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013:98:DN:DW:VJ

**ANC 4D Funds Diverted to Deceased
Husband of Former ANC 4D Treasurer**

June 29, 1998

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SUMMARY OF ANC 4D FINANCIAL AUDIT

This is the District of Columbia Auditor's report of the financial activities of Advisory Neighborhood Commission (ANC) 4D for the period June 1, 1996 through March 31, 1998. The audit is part of a continuing initiative by the Office of the Auditor to review the financial status of each Advisory Neighborhood Commission.

The Auditor's examination of ANC 4D's financial operations and activities revealed critical flaws in its internal accounting controls that resulted in approximately \$23,000 in improper and questionable expenditures.

Approximately \$18,900 in ANC 4D funds were improperly diverted to the deceased husband of the former treasurer of ANC 4D. These disbursements were not authorized by a majority of ANC 4D commissioners. The disbursements were made by ANC checks containing the signature of the ANC's former chairperson, Barbara Young, and the former treasurer, Freda Bonner-Lamont. These former officers failed to effectively carry out their fiduciary obligations as public officials and officers of ANC 4D. Under their leadership, the ANC's assets were inadequately safeguarded, improperly diverted, and exposed to abuse.

The Auditor's review indicated that a majority of ANC 4D commissioners abandoned or failed to perform their fiduciary responsibility to comply with applicable District laws and prudent financial management principles. The Commissioners of ANC 4D also failed to establish an effective system of checks and balances to ensure that funds made available to the ANC were safeguarded, used only for authorized purposes permitted by law, and accounted for on a regular basis. As a result of ANC 4D commissioners' neglect of their official duties and responsibilities, the ANC's assets were improperly diverted, and past and present ANC 4D commissioners cannot, or will not, account for their use.

The commission must immediately establish effective accounting controls over its financial operations and assets, and establish an effective system of checks and balances to ensure the integrity of its disbursements, bank reconciliations, financial accounting, and financial reporting. These controls should ensure that no single commission officer establishes complete control over the ANC's accounting records, or financial assets. ANC 4D's treasurer and chairperson must comply with statutory reporting requirements and timely file monthly financial reports with the Commission. Further, ANC 4D commissioners must ensure that quarterly financial reports, supported by appropriate documentation, are filed with the Office of the District of Columbia Auditor.



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Audrey E. Thompson, Chairperson
Advisory Neighborhood Commission 4D
715 Kennedy Street, N.W.
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Letter Report: ANC 4D Funds Diverted to Deceased Husband of Former ANC 4D Treasurer

Dear Commission Chairperson:

Pursuant to D.C. Code, Section 1-264(d), the Office of the District of Columbia Auditor conducted an audit of the financial operations and accounts of Advisory Neighborhood Commission (ANC) 4D for the period June 1, 1996 through March 31, 1998. Initially, the time period selected for audit covered fiscal years 1994 through 1998, as of March 31, 1998. However, due to the absence and unavailability of bank statements, canceled checks, minutes of Commission meetings, grant request letters, and related documentation for the original audit period, the Auditor narrowed the audit period to June 1, 1996 through March 31, 1998. The period was narrowed to conform to copies of canceled checks, bank statements, and minutes of ANC 4D's meetings that were accessible for audit purposes. At such time as all records necessary to conduct the audit for the original audit period are available, the Auditor will complete the audit for the period of October 1, 1993 through May 1996.

The objectives of the audit were to:

- review the integrity of ANC 4D's financial operations and accounts;
- determine how District appropriated funds allocated to ANC 4D were spent;
- determine whether ANC 4D's expenditures complied with the ANC Law, Corporation Counsel Opinions, and Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor; and
- determine whether internal controls were adequate to safeguard ANC 4D's assets and facilitate an accurate accounting of public funds made available to it.

BACKGROUND

On April 10, 1998, the Auditor initiated an audit of ANC 4D for the period October 1, 1993 through March 31, 1998. The Auditor specifically requested ANC 4D's then-treasurer to deliver the Commission's financial records to the Office of the Auditor not later than Monday, April 20, 1998. These records were to include, but were not limited to, ANC 4D's checkbook, canceled checks, bank statements, invoices, receipts, grant request letters, and other related financial records. The former treasurer failed, or refused, to provide the records by the close of business Monday, April 20, 1998.

For at least two months prior to the initiation of a formal audit and during the entire period after the inception of the audit, the former ANC 4D treasurer continuously failed, or refused, to provide the original financial records requested by the Auditor. Upon the treasurer's persistent failure to produce the requested financial records, the Auditor requested copies of bank statements, canceled checks, and signature cards for the period June 1, 1996 through March 31, 1998 directly from the bank at which ANC 4D maintained its checking account. Copies of these records were obtained with a release authorization signed by three ANC 4D officers.

On April 21, 1998, the commissioners of ANC 4D removed the treasurer from office and elected a new treasurer. At the time this action was taken, the ANC had \$77.39 in its bank account.

Subsequent to the initiation of the audit, the audit team visited ANC 4D's office to review records pertaining to the period under audit. However, records required for the audit, such as minutes, grant proposals, receipts, invoices, bank statements, canceled checks, and similar records, were not found in the ANC's office files. It appeared that records had been intentionally removed from the ANC office. During the same period of time, the Auditor learned that the ANC's checkbook was maintained by the treasurer at her residence, and that, for a prolonged period of time, the ANC's bank statements and canceled checks were also sent by its bank to the ANC treasurer's home. For these reasons, all relevant financial records necessary for the audit of ANC 4D were unavailable for the Auditor's review.

During early May 1998, after numerous phone messages were left at the former treasurer's District of Columbia residence, the Auditor learned that the former treasurer was in South Carolina. The Auditor was ultimately able to contact her in that jurisdiction concerning the audit and to reiterate the need for access to the ANC's checkbook, original bank statements, and original canceled checks. The former treasurer indicated, at that time, that the ANC's checkbook was at her residence in the District of Columbia but could not be made available for the audit until she or a relative returned to the District of Columbia. With regard to bank statements and canceled checks, the former treasurer indicated that these documents could be found in the files at the ANC's office. However, as noted earlier in this report, the audit team, after a thorough search of the ANC's files, could not locate canceled checks and bank statements,

minutes, grant proposals, grant request letters, or other records relevant to the audit in the files at the ANC's office.

Subsequent to the conversation with the former treasurer, the Auditor received the Commission's checkbook by U.S. Postal Service Priority Mail. All check stubs had been expunged and only unwritten checks were left in the checkbook. In the absence of check stubs, the checkbook was of no value to the Auditor's review of ANC 4D's banking activity. Nevertheless, the Auditor conducted the audit utilizing copies of bank statements, canceled checks, and signature cards obtained directly from the bank at which the ANC maintained its checking account.

District of Columbia Code, Section 1-264(e) states:

"Each Commission shall, by resolution, designate the location at which the Commission's books and records shall be maintained which shall, if the Commission has a regular office, be the Commission office. The District of Columbia Auditor shall have access to the books and records of each Commission pursuant to § 47-117(c)."

FINDINGS

The Auditor's review of the copies of ANC 4D's bank statements, canceled checks, signature cards, available minutes of ANC 4D meetings, and discussions with present and former ANC 4D commissioners led to the following findings.

\$18,935 IN ANC 4D FUNDS WERE IMPROPERLY DIVERTED TO ANC 4D'S FORMER TREASURER BY WAY OF ANC 4D CHECKS MADE PAYABLE TO HER DECEASED HUSBAND

District of Columbia Code, Section 1-264(f) states:

"Any expenditure of funds by a Commission shall be authorized in writing by the treasurer or Chairman and recorded by the treasurer in the Commission's books and accounts. **No expenditure of any amount shall be made without the specific authorization of the Commission...**"[Auditor's Emphasis]

Between August 1996 and November 1997, ANC 4D checks totaling approximately \$18,935 were issued to a Henry A. Lamont, without the Commission's approval, in violation of D.C. Code, Section 1-264(f). Notations made on the checks indicated that the disbursements were made for a variety of reasons including beautification and enhancement, trash hauling and removal, alley cleanup, flyer distribution, newsletter distribution, health fair equipment, leaf raking for senior citizens, snow removal for senior citizens, transportation for senior citizen Xmas shopping, and various other purposes.

With the exception of one check signed only by ANC 4D's former chairperson, all other checks written to Henry A. Lamont appeared to have been signed by Freda J. Bonner, the former treasurer of ANC 4D, and Barbara A. Young, the former chairperson of ANC 4D.

The Auditor was initially unable to locate Henry A. Lamont, but was later advised that Henry Lamont was deceased. Further research of this matter indicated that Henry A. Lamont died on April 6, 1995. The death of Mr. Lamont occurred approximately sixteen months before the first checks disbursing ANC 4D funds were made payable in his name for services he allegedly provided after his demise. The Auditor's review of public records revealed that, at the time of his death, Mr. Lamont was married to Freda J. Bonner—the former treasurer of ANC 4D. This matter has been referred to appropriate investigative authorities for further review. The improper disbursements in the name of Henry A. Lamont are listed in Table I.

TABLE I

Check #	Date	Payee	Amount	Check Signers	Purpose As Noted On Canceled Check
6422	08/15/96	Henry A. Lamont	\$400.00	FB/BAY ¹	Contract Services
6424	08/26/96	Henry A. Lamont	\$1,000.00	FB/BAY	Bulk Trash Pickup Drive SMD 4D 08 & 02
6429	09/01/96	Henry A. Lamont	\$1,475.00	FB/BAY	Jolly Hauling & Trash Removal SMD 06 & 07
6430	09/02/96	Henry A. Lamont	\$520.00	FB/BAY	Jolly Hauling & Trash Removal SMD 08
6444	10/22/96	Henry A. Lamont	\$520.00	BAY/FB	Cleaning Alleys 4D07- 4D06 - Joll Co.
6445	11/05/96	Henry A. Lamont	\$300.00	BAY/FB	Distribution of Flyers SMD 4D03 & 07
6446	11/13/96	Henry A. Lamont	\$520.00	BAY/FB	Raking Leaves Senior Citizens SMD 4D03,07 &08
6447	10/25/96	Henry A. Lamont	\$400.00	FB/BAY	Cleaning alleys and Hauling Trash- 4D10 & 4D0 -Jolly Co.
6450	12/11/96	Henry A. Lamont	\$520.00	BAY/FB	Senior Citizens Leaf & Trash SMD 4D0
6456	12/17/96	Henry A. Lamont	\$500.00	BAY/FB	Senior Citizen Trash Hauling & Leaf Removal SMD 4D0
6457	12/19/96	Henry A. Lamont	\$500.00	BAY/FB	Final Leaf & Trash Removal Senior Citizen
6458	12/23/96	Henry A. Lamont	\$500.00	BAY/FB	Senior Citizen Xmas Shopping Transportation SMD 4D0
6461	01/07/97	Henry A. Lamont	\$325.00	BAY/FB	Senior Citizen Leaf Removal SMD 4D 02,03,05
6463	01/14/97	Henry A. Lamont	\$700.00	BAY/FB	250 Homes Snow Removal/ Senior Citizen SMD 4D 07 & 08
6464	01/15/97	Henry A. Lamont	\$100.00	BAY/FB	Trash & Snow Removal SMD 4D 03
6465	01/22/97	Henry A. Lamont	\$520.00	BAY/FB	No Purpose Stated on the Check
6478	2/-/97	Henry A. Lamont	\$520.00	BAY/FB	Enhancement Senior Citizen Flower Pots - Jolly
6479	02/14/97	Henry A. Lamont	\$400.00	BAY/FB	Senior Citizen
6485	02/21/97	Henry A. Lamont	\$300.00	BAY/FB	Leaf Raking Senior Citizens
6486	02/24/97	Henry A. Lamont	\$380.00	BAY/FB	Bulk Trash Alley SMD 4D07
6489	02/26/97	Henry A. Lamont	\$420.00	BAY/FB	Bulk Trash Alley SMD 4D08

¹FB are the initials for Freda Bonner and BAY are the initials for Barbara A. Young.

6491	02/27/97	Henry A. Lamont	\$400.00	BAY/FB	Bulk Trash Alley SMD 4D0?
6495	3/-/97	Henry A. Lamont	\$300.00	BAY/FB	Trash & Recycle Pickup - Senior C.
6501	05/21/97	Henry A. Lamont	\$200.00	BAY/FB	Enhancement SMD 4D 07
6503	05/23/97	Henry A. Lamont	\$250.00	BAY/FB	Enhancement Program
6511	06/13/97	Henry A. Lamont	\$150.00	BAY/FB	Enhancement Commissioner Bonner SMD 4D 03 & 07
6512	06/14/97	Henry A. Lamont	\$150.00	BAY/FB	Beautification & Enhancement SMD 4D08
6514	06/14/97	Henry A. Lamont	\$150.00	BAY/FB	Beautification & Enhancement SMD 4D 07& 03
6515	06/20/97	Henry A. Lamont	\$125.00	BAY/FB	Enhancement Program SMD
6516	06/23/97	Henry A. Lamont	\$250.00	BAY/FB	Beautification Program SMD 4D07
6517	06/25/97	Henry A. Lamont	\$250.00	BAY/FB	Beautification Program SMD 4D03 & 08
6519	07/14/97	Henry A. Lamont	\$520.00	BAY/FB	Health Fair Equipment 4D07
6520	07/19/97	Henry A. Lamont	\$350.00	BAY/FB	Enhancement Program Activities
6521	08/04/97	Henry A. Lamont	\$425.00	BAY/FB	Enhancement Program 4D07
6534	08/06/97	Henry A. Lamont	\$325.00	BAY/FB	Enhancement Program 4D
6537	08/07/97	Henry A. Lamont	\$520.00	BAY/FB	Enhancement Program 4D
6539	08/09/97	Henry A. Lamont	\$500.00	BAY/FB	ANC Newsletter Distribution
6540	08/11/97	Henry A. Lamont	\$500.00	BAY	ANC Newsletter Distribution
6541	08/13/97	Henry A. Lamont	\$500.00	BAY/FB	ANC Newsletter Distribution
6543	08/21/97	Henry A. Lamont	\$500.00	BAY/FB	Enhancement Program 20 Youth 4D07 - 4D08
6545	09/18/97	Henry A. Lamont	\$220.00	BAY/FB	Enhancement Program
6548	09/23/97	Henry A. Lamont	\$220.00	BAY/FB	Enhancement Program
6555	10/11/97	Henry A. Lamont	\$275.00	BAY/FB	Enhancement Program
6556	10/13/97	Henry A. Lamont	\$250.00	BAY/FB	Enhancement Program
6557	10/21/97	Henry A. Lamont	\$260.00	BAY/FB	Enhancement Program
6558	10/23/97	Henry A. Lamont	\$225.00	BAY/FB	Enhancement & Health Fair Program 4D07 & 8
6559	11/10/97	Henry A. Lamont	\$300.00	BAY/FB	Leaf Bags and Enhancement
TOTAL			\$18,935.00		

ANC 4D Commissioners Did Not Authorize Expenditure of ANC Funds for Bulk Trash Removal and Other Services Noted on Checks Made Payable to Henry A. Lamont

Commissioners interviewed by the Auditor indicated they did not know Henry Lamont, and further indicated that the Commission did not approve the services Mr. Lamont allegedly provided or the disbursements made to him. This view was confirmed by the Auditor's review of available minutes of ANC 4D meetings, which indicate that ANC 4D commissioners did not authorize payments to, or the services allegedly provided by, Mr. Henry Lamont. However,

during ANC 4D's May 1996 meeting, the commissioners appear to have informally agreed to explore the possibility of undertaking a bulk trash removal project. The then-chairperson, Barbara A. Young, and then-treasurer, Freda J. Bonner-Lamont, volunteered to perform this task. The May, June, and September 1996 minutes do not reflect that the bulk trash pick-up and removal project was ever presented to ANC 4D commissioners for their consideration and vote.

The ANC's former chairperson indicated that, while she was advised by the former treasurer that Mr. Lamont was hauling bulk trash within the Commission's boundary, she failed to realize the magnitude of the disbursements in his name. Nevertheless, the former chairperson signed or counter-signed every check written to Henry Lamont.

During ANC 4D's June 1996 meeting, the minutes indicated that former commissioners Young and Bonner-Lamont reported their findings concerning the bulk trash removal problem in Ward 4D. The minutes indicate the following discussion by these two former commissioners:

"We checked 115 streets and 455 alleys in Ward 4D. We suggest we hire someone to do a initial pick-up in all alley's, of trash already out. Some alley's you can't drive through, because of trash. No notices will go out now, after we do the first pick-up we will sent out notices to residents when bulk trash will be pick up [sic] in their area...We will have the first initial pick-up done by our next meeting in Sept. In Sept. we will give out Brooms to all constituents in Ward 4D, only 1 per household. We will buy 1000 Brooms that would [be] 200 per Commissioner.

All Commissioner's voted yes. The date for giving out Brooms is Sept. 7 1996..."

As noted above, the minutes indicate that the question of whether the commissioners would actually undertake the bulk trash pick-up and removal project in ANC 4D was not presented to the commissioners of ANC 4D for their consideration and vote. Neither was the purchase and distribution of brooms. With regard to bulk trash pick-up, former commissioners Young and Bonner-Lamont suggested that they hire someone to do an initial pick-up in all alleys of bulk trash already out. However, the minutes do not indicate, unequivocally, that a motion was made and approved by the ANC 4D commissioners authorizing commissioners Young and Bonner-Lamont to expend ANC 4D funds for bulk trash pick-up and removal.

The minutes of the Commission's meeting on September 17, 1996 indicated the following with regard to bulk trash pick-up in ANC 4D:

"Commissioner Bonner gave a report on the bulk trash pick-up. SMD 4D04-06 was done single from the rest of the SMD's, because of their condition. It cost us \$10.00 per alley..."

Minutes for October through December 1996 were unavailable for the audit. The September 1996 minutes were the last available minutes that referenced the bulk trash pick-up activities of former Commissioners Bonner-Lamont and Young.

In light of the unauthorized nature of the bulk trash pick-up and removal project, it appeared that ANC 4D commissioners did not seek to play a significant role, if any, in the project contemplated by former Commissioners Young and Bonner-Lamont. Also, available documentation indicated that ANC 4D commissioners did not further address this project in any discernible manner, especially from a financial management and accountability perspective, in subsequent ANC 4D meetings.

The Auditor's review raised additional concerns regarding the adequacy of financial reports provided by the former treasurer to ANC 4D commissioners. Periodic financial reports were made by the former treasurer, however, the ANC's minutes failed to reflect the substance of the treasurer's reports. Further, over the sixteen months between August 1996 and November 1997, a treasurer's report was not provided for 12 of the 16 months.

Former Chairperson Signed Blank ANC 4D Checks

The Auditor's review further indicated that, contrary to prudent and sound financial management principles, the former chairperson signed blank ANC checks which exposed ANC 4D's funds to an unreasonably high risk of loss. According to the former chairperson, she frequently signed blank checks to cover financial obligations incurred during her absences from the city. By doing so, the former chairperson violated D.C. Code, Section 1-264(f) as well as her fiduciary responsibility to safeguard ANC 4D assets. D.C. Code, Section 1-264(f) states in relevant part the following:

"...Any expenditure made by check shall be signed by at least 2 officers of the Commission, one of whom shall be the treasurer or Chairman. The check shall, prior to signature, contain the date of payment, the name of the payee, and the amount of the payment...The depository in which the Commission maintains a checking account shall be immediately notified of any change in Commission officers."

Further, D. C. Code, Section 1-264(g) 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." (Auditor's Emphasis)

RECOMMENDATIONS

1. All disbursements listed in Table I that exceed \$50 for personal services and were not specifically approved by the Commission at a public meeting prior to the disbursement must be repaid to the Commission by the officers at that

- time—specifically the former chairperson and former treasurer—who authorized the payments, unless the Commission approves these expenditures after the fact.
2. ANC 4D must securely maintain invoices, receipts, canceled checks, bank statements, grant proposals, grant request letters, and related financial documentation, including notes and correspondence, in the ANC office files for a period of not less than seven years to support all Commission disbursements.
 3. ANC 4D officers who are authorized to sign ANC checks must comply with D.C. Code, Section 1-264(f) by signing only those ANC checks that contain the date of payment, the name of the payee, and the amount of the payment.
 4. ANC 4D commissioners must adequately discharge their fiduciary responsibilities and require frequent and detailed accountability for all public funds entrusted to their management and care.
 5. ANC 4D commissioners must ensure that expenditures are fully supported and appropriately approved by a majority of commissioners, and that their approval and the criteria for each expenditure is clearly and explicitly articulated in the minutes of its meetings.
 6. ANC 4D commissioners must ensure that its treasurer files complete and accurate written financial reports with the Commission monthly and that the substance of the financial reports are included in the minutes of each monthly meeting.
 7. ANC 4D commissioners must ensure that bank records are made available for review to all commissioners on a monthly basis.

**AUDITOR'S ANALYSIS OF ANC 4D'S
FINANCIAL ACTIVITY**

The Auditor's analysis of ANC 4D's bank records and related documents indicated that, as of June 1996, it had approximately \$25,116.96 in its bank account. Between July 1996 and December 1997, a total of \$19,938.02 in District allotments were added to the \$25,116.96 for a total of \$45,054.98 in funds available to the ANC. During the same period, a total of \$44,803.29 was disbursed from the ANC's account. Nearly half of the disbursements (\$18,935) were made to Henry A. Lamont.

Specifically, the ANC received four quarterly allotments during the period in which checks were written to Henry A. Lamont. However, the quarterly financial reports that generated these payments did not cover the period during which checks were written to Henry Lamont.

ANC 4D's former treasurer did not submit quarterly financial reports to the Office of the Auditor covering the period during which checks were made payable in the name of Mr. Lamont. Table II presents amounts disbursed in the name of Henry Lamont on a monthly basis from ANC 4D's checking account, and the bank account balance at the end of each month.

TABLE II

Month	Total Disbursed to Henry A. Lamont	Bank Balance At End of Month
Opening Balance		\$25,116.96
July 1996	\$0	\$22,530.43 ¹
August 1996	\$1,400	\$19,562.28
September 1996	\$1,995	\$12,769.68
October 1996	\$920	\$20,244.86 ²
November 1996	\$820	\$19,424.86
December 1996	\$2,020	\$16,381.79
January 1997	\$1,645	\$13,061.33
February 1997	\$2,420	\$8,981.88
March 1997	\$300	\$6,903.87
April 1997	\$0	\$6,052.74
May 1997	\$450	\$4,606.60
June 1997	\$1,075	\$2,406.18
July 1997	\$870	\$5,865.49 ³
August 1997	\$3,270	\$6,090.74 ⁴
September 1997	\$440	\$3,566.58
October 1997	\$1,010	\$1,952.68
November 1997	\$300	\$602.59
December 1997	\$0	\$251.69
Total	\$18,935	

During the entire period that checks were disbursed to Henry A. Lamont, the ANC's checkbook was in the possession of the ANC's former treasurer and maintained at her residence. The ANC's bank statements and canceled checks were also sent directly to the former treasurer's residence and were not accessible for review by other commissioners of ANC 4D. As noted earlier in this report, it also appears that the former treasurer did not provide ANC 4D commissioners with access to the ANC's financial records and she did not provide them with accurate and complete financial reports during most of the time period reviewed by the Auditor.

¹ ANC 4D made disbursements to other vendors, not related to Henry A. Lamont, which were also deducted from the bank balance each month.

² \$9,951.58 in a District allotment was deposited to the account on October 15, 1996.

³ \$4,984.51 in a District allotment was deposited to the account on July 10, 1997.

⁴ \$5,001.93 in a District allotment was deposited to the account on August 4, 1997.

RECOMMENDATION

ANC 4D's treasurer must prepare a quarterly financial report and present it to the Commission for review and approval within 30 days of the end of each quarter. The report must be filed with the Office of the Auditor within 7 days of approval.

**ADDITIONAL \$1,000 IN DISBURSEMENTS
FOR BULK TRASH PICK-UP AND REMOVAL
WERE MADE WITHOUT ANC 4D
COMMISSIONERS' APPROVAL**

The Auditor noted \$1,000 in checks made payable to a Nathaniel Jack and Michael Jack for bulk trash pick up and removal. These personal services disbursements, per notations on the canceled checks, were made for bulk trash pick-up and removal without the specific approval of commissioners as required by D.C. Code, Section 1-264(g). Checks made payable to these individuals also were signed by ANC 4D's former treasurer and former chairperson. The disbursements are presented in Table III.

TABLE III

Check #	Check Date	Payee	Amount	Check Signatures	Purpose
6425	8/26/96	Nathaniel Jack	\$500	FB/BAY	Bulk Trash Removal SMD 4D 07
6426	8/26/96	Michael Jack	\$500	FB/BAY	Bulk Trash Pickup
TOTAL			\$1,000		

RECOMMENDATION

All expenditures in Table III that exceed \$50 for personal services and were not specifically approved by the Commission at a public meeting prior to the disbursement must be repaid to the Commission by the officers at that time—specifically the former chairman and former treasurer—who authorized the payment, unless the Commission approves the expenditures after the fact.

**TREASURER'S RELATIVE WAS PAID \$825 IN
ANC 4D FUNDS TO PREPARE QUARTERLY FINANCIAL REPORTS
AND DISTRIBUTE FLIERS WITHOUT THE COMMISSION'S APPROVAL**

District of Columbia Code, Section 1-264(j) requires an ANC treasurer to prepare an ANC's quarterly financial report on a form provided by the Auditor within 30 days of the end of the quarter. The law further requires the treasurer to present the financial report to the Commission for its consideration at a public meeting of the Commission. A copy of the approved financial report, signed by the Chairman, secretary, and the treasurer, must be filed with the District of Columbia Auditor, within 7 days of approval, for the Auditor's review and recommendation to release the appropriate quarterly funding allotment to the ANC.

The Auditor's quarterly financial report form is a simplified data collection and reporting instrument. Completion of the quarterly report form is uncomplicated, provided the ANC's treasurer has adhered to the law and maintained the ANC's financial records in a complete and orderly manner during the preceding quarter. Despite the ease with which the form may be completed by the ANC's treasurer, the Auditor noted that ANC 4D's former treasurer and former chairperson disbursed checks totaling \$825 to D. Doreion Colter, an apparent relative of the former treasurer, to prepare ANC 4D's quarterly financial report and to distribute flyers. Again, D.C. Code, Section 1-264(g) 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."

Table IV presents the unauthorized disbursements to the former treasurer's relative.

TABLE IV
ANC 4D Funds Disbursed to Former Treasurer's Relative

Check #	Date	Payee	Amount	Signature s	Purpose
6500	05/20/97	D.Doreion Colter	\$100	BAY/FB	Distribution Flyers SMD 4D 27
6462	01/14/97	D.Doreion Colter	\$525	BAY/FB	2 & 3 Quarterly Reports SMD 4D
6423	08/16/96	D.Doreion Colter	\$200	FB/BAY	Quarterly Reports (Recap)
Total			\$825		

The Auditor's analysis further indicated that the disbursements to the individual noted above appear to have violated the District's conflict of interest law. D.C. Code, Section 1-1461(a), (b) and (g) state the following:

§ 1-1461. Conflict of interest.

- (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.
- (b) No public official shall use his or her official position or office to obtain financial gain for himself or herself, any member of his or her household, or any business with which he or she or a member of his or her household is associated, other than that compensation provided by law for said public official...

(g) Any public official who, in the discharge of his or her official duties, would be required to take an action or make a decision that would affect directly or indirectly his or her financial interests or those of a member of his or her household, or a business with which he or she has a conflict situation created by a personal, family, or client interest, shall:

- (1) Prepare a written statement describing the matter requiring action or decision, and the nature of his or her potential conflict of interest with respect to such action or decision;
- (2) Cause copies of such statement to be delivered to the District of Columbia Board of Elections and Ethics, and to his or her immediate superior, if any;...

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

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

By signing checks making unauthorized payments to a relative, it appears that the former treasurer used her official position as treasurer of ANC 4D to obtain financial gain for herself and/or a member of her household while holding a public office for which she was not entitled to be compensated. In other words, the former treasurer engaged in a series of financial transactions involving unauthorized payments to a relative, or member of her household, from which the former treasurer may have derived a direct financial benefit related to statutorily prescribed duties and responsibilities of her elected position.

RECOMMENDATIONS

1. All expenditures in Table IV that exceed \$50 for personal services and were not specifically approved by the Commission at a public meeting prior to the disbursement must be repaid to the Commission by officers at that time—specifically the former chairman and former treasurer—who authorized the payment, unless the Commission approves the expenditure.
2. The Office of Campaign Finance determine whether the former treasurer of ANC 4D violated D.C. Code, Section 1-1461 and initiate the appropriate action.
3. ANC commissioners must ensure that disbursements of ANC funds are fully supported and approved by a majority of commissioners, and that the criteria for each expenditure is clearly and explicitly articulated in the minutes of ANC 4D meetings.

\$2,420 FOR OFFICE SUPPLIES AND EQUIPMENT WERE DISBURSED BY THE FORMER CHAIRPERSON AND FORMER TREASURER

The Auditor's examination of copies of ANC 4D's canceled checks revealed that over an eight month period, between November 24, 1996 and July 31, 1997, the former treasurer and

former chairperson purchased office supplies and equipment totaling approximately \$2,420. These purchases consisted primarily of copier paper, pens, Post it notes, staple machines, a cassette recorder, fax machine, paper clips, binders, and other supplies. These purchases were made during a period when attendance at ANC 4D meetings was not sufficient to establish a quorum for the purpose of conducting official business. During a recent visit to the ANC's office, the Auditor did not observe any lingering evidence of the numerous supplies purchased with ANC funds. All of the checks used to make these purchases were signed by the former chairperson and the former treasurer. Receipts and invoices to support these purchases could not be found in the ANC's office files.

The Auditor's evaluation of these purchases, during a period in which the ANC was more inactive than active, raised concerns as to whether the purchases were used solely for purposes related to the operation of the ANC's unstaffed office or in support of public purpose activities approved by a majority of the ANC's commissioners that benefitted the ANC 4D community. Minutes reviewed by the Auditor, as well as allegations received from several ANC 4D commissioners, indicated a longstanding concern regarding the unexplained depletion of these and other supplies purchased with ANC funds that were apparently diverted to support non-ANC activities.

RECOMMENDATION

ANC 4D commissioners establish adequate procedures to safeguard assets purchased with public funds. The ANC should also establish an effective system of purchasing, storing, and distributing office supplies and equipment and documenting the same.

DISBURSEMENT TO TOYS R US WAS NOT AUTHORIZED BY ANC 4D COMMISSIONERS

With regard to other questionable expenditures of ANC funds, the Auditor noted a disbursement on a check, signed by the former chairperson and former treasurer of ANC 4D, made payable to Toys R Us in the amount of \$191 dated December 12, 1997. The Auditor could not find any reference in the minutes of ANC 4D meetings indicating that ANC 4D commissioners authorized this disbursement. This expenditure was not for a public purpose and did not benefit the ANC 4D community.

RECOMMENDATION

The former treasurer and former chairperson make restitution of \$191 to ANC 4D for this improper and unauthorized disbursement.

INADEQUATE SEPARATION OF DUTIES AND LAX OVERSIGHT BY ANC 4D COMMISSIONERS CREATED THE OPPORTUNITY FOR FRAUD AND ABUSE OF ANC 4D FUNDS AND FACILITATED THE CONCEALMENT OF THESE IMPROPER ACTIVITIES

The Auditor's examination of ANC 4D's financial operations and internal control environment indicated that ANC 4D commissioners failed to discharge their fiduciary responsibility to safeguard ANC 4D assets. The ANC's financial assets, financial books and records were completely controlled by the former treasurer which facilitated her concealment of numerous unauthorized and improper financial transactions. The Auditor's review indicated that lax attendance by commissioners at the ANC's meetings and lax oversight promoted lax accountability with regard to the ANC's financial assets. Further, the commissioners failed, over a significant period of time, to regularly obtain complete and accurate financial reports from the ANC's former treasurer. Table V presents, by month, the period of time in which checks were written to Mr. Henry Lamont, the total monthly amount of funds disbursed to Mr. Lamont, and whether ANC 4D conducted a meeting during which the former treasurer provided a report of the ANC's financial activity.

TABLE V

Month	Amount Disbursed to Henry A. Lamont	Financial Report Provided by Former Treasurer
August 1996	\$1,400	Meeting Not Scheduled
September 1996	\$1,995	Meeting w/Treasurer's Report
October 1996	\$920	Minutes Missing
November 1996	\$820	Minutes Missing
December 1996	\$2,020	Minutes Missing
January 1997	\$1,645	Meeting Held /No Treasurer's Report
February 1997	\$2,420	Meeting Held /No Treasurer's Report
March 1997	\$300	Meeting Held /No Treasurer's Report
April 1997	\$0	No Meeting/No Treasurer's Report
May 1997	\$450	No Meeting/No Treasurer's Report
June 1997	\$1,075	No Meeting/ No Treasurer's Report
July 1997	\$870	Meeting Held/No Quorum/No Treasurer's Report
August 1997	\$3,270	Meeting Held/No Quorum/No Treasurer's Report
September 1997	\$440	Meeting Held/No Quorum/No Treasurer's Report
October 1997	\$1,010	Meeting Held/No Quorum/No Treasurer's Report
November 1997	\$300	Meeting Held/No Quorum/No Treasurer's Report
Total	\$18,935	

Former Treasurer and Former Chairperson Failed to File Current Signature Cards With Bank

The Auditor also determined that the former chairperson and treasurer violated D.C. Code, Section 1-264(f) by not immediately notifying the bank in which the Commission maintained its checking account concerning changes in Commission officers listed on bank signature cards. For example, the ANC's depository bank could not produce a signature card listing the former chairperson as an authorized signer of the ANC's checks during the period under review. The most current signature card on file with the ANC's bank authorized checks to be signed by at least one individual who was no longer an ANC 4D commissioner. Nevertheless, for at least the period reviewed by the Auditor, the former chairperson improperly signed ANC 4D checks included in this audit without filing a valid signature card with the bank. The negligent manner in which the ANC's officers performed, or their failure to perform, fundamental procedures adversely affected the security of the ANC's assets. It further indicated the lack of effective oversight and control exercised by other commissioners with regard to the integrity of the ANC's financial operations and activities.

Financial Accounting and Reporting Duties Should Be Separated

Duties related to financial accounting and reporting should be assigned to different commissioners. For example, if the treasurer controls the checkbook, a different commissioner, such as a financial secretary, should receive the bank statement and canceled checks, and perform the bank reconciliation. After independent inspection and validation of bank transactions for that month, the bank records should be turned over to the treasurer to prepare the ANC's quarterly financial report. Separation of duties in this manner provides a more reliable system of checks and balances that should promote integrity in the ANC's financial operations and facilitate full disclosure of its financial activity. The Commission should not permit, or grant, its treasurer exclusive access and control of its financial assets and should establish an effective system of continuous monitoring of the ANC's financial operations. Further, ANC 4D Commissioners must ensure complete disclosure of its financial activity. ANCs should never be in the dark about public money entrusted to their management and care.

Commissioners who are authorized to sign ANC checks must never sign checks that are blank or not completely filled out as to date, amount, and payee. To do so places the ANC's funds at risk of loss because of possible exposure to improper purposes or to unintended payees. The ANC should authorize at least two commissioners, in addition to the treasurer and chairperson, to countersign checks if either the chairperson or treasurer is inaccessible. In the absence of both the chairperson and the treasurer, the ANC must not make any disbursements.

RECOMMENDATIONS

1. ANC 4D commissioners must establish an effective system of financial management and accountability .

2. ANC 4D commissioners must ensure that a separation of duties exists with regard to financial accounting and reporting of the ANC's financial activities.
3. ANC 4D officers must immediately notify its bank of changes in Commission officers authorized to sign ANC checks.

CONCLUSION

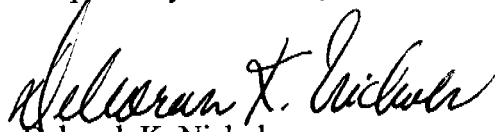
The Auditor's examination of ANC 4D's financial operations and activities revealed critical flaws in its internal accounting controls that resulted in approximately \$23,000 in improper and questionable expenditures.

Approximately \$18,900 in ANC 4D funds were improperly diverted to the deceased husband of the former treasurer of ANC 4D. These disbursements were not authorized by a majority of ANC 4D commissioners. The disbursements were made by ANC checks containing the signature of the ANC's former chairperson, Barbara Young, and the former treasurer, Freda Bonner-Lamont. These former officers failed to effectively carry out their fiduciary obligations as public officials and officers of ANC 4D. Under their leadership, the ANC's assets were inadequately safeguarded, improperly diverted, and exposed to abuse.

The Auditor's review indicated that a majority of ANC 4D commissioners abandoned or failed to perform their fiduciary responsibility to comply with applicable District laws and prudent financial management principles. The Commissioners of ANC 4D also failed to establish an effective system of checks and balances to ensure that funds made available to the ANC were safeguarded, used only for authorized purposes permitted by law, and accounted for on a regular basis. As a result of ANC 4D commissioners' neglect of their official duties and responsibilities, the ANC's assets were improperly diverted, and past and present ANC 4D commissioners cannot, or will not, account for their use.

The commission must immediately establish effective accounting controls over its financial operations and assets, and establish an effective system of checks and balances to ensure the integrity of its disbursements, bank reconciliations, financial accounting, and financial reporting. These controls should ensure that no single commission officer establishes complete control over the ANC's accounting records, or financial assets. ANC 4D's treasurer and chairperson must comply with statutory reporting requirements and timely file monthly financial reports with the Commission. Further, ANC 4D commissioners must ensure that quarterly financial reports, supported by appropriate documentation, are filed with the Office of the District of Columbia Auditor.

Respectfully submitted,


Deborah K. Nichols
Interim District of Columbia Auditor