
A BILL FOR AN ACT

To amend title 55 of the Code of the Federated States of Micronesia (Annotated), as amended, by creating a new chapter 15 thereunder entitled, "Compact Fund Accounting and Subrecipient Monitoring", and by inserting therein new section 1501 stating the purpose of this chapter, section 1502 defining applicable terms, section 1503 setting out accounting treatment of pass-through funds, section 1504 providing subrecipient monitoring framework, and section 1505 requiring reporting and authorizing the issuance of implementing rules and regulations; and for other purposes.

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

1 Section 1. Title 55 of the Code of the Federated States of
2 Micronesia (Annotated), as amended, is hereby further amended by
3 creating a new chapter 15 entitled: "Compact Fund Accounting and
4 Subrecipient Monitoring."

5 Section 2. Title 55 of the Code of the Federated States of
6 Micronesia (Annotated), as amended, by inserting a new section
7 1501 under chapter 15 to read as follows:

8 "Section 1501. Purpose. The purpose of this chapter is
9 established uniform accounting procedures for Compact
10 Sector pass-through funds, ensure compliance with
11 applicable accounting standards and the provisions of
12 the Compact, and enhance transparency and accountability
13 in the management of Compact financial assistance."

14 Section 3. Title 55 of the Code of the Federated States of
15 Micronesia (Annotated), as amended, by inserting a new section
16 1502 under chapter 15 to read as follows:

1 "Section 1502. Definitions. As used in this chapter:

2 (1) 'Compact Sector funds' means financial assistance
3 provided to the Federated States of Micronesia pursuant
4 to the Compact of Free Association, as amended.

5 (2) 'Pass-through funds' means Compact Sector funds
6 received by the National Government and distributed to
7 State Governments as subrecipients of such funds.

8 (3) 'Subrecipient' means a State Government that
9 receives pass-through funds and carries out a program or
10 activity under a subaward."

11 Section 4. Title 55 of the Code of the Federated States of
12 Micronesia, (Annotated), as amended, by inserting a new section
13 1503 under chapter 15 to read as follows:

14 "Section 1503. Accounting Treatment of Pass-Through
15 Funds.

16 (1) The National Government shall recognize revenue
17 from Compact funds upon receipt in accordance with the
18 accrual basis of accounting.

19 (2) State Governments shall separately recognize
20 revenue and expenditures in their own financial
21 statements upon receipt and expenditure.

22 (3) The Secretary of Finance and Administration shall
23 maintain accounting records in sufficient detail to
24 provide a full accounting of all pass-through funds,
25 including amounts received, awarded, disbursed, and

1 outstanding balances."

2 Section 5. Title 55 of the Code of the Federated States of
3 Micronesia (Annotated), as amended, by inserting a new section
4 1504 under chapter 15 to read as follows:

5 "Section 1504. Subrecipient Monitoring Framework.

6 (1) Prior to disbursing pass-through funds, the
7 President or designee shall issue a subaward agreement
8 to each State Government.

9 (2) Prior to awarding funds, the President or
10 designee shall conduct a risk assessment of each State
11 Government to evaluate the risk of noncompliance.

12 (3) The President or his designee shall conduct
13 ongoing monitoring of each State Government's activities
14 and verify compliance with Single Audit requirements.

15 (4) Higher-risk subrecipients shall be subject to
16 additional monitoring measures.

17 (5) The Secretary of Finance and Administration
18 shall, by regulation, established the specific contents
19 of subaward agreements, risk assessment factors,
20 monitoring activities, and additional measures required
21 under this section."

22 Section 6. Title 55 of the Code of the Federated States of
23 Micronesia (Annotated), as amended, by inserting a new section
24 1505 under chapter 15 to read as follows:

25 "Section 1505. Reporting and Rulemaking

