



**OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR**

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**Deborah K. Nichols**

**District of Columbia Auditor**

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**Audit of Advisory Neighborhood Commission 1A  
for Fiscal Years 2003 Through 2005,  
as of March 31, 2005**

**November 4, 2005**



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Commissioner Mack James  
Chairperson  
Advisory Neighborhood Commission 1A  
3544 - 13<sup>th</sup> Street, NW  
Washington, D.C. 20010

**Letter Report:** Audit of Advisory Neighborhood Commission 1A for Fiscal Years  
2003 Through 2005, as of March 31, 2005

Dear Commissioner James:

Pursuant to Section 16 (d) of the Advisory Neighborhood Commissions Act of 1975 (collectively "ANC Act"),<sup>1</sup> as amended, the District of Columbia Auditor (Auditor) conducted an audit of the financial accounts and operations of Advisory Neighborhood Commission (ANC or Commission) 1A.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of the audit were to determine whether:

1. ANC 1A's disbursements complied with the ANC Act, ANC Financial Management Guidelines<sup>2</sup> issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General (OAG).
2. internal controls were adequate to produce reliable financial information and ensure that the ANC's assets were properly safeguarded.

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<sup>1</sup>See the Advisory Neighborhood Commissions Act of 1975 (effective October 10, 1975, D.C. Law 1-21), as amended, by the Comprehensive Advisory Neighborhood Commissions Reform Amendment Act of 2000, effective June 27, 2000, D.C. Law 13-135., D.C. Code §1-309.13 (d) (2004 Supp.).

<sup>2</sup>Office of the District of Columbia Auditor, Advisory Neighborhood Commission Financial Management Guidelines (ANC Financial Management Guidelines), February 2003

The audit covered the period October 1, 2002 through March 31, 2005. In conducting the audit, the Auditor reviewed all available canceled checks, bank statements, bank signature cards, quarterly financial reports, meeting minutes, receipts and invoices, grant applications, and other relevant documents.

**STATEMENT OF ANC 1A'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2005**

Table I presents a statement of ANC 1A's checking, savings, and petty cash account balances as of March 31, 2005.

**Table I**  
**ANC 1A's Checking, Savings, and Petty Cash Account Balances**  
**As of March 31, 2005**

Petty Cash Account	\$ 200.00
Checking Account	39,723.80
Savings Account	<u>0.00*</u>
<b>Actual Cash Balance</b>	<b>\$ 39,923.80</b>

\*ANC 1A did not maintain a savings account during the audit period.

Source: ANC 1A's quarterly report and bank statements for the period October 1, 2002 through March 31, 2005.

**SUMMARY OF ANC 1A'S DISBURSEMENTS DURING FISCAL YEARS 2003 THROUGH 2005, AS OF MARCH 31, 2005**

During the audit period, ANC 1A disbursed \$38,072.32. Table II summarizes, by category, ANC 1A's disbursements made during the audit period, including bank service charges.

**Table II  
Summary of ANC 1A's Disbursements  
During Fiscal Years 2003 Through 2005,  
as of March 31, 2005**

<b>Disbursement Category</b>	<b>Fiscal Year 2003</b>	<b>Fiscal Year 2004</b>	<b>Fiscal Year 2005 as of March 31, 2005</b>	<b>Grand Total</b>
Bank Service Charges	\$ 0.00	\$ 33.00	\$ 30.00	\$ 63.00
Federal Wage Taxes Paid	0.00	0.00	0.00	0.00
Grants	0.00	1,000.00	1,000.00	2,000.00
Health Insurance	0.00	0.00	0.00	0.00
Local Income Taxes Paid	0.00	0.00	0.00	0.00
Local Transportation	0.00	0.00	0.00	0.00
Net Salaries & Wages	0.00	0.00	0.00	0.00
Office Equipment - Purchase	0.00	0.00	0.00	0.00
Office Equipment - Rental	106.85	0.00	1,740.80	1,847.65
Office Rent	8,250.00	8,250.00	4,125.00	20,625.00
Office Supplies & Expenses	219.58	270.57	237.86	728.01
Petty Cash Reimbursement	387.84	623.19	0.00	1,011.03
Postage and Delivery	0.00	0.00	101.00	101.00
Printing & Duplicating	254.06	255.46	0.00	509.52
Purchase of Service	50.00	413.19	0.00	463.19
Tax Penalties Paid	0.00	0.00	0.00	0.00
Telephone Service	521.74	322.26	322.60	1,166.60
Unemployment Insurance Contributions	0.00	0.00	0.00	0.00
Utilities	2,929.57	1,633.86	878.97	5,442.40
Other	225.00	0.00	3,889.92	4,114.92
<b>Total Disbursements</b>	<b>\$ 12,944.64</b>	<b>\$ 12,801.53</b>	<b>\$ 12,326.15</b>	<b>\$ 38,072.32</b>

Source: ANC 1A's quarterly financial reports, check book, canceled checks, and bank statements.

## **FINDINGS**

### **ANC 1A SUBSTANTIALLY COMPLIED WITH D.C. CODE SECTION 1-309.13 (j) (1) BY MAINTAINING ADEQUATE DOCUMENTATION TO SUPPORT DISBURSEMENTS**

Section 1-309.13 (j) (1) of the D.C. Code states, in relevant part, that:

Each quarterly [financial] report shall include copies of canceled checks, bank statements, grant request letters and grant disbursements, invoices and receipts, executed contracts, details about all contributions received during the time period covered by the quarterly report, and the minutes of all meetings indicating the Commission's approval of disbursements during the time period covered by the quarterly report, and certification of the Commission's approval of the quarterly report signed by the Commission's Secretary. . . .

The Auditor's examination of relevant documentation indicated that ANC 1A officers established adequate procedures to ensure that appropriate required financial documentation was obtained and maintained in the ANC's files to support disbursements. Overall, the Auditor found that ANC 1A maintained adequate documentation to support \$35,839.79, or 94%, of \$38,072.32 disbursed during the audit period. Disbursements totaling \$2,232.53, or 6%, were not adequately supported by required documentation.

### **DURING THE AUDIT PERIOD ANC 1A FILED NINE OF 10 QUARTERLY FINANCIAL REPORTS LATE**

Section 1-309.13 (j) (1) of the D.C. Code states, in relevant part, that:

The treasurer of a Commission shall prepare a quarterly financial report on a form provided by the Auditor. The financial report shall be presented to the Commission for its consideration at a Commission meeting within 45 days after the end of the quarter. A copy of the approved financial report . . . shall be filed . . . with the Auditor within 15 days of approval. Each quarterly report shall include copies of [supporting documents for the] disbursements during the time period covered by the quarterly report. . . .

As presented in Table III, ANC 1A filed only one of the 10 reports due during the audit period early or on time. Nine of the 10 quarterly reports were filed late. Therefore, the Auditor found that ANC 1A failed to comply with D.C. Code Section 1-309.13 (j) (1). ANC 1A must substantially improve its performance of this responsibility.

**Table III**  
**Advisory Neighborhood Commission 1A**  
**Quarterly Financial Report Submission Record:**  
**Fiscal Years 2003 Through 2005, As of March 31,2005**

<b>Year &amp; Quarter</b>	<b>Reported Months</b>	<b>Due Date</b>	<b>Date Received</b>	<b>Report Filed</b>
2003 - 1 <sup>st</sup>	10/01/02 through 12/31/02	03/03/03	05/12/03	Late
2003 - 2 <sup>nd</sup>	01/01/03 through 03/31/03	05/30/03	09/11/03	Late
2003 - 3 <sup>rd</sup>	04/01/03 through 06/30/03	08/29/03	09/11/03	Late
2003 - 4 <sup>th</sup>	07/01/03 through 09/30/03	11/29/03	11/19/03	Early
2004 - 1 <sup>st</sup>	10/01/03 through 12/31/03	03/01/04	04/08/04	Late
2004 - 2 <sup>nd</sup>	01/01/04 through 03/31/04	05/31/04	06/23/04	Late
2004 - 3 <sup>rd</sup>	04/01/04 through 06/30/04	08/30/04	12/02/04	Late
2004 - 4 <sup>th</sup>	07/01/04 through 09/30/04	11/29/04	04/18/05	Late
2005 - 1 <sup>st</sup>	10/01/04 through 12/31/04	03/01/05	05/13/05	Late
2005 - 2 <sup>nd</sup>	01/01/05 through 03/31/05	05/30/05	07/26/05	Late

Source: ANC 1A quarterly financial reports.

**RECOMMENDATION**

ANC 1A's Treasurer prepare, with the cooperation of all ANC 1A Commissioners, and file all future quarterly financial reports in a more timely manner.

**ANC 1A FAILED TO MAINTAIN MINUTES TO INDICATE THAT THE ANC MET IN PUBLIC SESSION AT LEAST 9 TIMES PER YEAR AS REQUIRED BY THE ANC ACT**

D.C. Code Section 1-309.11(b) (1) and (2) states, in relevant part, that:

“Each Commission shall meet in public session at regular intervals at least 9 times per year. . . .”

D.C. Code Section 1-309.11 (e) (1) states, in relevant part, that:

“The Secretary shall ensure that appropriate minutes of Commission meetings are kept. . . .”

The Auditor found from a review of minutes that ANC 1A did not fully comply with the meeting requirements of the ANC Act during the audit period. While ANC 1A held 12 meetings during fiscal year 2003, it held only 5 meetings during fiscal year 2004, and 4 meetings during the first 6 months of fiscal year 2005. The Auditor was informed by ANC 1A’s former Secretary that minutes were taken at all meetings held during fiscal year 2004, but due to a computer crash, the minutes were lost. This assertion could not be substantiated by the current and former ANC 1A Commissioners or the Auditor.

**RECOMMENDATION**

ANC 1A’s Secretary ensure that minutes are produced and maintained for all public ANC 1A meetings. Further, before approving the quarterly financial report, ANC 1A’s Secretary must ensure that each quarterly financial report filed with the Auditor is accompanied by copies of minutes for all public meetings held during the reported quarter.

**ANC 1A DID NOT ESTABLISH ANNUAL FISCAL YEAR SPENDING PLAN BUDGETS FOR FISCAL YEARS 2004 AND 2005**

D.C. Code Section 1-309.10 (n) states that:

Each Commission shall develop an annual fiscal year spending plan budget for the upcoming fiscal year within 60 days of notification of the amount of the Commission’s annual allotment. Prior to adoption

of the budget at a public meeting, the Commission shall present the budget at a public meeting of the Commission to elicit comments from the residents of the Commission area.

The Auditor's review of ANC 1A's records revealed that an annual fiscal year spending plan budget was established for fiscal year 2003. The Auditor found that ANC 1A did not establish spending plan budgets for fiscal years 2004 and 2005. Therefore, ANC 1A did not fully comply with D.C. Code Section 1-309.10 (n) during the audit period.

### **RECOMMENDATIONS**

1. ANC 1A develop, present, and adopt an annual fiscal year spending plan budget for fiscal year 2006 within 60 days of notification of the amount of the Commission's annual allotment.
2. ANC 1A, particularly its officers, develop and implement a mechanism to ensure that an annual fiscal year spending plan budget is prepared for each forthcoming fiscal year at the appropriate time.

### **ANC 1A GRANT DISBURSEMENTS DID NOT COMPLY WITH THE ANC ACT**

Section 1-309.13 (m) of the D. C. Code states that:

A grant may not be awarded unless the grant is awarded pursuant to a vote of the Commission at a public meeting.... A Commission may approve grants only to organizations that are public in nature . . . . An applicant for a grant must submit an application in writing to the Commission . . . . Within 60 days following the issuance of a grant, the grant recipient shall forward to the Commission a statement as to the use of the funds . . . complete with receipts which support the expenditures.

ANC 1A awarded two grants totaling \$2,000 during the audit period. The Auditor found that complete grant documentation was not maintained by the ANC for either grant. No application was on file for the grant disbursement issued October 8, 2003, and there was no record of the presentation and approval dates for the grant disbursement issued December 14, 2004. In addition, neither grantee has submitted a statement as to the use of the grant funds, complete with receipts to support the expenditures. Therefore, ANC 1A did not comply with D. C. Code Section 1-309.13 (m).



**Table V**  
**Advisory Neighborhood Commission 1A**  
**Grants Issued During Fiscal Years 2003 through 2005,**  
**As of March 31, 2005**

<b>Grant Application</b>	<b>Requested at Public Meeting</b>	<b>Grantee and Grant Purpose</b>	<b>Amount/ Check Date</b>	<b>Grant Approved</b>	<b>Grantee Submitted Receipts</b>
No	6/11/03	Columbia Heights Village Together  <u>Purpose:</u> To purchase computers for after school programs.	\$1,000.00 10/08/03	9/10/03	No
Yes	Unknown	Columbia Heights / Shaw Family Support Collaborative  <u>Purpose:</u> To support the organization's mission which is to create and sustain a community-wide network to prevent child abuse and neglect.	\$1,000.00 12/14/04	Unknown	No
		<b>Total</b>	<b>\$2,000.00</b>		

Source: ANC 1A quarterly financial reports, checkbook, canceled checks, and bank statements.

**RECOMMENDATIONS**

1. ANC 1A officers ensure that each grant file contains the original grant request or application; a copy of the minutes of the meeting at which the grant was presented and approved by the Commissioners; and each grantee's statement of how grant funds were used, complete with receipts which support the expenditures.
  
2. ANC 1A's Treasurer and Chairperson request the grantees listed in Table V to file a statement of how grant funds were used, complete with receipts which support the expenditures. Further, ANC 1A's Chairperson and Treasurer should advise the grantees that failure to provide receipts will result in the denial of future grant requests until they file the statement and provide receipts to support expenditure of the grant funds.

## **ANC 1A PARTICIPATED IN THE ANC SECURITY FUND**

D.C. Code Section 1-309.13 (c) states, in relevant part, the following:

The treasurer and Chairperson shall file with the Auditor and maintain in force during their occupancy of their respective offices, a cash or surety bond in an amount and on a form satisfactory to the Auditor. Participation by a Commission in the Advisory Neighborhood Commission Security Fund . . . shall satisfy the requirement of a cash or surety bond. . . . No expenditure shall be made by a Commission . . . at any time when a current and accurate statement and a bond or its equivalent are not on file with the Auditor.

ANC 1A participated in the ANC Security Fund in calendar years 2003, 2004, and 2005. Therefore, ANC 1A fully complied with D.C. Code Section 1-309.13 (c).

## **ANC 1A'S TREASURER ISSUED TWO CHECKS TOTALING \$278.01 WITH ONLY ONE SIGNATURE**

D.C. Code Section 1-309.13 (f) states, in relevant part, that: "Any expenditure made by check shall be signed by at least 2 officers of the Commission, one of whom shall be the treasurer or Chairperson." The Auditor found that ANC 1A's Treasurer issued two checks to the petty cash custodian totaling \$278.01 with only one signature. Issuing ANC checks with only one signature violated the ANC Act.<sup>3</sup>

## **RECOMMENDATION**

ANC 1A's Treasurer and Chairperson comply with D.C. Code Section 1-309.13 (f) by issuing all ANC checks with the required two signatures.

## **ANC 1A'S TREASURE DISBURSED \$500 TO PAY FOR A BUFFET SERVED AT A SPECIAL MEETING**

D.C. Code Section 1-309.13 (l) (1) states, in relevant part, that: "A Commission shall expend funds . . . for the functioning of the Commission office, including staff salaries, Commissioner training, property liability insurance, and *nominal refreshments at Commission meetings.*" [Emphasis Added]

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<sup>3</sup> The Auditor disallowed both disbursements from ANC 1A's allotment during the quarterly review process.

On January 13, 2005, ANC 1A held a meeting which did not qualify as a monthly public Commission meeting. ANC 1A indicated in the quarterly financial report that this was a “meeting room” expense; however, the bill for the “meeting room” clearly indicated that the function was held in a dining room and the type of service provided was a buffet which does not meet the definition of “nominal refreshments.”<sup>4</sup>

**ANC 1A PURCHASED A COMPUTER FOR \$1,577.60 AND COMPUTER SUPPLIES FOR \$163.20 THROUGH THE INDIRECT USE OF A CREDIT CARD**

Pursuant to D.C. Code Sections 1-309.13 (f) and (h), an ANC may expend funds by checks signed by two officers of the ANC, one of whom must be the Treasurer or Chairperson, and through disbursements from a petty cash fund. Two opinions rendered by the OAG concluded that the use of a credit card to make purchases for or by an ANC is not expressly provided in the ANC Act. The OAG opined that the Council’s intent was to prohibit an ANC from using credit cards directly or indirectly to expend public funds. The opinion, dated May 28, 1996, specifically addresses the *direct* and *indirect* use of a credit card as follows:<sup>5</sup>

The exclusion of the use of a credit card not only prohibits an ANC from using a credit card directly to make purchases, but also indirectly through the issuance of an ANC check or the disbursement of cash from an ANC petty cash fund to reimburse a Commission member or employee of the Commission who makes purchases for the ANC with his or her own personal credit card.

In a June 14, 2004 response to a letter from the Auditor, the OAG concluded that “. . . we can find no acceptable basis to alter our earlier conclusion that under current ANC law, credit card use for authorized purchases would be improper.”<sup>6</sup>

Therefore, the reimbursement of \$1,740.80 to an ANC 1A Commissioner for using their personal credit card to purchase the computer and related supplies for the Commission was improper. The Auditor disallowed the disbursements and recommended that \$1,740.80 be deducted from ANC 1A’s 3<sup>rd</sup> quarter allotment for fiscal year 2005.

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<sup>4</sup> The Auditor disallowed the \$500 disbursement from ANC 1A’s allotment during the quarterly review process.

<sup>5</sup> See Letter dated May 28, 1996, from Karen L. Cooper, Director, Office of Legal Counsel, Office of the Corporation Counsel to Russell A. Smith, District of Columbia Auditor.

<sup>6</sup> See Letter dated May 17, 2004, from Deborah K. Nichols, District of Columbia Auditor to Robert J. Spagnoletti, Attorney General, Office of the Attorney General at 2; and response dated June 14, 2004, from Robert Spagnoletti to Deborah K. Nichols.

**INTERNAL CONTROLS WERE NOT ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION AND ENSURE THAT ANC 1A'S ASSETS WERE PROPERLY SAFEGUARDED**

In part, ANC 1A's internal controls were found to be inadequate because of missing minutes, missing documentation to support the award of grants, and the absence of receipts showing how grantees used grant funds, in addition to other deficiencies. Minutes are required to substantiate the number of meetings held annually; the approval of expenditures by a majority of the Commissioners at a public meeting; presentation and approval of grant requests at a public meeting; the adoption of annual fiscal year spending plan budgets; and the approval of quarterly financial reports. On the other hand, the Auditor found that ANC 1A's internal controls were adequate in some areas during fiscal years 2003 and 2005, as of March 31, 2005, as evidenced by the following:<sup>7</sup>

- ▶ An annual spending plan budget for fiscal year 2003 was presented and properly adopted at a public meeting
- ▶ All expenditures were first approved by the ANC in a public meeting and recorded in the minutes;
- ▶ 94% of disbursements were supported by adequate documentation in the form of receipts, invoices, and contracts;

**CONCLUSION**

The Auditor's examination of ANC 1A's books and records revealed that ANC 1A did not comply with all relevant provisions of the Advisory Neighborhood Commissions Act of 1975, as amended, Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General.

During fiscal years 2003 through 2005, as of March 31, 2005, ANC 1A disbursed \$38,072.32 and maintained adequate documentation to justify and support \$35,839.79, or 94%, of total disbursements. Of the 10 quarterly financial reports due to the Auditor's Office during the audit period, nine were filed late.

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<sup>7</sup> During the audit period, the phrase "District of Columbia Government" was included in the Commission's bank account name and on the face of its checks and ANC 1A participated in the ANC Security Fund.

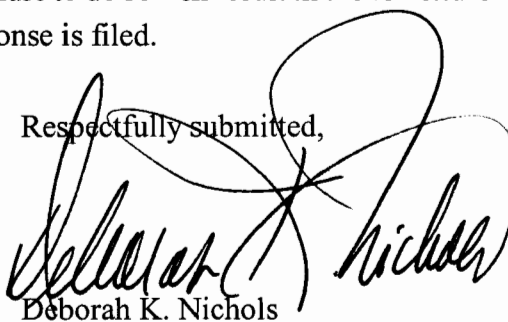
ANC 1A failed to maintain minutes for all public meetings held during the audit period. As a consequence of this deficiency, ANC 1A could not provide evidence that the ANC held the number of public meetings required by the ANC Act.

The Auditor found that ANC 1A prepared only one out of three required annual fiscal year spending plan budgets during the audit period. Further, the Auditor found that grants were not supported by minutes and other required documentation such as grantee statements as to the use of grant funds, complete with receipts to support expenditures. Other deficiencies found by the Auditor included two checks with only one signature which violated the ANC Act; the improper use of ANC funds to purchase food; and the use of a credit card to purchase a computer and related supplies for the ANC which is also improper. These transactions resulted in the improper use of ANC funds totaling \$2,518.81, which the Auditor disallowed during the quarterly review process.

ANC 1A must correct the noted deficiencies and strengthen internal controls and compliance with the controls to ensure that ANC 1A's assets are properly safeguarded and its financial transactions comply with the ANC Act and applicable standards and principles.

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 1A must respond in writing to each of the violations detailed herein within 90 days. Failure to do so will result in the forfeiture of ANC 1A's next schedule quarterly allotment until a response is filed.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Deborah K. Nichols", written in a cursive style.

Deborah K. Nichols

District of Columbia Auditor