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**Statutory Audit of Advisory  
Neighborhood Commission 2C for the Period  
October 1, 1995 Through December 31, 1997**

**December 11, 1998  
(Reissued December 18, 1998)**



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Mr. Lawrence Thomas, Chairperson  
Advisory Neighborhood Commission 2C  
Terrell Junior High School  
Shaw/Terrell Community Center  
First & Pierce Streets, N.W.  
Washington, D.C. 20001

**Letter Report:** Statutory Audit of Advisory  
Neighborhood Commission 2C for the Period October  
1, 1995 through December 31, 1997.

Dear Mr. Thomas:

Pursuant to D.C. Code, Section 1-264(d), the Office of the District of Columbia Auditor conducted an audit of the financial activities of Advisory Neighborhood Commission (ANC) 2C.

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

The objectives of this audit were to determine:

1. whether ANC 2C's disbursements complied with the Advisory Neighborhood Commission Act of 1975 (ANC Law), as amended, legal opinions issued by the Office of the Corporation Counsel, and Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor; and
2. whether ANC 2C's internal controls were adequate to produce reliable financial information and to safeguard assets.

The audit covered fiscal years 1996, 1997, and the first quarter of fiscal year 1998 (October 1, 1995 through December 31, 1997). For the audit period, the Auditor reviewed available canceled checks, bank statements, receipts, invoices, quarterly financial reports, minutes of public meetings, and other documents that supported ANC 2C's disbursements and related financial activities. The Auditor interviewed ANC 2C commissioners and an employee of Wilkes, Artis, Hedrick and Lane (Law Firm) regarding donations he and the Law Firm made to the ANC.

**ANC 2C'S RECORDS INADEQUATELY DOCUMENTED  
DISBURSEMENTS AND FAILED TO COMPLY WITH  
CERTAIN PROVISIONS OF THE ANC LAW AND  
APPLICABLE GUIDELINES**

Advisory Neighborhood Commission 2C did not comply with the recordkeeping provisions of the Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor and violated certain provisions of the ANC law regarding the expenditure of ANC funds. For fiscal years 1996 and 1997, ANC 2C did not maintain most of the documentation necessary to support its disbursements. A record maintenance system was virtually nonexistent. Further, ANC 2C officers did not establish adequate procedures to ensure that all documentation was properly obtained and maintained in the ANC's files.

**ANC 2C Did Not Maintain Documentation for 94%  
Of Disbursements Made During the Audit Period**

ANC 2C was not in compliance with ANC Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor which state:

"Prior to disbursing funds, the Treasurer must ensure that a voucher package is prepared which contains the following:

- a. An original invoice or receipt from the supplier of goods or services.
- b. A signed statement must be attached to the invoice or written on the invoice by the ANC representative who receives the goods or services which states:

"I certify that the goods or services described on the attached invoice have been received and represent bona fide expenses of the ANC."

- c. The date paid and check number must be entered on the original invoice.
- d. All vouchers must be filed in check number sequence.

All voucher packages must be retained for a period of at least seven years."

During the audit period, ANC 2C did not prepare or maintain voucher packages for any of its disbursements. The ANC's files did not contain invoices, receipts or other supporting documentation from suppliers of goods and services for approximately \$6,565, or 100 percent, of disbursements made in fiscal year 1996. Documentation was missing for approximately \$1,977, or 81 percent, of the \$2,428 disbursed in fiscal year 1997.

The ANC made only two disbursements totaling \$216.59 in the first quarter of fiscal year 1998: a \$100 disbursement to the office secretary for secretarial services; and a \$116.59 disbursement to Bell Atlantic for telephone services. The \$100 disbursement to the secretary was not supported by documentation such as an approved time sheet/time card, or a payroll register which would document the number of hours the employee worked and the amounts withheld for taxes. The \$116.59 disbursement to Bell Atlantic was supported by a telephone bill which contained charges totaling \$9.70 for two calls to a "900" number. The ANC should establish effective measures to ensure that its telephone service is used only for legitimate ANC 2C business. The \$9.70 will be deducted from ANC 2C's next quarterly allotment.

Because the officers of ANC 2C did not maintain adequate documentation to support the ANC's disbursements, the Auditor could not determine whether the disbursements were for valid, legitimate expenses of the ANC. As a consequence, all disbursements not supported by documentation and not supported by minutes reflecting the commissioner's approval of the disbursements will be deducted from ANC 2C's next quarterly allotment.

**For the Audit Period, 82 Percent of Canceled Checks and 70 Percent of Bank Statements Were Missing from ANC 2C's Files**

Advisory Neighborhood Commission 2C's files did not contain any bank statements and canceled checks for disbursements made in fiscal year 1996. For fiscal year 1997, only 11, or 39 percent, of 28 canceled checks and only 5, or 42 percent, of 12 bank statements were found in the ANC's files. The Auditor was able to obtain copies of missing bank statements and canceled checks for fiscal years 1996 and 1997 directly from ANC 2C's bank. The audit team made findings and recommendations based on a review of these documents. For fiscal year 1998, as noted earlier, the ANC wrote only two checks in the first quarter. The two canceled checks and the three bank statements for October, November and December 1997 were available in the ANC's files for the audit team's review.

ANC 2C did not have any funds in its bank account at the end of the first quarter of fiscal year 1998 and, as of December 31, 1997, the ANC's account was closed by its bank. The December statement contained a notation that no further bank statements would be sent to the ANC after the December statement.

**ANC 2C's Treasurer Did Not Reconcile the  
ANC's Bank Balance to Its Checkbook Balance**

ANC 2C's treasurer did not reconcile the ANC's bank statements to its checkbook for any of the statements reviewed by the audit team.

By not performing monthly reconciliations, ANC 2C's treasurer did not comply with ANC Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor which state, in relevant part, the following:

". . . The treasurer must reconcile the bank statement to the checkbook within 15 days of receipt of the bank statement."

The Guidelines further state that:

"The bank statement and bank reconciliation must be reviewed by the chairman or vice-chairman of the ANC, who must indicate their review by initialing the bank reconciliation."

The failure to perform bank reconciliations increased the likelihood that fraudulent and unapproved transactions, as well as clerical errors made by the bank or an ANC officer would not be detected. Also, a reconciliation would have provided the ANC with an accurate accounting of funds available for its use and provided additional controls to ensure that all financial transactions (such as bank fees) were recorded in the ANC's records.

**ANC 2C Did Not Maintain Minutes of  
Public Meetings That May Have Reflected  
Approval of All ANC Disbursements**

Advisory Neighborhood Commission 2C violated D. C. Code, Section 1-264(f) which states in relevant part the following:

". . . No expenditure of any amount shall be made without the specific authorization of the Commission...."

Also, the ANC did not comply with the ANC Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor which state:

"All ANC disbursements must be approved by the Commission in a public meeting and recorded in the minutes for that meeting."

During fiscal year 1996, minutes of ANC 2C meetings were available for six of the twelve months. However, a review of available minutes reflected that the ANC properly approved only \$200, or approximately 3 percent, of the \$6,565 disbursed during this period.

In fiscal year 1997, minutes were available for ten of the twelve months. However, according to the minutes reviewed by the audit team, none of the \$2,428 in fiscal year 1997 disbursements were properly approved by the ANC.

For the first quarter of fiscal year 1998, minutes were available for two of the three months, however, the \$216 disbursed in the first quarter were not approved by the ANC.

Minutes maintained in the ANC's files often were not written in a clear and understandable manner. The lack of clarity in the minutes made it difficult, at times, for the audit team to gain an understanding of the issues discussed and the decisions made by commissioners during public meetings.

As a result of ANC 2C's failure to maintain minutes, which should have recorded the ANC's approval of all disbursements or its approval of a spending plan budget covering some of the disbursements, the Auditor will recommend a one-time reduction of \$9,009 in ANC 2C's next quarterly allotment. The \$9,009 represents disbursements that were not approved by the ANC and, if approved, were not recorded in the ANC's minutes.

## **RECOMMENDATIONS**

1. ANC 2C officers must maintain documentation in the ANC's files to support all ANC 2C disbursements for a period of not less than seven years. The documentation must include invoices, receipts, bank statements, canceled checks and other relevant financial records.
2. ANC 2C officers must maintain a voucher package for each disbursement as required by the Office of the Auditor's Financial Guidelines and Procedures for ANCs. The voucher package must be maintained in the ANC's files for a period of not less than 7 years.
3. ANC 2C's treasurer reconcile the ANC's bank balance to its checkbook balance each month.
4. ANC 2C's chairperson and vice-chairperson review the treasurer's bank reconciliation and initial it to indicate that a review was performed.
5. ANC 2C's officers, especially its secretary, maintain minutes of all ANC 2C public meetings. These minutes must reflect what was done by the commissioners and the number of votes cast for or against motions voted on by the commissioners. Above all, the minutes should be written in a clear and understandable manner and maintained in the ANC's files.

6. ANC 2C's next quarterly allotment be reduced by \$9,009 which represents the total amount of unauthorized and unsupported disbursements made during the audited period.

**PERSONAL SERVICE DISBURSEMENTS WERE  
NOT AUTHORIZED OR DOCUMENTED**

**Payments to ANC 2C's Office Staff Were  
Not Documented or Properly Approved**

ANC 2C's treasurer and chairperson violated D.C. Code, Section 1-264(g) which states:

"Disbursements of Commission funds exceeding \$50 for personal service expenditures shall be specifically approved by the Commission at a public meeting prior to the disbursement. The approval shall be recorded in the minutes of the Commission meeting. Any personal services payment shall name the person who is to receive the payments, the rate of compensation, and the maximum hours of service, if less than full-time compensation. If an expenditure required to be approved pursuant to this subsection is made without the required authorization of the Commission, the expenditure shall be deemed to be a personal expense of the officer who authorized the payment, unless the Commission subsequently approves the expenditure."

Further, ANC 2C did not comply with provisions of the ANC Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor which state:

"A payroll register must be maintained to record all paychecks issued to employees."

ANC 2C's officers did not maintain payroll records for any of its office staff. According to ANC 2C's quarterly financial reports and a review of its canceled checks, the ANC disbursed approximately \$1,663 in fiscal year 1996, \$1,200 in fiscal 1997, and \$100 during the first quarter of fiscal year 1998 to its office staff without documentation to support the hours worked. Further, these disbursements lacked the appropriate approval of a majority of ANC 2C commissioners in a public meeting.

Minutes of an ANC 2C meeting held on April 1, 1996 reflected that the ANC approved the hiring of an employee by name, but the minutes did not reflect that the ANC approved the rate of compensation and the maximum hours of service for this employee. The approval of the rate of compensation and maximum hours of service is required by D. C. Code, Section 1-264(g).

According to quarterly financial reports and a review of canceled checks, approximately \$913 of the \$2,963 disbursed during the audit period was for salaries and wages. The remaining \$2,050 was disbursed as purchase of services<sup>1</sup> payments. The \$913 in salary and wage payments were not supported by payroll registers, time sheets, or other documentation of hours worked by the employee. Also, records were not available to document whether appropriate taxes were withheld from salary payments. Documentation did not exist to indicate whether required tax forms were filed with the appropriate state and federal tax authorities. Additionally, it was unclear whether employees were provided tax withholding information to file with their federal and state tax returns.

The \$913 disbursed for salaries included two \$300 payments to one office worker that did not appear to represent salary payments for services rendered to the ANC. While other salary disbursements to ANC 2C's office workers identified the pay period for which the workers were paid, the two canceled checks totaling \$300 did not state a pay period. The Auditor traced salary disbursements for each pay period to other canceled checks. However, the \$300 could not be traced to a pay period and the ANC's files did not contain any documentation to justify and support the \$300 disbursements.

#### **Payments to Consultant Were Not Authorized or Adequately Documented**

Purchase of services disbursements to a consultant were not supported by an approved contract or agreement between the ANC and the consultant. ANC 2C's treasurer and chairperson disbursed \$950 to a consultant who may have performed accounting services for the ANC. However, the disbursement was not supported by invoices, receipts, or any other documentation that indicated the extent and nature of services rendered by the consultant.

This disbursement also violated D. C. Code, Section 1-264(g) which requires that ANC disbursements exceeding \$50 for personal service expenditures shall be specifically approved by the ANC at a public meeting prior to disbursement. At least \$700 of the \$950 were clearly not approved by ANC 2C commissioners. It was not clear if the remaining \$250 disbursement was approved by ANC 2C commissioners. Minutes of a June 5, 1996 meeting reflected the following:

"Mr. Deer [sic] stated that he will do a quarterly report for the ANC 2C Commission."

"Ms Davis made a motion that we pay Mr. Deer [sic] \$250 dollars all oppose."

As noted above, the minutes did not clearly reflect the ANC's vote regarding the \$250 payment to Mr. Dear. Therefore, the audit team concluded that ANC 2C commissioners did not approve the \$250 disbursement to the consultant, Mr. Dear.

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<sup>1</sup>Purchase of Services is defined as a service provided by a consultant or services obtained on a contractual basis.



## **RECOMMENDATIONS**

1. All purchase of services disbursements exceeding \$50 must be specifically approved by a majority of ANC 2C commissioners at a public meeting. The ANC's approval must be clearly articulated in minutes of the meeting in which the action was taken, and must be specific as to the name of the person who is to receive the payment, the rate of compensation, and the maximum hours of service to be provided by the contractor.
2. All salary disbursements must be supported by appropriate documentation such as payroll registers and approved time sheets or time cards.
3. All payments to consultants must be supported by a contract or agreement that describes the service or product to be delivered by the consultant, the rate of compensation, and maximum hours of service under the agreement.
4. ANC 2C's current treasurer, Doris Brooks, and chairperson, Lawrence Thomas, must repay the ANC \$2,963 in unauthorized disbursements made to the ANC's office staff and \$950 in unauthorized disbursements made to a consultant.

## **CHECKS WERE WRITTEN TO COMMISSIONERS WITHOUT ADEQUATE DOCUMENTATION AND AUTHORIZATION FROM THE ANC**

Disbursements totaling \$1,400 in fiscal year 1996 and \$683 in fiscal year 1997 were made to ANC 2C commissioners without adequate receipts, invoices, or other documentation to support and describe how the commissioners used the funds.

Tables I and II below present amounts received by ANC 2C commissioners during fiscal years 1996 and 1997.

**TABLE I**  
**Disbursements Made to ANC 2C Commissioners**  
**Without Adequate Documentation**  
**During Fiscal Year 1996**

Date	Check Number	Payee	Amount	Purpose
December 13, 1995	2123	Norma Davis	\$100.00	Gift Needy
December 13, 1995	2124	Leroy Thrope	100.00	Gift Needy
December 13, 1995	2125	Doris Brooks	100.00	Gift Needy
December 13, 1995	2126	T. Henighan	100.00	Gift Needy
December 13, 1995	2127	L. Thomas	100.00	Gift Needy
March 14, 1996	2137	L. Thomas	400.00	Child in Trouble
April 17, 1996	2141	L. Thomas	500.00	Community Activities
<b>TOTAL</b>			<b>\$1,400.00</b>	

Source: ANC 2C quarterly financial reports and canceled checks.

**TABLE II**  
**Disbursements Made to ANC 2C Commissioners**  
**Without Adequate Documentation**  
**During Fiscal Year 1997**

Date	Check Number	Payee	Amount	Purpose
October 4, 1996	2157	Doris L. Brooks	23.00	Petty cash
November 6, 1996	2160	Norma Davis	160.00	Moving Office Furniture
December 5, 1996	2161	Leroy Thrope	100.00	Gift for needy
December 5, 1996	2162	Doris Brooks	100.00	Gift for needy
December 5, 1996	2163	Lawrence Thomas	100.00	Gift needy
December 5, 1996	2164	Torrence Henighan	100.00	Gift needy
December 5, 1996	2165	Norma Davis	100.00	Gift needy
<b>TOTAL</b>			<b>\$683.00</b>	

Source: ANC 2C quarterly financial reports and canceled checks.

According to ANC 2C's chairperson, the \$100 disbursements listed in Table I represented each commissioner's "share" of a \$400 donation made to ANC 2C in December 1995 by the Law Firm of Wilkes, Artis, Hedrick and Lane (Law Firm) and a \$200 donation made by one of the Law Firm's employees. (A discussion of the propriety of these donations is discussed later in this report).

Further, ANC 2C's chairperson stated that the \$100 disbursements listed in Table II represented each commissioner's "share" of a donation of \$400 by Wilkes, Artis, Hedrick, and Lane and a \$100 donation from one of the Law Firm's employees.

In response to inquiries regarding these payments, two commissioners indicated that they purchased Christmas toys and gifts for ANC 2C neighborhood children. However, the ANC's files contained no receipts or invoices to support these purchases. Further, no documentation existed in the ANC's files that revealed the names of the children selected to receive the toys and gifts nor how the recipients were selected. A third commissioner indicated that he used the \$100 to purchase refreshments for affairs held in the apartment building in which he lived. A fourth commissioner provided copies of hand-written receipts to the audit team. One receipt reflected a purchase of one pair of binoculars for \$100 by Citizens Organized Patrol Efforts (COPE), a citizens group. The other receipt reflected a purchase of "anti-drug video surveillance" and banners for ANC-SMD 2C02. ANC 2C's minutes did not reflect the ANC's approval of these purchases. Further, the purchases were not consistent with the stated purpose of the donation which was "ANC Christmas gift needy". The remaining commissioner did not provide an explanation or documentation to support how he used the \$100 disbursement.

All funds donated to an ANC must be used for public purposes. D. C. Code, Section 1-264(l) states, in relevant part, the following:

"A Commission shall expend funds received through the annual allocation received pursuant to subsection (a) of this section, or other donated funds, for public purposes within the Commission area or for the functioning of the Commission office. . ." [Auditor's Emphasis]

Further, D.C. Code, Section 1-261(l) states the following:

"(l) No Commission may solicit or receive funds unless specifically authorized to do so by the Council, except that receipt of individual contributions of \$400 or less need not be approved by the Council. No person shall make any contribution, nor shall a Commission receive any contribution from any person which, when aggregated with all other contributions received from that person, exceeds \$400 per calendar year. Each Commission shall include in the Commission's annual report required pursuant to subsection (j) of this section a report of all contributions received in the previous fiscal year."

According to the Law Firm's employee, the \$400 fiscal year 1996 contribution from the Law Firm and \$200 contribution from the employee as well as the \$400 fiscal year 1997 contribution from the Law Firm and \$100 contribution from the employee were intentionally split to avoid triggering the requirement that the Council of the District of Columbia approve all contributions to ANCs of more than \$400 per calendar year from any one "person". Notwithstanding questions regarding whether the contributions required Council approval, additional questions may be raised concerning whether the contributed funds were used for a public purpose that benefitted the ANC 2C community as a whole.

**ANC 2C's Chairperson Received a \$500 Loan  
And Other Undocumented and Unapproved  
Disbursements from the ANC**

Checks numbered 2137 for \$400 and 2141 for \$500 were made payable to "L. Thomas" (Mr. Lawrence Thomas) chairperson of ANC 2C. ANC 2C's files did not contain any receipts or invoices documenting how the funds were used or if they were used for a public purpose. Mr. Thomas provided the following verbal explanations regarding the funds he received:

- Check numbered 2137 for \$400 dated March 14, 1996: According to Mr. Thomas, this disbursement represented funds that he received from ANC 2C to give to a family that was the victim of a house fire. Mr. Thomas further indicated that the check was written to him so that he could give the money directly to the family. Notwithstanding the non-public purpose nature of this transaction, no explanation was provided as to why ANC 2C did not give the contribution directly to the affected family. Mr. Thomas could not provide any documentation supporting the disposition of the \$400. Further, Mr. Thomas did not recall the name or address of the family. He further indicated that the family had moved after the fire and that he did not know where the family currently resided nor how to locate them.
- Check number 2141 for \$500 dated April 17, 1996: Mr. Thomas acknowledged that this disbursement represented a loan from ANC 2C to him. He was supposed to repay the ANC but had not done so at the conclusion of the audit.

Minutes of ANC 2C meetings did not reflect ANC 2C's approval of a disbursement to a family for assistance because of a fire loss. Further, minutes of ANC 2C meetings did not reflect that either of the disbursements to Mr. Thomas was approved by a majority of commissioners at a public meeting. The ANC's files did not contain a loan agreement or other documentation reflecting Mr. Thomas's agreement to repay the \$500 loan in full. The ANC law does not authorize ANCs to make loans or permit commissioners to accept loans of ANC funds. ANC funds must be used for a public purpose and may not be used for private grants, loans, or personal subsistence expenses. D. C. Code, Section 1-264(l) states in relevant part the following:

". . . Funds allocated to the Commissions may not be used for a purpose that involves partisan political activity, personal subsistence expenses, Commissioner compensation..."

**Disbursement of ANC Funds Were Not Made Directly to Suppliers of Goods and Services**

The Office of the Auditor has repeatedly informed ANCs in written correspondence, training sessions, and audit reports that the preferred procedure for purchasing goods and services with ANC funds is for the ANC to obtain a receipt or invoice from the vendor and pay the vendor directly for goods and services provided to the ANC. Presently, a significant number of ANCs permit commissioners to pay vendors with their personal funds and then seek reimbursement from the ANC, often without providing adequate documentation such as a receipt or invoice to support the reimbursement.

During the audit period, ANC 2C's officers did not follow the preferred procedure for disbursements totaling approximately \$1,500 that were made to commissioners who had paid vendors with their personal funds. Minutes of ANC 2C meetings did not reflect that the expenditures were approved by a majority of ANC 2C commissioners. These disbursements represented undocumented and unapproved uses of ANC funds and the commissioners who received the funds must repay them to the ANC immediately or the ANC may ratify the disbursements. The Auditor will recommend deduction of the \$1,500 from the ANC's next quarterly allotment in the absence of ANC approval and lack of supporting documentation.

**ANC's Treasurer and Chairperson Signed Checks Made Payable to Themselves**

During the review of ANC 2C's financial transactions for fiscal years 1996 and 1997, the Auditor identified three checks totaling \$223 that were payable to and signed by ANC 2C's treasurer. The checks were counter-signed by ANC 2C's chairperson. The Auditor also identified an additional four checks totaling \$1,100 which were payable to and signed by ANC 2C's chairperson. The checks were counter-signed by ANC 2C's treasurer. These disbursements were not approved by a majority of ANC 2C commissioners, and the treasurer and chairperson could not provide invoices or receipts that justified and supported the disbursements.

To ensure proper internal control over District funds, ANC officers should not sign ANC checks made payable to themselves. Instead, another ANC officer should sign the check after reviewing supporting documentation and verifying that the ANC has approved the disbursement. This procedure would allow at least two ANC officers, who are not payees on the check, the opportunity to review the supporting documentation and to ensure that the disbursement is proper and approved by a majority of commissioners in a public meeting.

## **RECOMMENDATIONS**

1. ANC 2C commissioners must immediately discontinue the practice of writing checks directly to themselves for services performed by third parties. Rather, the ANC must pay its vendors directly for purchases of goods and services.
2. ANC officers who receive ANC funds by check must refrain from signing checks made payable to them. Other officers who were not involved in the transaction should counter-sign such checks.
3. ANC 2C's chairperson, Mr. Lawrence Thomas, must immediately repay the \$500 loan that ANC 2C made to him, and the \$400 unapproved disbursement made to him for a family victimized by a fire.
4. ANC 2C officers must not use ANC funds to provide loans to commissioners or any other individuals.

## **ACCEPTANCE OF DONATED FUNDS MAY HAVE PRESENTED A CONFLICT OF INTEREST**

D. C. Code, Section 1-1462(i)(2) states the following:

"Members of Advisory Neighborhood Commissions shall be covered under the conflict of interest provisions of §1-1461."

D. C. Code, Section 1-1461(a) and (c) state the following:

"(a) The Congress declares that elective and public office is a public trust, and any effort to realize personal gain through official conduct is a violation of that trust.

(c) No person shall offer or give to a public official or a member of a public official's household, and no public official shall solicit or receive anything of value, including a gift, favor, service, loan gratuity, discount, hospitality, political contribution, or promise of future employment, based on any understanding that such public official's official actions or judgment or vote would be influenced thereby, or where it could reasonably be inferred that the thing of value would influence the public official in the discharge of his or her duties, or as a reward, except for political contributions publicly reported pursuant to §1-1416 and transactions made in the ordinary course of business of the person offering or giving the thing of value."(Auditor's Emphasis)

Also, the Office of the Corporation Counsel issued an opinion regarding the circumstances under which a commissioner's actions could result in a violation of the District's conflict of interest law. An ANC commissioner asked the question: "Is it public corruption for a commissioner to accept lunches and other like materials from persons who come before the Commission for support?" In response to the question, the Office of the Corporation Counsel issued the following opinion dated March 27, 1991:

"ANC's should have conflict of interest provisions in their by-laws. Thus you should consult your ANC's by-laws to see if this situation is addressed there. If not, you should consider adopting rules addressing this situation. ANC commissioners are expressly covered by the conflict of interest provisions of D. C. Code, §1-1461 (1987). See D. C. Code § 1-1462 (i) (2) (1987). Subsection (c) of D.C. Code § 1-1461 provides:

No person shall offer or give to a public official or a member of a public official's household, and no public official shall solicit or receive anything of value, including a gift, favor, service, loan, gratuity, discount, hospitality, political contribution, or promise of future employment, based on any understanding that such public official's official actions or judgment or vote would be influenced thereby, or where it could reasonably be inferred that the thing of value would influence the public official in the discharge of his or her duties, or as a reward, except for political contributions publicly reported pursuant to § 1-1416 and transactions made in the ordinary course of business of the person offering or giving the thing of value.

Thus, to establish a violation of this provision it is not necessary to prove that an ANC commissioner consciously took something of value in exchange for his or her vote. All that need be established is that the acceptance of the thing of value by the ANC commissioner created a reasonable inference that his or her vote was thereby influenced."

Another question posed to the Office of the Corporation Counsel stated the following: "Can ANC's accept free rent from a developer in exchange for voting against the community and in favor of the developer?" In response, the Corporation Counsel stated that:

"No law specifically addresses this situation. D. C. Code § 1-1461 applies to situations involving a public official's selling his or her vote for personal gain. However, the conflict of interest inherent in such a situation is obvious, and would tend to weaken the persuasiveness of the position taken."

By check dated December 13, 1995, the Law Firm of Wilkes, Artis, Hedrick and Lane donated \$400 to ANC 2C, and an employee of the Law Firm, Mr. Norman M. Glasgow Jr., also

donated \$200 to ANC 2C. On the same date, the treasurer and chairperson of ANC 2C signed ANC checks disbursing \$100 to each ANC 2C commissioner. The purpose noted on each check simply stated "ANC Christmas gift needy."

During fiscal year 1997, the Law Firm donated another \$400 to ANC 2C and Mr. Glasgow donated \$100. The audit team was not able to read the date on the copy of the check from the Law Firm, however, Mr. Glasgow's check was dated December 4, 1996. The ANC's treasurer and chairperson disbursed \$100 to each ANC 2C commissioner by checks dated December 5, 1996. The purpose written on each check simply stated "gift needy."

The donations to ANC 2C, as a whole, appeared to have been made at the rate of \$100 per commissioner. In December 1995, ANC 2C consisted of 6 commissioners. At that time, Mr. Glasgow and the Law Firm donated a total of \$600 to ANC 2C. A check for \$100 was written to each commissioner from ANC 2C's account. However, one commissioner, Ms. Sallie Wilson, did not cash the check made payable to her and this check was subsequently voided by the ANC. As a result, only \$500 of the \$600 in donations were actually received by five of the six commissioners.

In December 1996, when \$500 in donations were made to ANC 2C, the ANC consisted of six commissioners, however, only five of the commissioners attended ANC 2C meetings. The ANC's treasurer and chairperson issued an ANC 2C check for \$100 to each of the five commissioners. As noted earlier in this report, the ANC's files for fiscal years 1996 and 1997 did not contain any documentation which justified the commissioners receipt of these funds and described how the funds were actually used by each recipient.

ANC 2C's files did not contain any correspondence or explanation regarding the purpose of the donations. However, minutes of a December 5, 1997 ANC 2C meeting reflected that:

"Mr. Glagskow [sic] presented a check to the commissioners for contributions for the single member district for Christmas each person would receive \$100 dollars a pierce.[sic]"

ANC 2C's bank account was closed as of December 31, 1997 and a review of its bank statement for December 1997 (fiscal year 1998) did not reflect any deposits to the ANC's account. Therefore, the audit team could not determine if ANC 2C commissioners received any donations in fiscal year 1998.

The audit team spoke with Mr. Glasgow regarding donations made to the ANC in fiscal years 1996 and 1997. He stated that he and the Law Firm made donations to ANC 2C because they were aware of the ANC's work. Mr. Glasgow indicated that the donations were to be used to assist needy ANC 2C community residents. Further, Mr. Glasgow indicated that the Law Firm donated only \$400 while he donated the additional amounts because they were aware of the provisions of D.C. Code, Section 1-261(l). This provision of the ANC Law requires the ANC to obtain specific



authorization from the Council of the District of Columbia before receiving individual contributions in excess of \$400.

A review of available minutes of ANC 2C meetings reflected several occasions when Mr. Glasgow requested ANC 2C's support for various zoning issues. Some of the issues included: (1) the proposed amendments to the Downtown Development District regarding the use to be permitted in buildings which formerly housed department stores, "(2) the Zoning Map to allow the Bibleway Church to proceed with Golden Rule Plaza, the churches project to develop housing for senior citizens and a community center." Minutes of ANC 2C meetings included specific instances in which Mr. Glasgow requested the ANC's support on certain issues. The minutes also included the ANC's action with regard to these requests. The following presents meeting dates, requests made by Mr. Glasgow for support, and actions taken by ANC 2C commissioners:

7/17/96 "Mr. Glasgow stated on Square N-1 he would like the support of quorum to vote on his project.

The ANC voted 4-0 to support his amendment."

10/2/96 "Mr. Glagsow [sic] presented to the commissioners the land mark closing of L Street. Mr. Glagsow [sic] wanted the commissioners to vote on the designation of the L'Fant [sic] Plan Action.

Mr. Henningan made a motion for the vote on the L'Fant Plan Action all the commissioners oppose, all in favor 4-0." [sic]

10/1/97 "Mr. Glagskow [sic] gave an up date on the Opera Project. He ask [sic] the commissioners to support the project of the modify projecy that was shown."

"Ms. Brooks made a motion to support the modify virgin [sic] of the Opera House on the F street side. Ms. David second [sic] the motion all in favor 4-0"

It appears that ANC 2C commissioners violated conflict of interest provisions when: (1) the ANC accepted donations from a Law Firm and one of its employees who had requested the ANC's support on certain zoning issues; (2) the ANC disbursed the donations to individual commissioners; (3) commissioners accepted the donated funds; (4) commissioners asserted that they disbursed the donated funds for public purposes but could not provide adequate documentation to support how the funds were actually used; and (5) commissioners voted to support the issues raised by the Law Firm and its employee.

Based on the conflict of interest concerns raised by these transactions, the Office of the Auditor will refer this matter to the Office of Campaign Finance for further review.

## **RECOMMENDATIONS**

1. The Office of Campaign Finance review the circumstances surrounding ANC 2C's acceptance of donations from the law firm of Wilkes, Artis, Hedrick and Lane and an employee of the Law Firm for possible violations of the District's conflict of interest law.
2. ANC 2C immediately add a conflict of interest provision to its by-laws.

### **ANC 2C AWARDED GRANTS THAT DID NOT COMPLY WITH THE ANC LAW**

ANC 2C violated D.C. Code, Section 1-264(m) which states that:

"A grant approved by a Commission shall provide a benefit that is public in nature and that benefits persons who reside or work within the Commission area. A grant to an individual shall be prohibited as a non-public purpose expenditure. A Commission shall adopt guidelines for the consideration and award of grants that shall include a provision that requires the proposed grantee to present the request for a grant at a public meeting of the Commission. A grant may not be awarded unless the grant is awarded pursuant to a vote of the Commission at a public meeting. The award of a grant by a Commission shall not be conditioned on support for a position taken by the Commission."

During the audit period, ANC 2C disbursed \$750 in grants. The grants violated the ANC law as follows: 1) the ANC did not adopt grant guidelines for the consideration and award of grants; 2) a grant was made to an individual; and 3) minutes were not available to reflect the ANC's approval of the grants. Further, the ANC did not have sufficient documentation that would enable the Auditor to determine whether the grants provided a public benefit to persons who resided or worked within the Commission area.

Table III below presents disbursements for grants for fiscal year 1996.

**TABLE III**  
**Grants Disbursed**  
**During Fiscal Year 1996**

<b>Date</b>	<b>Check Number</b>	<b>Payee</b>	<b>Amount</b>
December 13, 1995	2122	Cope, Inc.	\$250.00
June 5, 1996	2145	American Theater Project	250.00
July 22, 1996	2148	COPE	50.00
August 7, 1996	2151	S. Mathews	200.00
<b>TOTAL</b>			<b>\$750.00</b>

Source: ANC 2C quarterly financial reports and canceled checks

The minutes of ANC 2C's meeting on June 5, 1996 indicated that the ANC discussed the American Theater Project. However, the minutes do not indicate that the ANC approved a grant to this organization.

According to the minutes of ANC 2C's August 7, 1996 meeting, \$200 was approved as a donation toward a "youth that's going to the Democratic Convention." The grant was disbursed to Derek Mathews and violated D.C. Code, Section 1-264(m) because it was payable to an individual and was prohibited as a non-public purpose, partisan political activity expenditure. D.C. Code, 1-264 (l) states in relevant part the following:

". . . Funds allocated to the Commissions may not be used for a purpose that involves partisan political activity. . . "

The ANC's files did contain a grant request letter from the then treasurer of COPE, Inc. requesting \$250 to purchase anti-drug caps identifying the anti-drug group, and to purchase plaques and certificates. However, available minutes of ANC 2C's meetings did not indicate that the ANC approved any disbursements to COPE. Also, the ANC's files did not contain a grant request letter for the \$50 grant to COPE which was disbursed on July 22, 1996, and did not contain minutes indicating the ANC's approval of the disbursement.

ANC 2C's records did not reflect that any grants were issued in fiscal years 1997 and 1998.

## RECOMMENDATIONS

1. ANC 2C must adopt grant guidelines before any further grants are awarded.
2. Grant guidelines adopted by the ANC must adhere to applicable laws, regulations and Corporation Counsel opinions.
3. All unapproved grants and grants awarded in the absence of grant guidelines will be deducted from ANC 2C's next quarterly allotment.

## CONCLUSION

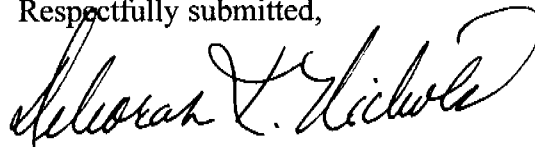
ANC 2C officers did not ensure that all disbursements complied with the provisions of the Advisory Neighborhood Commission Act of 1975, as amended, ANC legal opinions issued by the Office of the Corporation Counsel, and Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor.

Further, ANC 2C's internal controls were inadequate to safeguard its assets and records, and did not ensure that its financial data was reliable and its transactions legally credible. ANC 2C's recordkeeping measures were inadequate. As consequence, the ANC lacked the necessary supporting documentation to ensure that its disbursements were valid and legitimate, and that ANC funds were used only for public purposes.

The ANC's acceptance and distribution to commissioners of donations from Wilkes, Artis, Hedrick and Lane and one of the Law Firm's employees appears to have violated the District's conflict of interest provisions. Therefore, the Auditor has recommended that this matter be reviewed by the Office of Campaign Finance.

ANC 2C officers and commissioners must comply with applicable laws, Corporation Counsel opinions, and Financial Guidelines and Procedures issued by the Office of the Auditor. The ANC must establish effective controls over its assets and financial data. Further, the ANC must obtain and maintain documentation in its files to support all of its disbursements.

Respectfully submitted,



Deborah K. Nichols  
Interim District of Columbia Auditor