



**OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR**

717 14TH STREET N.W., SUITE 900  
WASHINGTON, D.C. 20005  
TEL. 202-727-3600 • FAX: 202-724-8814

Deborah K. Nichols  
District of Columbia Auditor  
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**Letter Report: Audit of Advisory Neighborhood  
Commission 7E for Fiscal Years 2007 Through 2009,  
as of March 31, 2009**

**September 15, 2009**



Deborah K. Nichols  
District of Columbia Auditor

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Commissioner Mary D. Jackson  
Chairperson  
Advisory Neighborhood Commission 7E  
135 - 49<sup>th</sup> Street, SE  
Washington, D.C. 20019

**Letter Report:** Audit of Advisory Neighborhood Commission 7E for Fiscal Years  
2007 Through 2009, as of March 31, 2009

Dear Commissioner Jackson:

Pursuant to Section 16 (d) of the Advisory Neighborhood Commissions Act of 1975 (ANC Act),<sup>1</sup> as amended, the District of Columbia Auditor (Auditor) conducted an audit of the financial accounts and operations of Advisory Neighborhood Commission (ANC or Commission) 7E.

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

The objectives of the audit were to determine whether:

1. ANC 7E's disbursements complied with the ANC Act, ANC Financial Management Guidelines<sup>2</sup> issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General (OAG); and
2. internal controls were adequate to produce reliable financial information and ensure that the ANC's assets were properly safeguarded.

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<sup>1</sup>See Section 16 (d) of the Advisory Neighborhood Commissions Act of 1975, effective October 10, 1975, D.C. Law 1-21, D.C. Official Code § 1-309.13 (d) (2006 Supp.), as amended by the Comprehensive Advisory Neighborhood Commissions Reform Amendment Act of 2000, effective June 27, 2000, D.C. Law 13-135.

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

The audit covered fiscal years 2007 through 2009, as of March 31, 2009 (October 1, 2006 through March 31, 2009). In conducting the audit, the Auditor reviewed all available canceled checks, bank statements, bank signature cards, quarterly financial reports, meeting minutes, receipts and invoices, and other relevant documents.

**STATEMENT OF ANC 7E'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2009**

Table I presents a statement of ANC 7E's checking, savings, and petty cash account balances as of March 31, 2009.

**Table I**  
**ANC 7E's Checking, Savings, and Petty Cash Account Balances**  
**As of March 31, 2009**

Petty Cash Account	\$ 200.00
Checking Account	42,381.46
Savings Account	<u>0.00*</u>
<b>Actual Cash Balance</b>	<b>\$ 42,581.46</b>

\*ANC 7E did not maintain a savings account during the audit period.

Source: ANC 7E's quarterly reports and bank statements for the period October 1, 2006 through March 31, 2009.

**SUMMARY OF ANC 7E'S DISBURSEMENTS DURING FISCAL YEARS 2007 THROUGH 2009, AS OF MARCH 31, 2009**

During the audit period, ANC 7E disbursed \$32,045.50. Table II summarizes, by category, ANC 7E's disbursements made during the audit period, including bank service charges.

**Table II**  
**Summary of ANC 7E's Disbursements**  
**During Fiscal Years 2007 Through 2009,**  
**as of March 31, 2009**

Disbursement Category	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009 through March 31, 2009	Grand Total
Net Salaries & Wages	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Federal Wage Taxes Paid	0.00	0.00	0.00	0.00
Local Income Taxes Paid	0.00	0.00	0.00	0.00
Local Transportation	0.00	0.00	0.00	0.00
Office Rent	4,560.00	4,560.00	2,280.00	11,400.00
Telephone Service	1,257.78	1,146.40	406.80	2,810.98
Postage and Delivery	273.00	581.00	396.56	1,250.56
Utilities	665.20	763.33	647.84	2,076.37
Printing & Duplicating	650.00	960.00	430.00	2,040.00
Flyer Distribution	0.00	0.00	0.00	0.00
Purchase of Service	275.00	410.00	585.00	1,270.00
Office Supplies & Expenses	1,163.33	0.00	257.66	1,420.99
Office Equipment - Rental	3,440.45	3,527.92	1,504.90	8,473.27
Office Equipment - Purchase	73.54	0.00	0.00	73.54
Grants	0.00	0.00	0.00	0.00
Training	0.00	0.00	0.00	0.00
Petty Cash Reimbursement	200.00	200.00	0.00	400.00
Bank Service Charges	1.00	64.75	80.44	146.19
Other	235.00	225.00	223.60	683.60
<b>Total Disbursements</b>	<b>\$ 12,794.30</b>	<b>\$ 12,438.40</b>	<b>\$ 6,812.80</b>	<b>\$ 32,045.50</b>

Source: ANC 7E's quarterly financial reports, check book, canceled checks, and bank statements.

## FINDINGS

### ANC 7E SUBSTANTIALLY COMPLIED WITH D.C. CODE, SECTION 1-309.13 (j) (1) BY MAINTAINING ADEQUATE DOCUMENTATION TO SUPPORT DISBURSEMENTS

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

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

Overall, the Auditor found that ANC 7E maintained adequate documentation to support \$31,761.53, or 99.11%, of the \$32,045.50 in disbursements made during the audit period. However, disbursements totaling \$283.97, or 0.89%, were not supported by adequate documentation.<sup>3</sup> Therefore, ANC 7E substantially complied with D.C. Code, Section 1-309.13 (j) (1).

### ANC 7E'S TREASURER FILED THE MAJORITY OF QUARTERLY FINANCIAL REPORTS EARLY OR ON TIME

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

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

ANC 7E's Treasurer filed six (6) of the 10 reports required during the audit period on or before the due date. The remaining four were filed 4 to 15 days after the due date.

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<sup>3</sup> The Auditor disallowed the \$283.97 as unsupported disbursements during the quarterly review process.

## **RECOMMENDATION**

ANC 7E's Treasurer prepare and file all future quarterly financial reports in a timely manner.

### **ANC 7E HELD THE REQUIRED NUMBER OF PUBLIC MEETINGS DURING THE AUDIT PERIOD**

D.C. Code, Section 1-309.11 (b) (1) states, in relevant part, that each Commission shall meet in a public session at regular intervals at least 9 times per year. The Auditor's review of ANC 7E's quarterly financial reports and other relevant documentation revealed that ANC 7E held a total of 28 public meetings during the 30-month audit period. Therefore, ANC 7E fully complied with the public meeting requirement under D.C. Code, Section 1-309.11 (b) (1).

### **ANC 7E MAINTAINED MINUTES FOR ALL 28 PUBLIC MEETINGS HELD DURING THE AUDIT PERIOD**

ANC 7E maintained minutes for all 28 public meetings held during the audit period. A review of ANC 7E's minutes indicated that the Commission took official action only at public meetings where a quorum was present and recorded the votes on all expenditures and reimbursements brought before the Commission for action. The minutes documented the presentation and approval of expenditures, treasurer's reports, and quarterly financial reports.

### **ANC 7E ESTABLISHED ANNUAL FISCAL YEAR SPENDING PLAN BUDGETS DURING THE AUDIT PERIOD**

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

Each Commission shall develop an annual fiscal year spending plan budget for the upcoming fiscal year within 60 days of notification of the amount of the Commission's annual allotment. Prior to adoption of the budget at a public meeting, the Commission shall present the budget at a public meeting of the Commission to elicit comments from the residents of the Commission area.

The Auditor's review of ANC 7E's records revealed that annual fiscal year spending plan budgets were developed and approved during the audit period. Therefore, ANC 7E fully complied with D.C. Code, Section 1-309.10 (n).

**ANC 7E PARTICIPATED IN THE ANC SECURITY FUND**

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

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

ANC 7E participated in the ANC Security Fund in calendar years 2007, 2008, and 2009. Therefore, ANC 7E fully complied with D.C. Code, Section 1-309.13 (c).

**INDEPENDENT VERIFICATIONS OF MONTHLY BANK TRANSACTIONS WERE NOT CONDUCTED BY A DIFFERENT COMMISSION OFFICER**

The Auditor has established specific guidelines, or best practices, regarding the separation of duties to assist ANCs in ensuring that ANC assets are properly accounted for and safeguarded. Specifically regarding the custody of checks, bank statements, and canceled checks, the Auditor has recommended that:

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 a verification within 5 days of receipt of the bank statement. After independent inspection and validation of bank transactions for the month, the bank statement and canceled checks should be turned over to the Treasurer to prepare the ANC's quarterly financial report. The ANC's bank statement and canceled checks should be mailed by the bank directly to the secretary on a monthly basis.<sup>4</sup>

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<sup>4</sup> See ANC Guidelines.

The Auditor found that monthly bank statements were being mailed to the ANC's office and opened and reviewed by the Treasurer only. Although bank account reconciliations were performed, no independent verifications were conducted by a different Commission officer as recommended by the Auditor.

### **RECOMMENDATION**

Since ANC 7E's Treasurer is also the Commission's secretary, the Chairperson or Vice-Chairperson open the bank statements in the future and perform a verification of bank transactions as prescribed in the Auditor's ANC Guidelines before turning the bank statements and canceled checks over to the Treasurer to prepare the ANC quarterly financial report.

### **INTERNAL CONTROLS WERE ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION AND ENSURE THAT ASSETS WERE PROPERLY SAFEGUARDED**

Overall, the Auditor found that ANC 7E's internal controls were adequate as evidenced by, but not limited to, the following:

- ▶ All expenditures were first approved by a majority of Commissioners in a public meeting and recorded in the minutes;
- ▶ 99.11% of disbursements were supported by adequate documentation; and
- ▶ ANC 7E participated in the ANC Security Fund.

### **CONCLUSION**

The Auditor's examination of ANC 7E's financial accounts, books, and records revealed that ANC 7E substantially complied with all relevant provisions of the Advisory Neighborhood Commissions Act of 1975, as amended, Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General.

During fiscal years 2007, 2008, and 2009, through March 31, 2009, ANC 7E maintained the required documentation to justify and support 99.11% of expenditures. The Auditor found that six of the 10 quarterly financial reports due to the Auditor's Office during the audit period were filed

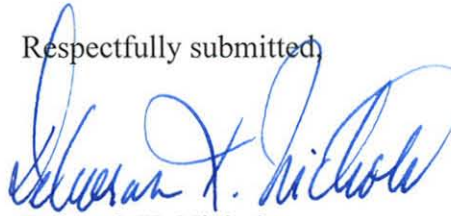


early or before the due date and four were filed within 4 to 15 days after the required due date. The Auditor found, however, that there were no independent verifications of bank transactions by a different Commission officer.

Overall, the Auditor found that ANC 7E maintained an organized record keeping system and adequate internal controls were in place to produce reliable financial information and substantially ensure that the ANC's assets were properly safeguarded.

Pursuant to D.C. Code, Section 1-309.13 (d) (3), ANC 7E 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 7E's next scheduled quarterly allotment until a response is filed.

Respectfully submitted,



Deborah K. Nichols

District of Columbia Auditor