Contents

The Statement of the IFCSS Supervisory Committee on Mr. Chengyan Liu's Appeal

Log Number: 93-1 **Date**: July 15th, 1994

On June 26th, 1994, Mr. Chengyan Liu of Washington University, the Chairman of the IFCSS Newcomer's Committee, formally submitted a case to the Supervisory Committee (SVC). On June 28th, Mr. Chengyan Liu revised the appeal to the SVC. In his appeal to the SVC, Mr. Chengyan Liu charged Mr. Zhang Qingsong, the acting Editor-in-Chief of the IFCSS Newsletters, and Mr. Shi Heping, the Vice President of IFCSS, for "possible illegal use of IFCSS registration records" for compaign purpose.[Exhibits 1–5] This case was widely publicized, by Mr. Chengyan Liu, on about ten news groups on the network.

On July 6th, the SVC formally accepted the case from Mr. Chengyan Liu and started the investigation process immediately. We have received the statements from Mr. Chengyan Liu, Mr. Heping Shi, and Mr. Qingsong Zhang [Exhibits 6–7]. The SVC also contacted two key involved parties. These two key witnesses (Party-A and Party-B hereafter) wish to remain anonymous and keep silent on this case.

After careful and thorough investigation, and based upon all the available evidence, the SVC has unanimously reached the following opinions regarding to the case:

First, the SVC has not found any evidence to support Mr. Chengyan Liu's allegation s against Mr. Qingsong Zhang and Mr. Heping Shi. What Mr. Chengyan Liu has provided to the SVC so far are some hearsays, which the SVC cannot verify because the key witnesses are not willing to testify. Therefore, the SVC has decided that Mr. Chengyan Liu's appeal should be dismissed.

Second, the SVC considers that it is improper for Mr. Chengyan Liu to publically accuse others without any evidence.

Ping Lu/Li-Shi Luo

Cc: china-nt%uga.bitnet@pucc.Princeton.edu, ccnl@utarlvm1.uta.edu, LCnet-open@chvsmw.chem.ncsu.edu, soc-culture-china@cs.utexas.edu, talk-politics-china@cs.utexas.edu, ccf-editor@ifcss.org, ifcssvc@ifcss.org, hq@ifcss.org, svc93@ifcss.org

Notes on the Enclosed Materials

There are seven items enclosed here:

1. Mr. Chengyan Liu's appeal on June 26th, 1994;
2. Mr. Chengyan Liu's revised appeal and part of evidence, on June 29th, 1994;
3. Mr. Chengyan Liu's evidence to SVC, on July 11th, 1994;
4. Mr. Li-Shi Luo's message to Mr. Chengyan Liu, on July 11th, 1994;
5. Mr. Chengyan Liu's reply to Mr. Li-Shi Luo, on July 12th, 1994;
6. Mr. Heping Shi's testimony to SVC, on July 11th, 1994;
7. Mr. Qingsong Zhang's testimony to SVC, on July 6th, 1994;

Other than some cosmatic editing, such as making margin even and deleting irrelevant headings of e-mails, we also delete some information of those witnesses who wish to be anonymous. Changes made by SVC are in cure brakets {}, while Changes made by others are in square brakets [].

Exhibit 1

```
From @UGA.CC.UGA.EDU:owner-china-nt@UGA.CC.UGA.EDU Sun Jun 26 18:53:57 1994
Date:  Sun, 26 Jun 1994 19:52:52 -0500
Sender:  China-Net <CHINA-NT@UGA.CC.UGA.EDU>
From:  Chengyan Liu <cliu@wuecon.wustl.edu>
Subject:  An Appeal for Investigation on Illegal Use of 6Da
Registration Information
Comments:  To:  svc93@ifcss.org
Comments:  cc:  china-nt@uga.bitnet, ccnl@utarlvm1.uta.edu, fcbs-l@ifcss.org,
LCnet-open@chvsmw.chem.ncsu.edu, soc-culture-china@cs.utexas.edu,
talk-politics-china@cs.utexas.edu, ifcssvc@ifcss.org, hq@ifcss.org,
6da@ifcss.org
To:  Multiple recipients of list CHINA-NT <CHINA-NT@UGA.CC.UGA.EDU>
```

Dear IFCSS 5th Term Supervisory Committee, Chairperson Luo Lishi,

I just heard that Mr. Zhang Qingsong, acting editor-in-chief of IFCSS Newsletter use IFCSS 6th Congress Registration Information campaign for Xing Zheng/Liu Yuhe. Such kind of behavior is not a democratic organization can afford for. Hereby, I formally file an appeal for investigation on following items,

a) Who in HQ or in 6Da Task Force authorized to use 6Da registration information campaign for Xing Zheng/Yuhe Liu if there's any;

b) How long and in what range Mr. Zhang Qingsong has used 6Da registration information to help Xing Zheng/Liu Yuhe's campaign.

Please SVC Chairperson Luo Lishi contact me at liuc@simon.wustl.edu, I'll supply SVC committee necessary information for investigation.

As this is urgent, I hope you can announce your investigation in your earliest time.

Thank you for your hard working.

Chengyan Liu An Ordinary CSS of Washington University at St. Louis, 06/26/94

Exhibit 2

```
Date: Wed, 29 Jun 1994 13:04:01 -0500
From: liuc@simon.wustl.edu
To: "svc93@ifcss.org"@WUGATE.wustl.edu, "dong@ifcss.org"@WUGATE.wustl.edu
Cc: "liuc@simon.wustl.edu"@WUGATE.wustl.edu
Subject: My appeal on investigation of possible illegal use of IFCSS
registration information/records
```

Dear IFCSS 5th Term Supervisory Committee member, Chairperson Luo Lishi,

I got following information through personal mail:

> {Party-A}, IFCSS 5th Congress delegate from {School A}, and 6th Congress delegate to be, got a call from both Shi Heping, IFCSS Vice President and 6Da Task Force member, and Zhang Qingsong, 4th term IFCSS Executive Director and acting editor-in-chief of IFCSS Newsletter, before last Sunday (06/26/94), lobbying him/her not to vote for one of the two pairs of announced candidates of next term IFCSS President/Vice-President. {Party-A} was unhappy about the unexpected calls from Shi and Zhang. {Party-A} does not recall that he left his personal information to Shi and Zhang. One of the two, or both, told {Party-A} that his personal information had been obtained through registration records.

Registration information and other official records, past or present, are confidential and shouldn't be used for lobbying next term IFCSS President/Vice-President by or on behalf of any candidates, unless they are in public domain or per Council resolution and all candidates must be granted equal access to the records in question, to ensure a free, open and fair election.

Moreover, the delegates must be informed prior to registration that their personal information will not be kept confidential and will be used for the campaigning.

Those who work for IFCSS in an official capacity or function should not campaign for or against any candidates unless he is off duty or on leave.

It is against our founding principal for promoting democracy both in the Chinese Students & Scholars community and in our motherland to permit abuse of trust and cheating in a democratic election.

I hereby formally file an appeal for investigation on Heping Shi and Qingsong Zhang's alleged illegal use of IFCSS registration records, be it of 6Da or of previous congress records.

Specifically, I request the IFCSS Supervisory Committee to look into and report on the following to the upcoming Congress:

* Did {Party-A} mail registration to HQ for attending 6Da? If so, has the registration been received by HQ and when?

* Did Heping Shi and Qingsong Zhang called {Party-A} to lobby on behalf of any candidates? If so, when did the two make the calls?

* Did Heping Shi and Qingsong Zhang make the alleged calls in any official capacity? If so, did they or will they bill IFCSS for the calls?

* Further, please verify where did Heping Shi and Qingsong Zhang get to know {Party-A's} personal (updated) information before IFCSS 6th Congress?

Thank you for your promt attention.

Regards,

Chengyan Liu
Washington University at St. Louis, 06/28/94

Exhibit 3

```
From liuc@simon.wustl.edu Mon Jul 11 02:18:33 1994
Date:  Mon, 11 Jul 1994 02:08:42 -0500
To:  "svc93@ifcss.org"@WUGATE.wustl.edu
Cc:  LIUC@wugate.wustl.edu
Subject:  Relevant Information for My Appeal [Chengyan Liu]
```

Dear IFCSS 5term Supervisory Committee, Chairperson Luo Lishi,

I'm really sorry that though I completed the following file in last Friday but I couldn't access the serve (and therefore e-mail) throughout whole weekend as 'host not responding'. Hope you can do a good job.

Regards

Chengyan Liu at St. Louis 07/11/94

———-Original File Begin

Dear IFCSS 5term Supervisory Committee, Chairperson Luo Lishi,

I have attached following e-mails for investigation. It's part of information I have. In regard of investigation, I think I'm in debt to stress following points,

* I have no intention to offend anyone other than pursue principle. If my language in any case serve that purpose as concerned party think, I would like to offer my apology for her/him;

* Please don't forward following mails to public net [by any party] as it's private communication. Original author have made the request to me;

* I'm not the one who made the allegation, I'm only the one who made it to SVC and public;

* I had a [phone] conversation with {Party-B} on Sunday, but when I try to verify the conversation with {Party-A}, it seems to mee that there're some miscommunication;

I hope SVC can give CSS community in large and IFCSS 6th Congress delegates in particular the whole picture about what happend in the indicated time period and prevent speculation speading further.

Regards

Chengyan Liu at St. Louis 07/08/94

———-

* Attached Mail (I)

```
From:  {Party-B}
Date:  Sun, 26 Jun 1994 20:13:28 -0400
Subject:  New IRC member
```

Dear {XXX},

[......]

{Party-A} was a former president of {XXX}. [......]

{Party-A} told me that Zhang Jinsong called him and asked to support Z/L. Zhang Jingsong told him that Luo Ning is a very bad person and Luo is a black hand of IT team. Now IFCSS couldn't get donations because of the open letter.

I asked {Party-A} how Zhang Jingsong knows {Party-A}'s phone #. and {Party-A} said Zhang Jingsong got his information from his registration from.

[......]

{Party-B}

———-

* Attached Mail (II)

```
Date:  Mon, 27 Jun 94 20:14:34 EST
To:  liuc@simon.wustl.edu
In-reply-to:  [Chengyan] Hi, welcome to irc
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Hi, Chengyan. I received both calls from vp. Shi Heping and Zhang Qingsong. It was Mr. Shi rather than Zhang to get my number from my registration form. [......]

{Party-A}

Exhibit 4

```
From luo@t13.lanl.gov Mon Jul 11 12:38:03 1994
Date:  Mon, 11 Jul 94 12:36:26 MDT
From:  luo@t13.lanl.gov (Li-Shi Luo)
To:  liuc@simon.wustl.edu
Subject:  Re:  Relevant Information for My Appeal [Chengyan Liu]
Cc:  svc93@ifcss.org
```

Dear Mr. Changyan Liu,

Thank you very much for your materials related to the appeal you submitted to SVC.

There are several important points I would like to bring to your attention.

1) SVC cannot treat your materials as private communications. In other words, it is entirely up to SVC to decide how to use the materials if you had decided to use them as the supporting evidence related to your appeal to SVC;

2) To SVC, you are the one who made the allegation simply because you are the one who brought the charges to SVC formally. Therefore, you are the only plantiff in this case, as far as SVC is concerned.

3) You memtioned there seems some miscommunication between you and other involved parties. However, there is no memtion of what are specifics of the miscommunication and how it relates to your appeal. Therefore, it will not be relevant to SVC unless you provide us with futher details.

4) In your original appeal, charges were very specific. Now, you are demanding SVC to give "the whole picture about what happend in the indicated time period and prevent speculation speading further." We will, certainly, address and give rulings to the specific charges you brought to us. Beyond that, it is in SVC's hand. Would you please give us some ideas about what you meant by "the whole picture about what happened", and when is "the indicated time period"?

5) Your demand to ask SVC to "prevent speculation speading further" is certainly beyond SVC's jurisdiction.

We would like to hear from you as soon as possible, hopefully no later than July 14th, 1994, which was the date we set in the acceptance letter set to you on July 6th, 1994.

Thank you very much for your time and cooperation.

With my best regards, and for IFCSS, I remain

Sincerely yours,

Li-Shi Luo SVC Coordinator

Exhibit 5

```
From liuc@simon.wustl.edu Tue Jul 12 05:34:50 1994
Date:  Tue, 12 Jul 1994 06:34:19 -0500
To:  "svc93@ifcss.org"@WUGATE.wustl.edu
Cc:  LIUC@WUGATE.wustl.edu
Subject:  My answer to your concerns
```

Dear IFCSS 5th term Supervisory Committee, Chairperson Luo Lishi,

I appreciate your prompt response, I'd like to take this opportunity address some of your concerns,

a) I shall respect SVC's treatment of my appeal and related supporting information according to its established rules and procedures. However, I hope SVC will hold its faith to its constitutional duties and make no attempt to influence the on going campaign, one way or other, even inadvertantly.

b) You can interpret me as plaintiff, I, however, shall point out again that I am NOT the original source of the allegation, as shown by the supplemental evidences I sent to you. Therefore, SVC has an obligation to protect the information source, otherwise it will discourage future scrutiny of IFCSS offcials, which we shall try to avoid if IFCSS is to honor its democratic principles. I have provided you with the facts to my best knowledge. It is your and SVC's responsibility to treat them properly and ethically.

c) The "miscommunication" I was referring to was that both Mr. Zhang Qingsong and Mr. Shi Heping had called Mr. {Party-A} to campaign on Xing Zheng/Liu Yuhe's behalf while it doesn't clear in the mail {Party-A} wrote to me. It's in {Party-B's} mail and the phone conversation I had with {Party-B} [Sorry for not able to provide conversation records, you may contact {Party-B} on this regard]. I'm sure it's relevant to my appeal.

d) "The whole picture" will be vivid after you answer all my specific inquiries, while by indicated time I mean before 06/26/94 as I wrote it in the first paragraph of my appeal. I'm not trying to add more burden to SVC. Nevertheless, as I understand that your proper ruling will "prevent speculation spreading further".

Thank you for your patience, I'm looking forward to communicate with you further and waiting for your proper ruling.

Regards

Chengyan Liu at St. Louis 07/11/94

Exhibit 6

```
From heping@fuzzy.umd.edu Mon Jul 11 14:26:06 1994
Date:  Mon, 11 Jul 94 15:20:16 -0400
To:  svc93@ifcss.org
Subject:  Statement Regarding LCY's Charge
```

07/11/94

Mr. Li-Shi Luo Coordinator IFCSS Supervisory Committee

Dear Mr. Luo:

I have received your notice of July 7th regarding Mr. Chengyan Liu's charge that I was guilty of "possible illegal use of IFCSS registration records." The following is what to my knowledge has happened.

On June 20 (Monday), after an extended leave, I came back to IFCSS HQ to work on 6th Congress. After the mail came in, I found that it included {Party-A's} registration for 6th Congress. In the registration form, {Party-A} stated that he would represent CSS at {School A}. Since I remembered that {Party-A} was a student at {School B} of which proved to be wrong, for he had been a student of {School B}, I decided to give him a call. Throughout our conversation, I did not make any comment on any presidential candidate. In fact, I did not even talk about the 6th Congress election except when {Party-A} asked me who planned to run for the next president, at that point I told him that, as far as I knew, Mr. Xing Zheng at Cornell and Mr. Luo Ning planned to run. This was the only sentence I spoke about the candidates or the election. There was not a single word about either candidate's backgrounds or qualifications. Nor was there any remark in favor of or against either candidate.

After I learned about the charge, I called {Party-A} again. {Party-A} said that he had never heard of Mr. Liu Chengyan and had absolutely no idea how Mr. Liu could come up with such a groundless charge. For your convenience, I am attaching {Party-A}'s telephone number. I strongly urge you and your committee to contact {Party-A}.

I pledge that the above description is true and am willing to bear any consequences should the findings of your committee indicate otherwise.

Sincerely,

Heping Shi

Exhibit 7

```
From qsz2u@faraday.clas.virginia.edu Wed Jul 6 21:23:09 1994
Date:  Wed, 6 Jul 1994 23:22:54 -0400
From:  Qingsong Zhang <qsz2u@faraday.clas.virginia.edu>
To:  Li-Shi Luo <luo@t13.Lanl.GOV>
Subject:  Re:  Mr.  Chengyan Liu's appeal
Cc:  svc93@ifcss.org, ifcssvc@ifcss.org
```

Date: July 6, 1994
To: Mr. Luo Lishi, IFCSS SVC Coordinator
From: Zhang Qingsong
Re: Liu Chengyan's Appeal

Dear Mr. Luo:

This is to acknowledge receipt of your memo dated July 6, regarding Mr. Liu Chengyan's allegation that I "ilegally" and "undemocratically" used IFCSS Congress Registration Records to campaign for Xing Zheng/Liu Yuhe. I am pleased to know that SVC has now started investigation. Please be assured that I will fully cooperate with your investigation.

In your memo, you asked me to send "relevant information" to you so that SVC can reach a verdict. However, so far I have not seen anything from Liu Chengyan or SVC to explain why Liu Chengyan accused me of wrong-doing and what kind of evidence he has. I have asked for such information three times and so far Mr. Liu has chosen to ignore my requests. I have been hoping that SVC would forward a copy of Liu Chengyan's statement to me so that I can have an idea of what Liu is talking about. I cannot prepare my explanation or defense without knowing what specific event caused Liu Chengyan's accusation.

At this stage, without knowing the facts, I can only assure you, SVC members, IFCSS colleagues, and the general CSS community that I have never seen any 6da registration record, nor have I used such "confidential" records to campaign for Xing Zheng/Liu Yuhe. Liu Chengyan's allegation is groundless.

When you receive materials from Liu Chengyan, please send me a copy. As a person pulicly charged for "mis-conduct," I have the right to know why I am accused.

I am looking forward to receiving further information from either Liu Chengyan or SVC.

Thanks for your attention.

Sincerely yours,

Zhang Qingsong

The Supervisory Committee's Statement on Appeals Relating to the IFCSS Financial Inspection

Log Number: 93-2 **Date**: July 18th, 1994

From December of 1993 to January of 1994, four appeals were brought to the attention of the Supervisory Committee (SVC) of the IFCSS. On December 6, 1993, Mr. Jinghong Li of University of Dayton charged the Co-Chairman of the 5th term Council, Mr. Yungui Ding of Iowa State University, for announcing the organization of a task force to expand the implementation of Council Resolution 5011 (CR5011), without the Council's approval or even knowledge. Second, on December 9, 1993, the Headquarters (HQ) of the IFCSS, alleged that Mr. Hongguang Zhou of Emory University, a 5th term Council member from Southeastern District, involved an unauthorized person in the IFCSS' financial affairs, and 'lied' to the HQ about this fact to the HQ staff. On January 9, 1994, Mr. Jinghong Li challenged the legitimacy and truthfulness of an open letter released by the Finance Committee (FC) of the Council. Finally, on January 11, 1994, the Finance Committee, represented by Mr. Hongguang Zhou, accused Mr. Changsheng Lin, the 5th term President of the IFCSS, and the HQ for refusing to cooperate with the Council Inspection Team (IT) in implementing CR5011.

All four appeals centered around the implementation of CR5011, which represents the Council's effort to improve the financial management of the IFCSS. In this statement, the SVC presents to you, the constituents of the IFCSS and the concerned public, the results of our investigation and our verdicts on the four cases. During the process of our investigation, the events were continuously evolving. We have discovered many incidents in which the rules were violated. However, these incidents were not mentioned in any of the pending cases. As the branch entrusted to safeguard the Constitutions of the IFCSS and various established rules, it is the responsibility of the SVC to bring your attentions to these incidents. Although these incidents are not addressed in our verdict, they are discussed in a detailed investigation report at end of this document.

What we are going to demonstrate here is a complicated case, because this case is highly contested, also involving many people and incidents. This necessitated a lengthy investigation.

To be responsible to our community and to the parties involved, we open to you the process of our investigation. In addition, to help put the related events into a historical perspective, and to demonstrate the effort by the SVC in reaching a fair and constructive viewpoint, the SVC takes the liberty to render a brief review of the history of the financial management of the IFCSS. We realize that such a review is beyond the four appeals per se, and is by no means an easy task. Yet in doing so the SVC hopes that all the concerned IFCSS members, particularly the involved parties in the four cases, can put behind what rather unfortunately happened, go beyond the differences we may have, and move forward to improve our Organization. Please bear in mind that we are all here for a common cause.

This document is organized as such: the results of our investigation is summarized in the first section; the verdicts regarding to the four pending cases are deliberated in the second section; the third section is the closing statement, in which some important issues beyond the specifics of the four cases are addressed in the context of the IFCSS operation and organization. The last two sections are a brief historical review of the IFCSS' financial management and a detailed account of the events of the financial inspection by the 5th term Council, which serve as supplements to the second and third sections.

The Investigation of the Supervisory Committee

In what follows, we shall give a summary of our investigation, providing the facts of some key events directly relating to the four appeals. A more detailed account of our investigation is presented at the end of this document.

Soon after the first appeal submitted to the SVC, We immediately started an investigation. On Jan. 7, 1994, the SVC sent out a questionnaire to all Council members. Up to now, eleven of the sixteen Council members have answered the questionnaire. Throughout the investigation, the SVC could never obtain a complete and updated directory of all Council members. The SVC sent several memos to the Council Chairman, Mr. Liqun Dong just for this purpose. The SVC contacted Mr. Cheng Liu, Mr. Bing Qi, Mr. Feng Zhang, and Mr. Hongguang Zhou via telephone, e-mail and personal contacts. They simply refused to cooperate with the SVC. Since we never got the address and phone numbers of Ms. Tong Shen, we delivered her a copy of the questionnaire during the working meeting held in D.C. this past February. So far, she has not responded.

Mr. Yungui Ding, the Co-Chairman of the Council, openly protested the investigation by the SVC. In a letter to the SVC dated Jan. 7, 1994, he expressed his view on how the SVC should conduct such investigation: "*I think the SVC should judge whether the Council, Council members, or Council sub-committees are working along the line of the IFCSS Constitution, the by-law and/or regulations. ... I think the work for the SVC to do is to judge whether the Committee's inviting Bai Yan to assist its work on financial inspection and representing the Council in financial matters obeys the Council's rules and the IFCSS' other rules. SVC is IN*

NO POSITION to get into the micro-operation of the Council or its committee." Mr. Yungui Ding also provided the SVC "*an unofficial record of whole issue*". Based upon our investigation, though, what stated in the record is not entirely truthful and factual.

Rather alarmingly, the SVC has noticed that the statement from Mr. Liqun Dong, the Chairman of the Council, denies that he had any prior knowledge of Mr. Yan Bai's trip to D.C., as he openly stated on the second regular meeting of the Council. We have evidence to prove that not only he was fully aware of the trip before hand, but also he personally gave the approval for Mr. Yan Bai's trip. The SVC believes that Mr. Liqun Dong's false statement was to avoid his responsibility. In effect, Mr. Liqun Dong has committed a perjury by submitting a false statement to the SVC.

Because there were complains that the work by the inspection team was not up to the professional standards, the SVC consulted an independent accounting firm for advise. The SVC provided the firm with the following documents: the memo by the inspection team to Ms. Zuihong Jiang, Ms. Jiang's reply to the memo, and the opinion report prepared by Mr. Yan Bai. (All these materials were published by Chinese Community Forum (CCF) and other electronic news media in e-mail networks.) A senior accountant of the firm provided the SVC with the following written statement: "*The following comments are based on the documents provided by Mr. Li-Shi Luo. Based upon the questions answered in the memo prepared by Ms. Z. Jiang, it may be concluded that those questions are irrelevant to auditing standards. The user* (*the IFCSS*), *therefore, may not accept the report issued by Mr. Bai Yan, who prepared the question list.*" It was also indicated to us that the opinion report by Mr. Yan Bai may seriously implicate the financial activities of the IFCSS. In other words, the wrongful allegations in Mr. Yan Bai's opinion report were serious enough to have warranted criminal investigations by the U. S. government on the IFCSS' financial management.

After the Finance Committee released the open letter which misinformed the public about "*missing funds in the IFCSS financial records*" on January 8, 1994, the SVC started its investigation on the incident. We found that the open letter was drafted and discussed among a small group of people including Council members: Mr. Yungui Ding, Mr. Liqun Dong, Mr. Cheng Liu, Mr. Bing Qi, Mr. Feng Zhang, Mr. Hongguang Zhou, and volunteers Mr. Yan Bai, and Mr. Ning Luo. The letter was released from a council archive account `chair@ifcss.org` by Mr. Hongguang Zhou without any prior approval from the Council, nor was the leadership of the Council informed.

Our investigation has showed that there was a consistent pattern of repetitively violating the rules by a small group of Council members. Those Council members who assisted the SVC in the investigation all stated in their written testimonies to the SVC that they did not know Mr. Yan Bai, nor his participation in the inspection team before his arrival in D.C. They also stated that they were not informed when Mr. Yungui Ding sent the memo to the HQ to confirm the Council's invitation to Mr. Yan Bai. None of the subsequently released documents which bear the name of the Council or its Committee, such as the announcement of forming a finance task force, the Opinion Report, seven more items for Treasurer's duties, and the open letter, had ever been discussed in the Council. The majority of the Council members did not have any knowledge of these documents before they were released to the public. It was also the same small group of the Council members, who repeatedly violated the rules, who refused to cooperate with the SVC. One could argue that any of the aforementioned misdemeanors could be caused by innocent neglegence or ignorance about the rules. However, after closely and carefully examining the case of whole and connecting an array of unusual events together, It became apparent to us that the rules were deliberately ignored and violated.

The Opinions of the Supervisory Committee

Quoted in the following are some relevant statutes from the Constitutions and Bylaws adopted on the 5th Congress of the IFCSS, and the Bylaws, Regulations and adopted Resolutions of the 5th term Council.

Article IV of the Bylaws of the Council: "The Council may, by resolution adopted by the Council, designate one or more committees, each committee to consist of two or more of the members of the Council, which, to the extent provided in the resolution, shall have and may exercise the powers of the Council in management of the business and affairs of the Council. The name, chairperson and members of each such committee may be determined from time to time by resolution adopted by the Council."

Article 11 of the IFCSS Financial Regulations: "The Treasurer must open all accounting books and other financial records to the Council or any authorized agent of the Council with no less than two representatives all financial records upon a written request from the Council or authorized Council Committee."

Resolution CR5011, in part: "The members of financial committee will go to HQ and give a clear report for last term and a list of the IFCSS equipments."

Based upon the aforementioned Bylaws and Resolutions and our investigation, the SVC concludes:

The announcement of organizing a task force in extension of the inspection team, by Mr. Yungui Ding, without the Council's knowledge and approval was inappropriate and illegitimate. Mr. Ding's self-appointment of the coordinator for the task force was illegitimate because it clearly violated the Bylaws of the Council and infringed the rights of other Council members.

The participation of Mr. Yan Bai in the inspection, without the Council's consent or even knowledge, was improper and illegitimate. The disclosure of the IFCSS financial records to Mr. Yan Bai without any consent from the Council and any prior written request to the Headquarters was inappropriate and illegitimate. Those involved Council members, Mr. Liqun Dong, Mr. Yungui Ding, Mr. Hongguang Zhou, Mr. Cheng Liu and Mr. Bing Qi should bear the fully responsibility. Mr. Hongguang Zhou's concealing the facts of involving unauthorized party in the financial inspection to the Headquarters constituted a serious violation to the rules and basic working ethics.

After Mr. Yan Bai's arrival in D.C., on Nov. 6, 1993, Mr. Yungui Ding sent a memo, co-signed by Mr. Liqun Dong, Mr. Yungui Ding and Mr. Hongguang Zhou, stating that "... *the Council has invited Mr. Bai Yan of Texas to join the team to provide some technical help to the financial matters.*" This statement misrepresented the Council, because neither had the Council been properly informed, nor had the Council reached a consensus regarding the matter. Mr. Yungui Ding's misdemeanor seriously violated the Council's Bylaws, infringed upon the rights and privileges of other Council members, and damaged the credibility of the Council as a whole.

Given the fact that the inspection team had significantly deviated from the tasks prescribed in CR5011, violated the rules and regulations, and gone beyond its authorized power, it was justified for the Headquarters to refuse to cooperate.

The release of the open letter by the Council Finance Committee constituted the most serious wrong-doing of all. The open letter violated the confidentiality agreement with IFCSS, and misled and misinformed the public with false statements. Furthermore, the members of the Finance Committee abused the privileges of an elected public officer entrusted by their constituents and the Council. The members had the privilege to access the financial records, and thus were responsible to present to the Council and the public an objective report. Instead, they released distorted and/or false information to the public. The SVC requests the Finance Committee and those involved Council members retract their statement, as it has been proven false. If not, IFCSS should seek proper legal actions for damage control and restoring IFCSS' credibility and reputation.

The means by which the open letter was released was also intolerable. The `chair@ifcss.org` account has traditionally been used for maintenance of the Council's e-mail network, etc. Only three persons have the password for the account: the Chairman, the Co-Chairman and the Secretary of the Council. However, the system record showed that it was Mr. Hongguang Zhou who entered the account and released the open letter. Again, this was done without the Council's consent. The Chairman, Mr. Liqun Dong, and the Secretary of the Council, Mr. Dong Chen, stated that they did not have any knowledge about the release of the Open Letter. This left the only other possibility: that Mr. Yunqui Ding somehow allowed access to the account by Mr. Hongguang Zhou. The SVC requests the Council to take decisive measures to prevent such incident to occur again in the future.

The opinion report released by the Finance Committee (prepared by Mr. Yan Bai) was not up to professional standards. It would not have been a serious problem had it been limited to internal circulation, and had the Finance Committee acted more responsibly. This opinion report should also be retracted, because it wrongfully and seriously implicated the financial activities of the IFCSS, and caused great damage to the IFCSS' reputation and credibility.

As to the question of openness of the Council working net, it is the opinion of the SVC that the Council has the right to decide such a matter. However, the SVC would also like to stress that traditionally the operation of the IFCSS has been open to the public and such traditions should be followed, and it should only be changed when necessary and justified, with due process.

Closing Statement

The SVC believes that the central issues surrounded by an array of events we observed in the inspection process are of vital importance to the IFCSS. Such issues, if left unresolved, would severely undermine the very existence of the IFCSS.

First of all, the financial operation of the IFCSS by the Headquarters lacks professionalism and has never been transparent enough to the general public. These are the very origin of the problem. The Headquarters was unwilling to cooperate with the Council and even tried to stop the inspection at the beginning. Mr. Changsheng Lin even went as far as to try to lobby some Council members unethically. Only after the extreme actions by some Council members, the Headquarters decided to hire professionals to complete the inspection. Although the reports from the professionals did prove that there had no funds missing from all the IFCSS' accounts, this fact does not imply in any way that the financial resources of the IFCSS had been well managed. On the contrary, evidence showed that the Headquarters did misuse some funds. For instance, 1) the Headquarters reimbursed Mr. Hongguang Zhou \$226.24 for food in the first site inspection, despite that there was a specific restriction by a clause in the Resolution CR5011 stating that "Cost involved: travel and lodge expenses by the Finance Committee"; 2) the Headquarters reimbursed Mr. Hongguang Zhou \$477.74 for a round trip air ticket and one week car rental for his less-than-two-hours visit to the Headquarters, despite that this trip had never been approved by the Council, and the Headquarters had been strongly opposing the trip before it took place; and 3) during the annual working meeting held in D.C. this February, Mr. Hongguang Zhou rented a van without any authorization from either the Council and the Headquarters, despite that there were strong opposition from the Council members and the Headquarters staff, and the usage of the van was not entirely for the meeting, the Headquarters fully reimbursed Mr. Hongguang Zhou for the rental van and accounted the cost in the Headquarters' account. These are simply unjustifiable, and indeed are one major reason that causes the distrust by the public and tarnishes the integrity of the IFCSS.

However, the problem goes way beyond the financial management of the HQ. The operation of the 5th term Council has demonstrated that the Council as a whole lacked responsibilities, professionalism and respect for rules. For instance, the way the Council managed its own budget was astonishing. Besides the above examples, the budget of the current term Council is over ten thousand dollars (which is significantly higher than any previous Council's budget), without any reasonable justification. The telephone bill of Mr. Hongguang Zhou alone for the first quarter of 1994 has exceeded one thousand dollars. The direct expenses for the inspection exceeded \$1500.00, which still dud not include the \$658.00 air fair for Mr. Yan Bai and the indirect cost such as telephone bills, etc. The estimated total cost certainly exceeds the fees (\$2500.00 for the period of July 1992 – December 1993) the IFCSS paid for the professional service, not mentioning the differences between the results and consequences. From the very beginning, the Council opposed to hiring professionals to conduct the inspection for various reasons, one of which being that the IFCSS can not afford such a professional inspection. It becomes very obvious why the Council failed to oversee the budgetary matter of the IFCSS, for it could not even responsibly oversee its own budget. Up until now, the Council has done nothing about the budgetary review, which is one of the most important task of the Finance Committee. In some point, the Council had the serious difficulty to conduct its e-mail meeting, simply because the quorum could not be reached.

Here we name those elected officers who are directly responsible and accountable for the aforementioned rule violations: Mr. Changsheng Lin, the President of the IFCSS, Mr. Liqun Dong, the Chairman of the Council, Mr. Yungui Ding, the Co-Chairman of the Council, Ms. Tong Shen, the Chairwomen of the Council's Committee for Financial Affairs, and Mr. Hongguang Zhou, the Council member from the Southeastern District. Council members Mr. Cheng Liu and Mr. Bing Qi are also responsible to certain extent because they were directly involved in the inspection in which the rules had violated. Mr. Feng Zhang, a Council member from the Midwest District, should also be named for not cooperating with the SVC in the process of investigation.

According to the existing Constitutions and Bylaws of the IFCSS, there is no disciplinary action we can take other than impeachment. We believe this is a shortcoming of our system. It is up to you, the Constituents of the IFCSS, to decide how to correct such defects in the upcoming Congress of the IFCSS.

There are some more profound problems with regard to the structure and operation of the IFCSS as was revealed by the financial inspection incident. Some have argued that the Council should be the 'boss' of the IFCSS, and the Headquarters should report to the Council. As was pointed out, that the Council has been registered as the Board of Directors in the IFCSS' Constitutions filed in the State of Maryland. If this was so, then the legitimacy and validity of all the decision made by the Congress of the IFCSS would simply vanish. We do realize that there are some discrepancies between the registered Constitutions (in English) and the ones adopted by the Congress (in Chinese). However, such imperfections in the system should not be used to overrule the power of the Congress, which we should all recognize. Nevertheless, the system certainly needs a thorough improvement and systematic overhaul. This has become an urgent issue which we cannot afford to delay any longer.

The lack of stability of the structure of the IFCSS and consistency in its policies have also plagued the IFCSS' short history. The vitality of the IFCSS are very much dependent upon the quality of its elected officers. Astoundingly, the IFCSS does not have an effective mechanism to safeguard itself if the elected officers violate the interests of the IFCSS. Such incidents have occurred in the past, as well as what we have observed in the events of the financial inspection. Part of the reason, we believe, lies in the fact that the IFCSS does not have a stable and purely operational organ, which are not affected by the annual election of the IFCSS officers. Such an organ should be responsible to oversee the daily operation and office management of the HQ. In other words, the management of the IFCSS' daily business needs to be professionalized. Our recommendation is to principally follow the Civil Service System adopted in many developed countries.

In summary, it is the opinion of the SVC that the aforementioned issues need immediate solutions: first, the imperfection in our system (the Constitutions, the Bylaws, and so on) needs to be mended; second, the stability of the IFCSS' internal structures and the consistency of the IFCSS' policies need to be drastically improved; and third, the operation of the IFCSS Headquarters needs to be professionalized to the commonly accepted standards.

We sincerely hope that we all will benefit from what have happened in the past. And through this learning process, the IFCSS shall become more and more mature. There is no doubt that we need an institution at the national level such as the IFCSS. The IFCSS should be an institution to embrace people with different view points and beliefs. It should not be a question whether dissidence should be tolerated within the IFCSS or not. Rather, the qestion should be how dissidence can become constructive in our Institution. It is our vision that, in the future, the IFCSS will provide leadership in advocating the interests of Chinese community in USA, advancing the social status of ethnic Chinese in the political system of this country, and striving to improve the social environment of our home land in all possible aspects. To accomplish these goals, the IFCSS has to be well and strong. We must stop letting elected officers go free to do whatever they wish, regardless their campaign promises. We must constantly exert public scrutiny. Yet, we must also realize the imperfection of the system and seek the remedy for the shortcomings. The upcoming 6th Congress of the IFCSS provides an excellent opportunity. Most important of all, we, the constituents, must participate and involve in the operation of the IFCSS. Without our dedication and devotion, the IFCSS simply cannot exist.

A Brief History of the IFCSS Financial Management

The financial management of the IFCSS was not been the general public's focus of attention in its early stage of existence. During the first and the second terms, the scrutiny of the Headquarters' financial activity was a task of the SVC: a member of the SVC would visit the HQ quarterly to verify and inspect the financial records. There was no professional bookkeeper in the HQ. In the late part of the 2nd term, the SVC reached a consensus that business should be conducted in a more professional fashion, and declined to audit the bookkeeping of the HQ. Later, during the 3rd Congress, a resolution by Mr. Ning Luo of SUNY Buffalo and Mr. Li-Shi Luo of Los Alamos National Laboratory, both SVC members then, on the professionalization of the Headquarters' management was adopted. However, this resolution was not implemented in the 3rd term. Meanwhile, the 3rd term SVC formally abolished the role of the financial auditor. During the 3rd term, in the late part of 1991, the IRS notified the 3rd term President Mr. Haiqing Zhao, warning the HQ that the IFCSS had not filed tax returns for the previous two years (1989–1990). The 3rd term Council, under the leadership of Mr. Xun Ge of Texas A&M University, took immediate action when the problem was brought to the Council's attention. The Committee of Financial Affairs of the Council, led by Mr. Qiqi Dong of Occidental College, with two other members, Mr. Ping Lu of University of Miami and Mr. Shaojian Sun of SUNY Buffalo, was authorized to take charge of the matter. Among other achievements, the 3rd term Council completed filing of tax returns for 1989 and 1990, and established The Financial Regulations for the first time. The Regulations specifically states that the amendment of the Regulations needs two thirds of the Council's votes. The Regulations were amended slightly by the 5th term Council.

In compliance with the Regulations, the HQ hired a part-time bookkeeper, Ms. Zuihong Jiang, of Virginia Tech, during the 4th term. There was a dispute between the HQ and some Council members during the end of 1992 and the beginning of 1993. The Council members were not satisfied with the financial statement prepared by the Headquarters. The President of the IFCSS then, Mr. Xiao Geng, cooperated productively with the Council in seeking a solution. In the meantime, Ms. Tong Shen of Foothill College, a Council member from Pacific region, initiated to have a site inspection at the HQ. This initiative was never considered by the Council because most members of the Finance Committee and some other Council members felt that it was not necessary, the financial cost of the inspection was not justified, and that none of the Council members had the professional expertise. In the end, the Council approved the financial statement presented by the HQ. The format of the financial statement was set by the 3rd term Council Finance Committee, and has not been changed since.

Another noticeable event occurred in the 4th term attracted much of public and the Council's attention, that is, the dispute between the IFCSS and the May Fourth Foundation. This dispute was inherited from the beginning of the IFCSS. Under an agreement between the two organizations, the May Fourth Foundation had been raising part of its funds for the IFCSS for some designated purposes at the time. The Council of the IFCSS was designated to oversee the operation and to conduct annual inspections under the agreement, while the Board of Directors of the Foundation was to manage the funds. However, the Foundation refused to let the IFCSS take control of the part of fund which the IFCSS was entitled to. A team of the 4th term Council Members, led by Ms. Wenyan Li of Highland University, with Mr. Yuhe Liu of University of Maryland, and Mr. Jianxin Tang of Brandies University, was sent by the Council to review the May Fourth Foundation's financial records. After the review, the May Fourth Foundation issued a positive statement indicating that there were no problems in its financial records. However, the Council was not very satisfied with the result and did not issue any statement regarding this matter. Some Council members felt that the review had not been conducted in a professional manner, and there existed some technical problems in the financial records. Even the members of the team could not reach a consensus. Later, the 4th term Council adopted two resolutions which instructed the HQ to terminate the financial ties between the IFCSS and the May Forth Foundation, and to collect the IFCSS's funds from the Foundation. Up until today, the IFCSS still cannot gain the control of the funds it is entitled to. So far, this case is not resolved yet.

These incidents left a negative impression on the general public about the financial management of the IFCSS. It is fair to say that the financial management of the IFCSS had been far from satisfactory, and was certainly not up to the generally accepted standards in this country, although some positive progresses were made. However, we should also recognize that, starting with next to nothing and almost with no professional assistance, today the IFCSS has a fiscal budget close a half of million dollars and is providing various services to our community. the IFCSS has made unprecedented achievements in our community. The credits should go to our supporting public, those selfless volunteers, and our dedicated officers.

Financial Inspection by the 5th Term Council

The 5th term Council decided to improve the situation of financial management of the IFCSS. In the first half of the 1st regular meeting of the 5th term Council, the budget proposal by the HQ was not passed, because it was too crude. Then, the Chairwoman of the Finance Committee, Ms. Tong Shen, proposed to conduct a site inspection at the HQ (CP5020). The proposal was rejected because the cost of the inspection could not be appropriated and justified. In the meantime, the HQ vigorously lobbied the Council members not to vote for the proposal. There were allegations, that Mr. Changsheng Lin, the President of the IFCSS, was trying to dissuade some Council members from supporting the proposal unethically. The investigation of the SVC supports such allegation. The HQ's resistance and unwillingness to cooperate with the Council caused resentment and suspicion of some Council members. During the second half of the 1st regular meeting, the proposal CP5020 was brought on the floor again. In persuading the Council to pass the proposal, Ms. Tong Shen stated that the Council members were liable for misconduct of the HQ. In responding the opponents' suggestion to have inspection done by professionals, Ms. Tong Shen dismissed the idea, because, as she stated, first, the IFCSS could not afford the cost, second, if the inspection were to be conducted by professionals, the HQ office would have to be closed during the inspection, so that the daily operation of the IFCSS would have to be shut down. The Council member from the Southeastern District, Mr. Hongguang Zhou, further argued that if the HQ got any problems, then the hired professionals would immediately report the problems to the IRS, then all the Council members would be in trouble. Therefore, "*it would be better to let our own people do the inspection*". The Council adopted the proposal CP5020 as the Resolution CR5011 with nine yes, four abstain and three absent, on August 21, 1993.

After the Council adopted CR5011, the Finance Committee started to communicate with the HQ, and to ask for financial documents. However, the HQ could never satisfy the seemingly endless demand from the Finance Committee. Lengthy arguments happened between the HQ and the Finance Committee, and the site inspection in the HQ was delayed. The HQ provided the Finance Committee general journal for every the IFCSS account for the period from July 1st, 1992 to Sept. 17, 1993, and bank statements for all accounts for the period from July 1992 to Sept. 1993, but declined to provide copies of original checks and invoices, out of concerns that some beneficiaries (e.g. families of some 6.4. victims) back in China maybe exposed to unnecessary danger. Finally, an inspection team arrived in D.C. on November 5th, 1993. The team included two Council members of the Finance Committee, Mr. Bing Qi and Mr. Hongguang Zhou, one other Council member from the Eastern District, Mr. Cheng Liu, and a volunteer Mr. Yan Bai of Texas Tech. However, neither the HQ nor the Council was informed of Mr. Yan Bai's participation before his arrival in D.C. It was further revealed that before his visit to D.C., Mr. Yan Bai had read all the financial records of the IFCSS which the Finance Committee had acquired from the HQ without the consent from either the Council or the HQ. However, when Mr. Xiaozhu Liu, the Executive Director of the HQ, asked him specifically over a telephone call just a few days before the team arrived in D.C., Mr. Hongguang Zhou simply concealed the facts and told Mr. Xiaozhu Liu that no one else but the involved members of the Council had access to the financial records of the IFCSS. We also found out that the decision to invite Mr. Yan Bai to come to D.C. was made in a hasty fashion, the air ticket for Mr. Yan Bai was purchased on Nov. 1st, only four days before the departure day (Nov. 5th), and the cost of the ticket was $654.00. Because the Council did not inform the HQ about Mr. Yan Bai's participation in the inspection in any form, and Mr. Yan Bai was unknown to the HQ officers, the HQ refused to let the inspection proceed, for the same reason not to endanger unnecessarily some of our beneficiaries. Then the Coordinator of the SVC, Mr. Li-Shi Luo was called upon. In the conversation with Mr. Li-Shi Luo, Council member Mr. Cheng Liu firmly stated that the Council had indeed informed the HQ about Mr. Yan Bai, he further insisted that the Council had, in fact, reached a consensus. (These statements had been proven untrue later.) Mr. Cheng Liu also sincerely stated that "*If the Council did not inform the HQ, then the Council owes the HQ an apology.*" But, this apology has never been made. After a fierce dispute, the inspection proceeded. Before leaving the HQ, the inspection team left a memo to the Treasurer, Ms. Zuihong Jiang, asking her some questions about accounting practice in the IFCSS. On Nov. 16, 1993, Ms. Zuihong Jiang sent a message to the Council via e-mail on `Council-l@ifcss.org`, basically stating that the questions in the memo were irrelevant. On Nov. 19, 1993, Mr. Hongguang Zhou released a Progress Report on Financial Inspection, with a very negative and problematic Opinion Report prepared by Mr. Yan Bai. All these materials were further released to electronic news media networks, without any consent from the Council or the HQ. The Finance Committee also released a list of duties for the Treasurer, which in effect is an amendment of replacement of the financial regulations. It was not even discussed in the Council before it was released.

On Nov. 6, 1993, Mr. Yungui Ding sent a memo to the HQ, co-signed by Mr. Liqun Dong, Mr. Yungui Ding and Mr. Hongguang Zhou, stating that "... *the Council has invited Mr. Bai Yan of Texas to join the team to provide some technical help to the financial matters.*" Mr. Songlin Ren of Boston University, a Council member from the Northeastern region, immediately protested for he had never been informed of the matter. Mr. Yungui Ding dismissed the protest, because, as he indicated in a message dated Nov. 19, 1993, that "*1. It* (the decision to invite Mr. Yan Bai) *was a correct decision of the Finance Committee. 2. It was within the authority of the Council Finance Committee. 3. As a Council member, and as the co-chair of the Council, I was aware of the decision, did not and do not oppose it. I don't not see anything wrong in the process of this matter. In regard to Mr. Ren Songlin's request to apology, I view it very rude, very inappropriate, a challenge not only to the decision itself, but also to the authority of the Council. ...*" He further argued, later in another message of Jan. 16, 1994, that "... *Apparently, he* (Mr. Ren) *forgot the notice from Dong Liqun regarding Bai Yan's participation in IT.*" The notice Mr. Ding referred to was a message from Mr. Dong on Oct. 21, 1993, in which the only related statement was "... *Thanks for Qi Bing, Liu Chen, and Hongguang's hard work and Bai Yan's help.*" After carefully examining the message within the context, the SVC cannot see it as a proper and informative notice of the matter. Any reasonable person would, perhaps, not be able to anticipate, from the message alone, Mr. Yan Bai's participation in the inspection work in the future, nor could any one interpret the message as an official invitation to Mr. Yan Bai.

On Dec. 5th, 1993, Mr. Yungui Ding, the Co-Chairman of the Council, made an announcement to extend the inspection team into a task force, including more Council members (Mr. Liqun Dong, Mr. Yungui Ding, Mr. Cheng Liu and Mr. Feng Zhang) and volunteers (Mr. Yan Bai and Mr. Ning Luo). This announcement immediately triggered Mr. Jinghong Li's appeal to challenge the legitimacy of organizing the task force without the Council's approval. On Dec. 8, 1993, the HQ formally appealed to the SVC, charging Mr. Hongguang Zhou for the involvement of, and the disclosure of the financial documents to, an unauthorized person (Mr. Yan Bai). The HQ also charged Mr. Hongguang Zhou for misstating to the HQ on the fact that the IFCSS financial records had been revealed to an unauthorized person (Mr. Yan Bai).

On Dec. 21, 1993, Mr. Hongguang Zhou sent the HQ a memo, announcing a follow-up site inspection in D.C. with members of the original inspection team including Mr. Yan Bai. The HQ sent the Council a memo refusing to receive the team in D.C. Despite the HQ' refusal, Mr. Hongguang Zhou went to D.C. alone without the consent of the Council. Mr. Zhou visited the HQ on Dec. 29, 1993, for about two hours. Later, his travel expenses amounted to $477.74, including a car rental fee for one week, was fully reimbursed by the HQ.

In the late part of December 1993, the HQ started to solicit professional accounting firms to bid on compiling financial records of the IFCSS. There were four accounting firms responded to the bidding. The HQ sent the proposals from accounting firms to the Council on Jan. 3rd, 1994, asking Council's choice of accounting firms.

During the second regular teleconference held on Nov. 20, 1993, the questions concerning the funds from CSPA Information Center etc. were asked and answered. There were other two problems the inspection team members insisted on: one was that the registration fees (of the 5th Congress) deposited seemed to be more than what ought to be; the other was that Ms. Zuihong Jiang wrote a check (from the IFCSS' account) to pay for her housing subsidy. There were also specific questions regarding to various funds. By listening to the record of the meeting, one could reasonably conclude, based upon the information given by Ms. Zuihong Jiang in the meeting, that there was no missing funds, at most there were problems with the accounting formality and practice. However, on Jan. 8, 1994, the Finance Committee suddenly released an open letter to public networks, warning the public that "*...some missing funds in the IFCSS's accounting records.*" The letter created a shocking effect among many. The open letter was not signed by anyone in particular, and was released from the account `chair@ifcss.org`, which was the Council's working and archiving site. There were only three Council members who had access to the account: The Council Chairman Mr. Liqun Dong, the Co-Chairman Mr. Yungui Ding, and the Secretary Mr. Dong Chen. After fierce reaction from the public, Mr. Hongguang Zhou declared that the letter was indeed "*authentic*", meaning it was the Finance Committee's decision to release the open letter. The open letter provoked a second appeal to the SVC from Mr. Jinghong Li on Jan. 9, 1994. In his appeal, Mr. Jinghong Li requested the SVC first, to declare the open letter illegal; second, to investigate who was responsible of the letter, and whether the Council leadership was aware of the letter prior to its release; and finally, to assess the damage caused by the responsible ones.

On Jan. 11, 1994, Mr. Hongguang Zhou sent the SVC an appeal, charging Mr. Changsheng Lin for violation of the IFCSS Bylaws by blocking the follow-up site inspection. Mr. Zhou also declared that the allegations from the HQ were unfounded but he failed to provide any evidence.

On January 10, 1994, the HQ sent a second memo to the Council with an analysis of the four accounting firms, urging the Council to make a choice from the accounting firms before a deadline of January 15, 1994. However, the Council did not respond to the HQ's call before Jan. 15. The HQ then decided to hire Mr. Jeff Lin, a CPA, to compile the financial records. The Council then voted against the choice of the HQ. The HQ went ahead to hire Mr. Jeff Lin, and a compiled financial statement was due on February 5, 1994, in the annual working meeting of the IFCSS. In the meeting, Mr. Jeff Lin clearly stated that there were no missing funds in all bank accounts of the IFCSS. The report by Mr. Jeff Lin was well received by the attendants of the working meeting, including the HQ officers, all Council members, four SVC members, and Chairmen of several working committees, and others. In the meeting, Mr. Hongguang Zhou declared that, it was members of the Finance Committee who deserved the credits for making Mr. Jeff Lin's work possible, largely due the pressure generated by the open letter, despite the very fact that they had always voted against to hire a professional to conduct the inspection.

During the annual working meeting in D.C., Mr. Liqun Dong, the Chairman of the Council, and Ms. Tong Shen, the Chairman of the Finance Committee, jointly proposed to unfreeze the travel fund for the HQ, and the proposal was adopted by the Council. In the end of the meeting, Mr. Changsheng Lin reimbursed all the expenses of the Council inspection team, except Mr. Yan Bai's air ticket. On the meeting, the question regarding to that Ms. Zuihong Jiang wrote an IFCSS' check to pay her own housing subsidy was brought up again. Both Mr. Changsheng Lin and Mr. Heping Shi stated that they indeed approved the housing compensation to Ms. Zuihong Jiang. However, the fact that Ms. Zuihong Jiang occupied both positions of the Treasurer and bookkeeper is a violation to the acceptable accounting practice. The HQ was responsible for this mistake, for it was the HQ who nominated Ms. Zuihong Jiang to the positions without professional consultation. On the other hand, the Council Finance Committee and the Council approved the nomination on its first regular meeting. On the working meeting, members of the Finance Committee denied any responsibilities. In fact, Mr. Hongguang Zhou clearly stated on the meeting: "*We have done nothing wrong*!" The meeting did not reach any conclusion about the open letter.

After the working meeting, the Finance Committee vowed to continue the inspection. However, the Finance Committee has not done any budgetary review up to this date. On the other hand, the Council itself is facing a budgetary crisis. The total budget of this term Council is significantly higher than the budget of the previous terms. There are $3,000.00 in the budget for miscellaneous expenses. Use of this part of budget requires the approval of the majority in the Council (CR5009). Up until now, the expenditure of the Council may have exceeded its total budget, including the part of miscellaneous expenses, although there is no specific Council resolutions authorizing the use of the money. The telephone bills of some Council members are phenomenally high. For instance, the third quarter phone bill of Mr. Hongguang Zhou was $1,079.97. When Council member Mr. Dong Chen and Mr. Songlin Ren asked Mr. Yungui Ding to justify such expenses, Mr. Yungui Ding simply answered that there was no regulations or rules in this regard. Mr. Yungui Ding further praised Mr. Hongguang Zhou: "*I would like to praise him* (Hongguang Zhou): *he spent so much time on the phone for the IFCSS business. Even the phone bills get reimbursed, the time he spent still represents a huge value that he contributed to the IFCSS.*" Also, the phone bills of Ms. Tong Shen, the Chairman of the Finance Committee, for the first quarter of 1994 was over $300.00. During the same period, neither the SVC nor some of the Council members could reach Ms. Tong Shen by any means. Mr. Yungui Ding gave his approval to all these phone bills. After the issue was publicized, Mr. Jinghong Li and Mr. Yuhe Liu, the Chairman and the Co-Chairman of 4th term Council, pointed out to us that in fact there exist some unwritten rules to regulate Council members' phone bill reimbursement, and the Co-Chairman of the Council is designated to oversee the reimbursement process, with the constrain of the Council budget limit. Both Mr. Jinghong Li and Mr. Yuhe Liu specifically testified to us that they did inform Mr. Yungui Ding and other Council members about the rules and procedures to reimburse the phone bills on the joint meeting of the 4th and 5th term Council members right after the 5th Congress. Apparently, these rules have been forgotten or ignored by the 5th term Council.

Dissatisfied by the demeanors of the Council and the HQ, many IFCSS veterans and current term Council members jointly submitted an open request to the HQ, asking the HQ and the Council to reveal to the public about some detailed financial records, such as phone bills and travel expenses of elected officers. Up until today, neither the HQ, nor the Council have responded to the request.

Kening Li/Li-Shi Luo

Cc: `china-nt%uga.bitnet@pucc.Princeton.edu, ccnl@utarlvm1.uta.edu, LCnet-open@chvsmw.chem.ncsu.edu, soc-culture-china@cs.utexas.edu, talk-politics-china@cs.utexas.edu, ccf-editor@ifcss.org, ifcssvc@ifcss.org, hq@ifcss.org, svc93@ifcss.org`

Exhibit 1

The Questionnair to Mr. Liqun Dong

```
From luo@t13.lanl.gov Thu Jan 6 22:29:51 1994
Return-Path:  <luo@t13.lanl.gov>
Date:  Thu, 6 Jan 94 22:29:37 MST
From:  luo@t13.lanl.gov (Li-Shi Luo)
To:  dlq@u.washington.edu
Subject:  A Memo from the SVC
Cc:  svc93@ifcss.org
```

To: Mr. Liqun Dong, the Chairman of the IFCSS Council
From: Mr. Li-Shi Luo, the Coordinator of The IFCSS SVC
Subject: Investigation on Recent Appeals
Date: Friday, January 7, 1994

Dear Liqun,

You may have been well informed that there have been two formal appeals been submitted to the Supervisory Committee (SVC) of IFCSS. The appeals specifically address to some Council members' action regarding the matter of financial inspection on IFCSS Headquarter's financial management.

To deliver a fair verdict to these appeals, the SVC, first of all, must obtain the relevant facts. For this purpose and on behalf of the SVC, I am writing to you to acquire some pertinent information. We would appreciate it very much if you could help us with the following questions:

I. The composition of the Financial Inspection Team of the Council:

1) How and When did Mr. Yan Bai start to involve in the business of the financial audit of the IFCSS?

2) Had the Council adopted a resolution regarding to Mr. Yan Bai's membership of the Inspection Team? If yes, please forward us an official copy of the resolution, or such an equivalence. If not, then

3) Had the Council reached a consensus on the issue (Mr. Yan Bai's membership of the Inspection Team) by any means? If yes, when and how? If not, then who is/are specifically responsible for Mr. Yan Bai's involvement in the Inspection Team?

II. Disclosure of the Inspection reports to public:

1) Had the Council approved the reports by the Inspection Team by any due procedures? If yes, please provide the evidences.

2) Had the Council authorized the disclosure of the aforementioned reports? If yes, please provide the evidences. If not, who is/are responsible for the disclosure of the reports to public

networks (such as CCF, etc.)?

III. The Memo of the Council regarding to the composition of the Inspection Team, dated Nov. 6th, 1993:

1) Had the contents of this memo been adopted by the Council by any means? If not, could you please explain the release of this memo? (Note that your name was signed on the memo, and as the Chairman of the Council, you are responsible to answer this question.)

IV. The Council Taskforce:

On Dec. 5th, 1993, Mr. Yungui Ding, the Co-Chairman of the Council announced the organization of a taskforce, which is an extension of the Inspection Team. Did the Council adopted any resolution in support of this decision? If yes, please provide an official record.

I would like to emphasize that the above questions are specifically addressed to you, due to your responsibility of the Council Chairman. Please acknowledge to us upon the reception of this message by e-mail to me, and reply to us in your earliest convenience by either regular mail or e-mail to me at the following addresses:

> Dr. Li-Shi Luo, Dept of Physics, WPI, 100 Institute Rd, Worcester, MA 01609-2280, `luo@goshawk.lanl.gov`.

We shall expect your reply hopefully no later than Jan. 15th, 1994.

We will also organize a similar questionnaire to each Council members. Therefore, we would like to ask your help to provide us with a updated directory of the Council (including mailing address, telephone number and e-mail address if possible).

Thank you very much for your time and efforts in working with us.

With my best regards.

Sincerely yours,

Li-Shi Luo The SVC Coordinator

Exhibit 2

The Questionnair to the Council Members

```
From council-l@ifcss.org Fri Jan 7 09:23:01 1994
Date:  Fri, 7 Jan 94 10:21:09 CST
Originator:  council-l@ifcss.org
Sender:  council-l@ifcss.org
From:  Liqun Dong <dlq@u.washington.edu>
To:  Multiple recipients of list <council-l@ifcss.org>
Subject:  memo the each Council member (fwd)
```

To: The '93-'94 IFCSS Council
From: The '93-'94 IFCSS SVC
Subject: Investigation on Recent Appeals
Date: Jan. 7th, 1994

Dear IFCSS Council Member:

There are two appeals pending in the Supervisory Committee (SVC) of IFCSS. The appeals were submitted to the SVC by Mr. Li, Jinghong, an IFCSS activist and a former IFCSS Council member and the IFCSS Headquarter (HQ), respectively. They concern the Council Finance Committee's recent financial inspection on IFCSS Headquarter's financial management.

Upon deliberation among the SVC members, the SVC concluded that some information is necessary in addressing the appeals. The SVC hereby requests that each and every one of the Council Members provide answers to the following questions. Please answer the questions as accurately and as promptly as possible. Your answers will be considered by the SVC to the effect of sworn statements. If the SVC does not receive your answers by Jan. 15, 1994, the SVC will consider that you have given up the rights as a Council member in the regard of the appeals, unless specific reasons are given. Otherwise, we shall act on the information we obtained via other means.

I. The participation of Mr. Yan Bai in the Financial Inspection Team of the Council:

1) Had the Council adopted any resolution with regard to Mr. Yan Bai's membership of the Inspection Team? If yes, then

2) The council members who have voted on the resolution please provide the SVC with the time and circumstances under which the above said resolution, if it existed, was adopted.

II. If there had not been a resolution of the Council approving Mr. Bai's participation, then:

1) How and when did Mr. Yan Bai get involved in the inspection process?

2) Are you aware of his involvement?

3) Who nominated him and approved of his involvement?

4) Were there proper introduction of Mr. Bai to the Council with regard to his background and qualifications for the inspection process?

III. There had been a memo from the Council regarding to the composition of the Inspection Team, dated Nov. 6th, 1993. Would each and every one of the council members please indicate

1) Were you aware of this memo before its release?

2) Was there a voting on such a memo?

3) Had you approved its release? And

4) Who released it and had the council authorized him/her to do so?

IV. Publicizing of the reports by the Inspection Team to public:

1) Were you aware of the reports before its release?

2) To your knowledge, has the Council approved the report?

3) Has the council approved the release of the report to the public? If yes, please provide the voting records (how and when).

4) Who actually did the issuing of the report to the public?

V. The Council Taskforce: On Dec. 5th, 1993, Mr. Yungui Ding, the Co-Chairman of the Council announced the organization of a taskforce, which was to be an extension of the Inspection Team. Did the Council adopted any resolution in support of this decision or authorize Mr. Ding to make such an announcement? If yes, please provide the official records.

Please direct your replies via US mail to

Mr. Kening Li, 503-L Eagle Heights, Madison, WI 53705,

or via Email to `svc93@ifcss.org`.

You will receive a hard copy of this letter by certified US mail if you cannot be reached by e-mails.

Please acknowledge the reception of this message by e-mail if possible. Thank you very much for your time and efforts in working with us.

Sincerely yours,

The Supervisory Committee IFCSS (signed by Kening Li)

Exhibit 3

```
From @UGA.CC.UGA.EDU:owner-china-nt@UGA.CC.UGA.EDU Mon Nov 22 22:50:50 1993
Return-Path: <@UGA.CC.UGA.EDU:owner-china-nt@UGA.CC.UGA.EDU>
Date: Mon, 22 Nov 1993 21:46:41 PST
Reply-To: ccf-editor@ifcss.org
Sender: China-Net <CHINA-NT@UGA.CC.UGA.EDU>
From: ccf-editor@ifcss.org
Subject: CCF #9320, Nov 23: "Progress Report on IFCSS Financial Inspection"
Comments: To: china-nt@uga.cc.uga.edu
To: Multiple recipients of list CHINA-NT <CHINA-NT@UGA.CC.UGA.EDU>
```

==+==+==+== C h i n e s e C o m m u n i t y F o r u m ==+==+==+===

Tuesday, November 23, 1993

(Issue No. 9320)

Special Edition: Progress Report on IFCSS Financial Inspection

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Chinese Community Forum (CCF) is a journal published on China-Net. CCF is dedicated to the discussion and debate on the issues related to the Chinese community. The opinions expressed here do not necessarily represent the views of the Editorial Board of CCF. Contributions to the discussions and suggestions of new topics are very much appreciated.

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Table of Contents — Author — # of Lines

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Progress Report on IFCSS Financial Inspection

Date: November 14, 1993
Status: For Immediate Release

To: IFCSS Council
Cc: IFCSS HQ; IFCSS Supervisory Committee

From: IFCSS Council Financial Inspection Team
Qi Bing, Liu Chen, Bai Yan and Zhou Hongguang (signed)

Prepared by: Zhou Hongguang

(From: Zhou Hongguang <labhgz@unix.cc.emory.edu> Nov-18-93)
(Source: IFCSSVC <ifcssvc@ifcss.org>)

==***==========***==========**==========***==========***==

I. Objective

To report the progress on the implementation of the Council Resolution on Financial Inspection of IFCSS HQ.

To give a partial but actual picture of the IFCSS HQ financial operation.

II. Brief Process

2.1 Parties involved

The Council Inspection Team(IT): Qi Bing, Liu Chen, Bai Yan (Guest Consultant to the Inspection Team) and Zhou Hongguang; Council Member Chen Dong as an observer.

The HQ: Lin Changsheng, Shi Heping, Jiang Zuihong, Geng Xiao.

2.2 Time and Place

November 6-7, 1993; The IFCSS HQ in Washington, DC.

2.3 November 6, Saturday, 1993

Because the HQ insisted that Bai Yan, the guest consultant to the Council Finance Inspection Team, would not allowed to see the financial records of IFCSS, the IT, temporarily charged by Qi Bing for Zhou Hongguang who was unable to appeared at the HQ, could not start inspection work until intervention by some Council and SVC members. IT was only able to asked general questions about the financial reports, CSPA information Center, Insurance Return and NED.

2.4 November 7, Sunday, 1993

At the beginning, Zhou Hongguang on behalf of IT announced two rules to govern this day's inspection work and HQ agreed. One is non-conclusive. In case there is a dispute, IT will not argue with HQ and will put it in record. Another is that Minutes of Meeting will be taken. The meeting between the IT and HQ started in a good mood. However, Lin Changsheng again blocked the inspection work by not allowing Bai Yan to review some financial records. After Zhou

Hongguang read the Article 11 of the Financial Regulations to him, Lin Changsheng insisted his position and still disagreed. IT reviewed the expenditure of CSPA Information Center and the revenue and expenditure except miscellaneous of the 5th Congress. However when IT was leaving leaving, Jiang Zuihong still hadn't found invoices for Miscellaneous Expenses for 5th Congress to explain about $4,800 difference.

III. Accessibility of Financial Statements

The financial statements of IFCSS are NOT confidential documentation; they are public information under Maryland General Corporation Law under which IFCSS is registered and operates. Like other not-for-profit organizations, IFCSS is required by law to made its annual financial statements open for public scrutiny. IFCSS is accountable to those who furnish resources and receive services. However, the names of June 4th victims can be treated as exceptional.

IV. Impression

The accounting and budgeting format adopted by the IFCSS is commonly called as line-item, which is oriented toward control of objects of expenditure. This format does not effectively identify what has actually happened in the services furnished by the IFCSS to the Chinese Students and Scholars (CSS) community. Additionally, this format does not provide genuine information on how the budgeted programs/functions are executed as planned.

The specific problems with the IFCSS "Financial Statements" are listed in the Appendix.

V. Conclusion

The general purpose financial statements referred to above does NOT present fairly, in most material respects, the financial position of the IFCSS, as of September 30, 1993, and the results of its operations, and the changes in financial position of the IFCSS' budget for the entire fiscal period of 1993-1994 in conformity with the Generally Accepted Accounting Principles (GAAP).

VI. Recommendation

6.1 The Council Finance Committee keeps overseeing the HQ financial operation and the Inspection Team continue to complete the inspection.

6.3 The IFCSS Financial Statements must be prepared in accordance with the General Accepted Accounting Principles (GAAP) and the Treasurer at HQ is required to perform her duty in conformity of GAAP.

6.2 As a legal requirement, the IFCSS' budget must be balanced on a year-to-year basis. The Executive Office of the IFCSS must see to it that each expenditure must stay within the limit of budget.

VII. Appendix

1. The financial statements for the above mentioned two fiscal periods of time are incomplete. Cash Flow Statements are not prepared to reflect available working capitals.

2. No financial statements are made for the restricted accounts–June 4th, CSPA, Insurance, and NED for Fiscal Year 1992-93. Therefore, the primary users of the financial statements, namely the Council, donors, and investors, have no way of knowing the financial situation affected by those accounts and the changes in the accounts themselves.

3. Common and necessary categories of both Operating Statements (also called Income Statement) and Balance Sheets are omitted to the extent of mis- presenting the entire financial situation of the IFCSS. For instance, Operating Statements miss Beginning Fund Balance; Balance Sheets miss Noncurrent Assets.

4. In the accounts presented in the financial statements, Ending Fund Balances of the previous fiscal period do not match with Beginning Fund Balances of the following time period. This does not accord with the time-period assumption of accounting.

5. The annual information return with the IRS for "unrelated business income" on the Form 990 is inadequate in support of the IFCSS tax-exempt status. Since the IFCSS, Foundation Account and the IFCSS, Inc. Account are different respectively for not-for-profit and for-profit activities, "unrelated business income" should be filed under Form 990-T.

6. Residual equity transfers of such program accounts as CSS, 5th Congress, CSPA, and Flood Relief are not reported in the financial statements, thus distorting spendable financial resources.

7. Capital outlays (assets purchased at and above $500) are not reported as a reduction of financial resources in the Operating Statements. Nor are the depreciation expenses reported.

8. The cash amount in the financial statements are reported while the bank reconciliation is not conducted, thus generating incorrect cash balance. A bank reconciliation must be made immediately after each bank statement is received.

9. Some financial data are not verifiable due to a lack of availability of evidence, i.e., original invoices and receipts. This leads to the difficulty of ascertaining the validity of accounting transactions and balances reasonable doubt.

10. Miscellaneous items (revenues and expenses) are overstated to create unnecessary uncertainty for financial forecasting. Miscellaneous items can be further grouped according to ordinary categories.

Acknowledgments:

The Council Finance Team would like to thank the concern and support from the general public. We owe a special thanks Mr. Bai Yan, from Texas Tech University, for his dedication to financial wellbeing of IFCSS, his expertise, professionalism and generous volunteerism.

IT thanks Council Member Liu Chen for his unhesitatedly acceptance of invitation to join IT and hard yet tough work.

Als another special thanks goes to the anonymous IFCSS activists for their continuous care and dedication for IFCSS operation and valuable consultation.

IT wants to thank Geng Xiao for his never ceased assistance to and support for the Council Financial inspection. IT also wish thank Zhang Qingsong for his kind assistance for IT.

IT thanks Council Member Chen Dong for his volunteer observation of the cooperation form HQ is acknowledged.

==***==========***===========**==========***==========***==

Dear Colleagues and CSS:

The following is Part I of Inspection Report on the site-examination of the IFCSS HQ financial operation, prepared by Mr. Yan Bai, the guest consultant to the Council Financial Inspection Team. The Progress Report from the Inspection Team is mainly based on it.

Thank you for your attention.

Zhou Hongguang
Coordinator
Council Financial Inspection

From: Bai Yan <UOYAN@ttacs1.ttu.edu>

OPINION REPORT
OF FINANCIAL STATEMENT AUDIT
11/11/93

We have audited the general purpose financial statements for Fiscal Year 1992-93 and Fiscal Year 1993-94 (1st Quarter) of the IFCSS, as of September 30, 1993. These financial statements are the responsibility of the Executive Office of the IFCSS. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examing, on an on-site inspection basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Office of the IFCSS, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above does not present fairly, in most material respects, the financial position of the IFCSS, as of September 30, 1993, and the results of its operations, and the changes in financial position of the IFCSS' budget for the entire fiscal period of 1993-1994 in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. Our concrete comments with regard to both combining and individual fund and account and the financial statements as a whole are appended as evidential matter and as recommendations for further operating improvement.

Financial Inspection Team, Council of the IFCSS

Appendix

(See "VII. Appendix" in the previous section - Editor)

From: Bai Yan `<UOYAN@ttacs1.ttu.edu>`

AN EVALUATION OF THE IFCSS' FINANCIAL/BUDGETARY SYSTEM 11/13/93

As a result of field inspection and observation at the Headquarter of the IFCSS, this evaluation summarizes the preliminary findings on the structure and operations of the IFCSS' financial, accounting, and budgetary activities. Despite the great achievements in financial management, this evaluation focuses on the shortcomings that potentially hold back the IFCSS' managerial progress toward efficiency and effectiveness. To this end, the preliminary findings are stated in the form of suggestions and recommendations.

This evaluation should not be considered as a complete summary of the IFCSS' entire fiscal operation, though it is intent on providing a realistic picture as comprehensive as possible. Indeed, there is no way such a complete evaluation could be attempted at this time given the short duration of on-site inspection and the shortage of detailed information.

A. Program Accounting and Budgeting

The accounting and budgeting format adopted by the IFCSS is commonly called as line-item, which is oriented toward control of objects of expenditure. Although, the line-item format facilitates control of expenditures according to kinds of supplies and services purchased, this format does not effectively identify what has actually happened in the services furnished by the IFCSS to the Chinese Students and Scholars (CSS) community. Additionally, this format does not provide genuine information on how the budgeted programs/functions are executed as planned. In view of this, program accounting and budgeting is recommended wherein expenditures are based primarily on programs of work such as CSPA and 5th Congress.

Once programs are identified, specific account should be established to account for its administration, including acquisitions, processing, and personnel. Any residual fund balance, whether surplus or deficit, of programs should then be tied with the IFCSS' general fund for operation. Considering the nature of limited life-span of many programs, the IFCSS' revenues should be allocated in accordance with the objectives of various defined programs rather than be lumped indiscriminately for general operation.

B. Balanced Budget

As a legal requirement, the IFCSS' budget must be balanced on a year-to-year basis. The Executive Office of the IFCSS must see to it that each expenditure must stay within the limit of budget. To better supervise spending under the ceiling, a statement of budget-to-actual comparisons must be prepared by the Executive Office of the IFCSS for all accounts and funds that have annual appropriated budgets.

For this purpose, financial statements must be prepared for fiscal year rather than calendar year. One confusing event that obscures the line of financial obligation is the IFCSS' Annual Conference (Congress). This means that the expenses for each Annual Conference (Congress) must be realized for the year-period covered by previous budget. Payments for any accrued liabilities of Annual Conference should be therefore considered as obligation of the last fiscal year.

C. Accessibility of Financial Statements

Whatever organization has a responsibility to others for its actions and the consequences of these actions is accountable to them. The organization is accountable to those who furnish resources and receive services. In this sense, financial statements must be made available to users–donors, investors, the Council, and the members of the IFCSS and CSS. There is no withholding of the above said information that can be justified from reasonable request.

Like other not-for-profit organizations, the annual financial statements are made open for public scrutiny in many forms. One feasible way for the IFCSS in terms of low cost and convenience is to store these documents at FTP site. Please be adviced that financial statements are not secret documentations; they are public information.

In the same token, accountability encompasses accounting stewardship, which refers to the sufficient or full disclosure of revenue resources, administration of resources and the execution of plans for conserving and consuming them. The afore-said users must have access to knowing where money comes from and where it goes. The names of June 4th victims can be treated as exceptional.

D. Separation of Nonprofit Account and Profit Account

The IFCSS' general fund is composed of two distinct accounts–IFCSS, Foundation for nonprofit purpose and IFCSS, Inc. for profit seeking purpose. Right now these two accounts are combined and filed together under one tax form (Form 990). The problem of this practice is the failure of providing distinct information on each activity as separate entity. Furthermore, it constitutes a potential challenge from IRS.

It is suggested that these two accounts be separated and recorded as distinct operations for totally different purposes. This separation is also helpful to the IFCSS' identity and functions–Democracy and Services. Synthesizing the foregoing, a combined comprehensive financial statements are desirable at the year-end, which not only delineates separate accounts but provides a whole picture of entire operation of the IFCSS.

E. Establishment of Vouchers System

Adherence to certain procedural details is a guarantee of accountability in substance. A voucher is nothing but a documentary record of a formal financial transaction. To ensure a responsible accounting system, receipt voucher system and payment voucher system are recommended.

Receipt Voucher: Receipt voucher should be prenumbered consecutively and written for every incoming item of receipt. It is advisable to record on the receipt voucher not only the name of the person whose account should be credited but also the name of the person making the payment. The receipt should bear the signature of the person receiving the money. Checks should be endorsed upon receipt.

Payment Voucher: Accounting for disbursements starts with proper authorization for all disbursements. In the case of payments on budget appropriation, the authorization is through action taken by the Council of the IFCSS. Authorization procedures for purchases should be set up and placed in the control of designated persons. A purchase order form is an effective means of controlling purchases. The invoice for payment must be certified. Paid invoices and statements must be date stamped, preferably by a perforating stamp, to minimize possibilities of duplicate payments. Payment should be made only against original invoices or statements.

F. Executive Oversight

The executive system established to monitor and review financial/accounting activities has been ineffective and spotty. The oversight process lacks standardization' and relies primarily on self-reporting by the treasurer, as opposed to taking initiatives to make inquiries. It is strongly suggested that the President and Vice President of the IFCSS should be familiar with the financial/accounting procedures (not necessarily all the details) and see to it that the IFCSS' financial situation is healthy at any point of time.

To foster an effective communication between the treasurer and the President and Vice President, the treasurer should be obliged to keep them informed with the detailed information plus professional judgments.

From: Bai Yan <UOYAN@ttacs1.ttu.edu>

SEVEN MORE ITEMS
FOR TREASURER'S DUTIES

1. The treasurer must see that all financial events are recorded in an appropriate manner.

2. The treasurer must ensure that accurate and meaningful financial statements are prepared reflecting clearly what has happened during a given period.

3. The treasurer is responsible for safeguarding the assets of the IFCSS through appropriate controls.

4. The treasurer is responsible for the prudent management of financial assets. This means, among other things, that excess cash is judiciously invested to ensure optimal financial return.

5. The treasurer must be able to anticipate financial problems of the IFCSS. A major tool in this regard is a carefully prepared budget.

6. The treasurer must ensure that an independent audit is conducted and that full consideration is given to the auditor's recommendations.

7. The treasurer must do all the above in accordance with the spirit and the letter of the law of the land.

+=+
+ Executive Editor: Shusheng Luan Executive Moderator: Tong Shen +

+ ——————————————————————————————————— +
+ For subscription: mail "SUB CHINA-NT Your-First-Name Your-Last-Name" +
+ to LISTSERV@UGA (bitnet) or listserv@uga.cc.uga.edu (internet) +
+ For back issues of CCF: +
+ anonymous ftp to cnd.org[132.249.229.100]:pub/community/CCF +
+ For contribution and inquiry: mail to ccf-editor@ifcss.org +
+=+

Exhibit 4

```
From chair@ifcss.org Sat Jan 8 17:46:57 1994
Return-Path:  <chair@ifcss.org>
Date:  Sat, 8 Jan 94 18:46:56 CST
From:  chair@ifcss.org (IFCSS Council Chair)
To:  council-l@ifcss.org
Subject:  An Open Letter to IFCSS Council and CSS
Cc:  ccf-editor@ifcss.org, ccf-editor.ifcss.org, cnd-editor@cnd.org,
cnd-us@ifcss.org, ifcs@ifcss.org, ifcssvc@ifcss.org
```

An Open Letter to Council Members of IFCSS and Chinese Students & Scholars (CSS) in the Community

From: 5th IFCSS Council Finance Committee
To: 5th IFCSS Copucil, CSS Community
Date: Janurary 8, 1994

Dear IFCSS Council Members & CSS:

The Finance Committee of IFCSS would like to bring your attention to the IFCSS's financial situation and invite all of you to work with this Committee in searching answers to some missing funds in the IFCSS's accounting records.

As a result of auditing the Financial Statements prepared by Jiang Zuihong, the treasurer of IFCSS, the Inspection Team (IT) of the Finance Committee has noticed some alarming irregularities in the Financial Statements of Fiscal Year 1992-93 and Fiscal Year 1993-94 (1st Quarter). This includes, but not limited to, a huge amount of money left by the 4th IFCSS, which is simply nowhere to be found in the accounting documents released to the Inspection Team to this date. The IT, having been asking Jiang Zuihong about the whereabouts of the money for a number of times, has not received any direct and satisfactory reply. According to Jiang Zuihong, these monetary differences stem from an unusual accounting format she had been using. However, three months have passed, IT and this Committee have not seen any willingness on the part of the IFCSS HQ to straighten up these differences, either with the old format or any other format. More important, no matter what format is used, revenues and expenditures must be balanced and matched. But this seems not the case of the IFCSS accounting books.

To ensure the IFCSS's financial assets to be kept in the best interest of the organization and the community of the Chinese students and scholars, the Finance Committee is fulfilling its duty of accountability to appeal to public concern and present the matter under public scrutiny. We hope all of you read and think over the following questions, and we look forward to your positive cooperation.

1. Where is $5,030.00?

The surplus of the last term (4th) of IFCSS indicates $74,530. This amount of money as remaining fund from Fiscal Year 1992-93 should be carried over to this term (5th) with no alteration. But, in the Annual Budget for Fiscal Year 1993-94, the remaining fund from last term was changed to $69,500. The difference is $5,030.00. Now where is this $5,030.00? Please be adviced that this $69,500 is not even mentioned at all in the Financial Statement for Fiscal Year 1993-94 (1st Quarter). It means that all remaining fund is taken away. But, where? By whom?

2. Where is the profit of CSPA–$144,439.88?

It is well known that $50.00 processing fee was charged for obtaining the information related to CSPA implementation and forms such as I-845. But, do you know that total amount of of $207,798 was submitted by the CSPA benificiaries? Deducting all DIRECT operational expenses of CSPA Information Center, which is, according to Jiang Zuihong, $63,278.12 (Note: the Finance Committee has not yet found the invoices & receipts for these expenses), IFCSS of last term made a net revenue of $144,439.88.

Where is this amount of $144,439.88, at least part of which could be used permenat foundation by IFCSS for servicing the CSS community in USA in the years to come? Jiang Zuihong claimed that this amount was transfered to the general fund and spent for routine operation in the same year. As you may recall, CSPA revenue did not realize until May & June, and the 5th IFCSS was not elected until July, 1993. Can you believe $144,439.88 was all spent in such a short time period between June and July? If all spent, what were they spent for? Please remember there is no reporting in the Financial Statements about whether they were spent or not? If not spent then, were they carried over to the present IFCSS? No, not a single penny is reflected in the Financial Statements. Again, where is $144,439.88?

3. Where is $80,000.01?

A huge difference in the Income Statement lies between revenues of $472,289 as Beginning Fund Balance of Fiscal Year 1992-93 and Excess Revenue of $74,530 as End Fund Balance. This means the total expenditure was $397,759. Did IFCSS really spend $397,759 within one year? Again, if so, what for? With this question in mind, the Inspection Team counted all the acutal expenses (not with invoives yet) and found out that the number of $397,759 is not factual, and is created by adding some expenses never incurred. The correct one for actual expenses is $317,758, after our careful counting.

Now the difference is $80,000.01. Where is $80,000.01? Please note this amount of $80,000.01 may be overlapped in part with $144,439.88 as afore-mentioned. Therefore, the answer to this question depends on how the second one is responded to. However, this third question still remains.

The Finance Committee and IT deem that they have being done their best to implement the

IFCSS Council Resolution to audit the IFCSS HQ financial records and it is the time to let all the Council members and CSS community know the problems and questions they have discovered and encountered. We hope that with the attention of all the Council Members and general CSS we would improve the financial operation of IFCSS and thus consolidate the credibility and foundation of IFCSS for its real name

Thanks you for your time and attention.

Sincerely,

IFCSS Council Finance Committee