

## CHAPTER 3

### Internal Fiscal Procedures

### For Compact Implementation

**Editor's note:** Chapter 3, which was originally reserved for Government Contracts in the 1982 edition of the Code, was renumbered chapter 4 in the 1987 supplement.

PL 4-77 § 1, which is codified in this chapter, enacted verbatim the text of the Agreement on Internal Budget and Finance Procedures under the Compact of Free Association, which had been previously approved by the State Legislatures.

PL 4-77 § 14 provides that this chapter shall take effect upon the effective date of the Compact of Free Association. The Compact took effect on November 3, 1986.

PL 13-72 § 1 repealed chapter 3 in its entirety. PL 13-72 § 2 enacted a new chapter 3 entitled Internal Fiscal Procedures for Compact Implementation.

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### **§ 301. Purpose.**

The purpose of this chapter is to establish fiscal procedures for the Compact period beginning in Fiscal Year 2004. The provisions set forth hereinafter recognize the right of the State Governments and the National Government of the Federated States of Micronesia to authorize the use of Compact funds in accordance with their own respective laws, plans, policies and prerogatives consistent with the terms and conditions set forth in the Compact and contained herein. The President is hereby empowered to ensure compliance with such terms and conditions, and to ensure accountable financial management of all Compact funds.

**Source:** PL 13-72 § 3.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 302. Definitions.**

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

- (1) “Accrued Expenditures” means charges incurred by a Government during a given period requiring the provision of funds for:
  - (a) goods and other tangible property received;
  - (b) services performed by employees, contractors, sub-grantees, subcontractors, and other third party non-contractors; and

(c) other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments, all as evidenced by a pending disbursements report.

(2) “Annual Report” means the Annual Report of the President of the Federated States of Micronesia to the Government of the United States in compliance with Section 214 of the Compact.

(3) “Compact” means the Compact of Free Association, as amended, and its related agreements entered into by the Government of the Federated States of Micronesia and the Government of the United States and enacted as United States Public Law No. 108-188, unless otherwise specified herein.

(4) “Compact Budget Request” means the annual Compact funding request for the upcoming Fiscal Year and estimated funding levels for the two subsequent Fiscal Years.

(5) “Congress” means the Congress of the Federated States of Micronesia, unless otherwise specified herein.

(6) “Fiscal Procedures Agreement” means the “Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the Compact of Free Association, as amended, Between the Government of the United States and the Government of the Federated States of Micronesia” entered into in connection with the Compact.

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

(8) “Government” means a State Government or the National Government of the Federated States of Micronesia, unless otherwise specified.

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

(10) “JEMCO” means the Joint Economic Management Committee established pursuant to the Compact and the Fiscal Procedures Agreement.

(11) “Obligation” shall have the same meaning as defined in the respective Financial Management Acts of the Governments.

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

(13) “Original Compact” means the Compact of Free Association between the Government of the Federated States of Micronesia and the Government of the United States in the form that was effective as of November 3, 1986 through September, 2003.

(14) “Plan for the Division of Annual Economic Assistance” means the comprehensive plan for the division of economic assistance for a Fiscal Year, including Annual Grant budgets by Sector, as described in Article V, Section 1(b) of the Fiscal Procedures Agreement, and may include such additional reports, narratives, summaries, documentation and other information as the President deems appropriate.

(15) “Secretary” means the Secretary of the Department of Finance and Administration for the Federated States of Micronesia, or his successor in the executive structure of the National Government of the Federated States of Micronesia.

(16) “Sector” means one of the six grant sectors described in Section 211(a) of the Compact and Article II,

Section 1, of the Fiscal Procedures Agreement, as such sectors may be adjusted during the term of the Compact.

(17) “Sector Grant” means the funds that are to be provided pursuant to a given Sector.

(18) “State” means any of the states of the Federated States of Micronesia.

**Source:** PL 13-72 § 4.

### **§ 303. Division of Compact Funds among National and State Governments.**

(1) The Compact Budget Requests for Fiscal Years 2005 and 2006 of the National Government and of each State Government under section 305 of this chapter shall be based upon a division of Compact funds in the following proportions:

Chuuk	38.57%
Kosrae	11.06
Pohnpei	25.69
Yap	16.03
National Government	8.65

(2) For Fiscal Year 2007 and thereafter, the chief executives of the National Government and each of the State Governments shall have the authority to enter, from time to time, into one or more agreements setting forth the proportionate amounts of Compact funds that shall be the basis of each Government’s Compact Budget Request under sections 305 and 306 of this chapter, provided that the National Government’s proportionate amount of Compact funds for each Fiscal Year shall be ten percent (10%) of the estimated level of Compact funding for that year. An agreement regarding the division of Compact funds may be limited to a specified period of time and shall only be effective when signed by the chief executive of each and every Government.

**Source:** PL 13-72 § 5; PL 13-93 § 1.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 304. Compact Planning Estimates.**

No later than November 15 of the Fiscal Year preceding a given Fiscal Year, the President shall transmit the following Compact planning estimates to each State Government:

(1) Estimated levels of Compact funding available to each respective State for the upcoming Fiscal Year. Such estimates shall:

(a) be in accordance with the division of Compact funds established pursuant to section 303 of this

chapter that is effective for the relevant Fiscal Year;

(b) reflect the Compact fund one (1) decrement; and

(c) reflect the amount of Sector funds that were unobligated by each respective Government in the previous Fiscal Year, which amount shall be added to the estimated level of funding available to that Government for the same Sector for the upcoming Fiscal Year.

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

**Source:** PL 13-72 § 6.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 305. Compact Budget Requests.**

No later than May 15 of the year preceding a given Fiscal Year, each State Government shall submit to the President a Compact Budget Request for the upcoming Fiscal Year. The Compact Budget Request shall not exceed the estimated levels of Compact funding provided to the respective Government pursuant to section 304 of this chapter.

**Source:** PL 13-72 § 7.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 306. Plan For the Division of Annual Economic Assistance.**

(1) The President shall consolidate the Compact Budget Requests of all of the States and the National Government Compact Budget Request, conforming with the requirements of section 103 of this title, into the Plan for the Division of Annual Economic Assistance. The National Government Compact Budget Request included in the Plan for the Division of Annual Economic Assistance shall constitute, for Fiscal Year 2007 and each fiscal year thereafter, ten percent (10%) of the estimated level of Compact funding for that year. No modification to a State's Compact Budget Request shall be made in the consolidation process without the prior consent of the relevant State Government, except to the extent that such Compact Budget Request exceeds the estimated levels of Compact funding provided to that State Government pursuant to section 304 of this chapter.

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

**Source:** PL 13-72 § 8; PL 13-93 § 2.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 307. Grant Allocations—Approval, Notification, Rejection.**

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

(2) Any State may elect not to accept receipt of all or any part of its share of an approved Sector Grant allocation for the upcoming Fiscal Year. Written notice of such election, detailing those portions not accepted by amount and by Sector, shall be provided to the President and to Congress not later than September 20 of the current Fiscal Year, or within 20 days of receiving notice of the Sector Grant award, whichever is later. Congress may, by resolution, determine that the National Government will not accept receipt of all or any part of its share of an approved Sector Grant allocation for the upcoming Fiscal Year. Any election by a State or by the National Government not to accept receipt of approved Sector Grant funds may be explicitly stated to be subject to further events.

(3) The election by any State or by the National Government not to accept receipt of its respective share of an approved Sector Grant allocation for the upcoming Fiscal Year shall not be a basis for rejection by the Federated States of Micronesia of the Sector Grant allocation unless such rejection is approved by resolution of Congress. In the event that Congress does approve such a rejection, the President shall immediately transmit written notification of the rejection of the Sector Grant allocation to the Government of the United States.

(4) Except with respect to Compact funds not accepted by a Government pursuant to subsection (2) of this section or disputed pursuant to section 308 of this chapter, each recipient Government agrees to abide by all terms and conditions enumerated in each Sector Grant Award, the provisions of this chapter and the terms of the Compact, including the Fiscal Procedures Agreement.

**Source:** PL 13-72 § 9.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 308. Appeal of Special Conditions.**

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

(2) Any affected Government may, subject to the terms of this subsection, dispute the decision to impose special conditions or restrictions by submitting a written appeal for reconsideration within 20 days of the Federated States of Micronesia's receipt of the Grant Award to which such conditions or restrictions were attached or the date notification of the intent to impose special conditions was received by the Federated States of Micronesia from the Government of the United States, in accordance with the terms of the Fiscal Procedures Agreement. Any and all such

appeals shall be addressed to the Government of the United States and routed through the Office of the President. The President shall submit any such appeal(s) to the Government of the United States within ten (10) days of his receipt thereof unless the President determines that the submitting of the appeal is not in the best interests of the nation.

**Source:** PL 13-72 § 10; PL 13-85 § 1.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 309. Grant Acceptance.**

The President shall sign and return to the Government of the United States each Grant Award, unless rejected pursuant to section 307(3) of this chapter, and shall transmit a copy thereof to Congress and each State Government.

**Source:** PL 13-72 § 11; PL 13-85 § 2.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 310. Review of Spending Authority Legislation.**

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

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

**Source:** PL 13-72 § 12.

### **§311. Compact Financial Assistance Fund.**

(1) There is hereby created a “Compact Financial Assistance Fund” to be administered by and under the authority of the Secretary.

(2) The Compact Financial Assistance Fund shall be established at a bank or commercial financial institution organized in accordance with the laws of the United States or a state of the United States; or, subject to the approval of the Government of the United States, a bank or commercial financial institution organized in accordance with the laws of the Federated States of Micronesia, in either case for the purpose of receiving payments of Grant funds pursuant to the Compact.

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

(4) The accounting records and accounts maintained for the Compact Financial Assistance Fund shall be in sufficient detail to provide a full and complete accounting of Compact funds received by the Federated States of Micronesia.

**Source:** PL 13-72 § 13.

### **§ 312. Operational Reserve Fund.**

(1) There is hereby created an “Operational Reserve Fund” to be administered by and under the authority of the Secretary.

(2) The Operational Reserve Fund shall be an interest-bearing account established at a bank or commercial financial institution organized in accordance with the laws of the United States or a state of the United States; or, subject to the approval of the Government of the United States, a bank or commercial financial institution organized in accordance with the laws of the Federated States of Micronesia, in either case for the purpose of receiving payments of Grant funds pursuant to Article IV, Section 5(b)(2) of the Fiscal Procedures Agreement.

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

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

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

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

(7) The Secretary shall pay all interest and other earnings on the Operational Reserve Account to the Government of the United States pursuant to Article IV, Section 5(b)(2) of the Fiscal Procedures Agreement.

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

**Source:** PL 13-72 § 14.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.



**§ 313. Infrastructure Maintenance Fund.**

(1) There is hereby created an “Infrastructure Maintenance Fund” to be administered by and under the authority of the Secretary.

(2) The Infrastructure Maintenance Fund shall be comprised of five interest-bearing accounts, one for each Government, established at a bank or commercial financial institution organized in accordance with the laws of the United States or a State of the United States; or, subject to the approval of the Government of the United States, a bank or commercial financial institution organized in accordance with the laws of the Federated States of Micronesia, in either case for the purpose of receiving infrastructure maintenance contributions from the Government of the United States and the Government of the Federated States of Micronesia pursuant to Article VII, Section 7 of the Fiscal Procedures Agreement.

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

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

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

- (a) Not later than March 1 with respect to contributions received on or before February 15; and
- (b) Not later than August 15 with respect to contributions received after February 15.

(6) The Secretary shall deposit matching contributions received from the Government of the United States into each Government's account in the Infrastructure Maintenance Fund proportionally based upon the amount contributed by each Government in that Fiscal Year.

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

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

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

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

(11) The Secretary shall disburse available funds from the Infrastructure Maintenance Fund account of a requesting Government after:

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

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

**Source:** PL 13-72 § 15.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 314. Drawdown Procedures—Cash Disbursement to National and State Treasuries.**

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

(2) Any State Government or the Secretary may request an accelerated disbursement of funds by submitting to the President an Annual Cash Drawdown Schedule for Compact Operational Grants for the upcoming Fiscal Year based upon appropriated budgets. The request shall detail by month the Government's anticipated cash disbursement requirements from Compact Sector Operational Grants, and shall include supporting documentation.

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

(4) The Secretary shall request cash disbursement for non-Operational Grants from the Government of the United States on behalf of each Government on the basis of accrued expenditures pursuant to Article IV, section 5 of the Fiscal Procedures Agreement.

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

(6) If the Secretary determines that Compact funds have been withheld or suspended pursuant to Article IV, Section 5(c) of the Fiscal Procedures Agreement, the Secretary shall immediately notify the President and, if the withholding or suspension affects a State, the Government of that State. The Secretary shall withhold from disbursement to the affected Government that portion of the Compact funds not received as a result of such withholding or suspension.

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

(8) Unless otherwise provided in this section, the Secretary shall disburse funds from the Compact Financial Assistance Fund to the National Treasury and each State Treasury not later than the close of the business day following the day upon which the Secretary receives notice of the receipt of such funds. No Sector Grant funds that a Government has elected not to accept under section 307(2) of this chapter shall be disbursed unless the Government gives notice in writing to the President and to Congress that it is withdrawing its election under section 307(2) of this chapter and requests disbursement of such funds.

**Source:** PL 13-72 § 16.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 315. Reprogramming/Re-Allocation of Compact Funds.**

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

(2) A Government shall reprogram funds within an approved Sector Grant only upon receipt of the prior written approval of the President. Within 20 days of the end of each fiscal quarter, the President shall notify Congress of any reprogramming that he has approved during that quarter with respect to Sector Grant funds received or to be received by the National Government.

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

- (a) any revision of the scope or performance objectives of a Sector Grant or infrastructure project;
- (b) an extension of the period of funding availability;
- (c) changes in key persons specifically named in a Sector Grant award;

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

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

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

**Source:** PL 13-72 § 17.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 316. Internal Reporting Requirements.**

(1) For each fiscal quarter, not later than 20 days after the end of such fiscal quarter, each State Government and the Secretary shall submit to the President the following reports:

- (a) for all Governmental fund types:
    - (i) a statement of revenues and expenditures;
    - (ii) a comparison of budget and actual expenditures by function;
  - (b) with respect to Operational Grants, a budget execution report for each function, including major offices, cost centers, budget activities and performance reports; and
  - (c) with respect to all Sector Grants, including the matching share of the Infrastructure Maintenance Fund provided by the Government of the United States:
    - (i) a Standard Form SF 269, or reasonable facsimile thereof approved by the Government of the United States; and
    - (ii) a Federal Cash Transactions Report, or a Standard Form SF 272, or reasonable facsimile thereof approved by the Government of the United States.
- (2) The Members of JEMCO appointed by the Federated States of Micronesia shall at least twice annually submit written reports to the President, Congress and the States including the following information:
- (a) a summary of actions taken by JEMCO since the date of the last report to Congress;
  - (b) a description of any significant unresolved issues before JEMCO or relating to the Compact; and
  - (c) the schedule for future JEMCO meetings.

Such reports shall be submitted to Congress no later than April 1 and September 15 of each year, and at such other times as there may be significant developments relating to the interpretation or implementation of the Compact.

(3) At least twice annually the members appointed by the Federated States of Micronesia to the Joint Trust Fund Committee, formed pursuant to the Agreement between the Government of the United States of America and the Government of the Federated States of Micronesia Implementing Section 215 and Section 216 of the Compact, As Amended, Regarding A Trust Fund, shall submit reports to the President, Congress and the States including the following information:

- (a) the current balance of the funds in the Compact Trust Fund and a comparison with the balances as of
  - (i) the same date of the previous year and
  - (ii) the date of the last previous report to Congress;
- (b) an analysis of the performance of investments made with funds in the Compact Trust Fund, including a comparison with generally-accepted measures of investment performance for the same period; and
- (c) a description of significant investment strategy decisions relating to funds in the Compact Trust Fund.

Such reports shall be submitted to Congress no later than April 1 and September 15 of each year, and at such other times as there may be significant developments relating to the Compact Trust Fund.

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**Source:** PL 13-72 § 18.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 317. Compact Quarterly Financial Reporting Requirements.**

For each fiscal quarter, not later than 30 days after the end of such fiscal quarter, the President shall submit to the Government of the United States a consolidated report reflecting information provided in each of the reports provided pursuant section 316(1) of this chapter.

**Source:** PL 13-72 § 19.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 318. Internal Annual Final Cash Transactions Report.**

Not later than 80 days after the end of each Fiscal Year, each State Government and the Secretary shall submit to the President a final cash transactions report for each Sector Grant. For Operational Grants, the reports shall include the amount of unobligated Operational Grant funding that will carry over to subsequent Fiscal Years.

**Source:** PL 13-72 § 20.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 319. Compact Annual Final Cash Transactions Report.**

Not later than 90 days after the end of each Fiscal Year, the President shall submit to the Government of the United States a final cash transactions report for each Sector Grant. For Operational Grants, the reports shall include the amount of unobligated Operational Grant funding that will carry over to subsequent Fiscal Years.

**Source:** PL 13-72 § 21.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 320. Annual Report of the President to the Government of the United States.**

Not later than the last day in February of each year, the President shall submit the Annual Report to the President of the United States in accordance with Article V, Section 1(d), of the Fiscal Procedures Agreement and Section 214 of the Compact, and shall transmit copies of the Annual Report to the Congress and the Government of each State.

**Source:** PL 13-72 § 22.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 321. Accounting and Record Keeping.**

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

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

**Source:** PL 13-72 § 23.

### **§ 322. Financial Records—Access.**

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

**Source:** PL 13-72 § 24.

### **§ 323. Enforcement.**

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

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

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

**Source:** PL 13-72 § 25.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 324. Implementation.**

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

**Source:** PL 13-72 § 26.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 325. Delegation of Authority.**

The President and each State Government may designate officials of the National and State Governments, respectively, to act on their behalf with respect to the duties and responsibilities vested in them by this chapter. Such designations shall be in writing.

**Source:** PL 13-72 § 27.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code.

### **§ 326. Transition—Original Compact.**

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

(2) Available capital project funds that were allotted to any of the State or the National Governments pursuant to section 211 of the Original Compact that subsequently lapse or are de-appropriated pursuant to the laws of the respective State or National Government shall revert to the current account of the respective government following submission of the relevant lapse provision or de-appropriation legislation to the Secretary.

(3) Each State finance officer shall promptly close out Original Compact capital project accounts upon project completion. Unused spending authority resulting from project close-out shall revert to the current account of the respective government.

(4) Nothing in this section shall be deemed to change or modify the distribution of capital account funds between a State and any of its municipalities as it existed as of September 30, 2003.

**Source:** PL 13-72 § 28; PL 13-85 § 3.

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