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District of Columbia Auditor  
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# OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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## **Audit of Advisory Neighborhood Commission 1D for Fiscal Years 2000 through 2003, as of June 30, 2003**

**February 11, 2004**



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February 11, 2004

Commissioner Dominic Sale  
Chairperson  
Advisory Neighborhood Commission 1D  
3060 - 16<sup>th</sup> Street, NW, #302  
Washington, D.C. 20009

**Letter Report:** Audit of Advisory Neighborhood Commission 1D  
for Fiscal Years 2000 through 2003, as of June 30,  
2003

Dear Commissioner Sale:

Pursuant to D.C. Code, Section 1-309.13(d)(2), as amended, the District of Columbia Auditor conducted an audit of the financial activities and operations of Advisory Neighborhood Commission (ANC) 1D, previously known as ANC 1E.<sup>1</sup>

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

The objectives of the audit were to determine whether ANC 1D's:

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

The audit covered the period October 1, 1999 through June 30, 2003.

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<sup>1</sup> In January 2003, ANC 1E's name was changed to ANC 1D. The ANC previously known as ANC 1D is now known as ANC 2D. Throughout this report, the ANC is referred to as ANC 1D.

In conducting the audit, the Auditor reviewed available bank statements, canceled checks, invoices, receipts, quarterly financial reports, minutes of public meetings, ANC 1D's bylaws, and other related financial records. The Auditor also interviewed ANC 1D's current treasurer, former treasurer, and former secretary to obtain additional insight and information on the ANC's financial transactions, procedures, and practices.

**STATEMENT OF ANC 1D'S BANK BALANCES AS OF JUNE 30, 2003**

Table I presents ANC 1D's bank balances as of June 30, 2003. ANC 1D did not establish a petty cash fund.

**TABLE I**  
**Statement of ANC 1D's Bank Balances**  
**as of June 30, 2003**

Checking Account Balance	\$27,807.22
Savings Account Balance	<u>\$ 5,781.22</u>
<b>Total Available Cash</b>	<b>\$33,588.44</b>

Source: ANC 1D's checking and savings account statements  
as of June 30, 2003

## FINDINGS

### **MOST OF ANC 1D'S QUARTERLY FINANCIAL REPORTS WERE FILED LATE OR WERE INCOMPLETE OR INACCURATE AT THE TIME OF SUBMISSION**

The ANC Law requires the treasurer of each ANC to record all disbursements and to prepare and submit fully supported quarterly financial reports to the Office of the District of Columbia Auditor. D.C. Code, Section 1-309.13(j)(1) states, in relevant part, the following:

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, signed by the Chairperson, the secretary, and the treasurer, shall be filed, along with a record of the vote adopting the report, with the Auditor within 15 days of approval.<sup>2</sup> Each quarterly 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, 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 financial report signed by the Commission's Secretary. [Emphasis Added]

The Auditor found that: (1) 12 of the 15 reports due during the audit period were submitted late, ranging from 15 days to 587 days; and (2) at the time of submission, some of the reports contained inaccurate data, lacked adequate documentation to support all reported disbursements, or were otherwise incomplete.

#### **Late and Incomplete Reports**

Table II below presents ANC 1D's quarterly financial reporting history during the audit period including those reports that were filed late or incomplete at the time of submission. It appeared that the main reason for the Commission's late quarterly financial report submissions was

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<sup>2</sup>Prior to June 27, 2000, D.C. Code, Section 1-309.13(j)(1) stated, in relevant part, the following: "The financial report shall be presented to the Commission for its consideration at a Commission meeting within 30 days of the end of the quarter. A copy of the approved financial report, signed by the Chairman, the secretary, and the treasurer, shall be filed, along with a record of the vote adopting the report with the Auditor within 7 days of approval." [Auditor's Emphasis]

the failure of the ANC's treasurer to prepare and present reports in a timely manner for the Commission's review and approval. The Auditor also noted a significant lag time between report approval dates and filing dates.

**TABLE II**  
**Quarterly Financial Report Due Dates and Dates on Which**  
**ANC 1D Filed Reports with the Auditor During the Audit Period**

<b>Quarters &amp; Fiscal Years</b>	<b>Report Period</b>	<b>(A) Report Due Date</b>	<b>(B) Date filed with the Office of the D.C. Auditor</b>	<b>(C) Date report was approved by the Commission</b>	<b>(D) Number of days filed after the due date (B-A)</b>
<b>Fiscal Year 2000</b>					
1 <sup>st</sup> Quarter	10/01/99 - 12/31/99	03/14/00	03/09/00(I)	02/07/00	not filed late
2 <sup>nd</sup> Quarter	01/01/00 - 03/31/00	06/13/00	07/06/00(I)	n/a	23
3 <sup>rd</sup> Quarter	04/01/00 - 06/30/00	09/12/00	03/23/01(I)*	n/a	192
4 <sup>th</sup> Quarter	07/01/00 - 09/30/00	12/12/00	12/28/00(I)	n/a	16
<b>Fiscal Year 2001</b>					
1 <sup>st</sup> Quarter	10/01/00 - 12/31/00	03/01/01	03/16/01	n/a	15
2 <sup>nd</sup> Quarter	01/01/01 - 03/31/01	05/30/01	05/23/01	05/07/01	not filed late
3 <sup>rd</sup> Quarter	04/01/01 - 06/30/01	08/29/01	04/08/03(I)**	03/03/03	587
4 <sup>th</sup> Quarter	07/01/01 - 09/30/01	11/29/01	04/08/03(I)**	03/03/03	495
<b>Fiscal Year 2002</b>					
1 <sup>st</sup> Quarter	10/01/01 - 12/31/01	03/01/02	04/08/03**	03/03/03	403
2 <sup>nd</sup> Quarter	01/01/02 - 03/31/02	05/30/02	04/08/03(I)**	03/03/03	313
3 <sup>rd</sup> Quarter	04/01/02 - 06/30/02	08/29/02	04/08/03(I)	03/03/03	222
4 <sup>th</sup> Quarter	07/01/02 - 09/30/02	11/29/02	04/08/03(I)	03/03/03	130
<b>Fiscal Year 2003</b>					
1 <sup>st</sup> Quarter	10/01/02 - 12/31/02	03/03/03	04/08/03(I)	03/03/03	36
2 <sup>nd</sup> Quarter	01/01/03 - 03/31/03	05/30/03	07/16/03	05/05/03	47
3 <sup>rd</sup> Quarter	04/01/03 - 06/30/03	08/29/03	08/27/03	08/04/03	not filed late

Source: Office of the District of Columbia Auditor

(I) - Incomplete report filed.

n/a - not available. ANC 1D could not provide minutes of Commission meetings that documented Commissioners' approval of the quarterly report.

\* ANC 1D first submitted a report for the 3<sup>rd</sup> quarter of FY 2000 on 11/16/00. The report submitted on 11/16/00 was inaccurate and incomplete.

\*\* ANC 1D first submitted reports on 10/02/01, 02/11/02, 03/27/02, and 06/11/02, respectively. The reports first submitted to the Office of the D.C. Auditor were inaccurate and were corrected and re-submitted.

## **Weaknesses in Internal Controls Resulted in Quarterly Financial Report Inaccuracies**

The Auditor found that ANC 1D's inaccurate quarterly financial reports resulted from several internal control weaknesses. These internal control weaknesses included:

- an inadequate record-keeping system and the lack of a monthly or quarterly review of the financial books and records by the ANC's chairperson, vice-chairperson, or other designated ANC 1D Commissioners to ensure that all disbursements were authorized, properly recorded, and supported by appropriate documentation. The Auditor found numerous instances where the ANC's treasurer failed to properly record disbursements. For example, the financial report for the fourth quarter of FY 2002 reported that check number 428 was issued on August 18, 2002 to pay a \$1,000 grant. This date conflicted with the December 30, 2002 date written on the check.<sup>3</sup> The Auditor also found that monthly expenditure reports presented by the treasurer at Commission meetings were inconsistent with the ANC's financial records which suggested that the treasurer did not timely and accurately record disbursements and other important financial activity.<sup>4</sup>
- the treasurer's failure to reconcile the Commission's bank statements to the checkbook. The Auditor found some errors in quarterly financial reports, such as the failure to report the deposit of a quarterly allotment in the fourth quarter financial report for FY 2001. The omission of this deposit may have been detected if the ANC's treasurer had reconciled bank statements to the checkbook and the chairperson or vice-chairperson had regularly reviewed bank statements and the reconciliations.
- the failure of Commission officers to provide effective ongoing oversight of the ANC's financial operation and activities. The Auditor found no evidence that the ANC's chairperson, vice-chairperson, or other Commission officers, other than the treasurer, reviewed bank statements. The Auditor also found that ANC 1D Commissioners may not have thoroughly reviewed quarterly

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<sup>3</sup>The check cleared the bank on December 31, 2002.

<sup>4</sup>For example, at a Commission meeting held on December 3, 2001, the treasurer reported that "the ANC spent no money in November." However, canceled checks indicated that three checks totaling \$260.92 were issued in November 2001. Bank statements also showed that the three checks cleared the bank during the month.

financial reports before approving them at meetings. Minutes of ANC 1D meetings documented Commissioner's approval of quarterly financial reports, however, it was not clear how much time Commissioners were provided to review the reports or if Commissioners reviewed the reports at all before approving them.

### **RECOMMENDATIONS**

1. ANC 1D's treasurer record the amount, payee, and date of each check in the checkbook when checks are issued. All disbursements should be recorded in a timely manner.
2. ANC 1D's treasurer reconcile the Commission's bank statements to the checkbook on a monthly basis. The ANC's chairperson or vice-chairperson should review bank statements and bank reconciliations and indicate their review by initialing the bank reconciliation and statement.
3. ANC 1D officers file quarterly financial reports with the Office of the District of Columbia Auditor by the due date established pursuant to the ANC Law. The reports must be submitted with the required documentation and signatures.

### **DISBURSEMENTS TOTALING \$2,336.79 WERE NOT SUPPORTED BY ADEQUATE DOCUMENTATION**

The Auditor found that expenditures totaling \$2,336.79, reported in quarterly financial reports as payments for goods and services provided to the ANC, were not supported by adequate documentation. Copies of receipts, invoices, or other documentation to support the payments were not provided with quarterly financial reports submitted to the Office of the District of Columbia Auditor and were not available in the ANC's files.

Table III presents payments that were not supported by adequate documentation. Approximately 81 percent, or \$1,897.50, of the disbursements were made to the ANC's administrative services contractors.<sup>5</sup>

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<sup>5</sup>Contracts with the personal service contractors specified that "... contractors shall bill the Commission at least once a month, itemizing time billed and tasks performed."

**TABLE III**  
**ANC 1D Disbursements Not Supported By Adequate Documentation**

Check Number	Check Date	Payee	Amount	Purpose Of Expenditure Noted On Checks Or In Quarterly Financial Reports	Comments
340	10/20/99	P. Balogun	\$ 15.00	Newsletter deliveries	No receipt or invoice
341	10/20/99	S. Bradley	15.00	Newsletter deliveries	No receipt or invoice
358	05/02/00	Mt. Pleasant Festival	60.00	ANC table fee for Mt. Pleasant festival	No receipt or invoice
364	06/29/00	Community of Christ	130.00	Meeting space rental	No receipt or invoice
378	05/06/01	R. Frazier	57.00	Reimbursement of P.O. box fee	No receipt or invoice
392	06/30/01	L. Corcoran	450.00	Professional Services	No record of hours worked and work performed
393	08/06/01	L. Corcoran	390.00	Professional Services - July	No record of hours worked and work performed
394	09/05/01	L. Corcoran	180.00	Professional Services - August	No record of hours worked and work performed
396	10/01/01	L. Corcoran	180.00	Professional Services	No record of hours worked and work performed
417	03/21/02	L. Corcoran	154.00	Reimbursement of P.O. box fee	No invoice or receipt
418	03/21/02	A. Brott	195.00	Professional Services	No record of hours worked and work performed
425	06/03/02	L. Corcoran	255.00	Professional Services	No record of hours worked and work performed
426	06/03/02	L. Corcoran	8.29	Reimbursement of Copying Expenses	No receipt
427*	07/01/02	L. Corcoran	247.50	Professional Services	No record of hours worked and work performed
<b>Total</b>			<b>\$ 2,336.79</b>		

Source: ANC 1D's books and records

\* ANC 1D provided a receipt, signed by the contractor, that stated "I, L. Corcoran, received \$247.50 from ANC 1E on July 1 for service performed." The receipt did not detail the hours worked and work performed.

## **Other Irregularities Found During the Audit of ANC 1D**

The Auditor found the following additional irregularities during the audit of ANC 1D:

- ANC 1D's chairperson and treasurer briefly paid a contractor at a higher hourly rate than authorized by the Commission. In February 2003, ANC 1D's treasurer and chairperson paid the ANC's administrative services contractor at a rate of \$17 per hour rather than the \$15 per hour approved by the Commission. At a Commission meeting held on January 3, 2003, Commissioners approved a rate of \$15 per hour and an extension of the contract.<sup>6</sup> Instead of paying the contractor at a rate of \$15 per hour, the treasurer and chairperson paid the contractor at a rate of \$17 per hour. The higher rate resulted in an overpayment of \$115 to the contractor. ANC 1D's files included documentation of hours worked and tasks performed to support these payments, however, there was no explanation for the higher hourly rate.<sup>7</sup>
- Two checks totaling \$120 were issued to pay the ANC's administrative services contractor for hours worked in October 2002. ANC 1D's files contained only one invoice to support payments made by check numbers 432 and 433 for hours worked by the contractor in October 2002. The invoice indicated that \$120 was due for 8 hours worked. There was no documentation in the ANC's files that indicated the treasurer, chairperson, or other Commissioner reviewed an invoice from the contractor that itemized time billed and tasks performed prior to signing check number 432. It was also unclear whether Commission officers who signed check number 433 reviewed supporting documentation prior to signing the check. ANC 1D's files did not contain any explanation of the two separate payments made two days apart and signed by different ANC 1D officers.

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<sup>6</sup>Prior to January 2003, the contractor was paid at a rate of \$15 per hour. This rate was specified in the contract.

<sup>7</sup>Minutes of a Commission meeting on March 3, 2003 indicated that the treasurer introduced and ANC 1D Commissioners approved a resolution to pay the contractor at a rate of \$23 per hour. This rate was based on "the market standard and the work involved." The personal services contract was also amended to reflect the increased rate of pay. The contract period (indicated in the revised contract) was from January 3, 2003 through July 1, 2003.

**Three Checks Were Issued With One Signature In Violation Of The ANC Law**

To ensure proper control over funds, the ANC Law requires all ANC checks to be signed by at least two officers of the Commission, one of whom must be the treasurer or chairperson. D.C. Code, Section 1-309.13(f) states, in relevant part, that:

. . . No expenditure of any amount shall be made without the specific authorization of the Commission. 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 check shall, prior to signature, contain the date of payment, the name of the payee, and the amount of the payment.... [Emphasis Added]

The Auditor found that, in violation of the ANC Law, three checks were issued with only one signature. One of the checks contained only the signature of the ANC’s secretary. Table IV presents additional details of the three checks issued with only one signature. ANC 1D’s files contained invoices to support all three disbursements.

**TABLE IV**  
**Checks Issued with Only One Signature**

Check Number	Check Date	Payee	Amount	Purpose of Expenditure	Check Signatories
339	10/20/99	MS Printing Co.	\$ 444.53	Printing - Newsletter	Then-treasurer
379*	05/06/01	Hispanic Service Center	234.00	Translation Services - Newsletter	Then-secretary
389*	06/22/01	Verizon	41.59	Phone bill for June	Then-treasurer
<b>Total</b>			<b>\$ 720.12</b>		

Source: ANC 1D’s books and records

\* These payments were disallowed by the Office of the District of Columbia Auditor after a review of the applicable quarterly financial report.

**ANC 1D’s Treasurer Failed to Mutilate Old Checks in a Timely Manner to Preclude Their Subsequent Use and Safeguard the ANC’s Funds**

In December 2002, two questionable disbursements totaling \$511.67 were made using checks from an old checkbook. Table V presents two checks that were issued from a checkbook no longer used by the Commission at the time. The signatures on both checks were difficult to decipher, but appeared to be the signatures of the former treasurer and former chairperson. The two checks were supported by invoices and receipts.

**TABLE V**  
**Checks Issued From An Old Checkbook**

Check Number	Check Date	Payee	Amount	Purpose of Expenditure Noted in Quarterly Financial Reports
370 (NB)	12/02/02	L. Corcoran	\$ 241.67	Reimbursement for P.O. box fee, copying, and laminating
371 (NB)	12/02/02	L. Corcoran	270.00	Professional Services
<b>Total</b>			<b>\$ 511.67</b>	

Source: ANC 1D's financial records

(NB) - NationsBank, the bank name imprinted on the checks

Checks issued immediately before and after check numbers 370(NB) and 371(NB) were from Bank of America and were numbered 433 and 434, respectively.<sup>8</sup> Check numbers 370(NB) and 371(NB) duplicated numbers on checks already issued and were also out of sequence with checks then in use by the ANC. Further, check numbers 370(NB) and 371(NB) did not have the phrase "District of Columbia Government" imprinted on them. Thus, when ANC 1D issued check numbers 370(NB) and 371(NB) in December 2002, the ANC violated D.C. Code, Section 1-309.13(f), which states, in relevant part, that:

. . . Any check shall be pre-numbered, shall bear the name of the Commission and "District of Columbia Government" on its face, and shall be issued in consecutive order. [Emphasis Added]

The District of Columbia Auditor advised all ANCs in a letter dated February 27, 2001 that in addition to opening new accounts and ordering new checks with the phrase "District of Columbia Government" in the account name and on the face of checks, ANCs should close accounts that did not have the required phrase in the account name and immediately destroy any noncompliant unused checks. ANC 1D's treasurer and chairperson did not comply with the Auditor's guidance in the February 2001 letter.

### **RECOMMENDATIONS**

1. ANC 1D maintain original receipts, invoices, and other documentation in its files for at least 5 years to justify and support disbursements.

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<sup>8</sup>Bank of America was the successor bank of NationsBank. Check numbers 433 and 434 were from a new checkbook that was in current use by the Commission. The first check issued from this new checkbook was a check numbered 370 that was issued on April 2, 2001.

2. The Associate Chief Financial Officer of the Office of Finance and Resource Management deduct \$2,336.79 from ANC 1D's next quarterly allotment. The deduction represents inadequately supported disbursements.
3. ANC 1D improve internal controls over payments for contractual services. Invoices should be received, reviewed, and approved by a Commission designated officer prior to payment.
4. The Associate Chief Financial Officer of the Office of Finance and Resource Management deduct \$444.53 from ANC 1D's next quarterly allotment. This represents the amount of checks issued with only one signature (\$720.12) less the amount (\$275.59) previously disallowed and withheld from ANC 1D's allotments.
5. The Associate Chief Financial Officer of the Office of Finance and Resource Management deduct \$511.67 from ANC 1D's next quarterly allotment. This represents the amount of checks that were issued from an old ANC checkbook on checks that did not contain the phrase "District of Columbia Government." Further, these checks were out of sequence with checks then in use by the ANC and duplicated numbers on checks already issued.
6. ANC 1D officers ensure that all checks issued are signed by the Treasurer or Chairperson and one other Commission officer. Check-signers should review supporting documentation and verify the Commission's approval of the expenditure.

### **ANC 1D DID NOT FULLY COMPLY WITH GRANT REQUIREMENTS**

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

- (1) A grant may not be awarded unless the grant is awarded pursuant to a vote of the Commission at a public meeting following the public presentation of the grant request. . . .
- (2) An applicant for a grant must submit an application in writing to the Commission.
- (3) 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 consistent with the grant application, complete with receipts which support the expenditures. . . .<sup>9</sup>

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<sup>9</sup>Prior to June 27, 2000, D.C. Code, Section 1-309.13(m) did not require ANCs to obtain from grant recipients a statement on how grant funds were used and receipts.

During the audit period, ANC 1D Commissioners awarded 10 grants totaling \$6,050.<sup>10</sup> All the grants were supported by grant applications. Minutes documented the Commission's approval of all 10 grants during a public meeting in which a quorum was present. However, when three of the 10 grants were approved, representatives from grantee organizations did not attend the meeting to present the grant request and answer questions raised by Commissioners. Instead, the grant applications were presented and recommended for approval by the Chairperson of the ANC's Small Grants Committee.

In addition, ANC 1D officers could not provide all the required documentation to support all grants awarded. The Auditor reviewed statements filed by all 10 grant recipients to show how grant funds were used, however, receipts were provided by only 2 of the grantees.<sup>11</sup>

Table VI presents grants approved by the Commission during the audit period, whether the grant request was presented by grant recipients at a public meeting, and whether grantees fully complied with the reporting requirements of the ANC Law.

**TABLE VI**  
**Grants Awarded by ANC 1D**

Check Number	Check Date	Payee	Amount	Grants Not Presented By Grant Recipients	Grants Supported By Statements But Not Receipts
355	04/29/00	Mt Pleasant Pride Day	\$400		
371**	04/02/01	Main St. Mt. Pleasant	\$0		
372	04/02/01	Community Help in Music	\$500	X	X
382	05/10/01	MP Community Dev Center	\$400		
386	06/09/01	Elm Fund	\$500		X
391	06/22/01	Rosemount Center	\$500		X
404	12/12/01	Bancroft PTA	\$500	X	X
405	12/12/01	Neighbors' Consejo	\$500	X	X
428	08/18/02	Our Turn Advocacy Services	\$1,000		X
442	04/19/03	Council of Latino Agencies	\$1,250		X
445	05/05/03	Mt. Pleasant Elm Fund	\$500		X
<b>Total</b>			<b>\$6,050</b>	<b>\$1,500</b>	<b>\$5,250</b>

Source: ANC 1D's financial records

\*\* Check number 371 was added back to the checkbook in the second quarter of FY 2003. The amount of the check was \$500.

<sup>10</sup> ANC 1D Commissioners approved 11 grants during the audit period. However, only 10 of the 11 grants were disbursed by the ANC. A check was issued in April 2001 to pay the additional grant, but the check was never deposited and was added back to the checkbook in the second quarter of FY 2003.

<sup>11</sup> ANC 1D's files contained statements on how funds were used from only 3 of the 10 organizations that received grant funds. During the course of the audit, the ANC's treasurer obtained and provided statements that were in the possession of a former Chairperson of the ANC's Small Grants Committee.

## **RECOMMENDATIONS**

1. ANC 1D officers ensure that representatives from organizations requesting grants present the grant request at a public meeting of the Commission.
2. ANC 1D officers ensure that grant recipients are informed that they must submit receipts in addition to a statement on how grant funds were used within 60 days following the disbursement of a grant. If a grant recipient fails to submit the required statement and receipts, ANC 1D officers should inform the organization that it will not be eligible to apply for or receive future grant funds. Further, if receipts from grant recipients and a statement as to how grant funds were used does not accompany quarterly financial reports, the Auditor will disallow the entire grant disbursement until supporting documentation is provided to the Office of the Auditor.
3. The Associate Chief Financial Officer of the Office of Finance and Resource Management deduct \$5,250 from ANC 1D's quarterly allotments if the ANC fails, within 45 days of this report, to provide the Auditor with receipts from grant recipients showing how grant funds were spent.

## **CONCLUSION**

ANC 1D did not substantially comply with the ANC Law, legal opinions issued by the Office of the Corporation Counsel, and Financial Management Guidelines issued by the Office of the District of Columbia Auditor. In addition, the Auditor found that significant weaknesses in ANC 1D's internal controls resulted in inaccurate and unreliable financial information that placed the ANC's assets at a significant risk of misuse or loss.

The Auditor found that ANC 1D did not submit most quarterly financial reports by due dates established pursuant to the ANC Law. Reports often did not include required supporting documentation. The ANC's reports were also inaccurate as a result of internal control weaknesses including: 1) lack of monthly or quarterly review of the Commission's financial books and records by the Chairperson, Vice-Chairperson, or other designated Commission officers to ensure that disbursements and other financial transactions complied with the requirements of the ANC Law, guidelines developed by the Office of the District of Columbia Auditor, and were supported by

adequate documentation; 2) the treasurer's failure to prepare monthly bank reconciliations; and 3) the failure of Commission officers to provide effective ongoing oversight of the ANC's financial operation and activities.

In addition to weaknesses in internal controls over the recording and reporting of financial information, the Auditor found that controls over disbursements require significant improvement. The Auditor found that ANC 1D's files did not contain invoices, receipts, or other documentation to support payments totaling \$2,336.79, which included payments to contractors totaling \$1,897.50. It was unclear whether Commission officers reviewed supporting documentation prior to signing checks to ensure the disbursements were authorized by the Commission and supported by adequate documentation.

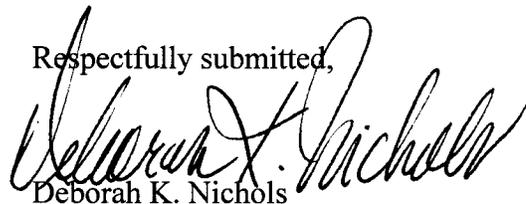
There were significant weaknesses in internal controls over payments for contractual services. The Auditor found that the ANC's administrative services contractor was briefly paid at a higher hourly rate than approved by a majority of ANC 1D Commissioners at a public meeting in which a quorum was present.

The Auditor found three checks issued with only one signature in violation of D.C. Code, Section 1-309.13(f), and ANC 1D did not destroy noncompliant checks from an old checkbook in a timely manner as recommended by the Auditor. Two checks issued from an old checkbook: (1) duplicated numbers on checks issued from a checkbook then in use by the Commission; (2) did not contain the phrase "District of Columbia Government" on the face of the check; and (3) were not written in consecutive order as specified by the ANC Law.

In violation of D.C. Code, Section 1-309.13(m), grant disbursements were not supported by receipts and a statement on how funds were used. In addition, representatives from grantee organizations were not always present at meetings to present their grant request and answer questions raised by Commissioners.

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

Respectfully submitted,



Deborah K. Nichols

District of Columbia Auditor