

AN ACT

To create a Chuuk State Compact Fund Control Commission pursuant to Article 6 of the Fiscal Procedure Agreement implementing the Compact of Free Association between the Government of the Federated States of Micronesia and the Government of the United States as applicable to Chuuk State Government as sub-grantee, and for other purposes.

Be it enacted by the Chuuk State Legislature:

1           Section 1. Title. This act shall be known and may be cited as the "Chuuk State  
2 Compact Fund Control Commission Act of 2005".

3           Section 2. Definition and Rules. Unless the provisions or the context otherwise  
4 require, these general provisions, rules of construction and words have the following  
5 definition; and shall govern the construction of this Act.

6                   1) "Board" is the Board of Directors for the Commission created under  
7 this Act whose members consist of seven (7) members appointed as  
8 specified herein.

9                   2) "Cause" includes three consecutive absences of a Board member from  
10 attending three consecutive meetings of the Commission, or any act of  
11 a Board member which may constitute a violation of a Board  
12 member's duty to the Commission, or any act of misconduct.

13                   3) "Commission" means the Chuuk State Compact Fund Control  
14 Commission ("CFCC") established for fiscal control and accounting  
15 procedures of any and all expenditures of funds deriving from the  
16 Compact entered into between the Governments of the Federated  
17 States Micronesia and the Government of the United States as  
18 amended and its related agreements.

19                   4) "Compact", means the Compact of Free Association entered into  
20 between the Government of the Federated States of Micronesia and the  
21 Government of the United States, as amended and its subsidiary  
22 agreements as applied to Chuuk State Government.

1           5) "Fiscal Procedure Agreement" means the implementing agreement of  
2           the Compact, as amended.

3           6) "Payroll" refers to the bi-weekly payment of salary or remuneration to  
4           exempt and non-exempt employees and contractors of Chuuk State  
5           Government and is restricted to those payments made directly, in an  
6           automated fashion, from the Chuuk State financial management  
7           system and for which there is an accurate and complete electronic data  
8           file that can be immediately provided to the Commission on a bi-  
9           weekly basis and/or upon demand by the Commission or its  
10          Secretariat.

11          7) "Routine expenses and Minimal Expenses" refers to those  
12          expenditures made from the various Compact sector funds as may be  
13          defined by the Commission.

14          Section 3. Purpose and Application. Notwithstanding any contrary provisions of  
15          the act, the Chuuk State Financial Management Act and the Chuuk State Restrictive  
16          Measures Act shall not apply. The purpose of the Commission is to establish a system of  
17          fiscal control and accounting procedure of the Government of Chuuk, which shall be  
18          sufficient to:

19               a)           Permit preparation of reports required by the Fiscal  
20               Procedure Agreement and the Compact as amended; and

21               b)           Facilitate the tracing, accountability, and transparency  
22               of funds to a level of expenditures adequate to establish  
23               that such funds have been used in compliance with the  
24               provisions of the Compact as amended and applicable  
25               agreement.

26               c)           To ensure the most efficient and effective delivery of  
27               services, including public safety services, by the Chuuk  
28               State Government during such grant period.

- 
- 1                   d)        To conduct necessary examinations and analysis to  
2   determine the fiscal status and operational efficiency of  
3   the State Government.

4        Section 4. Establishment and Organization of Authority. Pursuant to Article VIII  
5 of the Chuuk State Constitution, there is hereby established the Chuuk State Compact  
6 Fund Control Commission created under this Act which shall consist of seven (7)  
7 members, confirmed by the Senate as follows, except the Director of the Department of  
8 Administrative Services who shall serve as permanent member of the Commission by  
9 nature of the position and the two members representing the FSM National Government  
10 and from abroad who is an expert in financial management and control as recommended  
11 and designated by the President of the Federated States of Micronesia:

- 12        a). one member representing the Health Sector;  
13        b). one member from the private sector;  
14        c) one member representing the FSM National Government as recommended  
15           to the Governor by the President of the Federated States of Micronesia;  
16        d) one member from abroad who is an expert in governmental  
17           finance, management and control.  
18        e). one member representing the general public;  
19        f). one member representing the Public Infrastructure Sector;  
20        g). Director of the Department of Administrative Services who shall serve as  
21           an Ex-Officio member of the Commission with voting power.

22        Section 5. Term of Service. Except for the member under Section 4(g), other  
23 members of the Commission shall serve a term of two (2) years, subject to be  
24 reappointed.

25        Section 6. Compensation. Every member of the Commission who is not an  
26 employee or not in the full-time service of the Chuuk State Government shall be  
27 compensated as determined by the by-laws of the Commission for his or her services  
28 while performing his or her duties as member of the Commission. In the absence of law  
29 prescribing otherwise, the Commission may establish any form of temporary or

---

1 permanent compensation for members of the Commission and its staffs, any services of  
2 the Board of Directors or any staff of the Commission.

3 Section 7. Chairman. The Commission shall every two years, elect one of its  
4 members as Chairman. The Chairmanship may rotate among the members. The  
5 Chairman shall preside at all meetings of the Commission as deemed necessary.

- 6 a) The Commission shall have a regular meeting every two weeks;  
7 b) A special session may be held at any time between regular meetings,  
8 as provided above, at the call of the chairman or by the request of at  
9 least three members of the Commission, or by written request of the  
10 Governor of Chuuk State.

11 Section 8. Removal. Members may be removed for cause by majority vote of the  
12 Commission, but if the Commission fails to remove that member, the appointing officials  
13 may remove that member if appointed by him, or his predecessor.

14 Section 9. Quorum. A majority of four members of the Commission shall  
15 constitute a quorum. The vote of majority of the quorum present which shall include the  
16 concurring votes of the member representing the FSM National Government and the  
17 member appointed from abroad shall be required to make any action of the Commission  
18 effective, except as provided herein.

19 Section 10. Adoption of By-Laws for Conducting Business of Commission. As  
20 soon as practicable after the appointment of its members, the Commission shall adopt by-  
21 laws, rules, and procedures governing its activities under this Act, including procedures  
22 for hiring employees, experts, and consultants.

23 Section 11. Secretariat; Appointment/Compensation. The Commission  
24 shall appoint the Secretariat subject to not less than four (4) affirmative votes of the  
25 Commission for the appointments. Said Secretariat shall, on behalf of the Commission,  
26 administer, and implement decisions and policies of the Commission and discharge those  
27 powers, duties, purposes, functions and jurisdictions hereunder or which hereafter by law  
28 may be vested in the Commission, as may be delegated through regulations, orders, or  
29 directive of the Commission. The Secretariat shall be responsible for the daily operation

ACT NO: 8-05

---

1 and management of the Office of the Commission and may hire other employees  
2 including experts and consultants to enable the Secretariat to carry out the Commission's  
3 and the Secretariat functions and responsibilities under this Act.

4       Section 12. Secretariat; Duties and Responsibilities. The secretariat shall serve as  
5 the administrative head of the Commission but shall not be a voting member thereof. As  
6 the Commission Secretary, he shall keep minutes of the Commission proceedings;  
7 preserve all reports made by it, keep an accurate record of all transactions dealing with  
8 the duties and responsibilities of the Commission as prescribed pursuant to this Act, and  
9 perform such other duties as the Commission shall prescribe. The Secretariat shall be  
10 exempt from the Chuuk State Public Service System Act. The Secretariat shall serve for  
11 a term of two (2) years; he may be removed for "cause" by a majority of the members  
12 present during such meeting. The term of the Secretariat may be renewed by majority  
13 votes of members present during the meeting.

14       Section 13. Compensation and Other Expenses. The Commission may not  
15 prescribe any form of compensation absent specific appropriation laws enacted by the  
16 Chuuk Legislature, and as prescribed in other form or from other sources and made  
17 available pursuant to such terms and conditions of such source.

18       Section 14. Commission; Duties and Responsibilities. Subject to the ultimate  
19 authority of the Governor as the allottee and sub-allottee and notwithstanding Chuuk  
20 State Financial Management Act of 1982, the Commission shall have direct and  
21 immediate control and supervision of disbursement of all Compact Sectorial grant funds  
22 having made available and allocated to the State of Chuuk, in any form, cash or  
23 otherwise. In this regards all payments of all obligations of Chuuk State Deriving from  
24 the Compact Sectorial grants, can only be approved as obligations and if specific funding  
25 is appropriated and made available pursuant to appropriation law by the Chuuk State  
26 Legislature and the requirement and grant conditions under the Compact. Upon the  
27 Commencement of the Commission, it shall immediately assume the duties and  
28 responsibilities set out under this Act and the Fiscal Procedure Agreement. The  
29 Commission's responsibilities shall include and are not limited to the followings:

## ACT NO: 8-05

- 
- 1 a) Financial Reporting. To review, monitor, compile and prepare reports  
2 of and ensure compliance and accuracy of prior and current and  
3 complete disclosure of the financial results of the United States  
4 Funded activities are completed and submitted in accordance with the  
5 reporting requirements of the sector Grant or sub-Grant.
- 6 b) Accounting Records. To ensure that accounting records adequately  
7 identify the source and application of funds provided for all sector  
8 Grant activities. These records shall contain information pertaining to  
9 awards and authorization, obligations, unobligated balances, assets,  
10 liabilities, outlays or expenditures and income.
- 11 c) Internal Controls. A system of control is hereby established which  
12 shall maintain effective monitoring; controls, administration and  
13 accountability for all Grant and Sub-Grant cash, real property and  
14 personal property, and other assets to safeguard and ensure uses are  
15 solely for authorized purposes.
- 16 d) Budget Control. To ensure that actual expenditures or outlays are  
17 compared and balanced with budgeted amounts for each Grant or Sub-  
18 Grant. Financial information must be related to performance or  
19 productivity data, including the development of unit costs information  
20 whenever appropriate or specifically required in the Grant terms and  
21 conditions. If unit cost data are required, estimate based on available  
22 documentation will be accepted whenever possible.
- 23 e) Allowable Cost. To ensure compliance and that allowable cost  
24 principles and Grant terms are followed in determining the  
25 reasonableness and allow ability of costs. To ensure that Indirect Cost  
26 rate is not charged against funds provided pursuant to the Compact as  
27 amended.
- 28 f) Source Documentation. To ensure that accounting records are  
29 supported by such source documentation as cancelled checks paid

1 bills, payrolls, time and attendance records, Contract and Sub-Grant  
2 award documents, and other financial data.

3 g) Cash Management. To ensure that Compact payments and  
4 disbursement are made in accordance with Article IV of the Fiscal  
5 Procedures Agreement of the Compact as amended. To the extent that  
6 Chuuk State Government awards sub-grants to local government or  
7 other entities, such local government or entities shall be subject to the  
8 procedures and policies established and made applicable to Chuuk  
9 State and as provided under this Act. Any local government or entity  
10 receiving any grant under the Amended Compact shall be controlled,  
11 administered and managed by the Commission. Control and  
12 supervision of expenditures and disbursement of routine expenditures  
13 as specified in writing by the Commission or its duly authorized  
14 Secretariat, and minimal expenses as may be defined by the  
15 Commission may be delegated by the Commission to the Department  
16 of Administrative Services. No expenditures or disbursements shall be  
17 made from any of the various Sectorial grant funds of Chuuk State  
18 without specific and prior approval of the Commission. Ensure control  
19 and manage cash draw-downs of grants funds, transactions relative to  
20 cash bank accounts and including payroll and check disbursement  
21 including fund transfer.

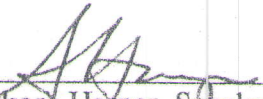
22 Section 15. Public Consultation and Education. The Commission shall hold  
23 periodic consultations with the public; including members of the Sectorial grants, private  
24 sector, non-governmental organizations, and other community groups to provide  
25 information on the duties and responsibilities of the Commission and to receive inputs as  
26 to the interests of the public in the performance of the Commission's activities.

27 Section 16. Reporting and Dissemination of Information. The Commission shall  
28 release for the public at-large reports on its meetings and summary reports of its  
29 activities; such reports shall be completed and released, not less than quarterly which two

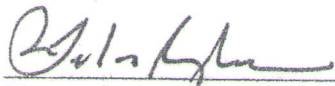
1 original copies shall be submitted to the Governor and the Chuuk State Legislature. The  
 2 Commission shall report separately, including appearing before the respective  
 3 committees of the Legislature if requested, to the heads of the three branches of the  
 4 Chuuk State Government. Periodicity of meetings; the Commission shall meet as a whole  
 5 not less than monthly; the Commission may establish an executive committee to carry out  
 6 more frequent oversight and actions in conjunction with the duties of the Secretariat and  
 7 pursuant to regulations or by-laws of the Commission.

8 Section 17. Regulation. Proper implementation of the duties and responsibilities  
 9 of the Commission may be set forth by appropriate regulation or by-laws of the  
 10 Commission.


11 Section 18. Effective Date. This act shall take effect upon approval by the  
 12 Governor, or upon its becoming law without such approval.

Signed by:   
 Singkoro Harper, Speaker  
 House of Representatives  
 Chuuk State Legislature

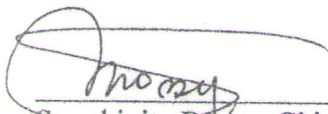
Attested:

  
 Herter Sorim, Chief Clerk  
 House of Representatives  
 Chuuk State Legislature

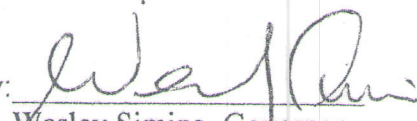
Date: July 15, 2005

Signed by:   
 Detor Santos, President  
 Senate  
 Chuuk State Legislature

Attested:

  
 Songkinita Bossy, Chief Clerk  
 Senate  
 Chuuk State Legislature

Date: July 15, 2005

Approved by:   
 Wesley Simina, Governor  
 Chuuk State Government

Date: July 26, 2005

---

History : H.B.NO: 8-23;SD1  
 H.S.C.R.NO: None  
 S.S.C.R.NO: 81-1S-02