



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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Deborah K. Nichols
District of Columbia Auditor

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**Audit of Advisory Neighborhood Commission 2D
for Fiscal Years 2003 and 2004**

July 28, 2005



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Commissioner Sandra Perlmutter
Chairperson
Advisory Neighborhood Commission 2D
2153 California Street, NW, #502
Washington, D.C. 20008

Letter Report: Audit of Advisory Neighborhood Commission 2D for Fiscal Years 2003 and 2004

Dear Commissioner Perlmutter:

Pursuant to section 16 (d) of the Advisory Neighborhood Commissions Act of 1975, as amended,¹ (collectively, "ANC Act"), the District of Columbia Auditor ("Auditor") conducted an audit of the financial accounts and operations of Advisory Neighborhood Commission ("ANC") 2D.²

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 2D's disbursements complied with the ANC Act, ANC Financial Management Guidelines³ issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General ("OAG"), formerly the Office of the Corporation Counsel; and

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

²ANC 2D has only two Commissioners. Also, effective January 2, 2003, ANC 2D became the successor of ANC 1D.

³Office of the District of Columbia Auditor, "Advisory Neighborhood Commission Financial Management Guidelines" ("ANC Financial Management Guidelines"), February 2003.

2. internal controls were adequate to produce reliable financial information and ensure that the ANC's assets were properly safeguarded.

The audit covered the period October 1, 2002 through September 30, 2004. In conducting the audit, the Auditor reviewed all available canceled checks, bank statements, bank signature cards, quarterly financial reports, meeting minutes, receipts and invoices, grant applications, and other relevant documentation.

STATEMENT OF ANC 2D'S CHECKING ACCOUNT BALANCE AS OF SEPTEMBER 30, 2004

Table I presents ANC 2D's checking account balance as of September 30, 2004. ANC 2D did not maintain a savings account or a petty cash fund.

TABLE I
ANC 2D's Checking Account Balance
As of September 30, 2004

Checking Account Balance	<u>6,668.74</u>
Total Cash Balance	\$ 6,668.74

Source: ANC 2D's bank statement as of September 30, 2004

SUMMARY OF ANC 2D'S DISBURSEMENTS FOR FISCAL YEARS 2003 AND 2004

Table II summarizes, by category, ANC 2D disbursements made during the audit period, including bank service charges.

Table II
Summary of ANC 2D's Disbursements
For Fiscal Years 2003 and 2004

Disbursement Categories	Fiscal Year 2003	Fiscal Year 2004	Grand Total
Bank Service Charges	73.77	135.52	209.29
Grants	0.00	1,000.00	1,000.00
Postage and Delivery	100.00	0.00	100.00
Telephone Service	125.71	0.00	125.71
Other	189.79 ⁴	0.00	189.79
Total Disbursements	\$489.27	\$1,135.52	\$1,624.79

Source: ANC 2D's quarterly financial reports, canceled checks, and bank statements

⁴This category consisted of two payments (check # 1026 for \$94.71 and check # 1027 for \$95.08). The purpose of the disbursement was not written on check # 1027 and check # 1026 was not available for the Auditor's review. Further, the minutes lacked any reference to these disbursements.

FINDINGS

DISBURSEMENT OF \$1,000 IN ANC FUNDS OCCURRED AT A TIME WHEN THE CHAIRPERSON AND TREASURER WERE NOT BONDED AND THE ANC WAS NOT A PARTICIPANT IN THE ANC SECURITY FUND

The Auditor found that on August 5, 2004, ANC 2D's Chairperson and Treasurer disbursed \$1,000 when neither officer was bonded and the ANC was not a participant in the ANC Security Fund.⁵ This disbursement violated D.C. Code Section 1-309.13 (c) which states, in relevant part, the following:

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

On numerous occasions, the Auditor has advised all Advisory Neighborhood Commission Treasurers and Chairpersons that the ANC Act requires all Chairpersons and Treasurers to obtain a cash or surety bond or that the ANC must participate in the ANC Security Fund.

During the period under audit, the Auditor sent correspondence notifying ANC 2D's Chairperson and Treasurer that: (1) ANC Security Fund forms and the \$25 participation fee had not been filed with the Office of the District of Columbia Auditor as required by D.C. Code Section 1-309.13 (c); (2) no expenditures could be made until the ANC complied with D.C. Code Section 1-309.13 (c), and (3) any expenditures made by ANC 2D officers during a period of noncompliance with this requirement would be deducted from the ANC's future quarterly allotments.

Despite the notification, ANC 2D's Chairperson and Treasurer did not submit ANC Security Fund forms or the \$25 ANC Security Fund participant fee for calendar year 2003. Although in July 2004, the ANC's Chairperson and Treasurer submitted the ANC Security Fund forms for calendar year 2004, they did not submit the \$25 participation fee. Throughout this period of non-compliance,

⁵ See D.C. Code Section 1-309.14 (b) which states in part: "Each Advisory Neighborhood Commission may become a participant of the Fund upon payment to the Fund of an annual contribution at the beginning of the fiscal year in an amount to be determined by the Trustees."

ANC 2D's Chairperson and Treasurer expended Commission funds in violation of the ANC Act. Consequently, the Commission must be held accountable for the unauthorized expenditures.

RECOMMENDATIONS

1. ANC 2D comply with D.C. Code Section 1-309.13 (c) by ensuring that, on a timely basis, the Chairperson and Treasurer are bonded each calendar year or that the ANC participates in the ANC Security Fund.
2. The Associate Chief Financial Officer of the Office of Finance and Resource Management ("OFRM") deduct \$1,000 from ANC 2D's future quarterly allotments.
3. ANC 2D's Treasurer and Chairperson refrain from making expenditures during a period of noncompliance with D.C. Code Section 1-309.13 (c).

ANC 2D MAINTAINED SUFFICIENT DOCUMENTATION TO JUSTIFY AND SUPPORT APPROXIMATELY 74% OF EXPENDITURES MADE DURING THE AUDIT PERIOD

D.C. Code Section 1-309.13 (j) (1) states that:

" . . . 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, [and] the minutes of meetings indicating the Commission's approval of disbursements during the time period covered by the quarterly report . . . "

Further, ANC Financial Management Guidelines state:

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

- a. An original invoice from the supplier of goods or a signed and dated contract from a provider of services.
- b. A signed statement should be attached to the receipt/invoice or written on the receipt/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 and check number should be entered on the original invoice.
- d. All vouchers must be filed in check number sequence.

All voucher packages should be retained by the ANC for a period of at least five years.

During fiscal years 2003 and 2004, ANC 2D maintained sufficient documentation to justify and support approximately \$1,209.29, or 74%, of expenditures totaling \$1,624.79, as reported in quarterly financial reports filed with the Auditor. However, original receipts, invoices, canceled checks, and other appropriate supporting documentation for \$415.50, or 26%, of the \$1,624.79 in disbursements were not available for the Auditor’s review.

RECOMMENDATION⁶

ANC 2D Commissioners ensure that all expenditures are fully supported by appropriate documentation before a disbursement is made, and that supporting documentation is retained by the ANC for a period of at least five years in accordance with D.C. Code Section 2-1701 *et seq.* and 1 DCMR §1500 *et seq.*

ANC 2D’S TREASURER FAILED TO FILE QUARTERLY FINANCIAL REPORTS ON TIME AS REQUIRED BY D.C. CODE SECTION 1-309.13 (j) (1)

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

“The treasurer of a Commission shall prepare a quarterly financial report on a form provided by the Auditor. The financial report shall be presented to the Commission for its consideration at a Commission meeting within 45 days after the end of the quarter. A copy of the approved financial report, . . . shall be filed, . . . with the Auditor within 15 days of approval. . . .” [Auditor’s Emphasis]

⁶The Auditor does not recommend any deduction from future quarterly allotments for the \$415.50 because ANC 2D forfeited all FY 2003 allotments as a result of its failure to file FY 2003 quarterly financial reports before the end of the fiscal year.

As Table III indicates, not one of the eight reports due during the audit period was filed by the due date.

Table III
Advisory Neighborhood Commission 2D
Quarterly Financial Report Submissions
For the Period October 1, 2002 Through September 30, 2004

Year & Quarter	Reported Months	Due Date	Date Received ⁷	Amount of Time Overdue
2003 - 1st	10/01/02 through 12/31/02	03/03/03	8/14/04	1.5 years
2003 - 2nd	01/01/03 through 03/31/03	05/30/03	10/14/04	1.4 years
2003 - 3rd	04/01/03 through 06/30/03	08/29/03	10/14/04	1.1 years
2003 - 4th	07/01/03 through 09/30/03	11/29/03	10/14/04	10 months
2004 - 1st	10/01/03 through 12/31/03	03/01/04	10/14/04	7 months
2004 - 2nd	01/01/04 through 03/31/04	05/31/04	10/14/04	4 months
2004 - 3rd	04/01/04 through 06/30/04	08/30/04	01/10/05	4 months
2004 - 4th	07/01/04 through 09/30/04	11/29/04	01/05/05	1 month

Source: ANC 2D's quarterly financial reports

As a result of ANC 2D's failure to timely file quarterly financial reports as required by D.C. Code Section 1-309.13 (j) (1), the ANC forfeited \$3,478.50 in fiscal year 2003 allotments. Additionally, the Auditor's review and approval process was delayed by the ANC filing reports that contained inaccurate data, lacked supporting documentation, or were incomplete in other ways.

RECOMMENDATION

ANC 2D's Treasurer prepare and file timely, accurate, and fully supported quarterly financial reports as required by D.C. Code Section 1-309.13 (j) (1).

⁷The "date received" represents the date the Auditor received ANC 2D reports that were substantially correct. Some reports were received on earlier dates but were incorrect and incomplete requiring ANC 2D's treasurer to make corrections and resubmit the report with appropriate documents.

ANC 2D'S TREASURER ISSUED TWO CHECKS TOTALING \$1,125.71 WITH ONLY ONE SIGNATURE

Although there are only two single member districts represented by two Commissioners in ANC 2D, the ANC is capable of complying with D.C. Code Section 1-309.13 (f) which states, in relevant part, that:

“ . . . Any expenditure made by check shall be signed by at least 2 officers of the Commission, one of whom shall be the treasurer or Chairperson. . . .”

The Auditor found that ANC 2D's Treasurer issued two checks totaling \$1,125.71 with only one signature which violated the ANC law. A check without the two required signatures is an improper expenditure and presumably not authorized by the ANC. Therefore, if an expenditure is made without authorization, the expenditure should be viewed as a personal expense. Further, in order for the ANC to obtain goods or services on an emergency basis when it is impractical or impossible to issue a check containing the required two signatures, a petty cash account facilitates such purchases on behalf of the ANC.

RECOMMENDATIONS

1. ANC 2D officers comply with D.C. Code Section 1-309.13 (f) by ensuring that all ANC checks contain two signatures.
2. ANC 2D officers consider establishing a petty cash account of no more than \$200 pursuant to D.C. Code Section 1-309.13 (h).

\$1,000 GRANT DISBURSEMENT DID NOT FULLY COMPLY WITH THE ANC LAW

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

“ . . .An applicant for a grant must submit an application in writing to the Commission . . . Within 60 days following the issuance of a grant, the grant recipient shall forward to the Commission a statement as to the use of the funds, . . . complete with receipts which support the expenditures. . .” [Auditor's Emphasis]

The Auditor found that during fiscal year 2004, ANC 2D Commissioners awarded a \$1,000 grant to the Sheridan Kalorama Call Box Restoration Project. However, the grantee did not submit receipts/invoices or a statement to the ANC (within 60 days following the issuance of the grant) detailing the use of grant funds. Consequently, ANC 2D should not disburse any further grant funds to this grantee without proper documentation and a statement as to the use of the \$1,000 grant.

RECOMMENDATION

ANC 2D Commissioners ensure that grant recipients are informed that they must submit receipts in addition to a statement as to the use of grant funds within 60 days following the issuance of a grant. If a grant recipient fails to submit the required statement and receipts, ANC 2D officers should inform the organization that it will not be eligible to receive future grants from the ANC and no further grant funds should be disbursed to the grantee until required documentation is submitted.

CONCLUSION

Generally, the Auditor's examination of the financial accounts and operations of ANC 2D revealed significant noncompliance with the ANC law and ANC Financial Management Guidelines.

The Auditor found that ANC 2D's Chairperson and Treasurer failed to obtain a cash or surety bond, and the ANC did not participate in the ANC Security Fund during the audit period. Further, the Treasurer and Chairperson disbursed \$1,000 of ANC funds during the audit period in direct violation of D.C. Code Section 1-309.13 (c).

ANC 2D's Treasurer maintained sufficient documentation to justify and support approximately \$1,209.29, or 74%, of expenditures totaling \$1,624.79. However, original receipts, invoices, canceled checks, and other appropriate supporting documentation for \$415.50, or 26%, of expenditures was not available for the Auditor's review.

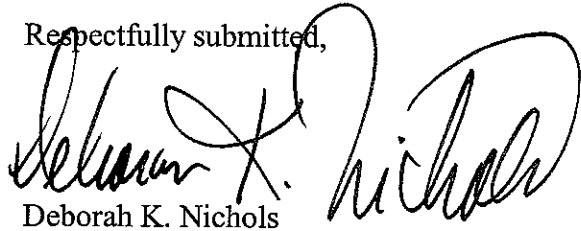
ANC 2D's Treasurer failed to file quarterly financial reports on time with the Auditor as required by D.C. Code Section 1-309.13 (j) (1). Not one of the eight quarterly financial reports due during the audit period was filed on time. As a result, ANC 2D forfeited \$3,478.50 in fiscal year 2003 allotments due to noncompliance with quarterly financial report filing requirements.

ANC 2D officers also failed to comply with D.C. Code Section 1-309.13 (f) which requires any ANC expenditure made by check to be signed by at least two officers of the Commission, one of whom shall be the Treasurer or Chairperson. ANC 2D's Treasurer issued two checks totaling \$1,125.71 with only one signature.

A \$1,000 grant awarded by ANC 2D during the audit period did not fully comply with D.C. Code Section 1-309.13 (m). ANC 2D Commissioners did not ensure that the grantee submitted receipts/invoices or a statement as to the use of the grant funds within 60 days of the issuance of the grant as required D.C. Code Section 1-309.13 (m). As a result, no further disbursements should be made to the grantee until proper required documentation is submitted.

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 2D must respond in writing to each of the violations detailed herein within 90 days. Failure to do so will result in the forfeiture of ANC 2D's next scheduled quarterly allotment(s) until a response is filed with the Auditor.

Respectfully submitted,

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

Deborah K. Nichols

District of Columbia Auditor