

STANDING COMMITTEE REPORT NO. 16-58

RE: C.B. NO. 16-15/J&GO

SUBJECT: PROFESSIONAL PREMIUM

FEBRUARY 05, 2010

The Honorable Isaac V. Figir  
Speaker, Sixteenth Congress  
Federated States of Micronesia  
Third Regular Session, 2010

Dear Mr. Speaker:

Your Committee on Judiciary and Governmental Operations, to which was referred C.B. No. 16-15, entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTION 163 THEREOF, FOR PURPOSES TO INCLUDE CERTIFIED AUDIT EXAMINER, ANTI-FRAUD EXAMINER, PUBLIC ACCOUNTANT, AND GOVERNMENT FINANCIAL MANAGERS TO BE ELIGIBLE FOR PROFESSIONAL PREMIUM, AND FOR OTHER PURPOSES."

begs leave to report as follows:

Your Committee held public hearings on September 22 and December 3, 2009, for discussions on proposed C.B. No. 16-15. The additional hearing was necessary as there was no appearance by the Division of Personnel at the first hearing.

Present at the hearings were: Chairman Peter Sitan; Vice Speaker Fredrico O. Primo; Senator Roger Mori; Senator Dohsis Halbert; Senator Joseph J. Urusemal; Senator Paliknoa Welly; Senator Tony Otto; Pelsesar Petrus, Special Assistant to the President; and representatives from the Public Auditor's Office, the Department of Finance and Administration, the Department of Justice, and the Division of Personnel.

#### Intent and Purpose

52 F.S.M.C. §163 currently allows professional premiums to be paid to public service employees who have attained a certain advanced professional

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status. Employees currently eligible for the premium include licensed attorneys, members of professional accountancy associations listed in the Public Service Regulations, engineers with a four-year degree and employees with a doctorate in any field. Under the current law, the amount of the premium shall not be greater than 90% of the value of the employee's base salary.

C.B. No. 16-15 makes eligible for the professional premium the following positions: certified audit examiners, certified fraud examiners, certified public accountants, certified internal auditors, and certified government financial managers. Certified public accountants were previously eligible for the premium as members of a professional accountancy association listed in the Public Service Regulations; but that language is removed to specify the exact professional certification needed to qualify for the premium without cross-reference to the Public Service Regulations.

#### Testimony Summary

The Public Auditor's Office (PAO) testified in support of C.B. No. 16-15. The PAO addressed the goals of capacity building in the FSM and the benefit of better, more highly trained staff. The professional premium offers incentives to staff to grow and learn, and provides motivation to study and pass the necessary exams. Professional certification also offers assurance of the competency of employees. Certified public accountants (CPAs) have historically received a premium, but audits have expanded over time to include a variety of certified staff that are relevant in the government sector. All of these certified positions require a degree, years of experience, and passing a written exam.

The Department of Finance and Administration also spoke in support of C.B. No. 16-15.

The Division of Personnel supports the bill as well, but suggested that the cap for the amount of the premium for these new positions be 35% rather than 90%. The current law allows that the amount of the professional premium shall *not be greater* than 90%, but testimony at the hearing suggested that the premium is always set at 90% and never lower.

#### Committee Discussion

Your Committee applauds the efforts to hire and retain quality staff and provide incentives for certification in these fields. There was concern regarding ability to fund the salary increases, and concern that additional requests will be forthcoming to add more subsections to make even more employees eligible for the professional premium.

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Your Committee concurs with the PAO that making the requested certified positions eligible for the professional premium will likely increase the competency of the staff and provide motivation for increased learning and advancement.

Your Committee was surprised to hear that the professional premium is always offered at 90%, and never lower. The current law states that the professional premium *shall not be greater than 90%* based upon "employee's education, experience and expertise." Therefore, it would seem that not every employee would automatically be eligible for the highest premium of 90%. The clear language of the law illustrates that the intent is a varying scale for the professional premium based on "employee's education, experience and expertise." Your Committee urges the Division of Personnel to review the Public Service Regulations to confirm that the professional premium is being interpreted and applied according to the law.

Based on the above testimony, your Committee recommends expanding the eligibility of the professional premium to include certified audit examiners, certified fraud examiners, certified internal auditors, and certified government financial managers, but your Committee recommends capping the percentage of the premium for these positions at 35%.

#### Committee Amendment

Your Committee of Judiciary and Governmental Operations offers the following amendments to C.B. No. 16-15:

1. Page 1, line 2: after "amended" insert "by Public Law Nos. 11-81 and 13-64".
2. Page 3, line 6: after "salary" insert "for employees eligible for the premium under subsection (a), (b), (c), (d) or (e) of this section, and not greater than 35% of the value of the employee's base salary for employees eligible for the premium under subsection (f) of this section".
3. Page 3, line 24: delete "any", and insert "a" in lieu thereof.
4. Page 3, lines 24-25: delete ", auditing, anti-fraud or government financial management".
5. Page 4, lines 2-5: delete ", Association of Certified Fraud Examiners (ACFE), the Institute of Internal Auditors (IAA), and the Association of Government Accountants".
6. Page 4, line 5: delete "issue", and insert "issues the" in lieu thereof.
7. Page 4, line 6: delete "designations such as", and insert "designation of" in lieu thereof.
8. Page 4, lines 6-10: delete ", Certified Fraud Examiner (CFE), Certified Internal Auditor (CIA), Certified Government Audit

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Professional (CGAP), and Certified Government Financial Manager (CGFM)".

9. Page 4, line 16: delete "and".

10. Page 4, line 18: after "field" insert "; or (f) attainment of an earned professional certification through examination from any professional auditing, anti-fraud or government financial management association in the United States such as the Association of Certified Fraud Examiners (ACFE), the Institute of Internal Auditors (IIA), and the Association of Government Accountants (AGA) which issue professional designations such as Certified Internal Auditor (CIA), Certified Government Audit Professional (CGAP), and Certified Government Financial Manager".

Committee Recommendation

Your Committee on Judiciary and Governmental Operations is in accord with the intent and purpose of C.B. No. 16-15 as amended, and recommends its passage on First Reading, and that it be placed on the calendar for Second and Final reading in the form attached hereto as certified Fraud Examiners (DFE), C.B. No. 16-15, C.D.1.

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Respectfully submitted,

/s/ Peter S. Sitan  
Peter S. Sitan, chairman

/s/ Fredrico O. Primo  
Fredrico O. Primo, member

/s/ Dohsis Halbert  
Dohsis Halbert, member

/s/ Roger S. Mori  
Roger S. Mori, member

Setiro Paul, member

Isaac V. Figir, member

Paliknoa K. Welly, member