



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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021:05:MK:gk

**Audit of Advisory Neighborhood Commission 3E
for Fiscal Years 2003 and 2004**

September 28, 2005



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Commissioner Amy B. McVey, Chairperson
Advisory Neighborhood Commission 3E
4600 Albemarle Street, NW
Washington, D.C. 20016

Letter Report: Audit of Advisory Neighborhood Commission 3E for Fiscal Years 2003 and 2004

Dear Commissioner McVey:

Pursuant to section 16 (d) of the Advisory Neighborhood Commissions Act of 1975 (collectively "ANC Act"),¹ as amended, the District of Columbia Auditor (Auditor) conducted an audit of the financial accounts and operations of Advisory Neighborhood Commission (ANC or Commission) 3E.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 3E's disbursements complied with the ANC Act, ANC Financial Management Guidelines² 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, by the Comprehensive Advisory Neighborhood Commissions Reform Amendment Act of 2000, effective June 27, 2000, D.C. Law 13-135., D.C. Code §1-309.13 (d) (2004 Supp.).

²Office 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, fiscal years 2003 and 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 documents.

STATEMENT OF ANC 3E's CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF SEPTEMBER 30, 2004

Table I presents ANC 3E's checking, savings, and petty cash account balances as of September 30, 2004.

TABLE I
ANC 3E's Checking, Savings, and Petty Cash Account Balances
As of September 30, 2004

| | |
|----------------------------|---------------------|
| Petty Cash Account | \$ 136.09 |
| Checking Account | 9,896.39 |
| Savings Account | <u>5,050.76</u> |
| Actual Cash Balance | \$ 15,083.24 |

Source: ANC 3E's bank statements and petty cash records as of September 30, 2004.

SUMMARY OF ANC 3E'S DISBURSEMENTS DURING FISCAL YEARS 2003 AND 2004

During the audit period, ANC 3E disbursed \$24,198.14. Table II summarizes, by category, ANC 3E's disbursements made during the audit period, including bank service charges.

Table II
Summary of ANC 3E's Disbursements
During Fiscal Years 2003 And 2004

| Disbursement Category | Fiscal Year 2003 | Fiscal Year 2004 | Grand Total |
|------------------------------|-------------------------|-------------------------|---------------------|
| ANC Security Fund | \$ 25.00 | \$ 25.00 | \$ 50.00 |
| Bank Charges | 150.00 | 0.00 | 150.00 |
| Flyer Distribution | 200.00 | 0.00 | 200.00 |
| Grants | 7,250.00 | 5,200.00 | 12,450.00 |
| Internet Service | 324.00 | 0.00 | 324.00 |
| Office Supplies | 249.68 | 179.99 | 429.67 |
| Postage and Delivery | 300.00 | 100.00 | 400.00 |
| Printing and Duplicating | 307.98 | 100.70 | 408.68 |
| Petty Cash | 200.00 | 545.73 | 745.73 |
| Purchase of Service | 2,163.50 | 6,096.50 | 8,260.00 |
| Telephone Service | 407.77 | 372.29 | 780.06 |
| Total Disbursements | \$ 11,577.93 | \$ 12,620.21 | \$ 24,198.14 |

Source: ANC 3E's quarterly financial reports, check book, canceled checks, and bank statements.

FINDINGS

ANC 3E COMPLIED WITH D.C. CODE SECTION 1-309.13(j)(1) BY MAINTAINING 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. . . .

The Auditor's examination of relevant documentation indicated that ANC 3E officers established adequate procedures to ensure that appropriate financial documentation was obtained and maintained in the ANC's files. Overall, the Auditor found that ANC 3E maintained sufficient documentation to support \$24,198.14, or 100%, of the ANC funds disbursed during fiscal years 2003 and 2004.

ANC 3E MINUTES DOCUMENTED THE APPROVAL OF EXPENDITURES BY A MAJORITY OF ANC 3E COMMISSIONERS

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."

During the audit period, the minutes of ANC 3E's public meetings consistently indicated the Commissioners' specific approval of all expenditures made by the ANC's Chairperson and Treasurer.

ANC 3E FILED ALL BUT TWO OF THE EIGHT QUARTERLY FINANCIAL REPORTS 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. . . .

During fiscal years 2003 and 2004, ANC 3E filed six of the eight quarterly financial reports and the supporting documentation due to the Auditor's Office on time or soon after the deadline. Therefore, ANC 3E was in substantial compliance with D.C. Code Section 1-309.13 (j) (1).

ANC 3E 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 public session at regular intervals at least 9 times per year" The Auditor's review of ANC 3E's quarterly financial reports and other relevant documentation such as meeting minutes revealed that ANC 3E held a total of 21 public meetings during the 24-month audit period. Therefore, ANC 3E exceeded the public meeting requirement under D.C. Code Section 1-309.11 (b) (1).

ANC 3E MAINTAINED MINUTES FOR ALL 21 PUBLIC MEETINGS HELD DURING THE AUDIT PERIOD

A review of ANC 3E's minutes indicated that the Commission took official action only at public meetings where a quorum existed and recorded the votes on all expenditures and reimbursements brought before the Commission for approval. The minutes documented the presentation and approval of expenditures, grant requests, Treasurer's reports, and quarterly financial reports. ANC 3E maintained minutes for all 21 public meetings held during fiscal years 2003 and 2004.

ANC 3E 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 3E's documents and minutes revealed that annual fiscal year spending plan budgets were developed, presented, and properly adopted at public meetings during fiscal years 2003 and 2004 as required by the ANC Act.

ANC 3E'S TREASURER ISSUED A CHECK FOR \$156.22 WITH ONLY ONE SIGNATURE

D.C. Code Section 1-309.13 (f) 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 3E's Treasurer issued a check to the petty cash custodian for \$156.22 with only one signature which violated the ANC law.³

RECOMMENDATION

ANC 3E officers comply with D.C. Code Section 1-309.13 (f) by ensuring that all ANC checks contain two authorized signatures.

ANC 3E'S CHAIRPERSON AND TREASURER DID NOT FULLY COMPLY WITH PETTY CASH PROCEDURES

D.C. Code Section 1-309.13 (f) states, in relevant part, that: "*No check may be made payable to cash.*"[Auditor's Emphasis] Additionally, ANC Financial Management Guidelines state:

All payments out of the fund should be supported by signed petty cash vouchers and receipts from vendors. The vouchers should list the voucher number, date, payee, description of the purchase, amount, *the signature of the payee and the signature of the ANC authorized representative.*⁴ [Auditor's Emphasis]

The Auditor's examination of ANC 3E's records revealed that on April 10, 2003, ANC 3E Commissioners set up a petty cash fund and appointed the Office Manager as the petty cash custodian. ANC 3E's Chairperson and Treasurer issued a \$200 check made payable to "petty cash" to establish the ANC's petty cash fund. The disbursement to "petty cash" did not comply with D.C.

³The Auditor disallowed the \$156.22 from ANC 3E's allotment during the quarterly review process.

⁴See ANC Financial Management Guidelines at 21 D.

Code Section 1-309.13 (f). The Office of the District of Auditor has long held that checks issued to establish or replenish petty cash should be written to an ANC officer or staff person of the Commission (if designated as the petty cash custodian). The purpose of the disbursement should be clearly noted on the check.

The Auditor also found that petty cash vouchers prepared by the petty cash custodian did not always have the signature of the payee and the signature of an authorized ANC representative.

RECOMMENDATIONS

1. ANC 3E's Treasurer ensure that no check is made payable to "cash," "bearer" or "petty cash." Checks written to establish or replenish petty cash should be made payable to an officer of the ANC or staff person of the Commission who is designated the petty cash fund custodian. The purpose of the disbursement should be clearly noted on the check.
2. ANC 3E's Treasurer ensure that the signature of the payee and the signature of an ANC authorized representative are present on all petty cash vouchers.

ANC 3E GRANT DISBURSEMENTS SUBSTANTIALLY COMPLIED WITH THE ANC ACT

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

A grant may not be awarded unless the grant is awarded pursuant to a vote of the Commission at a public meeting A Commission may approve grants only to organizations that are public in nature 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.

The Auditor found that ANC 3E awarded 13 grants totaling \$12,450 during fiscal years 2003 and 2004. All 13 grantee organizations submitted a grant application to ANC 3E describing the projects for which the request was made and how grant funds would be used. Also, according to the Auditor's review of ANC 3E minutes, a representative from each of the grantee organizations made a presentation at an ANC 3E public meeting. The grants awarded were public in nature and were approved by a majority of ANC 3E Commissioners in a public meeting. Therefore, ANC 3E substantially complied with D. C. Code Section 1-309.13 (m) during fiscal years 2003 and 2004.

Grants Funds Totaling \$626 were Disbursed for Food

A May 26, 1994 Office of the Corporation Counsel opinion determined that food and entertainment were not permissible purposes for which an ANC can expend funds either directly or through a grant.⁵ By letter dated August 16, 1994, the Auditor informed all ANCs of this opinion which concluded that expenditure of ANC funds for food and entertainment, such as block parties, festivals, and similar activities, was prohibited and that the Auditor would recommend disallowance of all expenditures for food and entertainment.⁶

The Auditor's examination of receipts submitted by two grantees of ANC 3E revealed that grant funds totaling \$626 were used to purchase food. The Auditor found that one grantee submitted \$425 in receipts for a volunteer appreciation luncheon and another grantee submitted receipts totaling \$201 for refreshments.

RECOMMENDATIONS

1. ANC 3E Commissioners ensure that all grants awarded meet the public purpose and other requirements of D.C. Code Section 1-309.13 (m), as well as opinions issued by the Office of the Attorney General including the opinion prohibiting the use of ANC funds to purchase food and entertainment. In addition, ANC Commissioners should ensure that grantees are aware of the restrictions placed on the use of ANC grant funds as interpreted by opinions of the Office of the Attorney General.
2. The Associate Chief Financial Officer for the Office of Finance and Resource Management deduct \$626 from ANC 3E's next quarterly allotment.

ANC 3E'S CHAIRPERSON AND TREASURER 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

⁵See letter dated May 26, 1994 from Thomas F. Bastow, Deputy Corporation Counsel, Office of the Corporation Counsel to Westy McDermid, Chairman, ANC 2E.

⁶See letter dated August 16, 1994 from Russell A. Smith, District of Columbia Auditor to Treasurer, ANC 3E.

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 3E's Treasurer and Chairperson participated in the ANC Security Fund in calendar years 2003 and 2004. Therefore, ANC 3E was in compliance with the provisions of D.C. Code Section 1-309.13 (c).

CONCLUSION

The Auditor's examination of ANC 3E's books and records revealed that ANC 3E was in substantial compliance with relevant provisions of the Advisory Neighborhood Commissions Act of 1975, as amended, the Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General. Overall, the Auditor found that ANC 3E maintained an organized record keeping system and adequate internal controls were in place to produce reliable financial information and substantially ensure that its assets were properly safeguarded.

During fiscal years 2003 and 2004, ANC 3E maintained documentation to justify and support expenditures totaling \$24,198.14 as reported in quarterly financial reports filed with the Auditor. Also, ANC 3E filed six of the eight quarterly financial reports on time or soon after the filing deadline. As a result, ANC 3E was in substantial compliance with D.C. Code Section 1-309.13 (j) (1).

ANC 3E complied with D.C. Code Section 1-309.10 (n) by developing annual spending plan budgets for fiscal years 2003 and 2004.

ANC 3E's Chairperson and Treasurer violated D.C. Code Section 1-309.13 (f), by issuing a \$200 check made payable to "petty cash" to establish the ANC's petty cash fund. The ANC Act provides that: "No check may be made payable to cash."

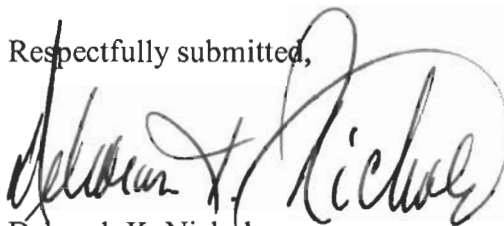
ANC 3E's officers failed to comply with D.C. Code Section 1-309.13 (f) which requires any ANC expenditure made by check to be signed by at least two officers of the Commission, one of whom shall be the treasurer or Chairperson. ANC 3E's Treasurer issued a check for \$156.22 to the petty cash custodian with only one signature.

ANC 3E's grant disbursements were in substantial compliance with D.C. Code Section 1-309.13 (m). All 13 grantees submitted a grant application. The Auditor also found that within 60 days following the issuance of the grants, the 13 grant recipients forwarded to ANC 3E a statement as to the use of the funds complete with receipts which supported the expenditures. Two grantees used ANC grant funds totaling \$626 for food and refreshments which violated D.C. Code Section 1-309.13 (l)(1).

ANC 3E held a total of 21 public meetings during fiscal years 2003 and 2004. As a result, ANC 3E was in full compliance with D.C. Code Section 1-309.11 (b) (1) which states: "Each Commission shall meet in public session at regular intervals at least 9 times per year. . . ."

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 3E must respond in writing to violations detailed herein within 90 days. Failure to do so will result in the forfeiture of ANC 3E'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". The signature is written in a cursive style with a large, looping flourish at the end.

Deborah K. Nichols

District of Columbia Auditor