief executive of each and every Government."

7 Section 6. Title 55 of the Code of the Federated States of
8 Micronesia, as amended, is hereby further amended by enacting a
9 new section 304 of chapter 3 to read as follows:

10 "Section 304. Compact Planning Estimates. No later
11 than November 15 of the Fiscal Year preceding a given
12 Fiscal Year, the President shall transmit the following
13 Compact planning estimates to each State Government:

14 (1) Estimated levels of Compact funding available to
15 each respective State for the upcoming Fiscal Year.

16 Such estimates shall:

17 (a) be in accordance with any agreement for
18 division of Compact funds entered into pursuant to
19 section 303 of this chapter that is effective for the
20 relevant Fiscal Year;

21 (b) reflect the Compact fund decrement; and

22 (c) reflect the amount of Sector funds that were
23 unobligated by each respective Government in the
24 previous Fiscal Year, which amount shall be added to the
25 estimated level of funding available to that Government

1 for the same Sector for the upcoming Fiscal Year.

2 (2) Estimated levels of Compact funding available
3 for the two Fiscal Years subsequent to the upcoming
4 Fiscal Year."

5 Section 7. Title 55 of the Code of the Federated States of
6 Micronesia, as amended, is hereby further amended by enacting a
7 new section 305 of chapter 3 to read as follows:

8 "Section 305. Compact Budget Requests. No later than
9 May 15 of the year preceding a given Fiscal Year, each
10 State Government and the Secretary shall submit to the
11 President a Compact Budget Request for the upcoming
12 Fiscal Year. The Compact Budget Request shall not
13 exceed the estimated levels of Compact funding provided
14 to the respective Government pursuant to section 304 of
15 this chapter."

16 Section 8. Title 55 of the Code of the Federated States of
17 Micronesia, as amended, is hereby further amended by enacting a
18 new section 306 of chapter 3 to read as follows:

19 "Section 306. Plan For the Division of Annual Economic
20 Assistance.

21 (1) The President shall consolidate the Compact Budget
22 Requests into the Plan for the Division of Annual
23 Economic Assistance. No modification to a State's
24 Compact Budget Request shall be made in the
25 consolidation process without the prior consent of the

1 relevant State Government, except to the extent that
2 such Compact Budget Request exceeds the estimated levels
3 of Compact funding provided to that State Government
4 pursuant to section 304 of this chapter.

5 (2) No later than July 3 of the year preceding a given
6 Fiscal Year, the President shall submit the Plan for the
7 Division of Annual Economic Assistance to the Government
8 of the United States and shall transmit a copy to
9 Congress and to each State Government."

10 Section 9. Title 55 of the Code of the Federated States of
11 Micronesia, as amended, is hereby further amended by enacting a
12 new section 307 of chapter 3 to read as follows:

13 "Section 307. Grant Allocations - Approval,
14 Notification, Rejection.

15 (1) Upon receipt of notice of approval by JEMCO of
16 Sector Grant allocations, the President shall transmit
17 such notice to Congress and to each State Government.

18 (2) The National Government or any State Government
19 may reject all or any portion of its proportional share
20 of an approved Sector Grant allocation for the upcoming
21 Fiscal Year. Written notice of such rejection detailing
22 those portions rejected by amount and by Sector shall be
23 provided to the President not later than September 20 of
24 the current Fiscal Year.

25 (3) The President shall immediately transmit written

1 notification of any rejection of an approved Sector
2 Grant allocation to the Government of the United States.

3 (4) Except with respect to Compact funds rejected
4 pursuant to subsection (2) of this section or disputed
5 pursuant to section 308 of this chapter, each recipient
6 Government agrees to abide by all terms and conditions
7 enumerated in each Sector Grant Award, the provisions of
8 this chapter and the terms of the Compact, including the
9 Fiscal Procedures Agreement."

10 Section 10. Title 55 of the Code of the Federated States of
11 Micronesia, as amended, is hereby further amended by enacting a
12 new section 308 of chapter 3 to read as follows:

13 "Section 308. Appeal of Special Conditions.

14 (1) If, at any time, JEMCO or the Government of the
15 United States imposes, or notifies the Federated States
16 of Micronesia of its intent to impose, any special
17 conditions or restrictions on any Compact Grant Awards,
18 the President shall immediately notify any and all
19 affected State Governments thereof and provide such
20 Government(s) with copies of all relevant documentation,
21 including the explanation that is received from the
22 United States or JEMCO of the conditions and
23 restrictions and the reasons therefor.

24 (2) Any affected Government may dispute the decision
25 to impose special conditions or restrictions by

1 submitting a written appeal for reconsideration within
2 twenty (20) days of the Federated States of Micronesia's
3 receipt of the Grant Award to which such conditions or
4 restrictions were attached or the date notification of
5 the intent to impose special conditions was received by
6 the Federated States of Micronesia from the Government
7 of the United States, in accordance with the terms of
8 the Fiscal Procedures Agreement. Any and all such
9 appeals shall be addressed to the Government of the
10 United States and routed through the Office of the
11 President. The President shall submit any such
12 appeal(s) to the Government of the United States within
13 ten (10) days of his receipt thereof."

14 Section 11. Title 55 of the Code of the Federated States of
15 Micronesia, as amended, is hereby further amended by enacting a
16 new section 309 of chapter 3 to read as follows:

17 "Section 309. Grant Acceptance.

18 The President shall sign and return to the Government of
19 the United States each Grant Award, to the extent to
20 which it has been accepted, and shall transmit a copy
21 thereof to Congress and each State Government."

22 Section 12. Title 55 of the Code of the Federated States of
23 Micronesia, as amended, is hereby further amended by enacting a
24 new section 310 of chapter 3 to read as follows:

25 "Section 310. Review of Spending Authority Legislation.

1 (1) Prior to disbursement of Compact funds, the
2 Secretary and each State Government shall submit to the
3 President a copy of the effective legislation detailing
4 by Sector the allocation and spending authority for
5 Compact funds.

6 (2) If the Secretary determines that the proposed
7 spending authority contained in legislation submitted by
8 a Government differs from its proportional share of a
9 Sector Grant Award, the Secretary shall promptly notify
10 the Government of the relevant State and the President."

11 Section 13. Title 55 of the Code of the Federated States of
12 Micronesia, as amended, is hereby further amended by enacting a
13 new section 311 of chapter 3 to read as follows:

14 "Section 311. Compact Financial Assistance Fund.

15 (1) There is hereby created a "Compact Financial
16 Assistance Fund" to be administered by and under the
17 authority of the Secretary.

18 (2) The Compact Financial Assistance Fund shall be
19 established at a bank or commercial financial
20 institution organized in accordance with the laws of the
21 United States or a state of the United States; or,
22 subject to the approval of the Government of the United
23 States, a bank or commercial financial institution
24 organized in accordance with the laws of the Federated
25 States of Micronesia, in either case for the purpose of

1 receiving payments of Grant funds pursuant to the
2 Compact.

3 (3) The purpose of the Compact Financial Assistance
4 Fund is to account for Compact funds received from the
5 Government of the United States by the Government of the
6 Federated States of Micronesia on behalf of itself and
7 each of the States from the time of receipt of such
8 Compact funding and until such funding is disbursed to
9 the respective Government to which such funding accrues.

10 (4) The accounting records and accounts maintained for
11 the fund shall be in sufficient detail to provide a full
12 and complete accounting of Compact funds received by the
13 Federated States of Micronesia."

14 Section 14. Title 55 of the Code of the Federated States of
15 Micronesia, as amended, is hereby further amended by enacting a
16 new section 312 of chapter 3 to read as follows:

17 "Section 312. Operational Reserve Fund.

18 (1) There is hereby created an "Operational Reserve
19 Fund" to be administered by and under the authority of
20 the Secretary.

21 (2) The Operational Reserve Fund shall be an interest-
22 bearing account established at a bank or commercial
23 financial institution organized in accordance with the
24 laws of the United States or a state of the United
25 States; or, subject to the approval of the Government of

1 the United States, a bank or commercial financial
2 institution organized in accordance with the laws of the
3 Federated States of Micronesia, in either case for the
4 purpose of receiving payments of Grant funds pursuant to
5 Article IV, Section 5(b)(2) of the Fiscal Procedures
6 Agreement.

7 (3) Funds on deposit in the Operational Reserve Fund
8 may be used to cover unanticipated delays of payments
9 from the Government of the United States of funds in
10 respect of Grant Awards, provided that the Government of
11 the United States has approved any such use of funds.

12 (4) In the event of an unanticipated delay of
13 payments, the Secretary shall promptly notify the
14 President and the Government of each affected State.

15 (5) If requested by the Government of a State affected
16 by an unanticipated delay of payments, the President
17 shall make reasonable efforts to obtain approval from
18 the Government of the United States for the use of
19 Operational Reserve Funds.

20 (6) Any unobligated funds remaining in the Operational
21 Reserve Fund as of the date of the final payment in
22 respect of Operational Grants during any Fiscal Year
23 shall be disbursed pursuant to section 317(5) of this
24 chapter.

25 (7) The Secretary shall pay all interest and other

1 earnings on the Operational Reserve Account to the
2 Government of the United States pursuant to Article IV,
3 Section 5(b)(2) of the Fiscal Procedures Agreement.

4 (8) If the President and the Government of every State
5 agree that the Operational Reserve Account is no longer
6 necessary, the President shall use reasonable efforts to
7 obtain the consent of the Government of the United
8 States to discontinue its use."

9 Section 15. Title 55 of the Code of the Federated States of
10 Micronesia, as amended, is hereby further amended by enacting a
11 new section 313 of chapter 3 to read as follows:

12 "Section 313. Infrastructure Maintenance Fund.

13 (1) There is hereby created an "Infrastructure
14 Maintenance Fund" to be administered by and under the
15 authority of the Secretary.

16 (2) The Infrastructure Maintenance Fund shall be
17 comprised of five interest-bearing accounts, one for
18 each Government, established at a bank or commercial
19 financial institution organized in accordance with the
20 laws of the United States or a State of the United
21 States; or, subject to the approval of the Government of
22 the United States, a bank or commercial financial
23 institution organized in accordance with the laws of the
24 Federated States of Micronesia, in either case for the
25 purpose of receiving infrastructure maintenance

1 contributions from the Government of the United States
2 and the Government of the Federated States of Micronesia
3 pursuant to Article VII, Section 7 of the Fiscal
4 Procedures Agreement.

5 (3) Not later than February 15 of each Fiscal Year,
6 each Government shall contribute from non-Compact
7 sources not less than five percent of its proportional
8 share of annual public infrastructure grants for that
9 Fiscal Year to the Infrastructure Maintenance Fund,
10 provided that a Government may delay such contribution,
11 or any portion thereof, until August 1 of that Fiscal
12 Year by written notification thereof to the President.

13 (4) The Secretary shall deposit the contributions of
14 each Government into that Government's account in the
15 Infrastructure Maintenance Fund.

16 (5) The President shall certify to the Government of
17 the United States, pursuant to Article VII, Section 7(b)
18 of the Fiscal Procedures Agreement, the consolidated
19 total amount of contributions to the Infrastructure
20 Maintenance Fund for each Fiscal Year:

21 (a) Not later than March 1 with respect to
22 contributions received on or before February 15; and

23 (b) Not later than August 15 with respect to
24 contributions received after February 15.

25 (6) The Secretary shall deposit matching contributions

1 received from the Government of the United States into
2 each Government's account in the Infrastructure
3 Maintenance Fund proportionally based upon the amount
4 contributed by each Government in that Fiscal Year.

5 (7) Not later than ninety (90) days after the end of
6 each Fiscal year, the President shall transmit an annual
7 financial report for the previous Fiscal Year, pursuant
8 to Article VII, Section 7(b) of the Fiscal Procedures
9 Agreement, showing all deposits into the Infrastructure
10 Maintenance Fund by the Government of the United States
11 and the Government of the Federated States of
12 Micronesia, the amount of income generated by the fund
13 and the fund balance.

14 (8) Each Government shall submit to the President an
15 annual infrastructure maintenance plan not later than
16 May 15 detailing the planned uses of funds available to
17 that Government from the Infrastructure Maintenance
18 Fund.

19 (9) The President shall submit to the Government of
20 the United States an annual infrastructure maintenance
21 plan not later than July 3.

22 (10) Funds on deposit in the Infrastructure Maintenance
23 Fund shall be utilized by each Government in accordance
24 with its infrastructure maintenance plan.

25 (11) The Secretary shall disburse available funds from

1 the Infrastructure Maintenance Fund account of a
2 requesting Government after:

3 (a) the requesting Government has submitted
4 Accrued Expenditure reports evidencing an authorized
5 expenditure or obligation of such funds; and

6 (b) the Secretary has determined that the
7 requesting Government has complied with each relevant
8 requirement under this section."

9 Section 16. Title 55 of the Code of the Federated States of
10 Micronesia, as amended, is hereby further amended by enacting a
11 new section 314 of chapter 3 to read as follows:

12 "Section 314. Drawdown Procedures - Cash Disbursement
13 to National and State Treasuries.

14 (1) Pursuant to Article IV, Section 5 of the Fiscal
15 Procedures Agreement, the Government of the Federated
16 States of Micronesia will receive an advance payment for
17 Compact Sector Operational Grants equivalent to two-
18 twelfths (2/12) of the annual total at the beginning of
19 the Fiscal Year and will receive advance payments
20 equivalent to one-twelfth (1/12) of the annual total at
21 the beginning of each subsequent month of the Fiscal
22 Year, except November.

23 (2) Any State Government or the Secretary may request
24 an accelerated disbursement of funds by submitting to
25 the President an Annual Cash Drawdown Schedule for

1 Compact Operational Grants for the upcoming Fiscal Year
2 based upon appropriated budgets. The request shall
3 detail by month the Government's anticipated cash
4 disbursement requirements from Compact Sector
5 Operational Grants, and shall include supporting
6 documentation.

7 (3) The President shall use reasonable efforts to
8 obtain the approval of the Government of the United
9 States for any accelerated disbursement of funds and
10 shall promptly notify the affected State Government or
11 Secretary of a decision by the Government of the United
12 States.

13 (4) The Secretary shall request Cash Disbursement for
14 non-Operational Grants from the Government of the United
15 States on behalf of each Government on the basis of
16 accrued expenditures pursuant to Article IV, section 5
17 of the Fiscal Procedures Agreement.

18 (5) Upon receipt of Compact funds, the Secretary shall
19 determine whether the amount and allocation of such
20 funds is consistent with the Sector Grant Awards. The
21 Secretary shall immediately notify the President and the
22 Government of any affected State of any discrepancy and
23 determine the cause.

24 (6) If the Secretary determines that Compact funds
25 have been withheld or suspended pursuant to Article IV,

1 Section 5(c) of the Fiscal Procedures Agreement, the
2 Secretary shall immediately notify the President and, if
3 the withholding or suspension affects a State, the
4 Government of that State. The Secretary shall withhold
5 from disbursement to the affected Government that
6 portion of the Compact funds not received as a result of
7 such withholding or suspension.

8 (7) Any Government whose Compact funding is withheld
9 or suspended pursuant to Article IV, Section 5(c) of the
10 Fiscal Procedures Agreement may dispute such withholding
11 or suspension through the Office of the President and in
12 the manner set forth in the Fiscal Procedures Act.

13 (8) Unless otherwise provided in this section, the
14 Secretary shall disburse funds from the Compact
15 Financial Assistance Fund to the National Treasury and
16 each State Treasury not later than the close of the
17 business day following the day upon which the Secretary
18 receives notice of the receipt of such funds."

19 Section 16. Title 55 of the Code of the Federated States of
20 Micronesia, as amended, is hereby further amended by enacting a
21 new section 314 of chapter 3 to read as follows:

22 "Section 314. Reprogramming/Re-Allocation of Compact
23 Funds.

24 (1) No Government shall re-allocate Compact funds from
25 one Sector to another Sector during the course of the

1 Fiscal Year.

2 (2) A Government shall reprogram funds within an
3 approved Sector Grant only upon receipt of the prior
4 written approval of the President.

5 (3) The President shall not unreasonably withhold
6 approval of requests for reprogramming of up to fifteen
7 percent (15%) of a Government's proportional share of a
8 total Sector budget or its proportional share of
9 \$1,000,000, whichever is less, within an approved Sector
10 Grant during the Fiscal Year; provided that such
11 reprogramming requests do not include and would not
12 require any of the following:

13 (a) any revision of the scope or performance
14 objectives of a Sector Grant or infrastructure project;

15 (b) an extension of the period of funding
16 availability;

17 (c) changes in key persons specifically named in
18 a Sector Grant award;

19 (d) the contracting out or otherwise obtaining
20 the services of a third party to perform non-
21 construction related activities (except general support
22 services) that are central to the purposes of the Sector
23 Grant; or

24 (e) any revision that would result in the need
25 for additional funding over and above the original

1 award.

2 (4) For proposed changes in Sector Grant budgets and
3 projects that would include or require any of the
4 revisions described or exceed the financial limits
5 provided in subsection (3) of this section, the
6 President shall use his best efforts to obtain the prior
7 approval of the Government of the United States."

8 Section 18. Title 55 of the Code of the Federated States of
9 Micronesia, as amended, is hereby further amended by enacting a
10 new section 316 of chapter 3 to read as follows:

11 "Section 316. Internal Quarterly Financial Reporting
12 Requirements. For each fiscal quarter, not later than
13 twenty (20) days after the end of such fiscal quarter,
14 each State Government and the Secretary shall submit to
15 the President the following reports:

16 (1) for all Governmental fund types:

17 (a) a statement of revenues and expenditures;

18 (b) a comparison of budget and actual

19 expenditures by function;

20 (2) with respect to Operational Grants, a budget
21 execution report for each function, including major
22 offices, cost centers, budget activities and performance
23 reports; and

24 (3) with respect to all Sector Grants, including the
25 matching share of the Infrastructure Maintenance Fund

1 provided by the Government of the United States:

2 (a) a Standard Form SF 269, or reasonable
3 facsimile thereof approved by the Government of the
4 United States; and

5 (b) a Federal Cash Transactions Report, or a
6 Standard Form SF 272, or reasonable facsimile thereof
7 approved by the Government of the United States."

8 Section 19. Title 55 of the Code of the Federated States of
9 Micronesia, as amended, is hereby further amended by enacting a
10 new section 317 of chapter 3 to read as follows:

11 "Section 317. Compact Quarterly Financial Reporting
12 Requirements.

13 For each fiscal quarter, not later than thirty (30) days
14 after the end of such fiscal quarter, the President
15 shall submit to the Government of the United States a
16 consolidated report reflecting information provided in
17 each of the reports provided pursuant Section 315 of
18 this chapter."

19 Section 20. Title 55 of the Code of the Federated States of
20 Micronesia, as amended, is hereby further amended by enacting a
21 new section 318 of chapter 3 to read as follows:

22 "Section 318. Internal Annual Final Cash Transactions
23 Report. Not later than eighty (80) days after the end
24 of each Fiscal Year, each State Government and the
25 Secretary shall submit to the President a final cash

1 transactions report for each Sector Grant. For
2 Operational Grants, the reports shall include the amount
3 of unobligated Grant funding that will carry over to
4 subsequent Fiscal Years."

5 Section 21. Title 55 of the Code of the Federated States of
6 Micronesia, as amended, is hereby further amended by enacting a
7 new section 319 of chapter 3 to read as follows:

8 "Section 319. Compact Annual Final Cash Transactions
9 Report. Not later than ninety (90) days after the end
10 of each Fiscal Year, the President shall submit to the
11 Government of the United States a final cash
12 transactions report for each Sector Grant. For
13 Operational Grants, the reports shall include the amount
14 of unobligated Grant funding that will carry over to
15 subsequent Fiscal Years."

16 Section 22. Title 55 of the Code of the Federated States of
17 Micronesia, as amended, is hereby further amended by enacting a
18 new section 320 of chapter 3 to read as follows:

19 "Section 320. Annual Report of the President to the
20 Government of the United States. Not later than the
21 last day in February of each year, the President shall
22 submit the Annual Report to the President of the United
23 States in accordance with Article V, Section 1(d), of
24 the Fiscal Procedures Agreement and Section 214 of the
25 Compact, and shall transmit copies of the Annual Report

1 to the Congress and the Government of each State."

2 Section 23. Title 55 of the Code of the Federated States of
3 Micronesia, as amended, is hereby further amended by enacting a
4 new section 321 of chapter 3 to read as follows:

5 "Section 321. Accounting and Record Keeping.

6 (1) All obligation and expenditure of Compact Funds
7 shall be in accordance with the Compact and this
8 chapter.

9 (2) The financial reporting systems of each Government
10 shall provide full disclosure of the financial position
11 and results of operations of each accounting fund in
12 accordance with a uniform and standardized format. The
13 financial information generated from these systems shall
14 include, but not be limited to, all pertinent
15 information needed to prepare comprehensive annual
16 financial reports as required by the Fiscal Procedures
17 Agreement and the Compact."

18 Section 24. Title 55 of the Code of the Federated States of
19 Micronesia, as amended, is hereby further amended by enacting a
20 new section 322 of chapter 3 to read as follows:

21 "Section 322. Financial Records - Access.

22 The Secretary shall have full and complete access to all
23 financial records for all Compact funds of the State and
24 National Governments of the Federated States of
25 Micronesia."

1 Section 25. Title 55 of the Code of the Federated States of
2 Micronesia, as amended, is hereby further amended by enacting a
3 new section 323 of chapter 3 to read as follows:

4 "Section 323. Enforcement.

5 (1) Each State Government and the Secretary shall
6 immediately report to the President any violation of
7 this chapter.

8 (2) If the President of the Federated States of
9 Micronesia determines that any Government is not in
10 compliance with one or more provisions of the Compact,
11 this chapter, or rules and regulations promulgated
12 pursuant to this chapter, he shall confer with the
13 appropriate Government in an effort to remedy the
14 effects of such noncompliance and to ensure future
15 compliance with such provisions.

16 (3) Notwithstanding any provision to the contrary in
17 this chapter, the President may withhold Compact
18 financial assistance until such time as the non-
19 compliant Government has complied with all of the
20 provisions of the Compact, this chapter, and any rules
21 and regulations promulgated pursuant to this chapter."

22 Section 26. Title 55 of the Code of the Federated States of
23 Micronesia, as amended, is hereby further amended by enacting a
24 new section 324 of chapter 3 to read as follows:

25 "Section 324. Implementation.

1 The President may establish rules, regulations, and
2 forms as necessary to comply with the provisions of this
3 chapter."

4 Section 27. Title 55 of the Code of the Federated States of
5 Micronesia, as amended, is hereby further amended by enacting a
6 new section 325 of chapter 3 to read as follows:

7 "Section 325. Delegation of Authority.
8 The President and each State Government may designate
9 officials of the National and State Governments,
10 respectively, to act on their behalf with respect to the
11 duties and responsibilities vested in them by this
12 chapter. Such designation shall be in writing."

13 Section 28. Title 55 of the Code of the Federated States of
14 Micronesia, as amended, is hereby further amended by enacting a
15 new section 326 of chapter 3 to read as follows:

16 "Section 326. Transition - Original Compact.
17 (1) Until all funds received under the Original
18 Compact categories have been exhausted, each State
19 Government shall, no later than December 15 of each
20 year, submit to the President a report setting forth
21 expenditures made and year-end fund balances by Original
22 Compact category for the previous Fiscal Year; provided
23 however, that this subsection (1) shall not apply to
24 funds received pursuant to section 211 of the Original
25 Compact.

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