

A BILL FOR AN ACT

To further amend title 21 of the Code of the Federated States of Micronesia, as amended, by amending sections 209, 210, 213, 219, 225 and 227 thereof relating to the composition, powers and responsibilities of the Board of Directors of Telecommunications Corporation, and for other purposes.

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

1 Section 1. Section 209 of title 21 of the Code of the
2 Federated States of Micronesia is hereby amended to read as
3 follows:

4 "Section 209. Board of Directors - Establishment,
5 Powers and Responsibilities.

6 The affairs of the Corporation shall be managed and its
7 corporate powers exercised [~~by~~] under the supervision of
8 a Board of Directors, hereinafter referred to as "the
9 Board. In addition to such powers and responsibilities
10 as may be described in other sections of this title, the
11 Board shall

12 (a) Approve a strategic plan for the Corporation
13 and receive periodic reports from management of the
14 Corporation regarding implementation of the plan;

15 (b) Review and approve the annual budget for the
16 Corporation prepared pursuant to section 225 of this
17 title;

18 (c) Require management of the Corporation to
19 implement such internal controls as necessary to ensure

1 that financial information reported by the Corporation
2 is complete and reliable and that all receipts and
3 expenditures of the Corporation are processed and
4 reported in accordance with approved policies and
5 procedures;

6 (d) Approve significant accounting standards and
7 policies to be applied in preparing the financial
8 statements of the Corporation;

9 (e) Establish a management compensation policy,
10 addressing the objectives of management compensation,
11 the factors to be considered by the Board in approving
12 the compensation of management, the appropriate
13 relationship between compensation levels for management
14 of the Corporation and the compensation of management of
15 other businesses in the Federated States of Micronesia
16 and in other comparable countries, and such other
17 matters as the Board may deem pertinent;

18 (f) Adopt a conflict of interest policy
19 applicable to the Board and employees of the
20 Corporation, and take such actions as necessary and
21 appropriate to prevent violations of that policy; and

22 (g) Adopt a schedule of authority which shall set
23 forth (i) the limits of each member of management's
24 authority to enter into transactions or incur
25 obligations on behalf of the Corporation and (ii) the

1 limits of management's authority to enter into
2 transactions or incur obligations without approval of
3 the Board."

4 Section 2. Section 210 of title 21 of the Code of the
5 Federated States of Micronesia is hereby amended to read as
6 follows:

7 "Section 210. Board of Directors -- Composition.
8 The Board shall be composed of five voting members.
9 ~~[One member shall be appointed by the President of~~
10 ~~the Federated States of Micronesia with the advice~~
11 ~~and consent of the Congress. The Governor of each~~
12 ~~State of the Federated States of Micronesia shall~~
13 ~~appoint one member of the Board with the advice and~~
14 ~~consent of the respective State legislature.] One~~
15 member of the Board shall be a representative of
16 the National Government, and there shall be one
17 member representing each of the States. All
18 appointments to the Board, on or after the
19 effective date of this Act ~~[or thereafter]~~, shall
20 be made by the President of the Federated States of
21 Micronesia with the advice and consent of Congress.
22 The appointment of any State representative on the
23 Board shall be upon the recommendation to the
24 President by the Governor of the pertinent State.
25 Appointments shall be made so that all times,

1 beginning no later than January 1, 2006, the Board
2 includes at least one member with knowledge of
3 financial matters by virtue of having training or
4 work experience as an accountant, business
5 financial manager, banker or regulator. In
6 making all appointments, preference shall be given
7 to persons with experience or training relating to
8 telecommunications, business management, accounting
9 or finance, however, each member shall have a
10 college degree and five-years of related work
11 experience. The chief executive officer of the
12 Corporation shall serve ex officio as a member of
13 the Board but he shall have no right to vote."

14 Section 3. Section 213 of title 21 of the Code of the
15 Federated States of Micronesia is hereby amended to read as
16 follows:

17 'Section 213. Board of Directors-Vacancies.

18 (1) Every vacancy on the Board shall be filled for
19 the unexpired portion of the term in the same
20 manner as originally filled. Upon determination
21 that a vacancy exists, the chairman or, in his
22 absence, the presiding officer of the Board shall
23 issue a notice of vacancy to all members of the
24 Board and the parties responsible for filling the
25 vacancy.

1 (2) Any vacancy occasioned by failure to make a
2 nomination to the Congress [~~or a State legislature~~]
3 prior to the expiration of the previous term, or by
4 failure to submit a nomination within sixty days of
5 receipt of notice that a vacancy exists, or within
6 ten days of receipt of notice of rejection of
7 nomination, shall be filled by nomination of the
8 Speaker of the Congress [~~or the Speaker of the~~
9 ~~State legislature~~], subject to advice and consent
10 of the
11 Congress [~~or the legislature~~] or an authorized
12 committee thereof. The nomination of the President
13 [~~or Governor~~] shall be entitled to consideration if
14 such nomination is made prior to that of the
15 Speaker."

16 Section 4. Section 219 of title 21 of the Code of the
17 Federated States of Micronesia is hereby amended to read as
18 follows:

19 "Section 219. Board of Directors -- Executive
20 committee -- Establishment; Meetings.

21 There shall be an executive committee of the Board
22 composed of the chairman, vice chairman, and
23 secretary-treasurer, or their individually designated
24 substitutes chosen from among the membership of the
25 Board. At all times, beginning no later than January 1,

1 2006, at least one member shall have knowledge of
2 financial matters by virtue of having training or work
3 experience as an accountant, business financial manager,
4 banker or regulator. The executive committee shall meet
5 with the chief executive officer at least once per
6 calendar quarter at such times and places as shall be
7 determined by the bylaws."

8 Section 5. Section 225 of the Code of the Federated States
9 of Micronesia is hereby amended to read as follows:

10 "Section 225. Budget preparation.

11 The budget and finance officer shall prepare in advance
12 of each fiscal year, under the supervision of the chief
13 executive officer, an annual budget for the Corporation,
14 taking into consideration anticipated capital and
15 operational expenditures and anticipated revenues. [~~The~~
16 ~~budget shall be subject to the approval of the Board.~~]

17 Upon approval by the Board, the budget shall be
18 transmitted to the President and the Congress of the
19 Federated States of Micronesia. The Corporation shall
20 use the same fiscal calendar as that of the Government
21 of the Federated States of Micronesia. The budget shall
22 indicate the operational, capital, and maintenance
23 requirements of the Corporation that will be met with
24 the anticipated revenues of the Corporation, and such
25 essential requirements as cannot be met without increase

1 in the rate of revenues or outside financial
2 assistance."

3 Section 6. Section 227 of title 21 of the Code of the
4 Federated States of Micronesia is hereby amended to read as
5 follows:

6 "Section 227. Accounts and records.

7 (1) The Board and the chief executive officer
8 shall be jointly responsible to ensure that the
9 budget and finance officer prepares proper and
10 complete books of account reflecting all income,
11 expenses, assets, liabilities, capital, and
12 retained earnings of the Corporation. Accounting
13 for the Corporation shall
14 be on the accrual basis so as to enable periodic
15 determination of profit and loss from operations
16 and the full cost of providing services. Expenses
17 shall include depreciation on fixed assets and
18 amortization of long term debt.

19 (2) The Board, not later than ninety days after
20 the close of each governmental fiscal year, shall
21 submit to the President, the Congress, and the
22 Governor and legislature of each State a complete
23 report, on the year just concluded including audited
24 financial statements, a comparison of actual
25 financial results with the budget for the year, [a

1 ~~statement as to the monetary and other compensation~~
2 ~~received during the year by the Corporation's chief~~
3 ~~executive officer and four other most highly~~
4 ~~compensated employees]~~ any personnel contracts for
5 a value greater than \$30,000, a description of the
6 principal activities of the Corporation during the
7 fiscal year, the present condition of the
8 Corporation, and such other matters as the Board
9 shall deem appropriate. The report submitted under
10 this section shall be signed by all members of the
11 Board. The financial statements shall include at
12 least a balance sheet, operating statements,
13 statement of changes in financial position, and
14 analysis of changes in retained earnings. The
15 financial statements shall include information on
16 the financial results for the year just concluded
17 and for the two previous years.

18 (3) ~~[The Public Auditor shall audit the financial statements and~~
19 annually by independent auditors approved by the Public
20 Auditor and the Board. Each year, within thirty days of
21 the completion of the audit, the Board or the Executive
22 Committee shall meet with the independent auditors,
23 outside the presence of any member of management of the
24 Corporation, to discuss with the auditors any
25 significant issues identified during the audit, any

1 differences between management and the auditors
2 respecting the reporting of any item contained in the
3 financial statements, the adequacy of the Corporation's
4 internal controls, any contingencies that could have a
5 material effect on the financial condition of the
6 Corporation and such other matters as the auditors or
7 the Board deems appropriate."

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11 Section 7. This act shall become law upon approval by the
12 President of the Federated States of Micronesia or upon its
13 becoming law without such approval.

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15 Date: 10/10/04

Introduced by: /s/ Moses A. Nelson
Moses A. Nelson

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