

STANDING COMMITTEE REPORT NO. 14-114

RE: P.C. NO. 14-181/W&M

SUBJECT: FY 2007 BUDGET

SEPTEMBER 18, 2006

The Honorable Peter M. Christian  
Speaker, Fourteenth Congress  
Federated States of Micronesia  
Fifth Regular Session, 2006

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was jointly referred Presidential Communication No. 14-181 transmitting the National Government's proposed FY 2007 budget, begs leave to report as follows:

Presidential Communication No. 14-181 concerns the National Government's proposed budget for fiscal year 2007 as set forth in a publication entitled National Government Fiscal Year 2007 Proposed Budget ("Budget Book"). Pursuant to rule 7, section 4(b), of the Official Rules of Procedure of the Fourteenth Congress of the Federated States of Micronesia, your committee has limited its review to those portions of the budget relating to matters under its jurisdiction. These are:

Operations Budget

- (a) Office of the President
- (b) Department of Finance
- (c) Office of Compact Management
- (d) Congress
- (e) Public Auditor

Grants, subsidies and contributions

- (f) National Authorizing Committee (ACP/EU)
- (g) Contonou membership fee
- (h) OCO membership

Capital and human resource development

- (i) National staff upgrading
- (j) Payment of ADB fisheries loan

This report, and all previous and subsequent reports by this committee, should be treated as policy for this Nation, as defined by the Congress. It is your Committee's intent that any commentary found in this report should be treated as policy for the guidance of the relevant departments, agencies and offices.

During March 2006, your committee conducted public hearings with representatives of the relevant departments, agencies and offices and,

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in some instances, followed up with additional communications. This Standing Committee Report reflects the recommendations of your Committee on Ways and Means regarding the proposed FY 2007 budget based on the consultations outlined above. Your committee's findings and recommendations follow.

### **INTRODUCTORY COMMENTS**

#### *Budget Book formatting*

As your committee noted last year, the format of the Budget Book is somewhat cumbersome, and does not facilitate Congressional review. In particular, as recent revision of the Congress sitting calendar means that the Compact and domestic revenue portions of the budget must be considered separately, a failure to identify funding sources for specific line items makes the job of the various committees much more difficult when considering the proposed Compact budget.

### **MEETING COMPACT REQUIREMENTS**

In general, your committee notes its disappointment that the proposed budget does not appear to have been formulated with the requirements of the Compact in mind.

While, in general, the annual plans required under section 103 of title 55 have improved this year when compared to FY 2006, there still appears to have been little or no attempt to integrate the objectives set out in the Strategic Development Plan into the budgeting process as required under the amended Compact.

In addition, the Budget Book contains very few proposed line item appropriations that are specifically directed towards improving the FSM's capacity to comply with amended Compact reporting and other requirements.

Your Committee is concerned that until a way is found to achieve a more integrated approach to budget preparation the FSM will continue to experience difficulties in meeting its obligations under the amended Compact.

### **Travel**

Once again, your Committee observed a large amount of duplication in requested travel appropriations. Such duplication is a drain on the FSM's limited resources without a commensurate benefit. Your Committee urges the Executive to work together to ensure that only essential staff attend overseas events and that careful consideration is given in each instance to the value of the proposed trip before an appropriation is requested.

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**Use of amended Compact funds**

Your Committee urges the Executive to continue to seek ways to use amended Compact funds for appropriations where possible and to utilize existing carryover funds from previous years.

**Revenue projections**

As noted by your Committee in its FY 2006 budget SCR, revenue projections from the Department of Finance continue to be extremely conservative. While some caution is advisable in the preparation of revenue projections, the figures generated by Finance are simply misleading.

Your Committee has observed a trend whereby revenue projections are only revised upwards when the Executive has a supplemental appropriation before Congress for consideration. This is an extremely unfortunate development. The provision of information in this way misleads Congress and undermines its ability to effectively allocate available resources.

**National Government car policy**

In the FY 2007 Budget Book there are a number of requests for appropriations for new vehicles. Your Committee has had an opportunity to review the President's FSM National Government Vehicle Policy (policy no. 32.5) and we believe it is a clear step in the right direction. Nevertheless, the scope of the policy should be expanded to encompass additional issues such as:

- Tighter restrictions regarding when a car may be purchased
- A default position whereby all new cars purchased are sedans unless there is a demonstrated need to purchase a more expensive pick-up or SUV

The existing policy effectively addresses the issue of when a National Government vehicle may be used, however, anecdotally, it appears that the policy is not routinely enforced.

**OFFICE OF THE PRESIDENT**

The following is an overview of proposed funding for the Office of the President in FY 2007.

Overview

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	287,235	287,341	287,341
Travel	93,678	150,000	106,507

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Contract serv.	190,000 incl. \$10,000 supp. App.	140,000	130,000
OCE	86,300	70,000	70,000
Fixed ass.	15,000	25,000	25,000
<b>Total</b>	<b>672,213</b>	<b>672,341</b>	<b>618,848</b>
<b>Employees</b>	<b>16</b>	<b>16</b>	<b>16</b>

A detailed discussion of each of the divisions of the Office of the President follows.

**Office of the President - President's Office**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	193,467	193,468	193,468
Travel	80,632	133,000	89,507
Contract serv.	183,000 incl. \$10,000 supp. App.	133,000	123,000
OCE	54,500	41,500	41,500
Fixed ass.	15,000	15,000	15,000
<b>Total</b>	<b>526,599</b>	<b>515,968</b>	<b>462,475</b>
<b>Employees</b>	<b>9</b>	<b>9</b>	<b>9</b>

Your Committee approves the President's proposed budget for his office, except in respect of travel and contractual services.

In this Committee's report on the FY 2006 budget we expressed concern about a number of items in the proposed travel budget and did not recommend funding for those items. We were therefore disappointed to see many of the same items reappear in the FY 2007 proposed budget, including the PIDP Summit (\$10,493), Conference of Party for Climate Change (\$18,331) and a visit to a United Nations General Assembly meeting (\$15,851). Nevertheless, we have reviewed the President's communication relating to travel dated May 17, 2006 and we are satisfied that there may be some ongoing benefit to the FSM from the President or Vice President's attendance at the Climate change Conference and the UN General Assembly. This Committee does not recommend funding for the PIDP summit for the same reasons set out in SCR No. 14-45 in relation to the FY 2006 budget.

In addition, Your Committee does not recommend funding for outer island travel for the President in the amount of \$33,000. \$60,000 has already been appropriated for this purpose in PL No. 14-69.

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Your Committee notes that the President's proposed budget for contractual services is the same as for FY 2006. However, the FY 2006 contractual services budget included a one-off \$10,000 supplemental appropriation to replenish the President's representation fund after he made a donation of the same amount to the victims of a natural disaster. Your Committee does not believe that the supplemental amount should be incorporated into on-going representation funding levels and therefore recommends a reduction of \$10,000 in the FY 2007 contractual services budget for the President's Office.

**Office of the President - Public Information Office**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	59,156	59,261	59,261
Travel	6,570	10,000	10,000
Contract serv.	7,000	7,000	7,000
OCE	31,800	27,500	27,500
Fixed ass.	0	10,000	10,000
<b>Total</b>	<b>104,526</b>	<b>113,761</b>	<b>113,761</b>
<b>Employees</b>	<b>5</b>	<b>5</b>	<b>5</b>

Your Committee recommends approval of the proposed FY 2007 budget for the President's Public Information Office.

**Office of the President - Disaster Control**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	34,612	34,612	34,612
Travel	6,476	7,000	7,000
OCE	0	1,000	1,000
<b>Total</b>	<b>41,088</b>	<b>42,612</b>	<b>42,612</b>
<b>Employees</b>	<b>2</b>	<b>2</b>	<b>2</b>

Your Committee recommends approval of the proposed FY 2007 budget for the President's Disaster Control Office.

**DEPARTMENT OF FINANCE AND ADMINISTRATION**

An overview of proposed funding for the Department of Finance and Administration follows.

**Overview**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	1,288,453	1,269,489	1,292,706

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Travel	214,316	213,600	213,600
Contract serv.	672,027	652,088	652,088
OCE	321,353	318,734	331,834
Fixed ass.	45,367	41,200	41,200
<b>Total</b>	<b>2,541,516</b>	<b>2,495,111</b>	<b>2,531,428</b>
<b>Employees</b>	<b>94</b>	<b>95</b>	<b>94</b>

P.C. 14-202, transmitted on May 18, 2007 identified a number of revisions to the proposed FY 2007 budget that the President wished to make. In part the revisions included extensive changes to the budgets of three divisions of the Department. It does not appear that the proposed changes arose from new information received after the preparation of the Budget Book, but rather from a failure of the Department to submit accurate information.

Your Committee understands that in certain exceptional circumstances it may be necessary for the President to revise his proposed budget. However, continued revisions to the Executive's budget request, after the Budget Book has been transmitted, hamper the process of effective review by Congress and increase the overall likelihood of mistakes occurring.

In this instance, after public hearings with the Department had already been concluded, the President submitted extensive revisions to the FY 2007 budget of the Department, representing an increase of more than \$40,000, without any explanation as to the basis for these changes. It was only after this Committee directly requested information from the Department that any explanation for the changes was provided.

A detailed discussion of each division of the Department is set out below.

**Department of Finance - Office of the Secretary**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	57,004	57,001	57,001
Travel	34,500 Incl. \$10,000 suppl. app.	25,000	25,000
Contract serv.	1,000	500	500
OCE	63,646 Incl. \$33,674	30,000	43,100

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	suppl. app.		
Fixed ass.	3,012	24,000	24,000
<b>Total</b>	<b>159,162</b>	<b>136,501</b>	<b>149,601</b>
<b>Employees</b>	<b>4</b>	<b>4</b>	<b>4</b>

In PC No. 14-202 an increase in OCE for the Office of the Secretary of Finance from \$30,000 to \$43,100 is requested. The new amount of \$43,100 is comprised of \$15,000 for Communications, \$14,000 for grants services with the Bank of Tokyo, \$2,000 for POL, \$500 for postage and stamps, \$800 for printing and reproduction, \$800 for maintenance and repair services and \$10,000 for supplies and materials. The Department has advised that its initial estimates for OCE were too conservative and your Committee therefore recommends approval of the revised amount.

Your Committee recommends approval of the other line items for the Office of the Secretary as set out above. However, in relation to the proposed purchase of a new vehicle (fixed assets) your Committee refers to its previous comments in relation to the need for a comprehensive National Government vehicle policy.

**Department of Finance - Treasury**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	373,502 Incl. \$8,028 suppl. app.	365,353	381,490
Travel	21,152	22,000	22,000
Contract serv.	26,800	26,800	26,800
OCE	82,974	83,000	83,000
Fixed ass.	22,000	2,000	2,000
<b>Total</b>	<b>526,428</b>	<b>499,153</b>	<b>499,153</b>
<b>Employees</b>	<b>28</b>	<b>28</b>	<b>28</b>

In P.C. 14-202, the President indicated that he is seeking a \$22,579 increase in the Treasury budget over and above what is contained in the Budget Book. In subsequent communications with the Department it was explained that insufficient allowances had been made for overtime in the proposed Treasury budget and that the allowances made were not distributed correctly between the offices. On this basis, the Department's revised request was for the following changes to the FY 2007 Treasury overtime budget:

- Central Office - increase from \$2,500 to \$20,000

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- Chuuk Office - increase from \$0 to \$6,078
- Kosrae Office - decrease from \$1,368 to \$500
- Yap Office - decrease from \$1,368 to \$500

Your Committee fails to see why these figures could not have been submitted correctly in the Budget Book. The changes did not arise because of new information received after the preparation of the Budget Book, but rather from an oversight by those staff at the Department who prepared the Treasury budget. As noted above, continued revisions to the Executive's budget request, after the Budget Book has been transmitted, hamper the process of effective review by Congress and increase the overall likelihood of mistakes occurring.

It is also a matter of concern to your Committee that the revised figures as they appear in PC 14-202 represent a significant increase in overtime funding levels when compared with FY 2006. On this basis, your Committee recommends that overtime for the Division of Treasury in FY 2007 should be funded at FY 2006 levels as follows:

- Central Office - \$15,346, resulting in an increase in the personnel budget of the Central Office to \$300,912
- Chuuk Office - \$3,289, resulting in an increase in the personnel budget of the Chuuk Office to \$34,756
- Kosrae Office - no change from President's FY 2007 proposed budget as contained in the FY 2007 Budget Book
- Yap Office - no change from President's FY 2007 proposed budget as contained in the FY 2007 Budget Book

Funds appropriated for overtime for the Division of Treasury in FY 2007 shall not be used to pay for overtime by the head of the Division.

Your Committee recommends funding of the Division of Treasury's overtime budget at FY 2006 levels. In all other respects, your Committee recommends approval of the President's proposed FY 2007 budget for the Division.

**Department of Finance - Customs and Tax Administration**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	565,812	573,904	571,664
Travel	23,760	30,000	30,000

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Contract serv.	66,587	66,588	66,588
OCE	75,000	106,000	106,000
Fixed ass.	8,000	10,000	10,000
<b>Total</b>	<b>739,159</b>	<b>786,492</b>	<b>784,252</b>
<b>Employees</b>	<b>45</b>	<b>45</b>	<b>45</b>

Your committee notes that the FY 2006 personnel total for Customs and Tax Administration is identified in the FY 2007 Budget Book as \$571,636. However, addition of the individual subtotals yields a figure of \$565,812.

The Division is requesting an increase in the OCE budget for FY 2007 of \$31,000 over FY 2006 funding levels. In light of ongoing problems maintaining the field offices and funding the purchase of necessary supplies and services, your Committee recommends approval of this increase. However, the full \$31,000 increase must be divided among the field offices in order to alleviate their operational difficulties.

The President, via PC No. 14-202, requested a large number of adjustments to the proposed salaries of Customs and Tax Administration employees for FY 2007. Your Committee has been advised that these changes do not represent changes in salary for the relevant employees, but rather are to correct inadvertent errors in the Budget Book. Your Committee refers to its statements above in relation to the changes proposed by PC No. 14-202. In addition, your Committee notes that a large number of the proposed changes are less than \$10. It is not clear why such minor adjustments would be necessary, particularly in light of the large number of man-hours required to incorporate them into the FY 2007 budget.

The requested adjustments are as follows:

Pohnpei field office

- Deputy Assistant Secretary - from \$16,779 to \$16,696
- 4 x Customs Inspector I - from \$6,599 to \$6,600
- Customs Inspector I - from \$7,642 to \$7,643

Chuuk field office

- Customs Inspector I - from \$8,866 to \$6,600
- 2 x Customs Inspector I - from \$6,599 to \$6,600

Yap field office

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- 2 x Customs Inspector I - from \$6,599 to \$6,600
- Customs Officer II - from \$9,942 to \$9,842

Your Committee recommends approval of the revised Customs and Tax Administration personnel budget for FY 2007. However, it encourages the Department to take more care in preparing its budget in the future and urges that only meaningful amendments be submitted to the Committee for consideration.

Your Committee recommends approval of the other Customs and Tax Administration line items as set out above.

**Department of Finance - Budget**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	123,693	96,664	96,664
Travel	11,752	11,600	11,600
Contract serv.	2,000	2,000	2,000
OCE	25,499	25,500	25,500
Fixed ass.	0	1,000	1,000
<b>Total</b>	<b>162,944</b>	<b>136,764</b>	<b>136,764</b>
<b>Employees</b>	<b>8</b>	<b>6</b>	<b>6</b>

Your Committee recommends approval of this division's FY 2007 budget as set out above.

**Department of Finance - Personnel**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	58,840	76,205	76,205
Travel	110,832	110,000	110,000
Contract serv.	573,640 Incl. \$50,000 suppl. app.	554,200	554,200
OCE	52,234	52,234	52,234
Fixed ass.	9,855	1,200	1,200
<b>Total</b>	<b>805,401</b>	<b>793,839</b>	<b>793,839</b>
<b>Employees</b>	<b>4</b>	<b>5</b>	<b>5</b>

Your Committee recommends approval of this division's FY 2007 budget as set out above.

**Department of Finance - Investment and International Finance**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee</b>
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			<b>rec.</b>
Personnel	109,602	100,362	109,682
Travel	12,320	15,000	15,000
Contract serv.	2,000	2,000	2,000
OCE	22,000	22,000	22,000
Fixed ass.	2,500	3,000	3,000
<b>Total</b>	<b>148,422</b>	<b>142,362</b>	<b>151,682</b>
<b>Employees</b>	<b>6</b>	<b>7</b>	<b>6</b>

The proposed budget for FY 2007, as contained in the Budget Book, would eliminate one senior grant writing position and replace it with two junior grant analyst positions. Your Committee believes that, in the current climate, it is important to maintain a certain level of expertise in this area. On this basis, your Committee does not recommend approval of the elimination of the grant writer position or the creation of the two grant analyst positions.

In all other respects, your Committee recommends approval of the Division's FY 2007 budget.

#### **Office of Compact Management**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	85,841	106,766	97,247
Travel	98,000 Incl. \$38,000 suppl. app.	70,000	70,000
Contract serv.	57,200	16,800	16,800
OCE	23,100	34,000	34,000
Fixed ass.	4,200	18,000	18,000
<b>Total</b>	<b>268,341</b>	<b>245,566</b>	<b>236,047</b>
<b>Employees</b>	<b>3</b>	<b>5</b>	<b>4</b>

Your Committee continues to be concerned that OCM appears to be developing into a substantive department, rather than a single point of contact between the relevant US and FSM agencies as was intended. OCM should be consolidating information from different sources and managing reporting deadlines, however, information gathering and analysis should be done elsewhere. On this basis, your Committee does not recommend approval of a new economist position within OCM. The Committee makes no recommendation as to the need for additional

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economists within the National Government generally. If such a need exists, it should be filled within the appropriate department.

In PC No. 14-202 the President requested that an IT System manager position, inadvertently omitted from the Budget Book, be included in OCM's FY 2007 budget. The position was approved in the FY 2006 budget at pay level 36/4 and a salary of \$17,731 annually. Your Committee recommends funding this position in FY 2007.

Your Committee recommends approval of all other line items in OCM's FY 2007 budget in accordance with the table set out above.

### CONGRESS

The table below contains an overview of Congress' proposed FY 2007 budget.

#### Overview

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	1,119,314	1,192,252	1,238,252
Travel	599,252	599,252	534,252
Contract serv.	776,100	756,100	746,100
OCE	677,340.	677,340	662,340
Fixed ass.	31,220	31,220	26,220
<b>Total</b>	<b>3,203,226</b>	<b>3,256,164</b>	<b>3,207,164</b>
<b>Employees</b>	<b>54</b>	<b>58</b>	<b>57</b>

A discussion of funding for each separate area of operations is set out below.

#### Congress - Speaker and Members

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	415,290	415,290	415,290
Travel	479,881 incl. \$55,000 supp. app.	479,881	424,881
Contract serv.	597,600 incl. \$90,000 supp. app.	577,600	577,600
OCE	50,000	50,000	50,000

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Fixed ass.	0	0	0
<b>Total</b>	<b>1,542,771</b>	<b>1,522,771</b>	<b>1,467,771</b>
<b>Employees</b>	<b>14</b>	<b>14</b>	<b>14</b>

The President's proposal for the FY 2007 budget for the Speaker and Members is to maintain travel funding at FY 2006 levels. However, FY 2006 appropriations included a one off supplemental of \$55,000 for member travel. This appropriation was to meet certain unexpected travel expenses in FY 2006 and was not intended to represent an on-going increase to the basic funding level of member travel. Your Committee therefore recommends a \$55,000 decrease in the President's proposed funding for member travel in FY 2007.

In all other respects, your Committee recommends approval of the proposed budget for FY 2007 for Speaker and Members'. However, one quarter of each member's representation fund shall not be available for obligation until May 11, 2007 so as to ensure that any new members elected in the upcoming national election receive an equitable proportion of the representation funds for FY 2007.

**Congress - Staff Offices**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	704,024	776,962	822,962
Travel	119,371 incl. \$10,000 supp. App.	119,371	109,371
Contract serv.	178,500 incl. \$10,000 supp. App.	178,500	168,500
OCE	137,340 incl. \$15,000 supp. App.	137,340	122,340
Fixed ass.	31,220 incl. \$5,000 supp. App.	31,220	26,220
<b>Total</b>	<b>1,170,455</b>	<b>1,243,393</b>	<b>1,249,393</b>
<b>Employees</b>	<b>40</b>	<b>44</b>	<b>43</b>

The President's proposal for the FY 2007 budget for Staff Offices is to maintain funding at FY 2006 levels. However, FY 2006 appropriations included a number of one off supplemental appropriations as follows: \$10,000 for travel; \$10,000 for contract services; \$15,000 for other current expenses; and \$5,000 for fixed

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assets. These appropriations were to meet certain unexpected expenses in FY 2006 and were not intended to represent on-going increases to the basic funding level of the Staff Offices. Your Committee therefore recommends equivalent decreases in the President's recommendation for Staff Offices in FY 2007.

Your Committee does not recommend approval of an additional proof-reader position for Congress (\$12,000) in view of the limited resources available to the National Government at present.

Your Committee notes that, due to an error in calculation, the appropriation for staff offices personnel in FY 2006 was insufficient to cover actual payroll costs. Your Committee has been advised that the proposed FY 2007 budget is likewise insufficient to cover payroll for the coming fiscal year and that the shortfall will be approximately \$58,000. Your Committee therefore recommends a \$58,000 increase to the staff offices personnel budget for FY 2007. To prevent confusion, this increase is intended to meet existing payroll costs and not for the purpose of hiring additional staff or increasing salaries.

Your Committee recommends approval of the proposed Staff Offices' budget for FY 2007 as set out in the table above.

**Congress - Delegation Offices**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Kosrae	70,000 incl. \$10,000 supp. App.	70,000	70,000
Pohnpei	140,000 incl. \$20,000 supp. App.	140,000	140,000
Chuuk	210,000 incl. \$30,000 supp. App.	210,000	210,000
Yap	70,000 incl. \$10,000 supp. App.	70,000	70,000
<b>Total</b>	<b>490,000</b>	<b>490,000</b>	<b>490,000</b>

Your Committee recommends approval of the proposed Delegation Offices budget for FY 2007.

**PUBLIC AUDITOR**

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The table below contains an overview of Office of the Public Auditor's proposed FY 2007 budget.

**Overview**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	354,176	377,619	385,284
Travel	156,659	150,000	160,000
Contract serv.	123,260	214,000	201,900
OCE	61,800	62,000	52,000
Fixed ass.	12,000	40,600	4,000
<b>Total</b>	<b>707,895</b>	<b>844,219</b>	<b>803,184</b>
<b>Employees</b>	<b>16</b>	<b>22</b>	<b>22</b>

A discussion of funding for each separate area of operations is set out below.

**Public Auditor - National Office**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	354,176	348,326	385,284
Travel	156,659 Incl. \$30,000 suppl. app.	140,000	160,000
Contract serv.	123,260	201,900	201,900
OCE	61,800 Incl. \$10,000 suppl. app.	52,000	52,000
Fixed ass.	12,000	4,000	4,000
<b>Total</b>	<b>707,895</b>	<b>746,226</b>	<b>803,184</b>
<b>Employees</b>	<b>16</b>	<b>19</b>	<b>22</b>

The budget book for FY 2007 contains a proposal to start an office of the National Public Auditor in Chuuk. Your Committee does not recommend approval of this change because we do not consider it is desirable to single out one state in this way. Nevertheless, we recognize that the workload of the Public Auditor's Office continues to increase and that there are a number of large projects on the horizon in FY 2007. After consultation with the Public Auditor, your

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Committee recommends that the following three new positions be added to the National Public Auditor's Office:

- Single Audit Specialist - \$13,514 (PL 34/1)
- Investigator - \$12,514 (PL 32/1)
- Junior Auditor - \$10,930 (PL 30/1)

The total increase to the personnel budget of the national office would be \$36,958 in FY 2007.

Your Committee also recommends an additional \$20,000, over and above the President's proposed budget, be added to the travel budget of the Public Auditor's Office to ensure that staff are able to undertake necessary work in each of the States of the FSM.

Your Committee recommends approval of the FY 2007 budget of National Office of the Public Auditor's as set out in the table above.

**Public Auditor - Chuuk Office**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	0	29,293	0
Travel	0	10,000	0
Contract serv.	0	12,100	0
OCE	0	10,000	0
Fixed ass.	0	36,600	0
<b>Total</b>	<b>0</b>	<b>97,993</b>	<b>0</b>
<b>Employees</b>	<b>0</b>	<b>3</b>	<b>0</b>

For the reasons set out above, your Committee does not recommend funding of for the Chuuk office of the National Public Auditor in FY 2007.

**GRANTS SUBSIDIES AND CONTRIBUTIONS**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
National Authorizing Committee ACP/EU	8,000	0	0
Contonou Membership	0	10,000	0

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fee			
OCO Membership	0	2,000	2,000
<b>Total</b>	<b>8,000</b>	<b>12,000</b>	<b>2,000</b>

Your Committee is concerned that the National Government continues to maintain, at considerable expense, a large number of memberships of regional and international organizations that do not bring any apparent benefit to the FSM. We recommend a general overview of all memberships currently maintained by the FSM. In the view of this Committee, the Contonou membership fee is one such expense that has failed to produce a commensurate benefit. We therefore recommend that no appropriation be made to fund the Contonou membership fee in FY 2007.

Your Committee recommends approval of funding for the grants, subsidies and contributions in the amounts set out in the table above.

**CAPITAL AND HUMAN RESOURCE DEVELOPMENT**

National staff upgrading	50,000	75,000	75,000
Payment of ADB Fisheries loan	90,000	200,000	200,000

Your Committee recommends approval of funding for the Capital and Human Resource Development line items in the amounts set out above.

**CONCLUSION**

Your Committee on Ways and Means has reviewed the proposed FY 2007 budget and carefully scrutinized all the information provided by the Office of the President, the Department of Finance and Administration, the Office of Compact Management, the Legislative Branch and the Office of the National Public Auditor, including information relating to grants, subsidies and contributions and capital and human resource development which are in your Committee's jurisdiction. Based upon the information and its deliberations, your Committee recommends appropriation of each of the sums set forth above in the column entitled "Committee rec.".

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Respectfully submitted,

/s/ Isaac V. Figir  
Isaac V. Figir, chairman

/s/ Roosevelt D. Kansou  
Roosevelt D. Kansou, vice chairman

/s/ Peter M. Christian  
Peter M. Christian, member

/s/ Dohsis Halbert  
Dohsis Halbert, member

Manny Mori, member

Claude H. Phillip, member

/s/ Simiram Sipenuk  
Simiram Sipenuk, member