
AN ACT

Establishing the Department of Finance of the Federated States of Micronesia pursuant to Public Law No. 1-6 and within it the National Treasury; prescribing the authority, duties, and responsibilities of the Director of Finance; creating the General Fund of the Federated States of Micronesia as the successor fund to that created under Public Law No. 7-150 or its successor; and for other purposes.

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

1 Section 1. Short Title. This act shall be known as the "Financial
2 Management Act of 1979".

3 Section 2. Declaration of Policy. It is the declared policy of the
4 Government of the Federated States of Micronesia that:

5 (1) The accounting of the Federated States of Micronesia Govern-
6 ment shall provide full disclosure of the results of financial operations,
7 adequate financial information needed in the management of operations and
8 the formulation and execution of the National Budget, and shall ensure
9 effective control over income, expenditures, funds, property, and other
10 assets, whether tangible or intangible.

11 (2) Full consideration be given to the needs and responsibilities
12 of both the legislative and executive branches of the Government in the
13 establishment of accounting and reporting systems and such other fiscal
14 requirements.

15 (3) It is the responsibility of the executive branch to maintain
16 accounting systems and to produce financial reports with respect to the
17 operations of the executive departments and staff offices, including central
18 facilities which gather and disseminate information on the results of the
19 financial operations of the Federated States of Micronesia Government as a
20 whole.

21 (4) Emphasis shall be placed on effectuating systematic and

1 Micronesia Government in order to formulate, adopt and maintain simplified
2 and more effective accounting systems, financial reporting procedures,
3 budget processes, auditing requirements and procedures and to safeguard
4 against duplication and to eliminate systems and processes that do not serve
5 a purpose commensurate with the costs involved.

6 (5) The Director of Finance, together with the Budget Officer,
7 shall conduct a continuous review program for the improvement of
8 accounting and financial reporting in the Government of the Federated
9 States of Micronesia.

10 Section 3. Department and Director of Finance. Pursuant to the
11 provisions of Section 2(1)(a) of Public Law No. 1-6, there is hereby created
12 at the seat of the Government of the Federated States of Micronesia an
13 executive department known as the Department of Finance which shall be
14 headed by the Director of Finance.

15 Section 4. Director of Finance - General Duties.

16 (1) The Director of Finance shall prepare and review plans for
17 the improvement and management of revenue and for the support of the public
18 credit; supervise the collection of all revenues; prescribe the forms of
19 keeping and rendering all public accounts and returns; grant, subject to
20 statutory provisions, all warrants for moneys to be issued from the National
21 Treasury in pursuance of appropriations by law; prepare and issue reports
22 and fiscal information as may be required by law; and generally perform all
23 such services relative to finances as he shall be directed to perform from
24 time to time. The Director may delegate the authority for such functions to
25 such extent as he may deem practicable and is permissible by law.

1 (2) The Director of Finance of the Federated States of
2 Micronesia shall be the general accountant of the General Fund of the
3 Federated States of Micronesia. He shall record and audit, or cause to be
4 recorded and audited, every receipt and disbursement of money paid to, by,
5 or through the National Treasury of the Federated States of Micronesia. He
6 shall have full and complete supervision of all funds of the Federated States
7 of Micronesia, including the power to withhold his approval when necessary
8 to prevent misappropriation of public funds as well as the disbursement of
9 public moneys in excess of specific appropriations.

10 (3) The Director of Finance shall keep a complete set of double
11 entry books in which he shall open or cause to be opened all government
12 accounts and for the several amounts as shown by the appropriation bill, or
13 any other appropriation that may at any time be made by the Congress of the
14 Federated States of Micronesia, and he shall record his daily business
15 transactions in detail therein. He shall also keep ledgers in which he
16 shall open, arrange, and keep in a methodical and systematic manner the
17 various accounts so that the status and condition of all funds and appro-
18 priations, of all assets and liabilities, and of all income and expenditures
19 of all funds of the Federated States of Micronesia may at any time be
20 ascertained and known; and further, he shall keep such books and all such
21 other auxiliary books and documents as he may deem necessary for the correct
22 and proper administration of his office.

23 Section 5. National Treasury - Established. There is hereby established
24 within the Department of Finance the National Treasury of the Federated
25 States of Micronesia which shall be comprised of offices, records, supplies,

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1 fixtures, materials and such other facilities as may be necessary and as
2 designated as places of deposit of the public money.

3 Section 6. Treasurer - Duties. The Director of Finance shall have
4 full responsibility and authority for the National Treasury and shall be
5 legally responsible for the administration, collection and safekeeping of
6 all moneys due and paid into the Treasury of the Federated States of Micro-
7 nesia as general realizations of the Government of the Federated States of
8 Micronesia, and for the disbursement and appropriation thereof pursuant to
9 law. He shall perform his duties in accordance with Section 1, Article XII
10 of the Constitution and shall undertake such other duties that may be
11 prescribed by law or through administrative directives issued by the
12 President from time to time. The Director may delegate authority conferred
13 upon him by this Section.

14 Section 7. General Fund of the Federated States of Micronesia -
15 Created. There is hereby created a General Fund of the Federated States
16 of Micronesia to be known as the "General Fund". This General Fund shall
17 be the successor fund to and replaces the "General Fund of the Congress of
18 the Federated States of Micronesia", as well as the "General Fund of the
19 Interim Congress of the Federated States of Micronesia" formerly established
20 by Public Law No. 7-150.

21 Section 8. Deposits to the General Fund. All public moneys raised or
22 received by the Government of the Federated States of Micronesia pursuant to
23 laws imposing taxes on income or other taxes, duties, or tariffs based on
24 imports, or other revenues collected based on fines, fees, licenses, interests,
25 rents, or other collections of the Federated States of Micronesia or the

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1 Trust Territory Government made specifically applicable within the juris-
2 diction of the Federated States of Micronesia, shall be deposited in the
3 General Fund, unless otherwise provided by law.

4 Section 9. United States Grant Funds. Unless otherwise specified by
5 the terms of the grant, funds appropriated by the United States Government
6 to the Trust Territory of the Pacific Islands and allotted to the Government
7 of the Federated States of Micronesia will continue to be received through
8 the Trust Territory Director of the Bureau of Finance, Department of Adminis-
9 trative Services. The Director of Finance of the Federated States of
10 Micronesia shall provide such assistance as is practicable to the Trust
11 Territory Director of Finance in order to provide for the most efficient
12 administration, management, recording, accounting, and reporting of such
13 funds.

14 Section 10. Transition. The President of the Federated States of
15 Micronesia is hereby authorized to negotiate and enter into such an agree-
16 ment or agreements with the High Commissioner as may be deemed necessary
17 and appropriate by the President for the purpose of providing for an early,
18 smooth and orderly transition and implementation of this act.

19 Section 11. Overobligations of Funds Subject to Criminal Penalty.

20 (1) No officer or employee of the Federated States of Micronesia
21 shall make or authorize an expenditure from or create or authorize an
22 obligation under any appropriation, apportionment, reapportionment, or
23 allotment of funds of the United States Government or the Government of the
24 Federated States of Micronesia in excess of the amount available therefrom;
25 nor shall any such officer or employee obligate the Federated States of

1 Micronesia Government for payment of money for any purpose, in advance of
2 appropriations made for such purpose or purposes, unless such obligation has
3 been otherwise authorized by law.

4 (2) In the case of violation of Subsection (1) above, the
5 Director of the Department of Finance shall immediately report to the
6 President and to the Congress of the Federated States of Micronesia all
7 pertinent facts together with a statement of the action taken thereon.

8 (3) Any officer or employee of the Government of the Federated
9 States of Micronesia, who shall knowingly and willfully violate Subsections
10 (1) and (2) of this Section shall, upon conviction, be fined not more than
11 twenty thousand dollars (\$20,000) or imprisoned for not more than twenty
12 years, or both.

13 Section 12. Documentary Evidence Required to Support Obligation of
14 Funds.

15 (1) No amount shall be recorded as an obligation of the Government
16 of the Federated States of Micronesia unless it is supported by documentary
17 evidence of:

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

25 (b) a valid loan agreement, showing the amount of the loan

1 to be made and the terms or schedule of repayment thereof; or

2 (c) an order required by United States or Federated States
3 of Micronesia law to be placed with an agency; or

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

8 (e) a grant or subsidy payable -

9 (i) from appropriations made for payment of or contri-
10 butions toward sums required to be paid in specific amounts fixed by United
11 States or Federated States of Micronesia law, or in accordance with formulae
12 prescribed by United States or Federated States of Micronesia law; or

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

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

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

22 (h) any other legal liability of the Federated States of
23 Micronesia against an appropriation or funds legally available therefor.

24 (2) No appropriation or fund which is limited for obligation
25 purposes to a definite period of time shall be available for expenditure

1 after the expiration of such period except for the liquidation of amounts
2 obligated in accordance with Subsection (1) of this Section; PROVIDED,
3 HOWEVER, that no appropriation shall remain available for expenditure for any
4 period beyond that authorized by United States or Federated States of
5 Micronesia law.

6 Section 13. Unexpended Funds. Unless otherwise provided by law, all
7 sums of money which are appropriated to the public service for any fiscal
8 period, and which are not expended during the period, shall lapse and shall
9 not be issued or applied in any future fiscal period to the particular
10 service for which the appropriation has been so made, unless a valid obliga-
11 tion has been made before the expiration of the fiscal period by which a
12 liability to issue or apply the same has been incurred, and a certified
13 copy of such valid obligation has been deposited with the Director of
14 Finance.

15 Section 14. Closing Out Accounts and Transfer of Unexpended Balance.
16 In all cases where an appropriation of public money is made and an
17 unexpended balance remains to the credit of the appropriation on the books
18 of the Director of Finance after the purposes of the appropriation have been
19 accomplished, or after the time has expired within which those purposes may
20 be accomplished, or after a time when the reasons for the appropriation have
21 ceased to exist, the Director, upon the receipt of a certificate from the
22 head of the department or other public officer who is charged with the duty
23 of expending the appropriation that all obligations have been fully paid and
24 satisfied, may close out the appropriation account and transfer the unexpended
25 balance to the credit of the General Fund of the Federated States of

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1 Micronesia.

2 Section 15. Rules and Regulations. The Director of Finance is hereby
3 authorized to issue and promulgate rules and regulations implementing the
4 provisions of this act which, upon approval by the President of the Federated
5 States of Micronesia, shall have the force and effect of law.

6 Section 16. Effective Date. Upon approval by the President of the
7 Federated States of Micronesia, or upon its becoming law without such
8 approval, this act shall take effect on October 1, 1979.

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September 11, 1979

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Tosiwo Nakayama
Tosiwo Nakayama
President
Federated States of Micronesia

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