



Highlights of [GAO-07-1128](#), a report to congressional requesters

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

Actions Needed to Improve Controls over Key Management Functions

Why GAO Did This Study

In October 2000, Congress established the U.S.-China Economic and Security Review Commission to assess the national security implications of the trade and economic relationship between the United States and the People's Republic of China and issue an annual report by June 1. The 12-member commission has a budget of about \$3 million. As requested, GAO assessed the extent to which the commission has (1) complied with its charter, (2) had an organizational structure and policies and procedures for managing its operations effectively, and (3) had internal control over the financial management and reporting that provides reasonable assurance that resources are not at risk. To address these objectives, GAO analyzed the commission's charter, annual reports, records, and management policies and procedures and interviewed commissioners, executive directors, and staff. GAO focused on fiscal years 2005 and 2006 financial transactions.

What GAO Recommends

To improve the timeliness of the commission's annual reports, Congress should consider aligning the commissioners' appointment dates with the annual report issuance date. GAO makes eight recommendations to improve the commission's organizational structure and management policies and procedures. The commission concurred with all of these recommendations.

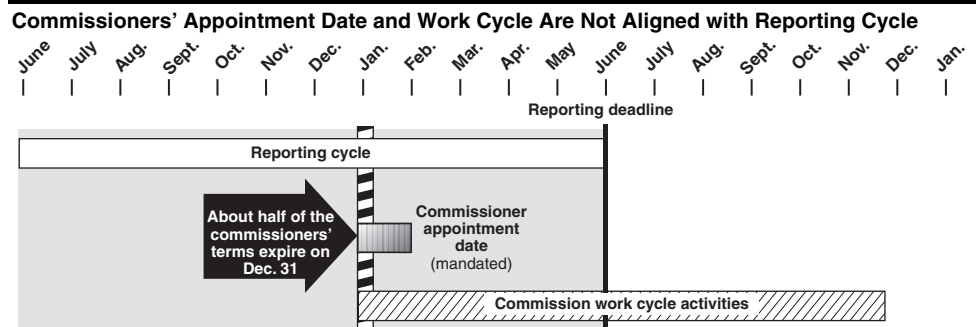
To view the full product, including the scope and methodology, click on [GAO-07-1128](#). For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

What GAO Found

Although the contents of the commission's annual reports have complied with statutory reporting requirements, the commission has not met the annual reporting deadline. It issued its 2005 and 2006 reports over 5 months late because the commissioners' appointment dates and the commission work cycle activities are not aligned with the annual reporting deadline. For example, over half the commissioners' terms will expire in December, 5 months before they are to approve and issue the 2008 report. However, the commission has taken steps to comply with applicable provisions of the Federal Advisory Committee Act.

The commission's organizational structure and management policies and procedures have weaknesses and are not in accordance with GAO's internal control standards for the federal government. The commission has not formally defined and assigned key management duties and responsibilities that are typically divided or segregated among different people. Also, policies and procedures were insufficient, incomplete, or not adequately documented. For example, GAO found that the commission had no written policies or procedures to ensure that the procurement of certain goods and services was transparent, competitive, and at the best value.

Internal control over financial management and reporting was not adequate to provide reasonable assurance that activities were properly processed and recorded and complied with federal laws and regulations. GAO noted weak or missing internal controls in three broad areas. In examining non-payroll-related financial transactions, GAO found inadequate documentation, lack of proper authorization and approval, and improper classification, including \$13,000 in questionable purchases. The purchase and travel card programs lacked written guidance, proper segregation of duties, and adequate training. Also, time and attendance records were not always approved according to the commission's policies and procedures. As a result of inadequate control in these areas, the commission's financial resources are at an increased risk of fraud, waste, abuse, and mismanagement.



Source: GAO analysis of USCESRC information.