



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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District of Columbia Auditor
021:06:LB:KM:gk

Audit of Advisory Neighborhood Commission 4B
for Fiscal Years 2004 Through 2006
as of March 31, 2006

September 13, 2006



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Commissioner Cherita Whiting
Chairperson
Advisory Neighborhood Commission 4B
414 Oneida Street, NW
Washington, D.C. 20011

Letter Report: Audit of Advisory Neighborhood Commission 4B for Fiscal Years
2004 Through 2006, as of March 31, 2006

Dear Commissioner Whiting:

Pursuant to Section 16 (d) of the Advisory Neighborhood Commissions Act of 1975 (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) 4B.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 4B's disbursements complied with the ANC Act, ANC Financial Management Guidelines issued by the Office of the District of Columbia Auditor,² 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.

¹See 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.

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

The audit covered the period October 1, 2003 through March 31, 2006. 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 4B'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2006

Table I presents a statement of ANC 4B's checking, savings, and petty cash account balances as of March 31, 2006.

Table I
ANC 4B's Checking, Savings, and Petty Cash Account Balances
As of March 31, 2006

Petty Cash Account	\$ 0.00*
Checking Account	41,683.97
Savings Account	<u>41,741.43</u>
Actual Cash Balance	\$ 83,425.40

Source: ANC 4B's quarterly report and bank statements for the period October 1, 2003 through March 31, 2006.

* ANC 4B did not maintain a petty cash account during the audit period.

SUMMARY OF ANC 4B'S DISBURSEMENTS DURING FISCAL YEARS 2004 THROUGH 2006, AS OF MARCH 31, 2006

During the audit period, ANC 4B disbursed \$40,701.82. Table II summarizes, by category, ANC 4B's disbursements made during the audit period, including bank service charges.

**Table II
Summary of ANC 4B's Disbursements
During Fiscal Years 2004 Through 2006,
as of March 31, 2006**

Disbursement Category	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006 as of March 31, 2006	Grand Total
Net Salaries & Wages	\$3,562.50	\$2,394.95	\$0.00	\$5,957.45
Workers Compensation	0.00	0.00	0.00	0.00
Insurance - Health	0.00	0.00	0.00	0.00
Insurance - Casualty/Property	0.00	0.00	0.00	0.00
Federal Wage Taxes Paid	0.00	2,033.42	0.00	2,033.42
Local Income Taxes Paid	0.00	0.00	0.00	0.00
Unemployment Insurance Contributions	0.00	0.00	0.00	0.00
Tax Penalties Paid	0.00	0.00	0.00	0.00
Local Transportation	0.00	28.00	0.00	28.00
Office Rent	7,800.00	7,200.00	3,600.00	18,600.00
Telephone Service	1,598.82	2,021.64	733.55	4,354.01
Postage and Delivery	0.00	111.00	0.00	111.00
Utilities	0.00	0.00	0.00	0.00
Printing & Duplicating	0.00	139.00	0.00	139.00
Flyer Distribution	0.00	0.00	0.00	0.00
Purchase of Service	0.00	141.97	0.00	141.97
Office Supplies & Expenses	0.00	25.99	73.91	99.90
Office Equipment - Rental	58.12	879.30	2,042.23	2,979.65
Office Equipment - Purchase	0.00	0.00	0.00	0.00
Grants	0.00	525.00	5,000.00	5,525.00
Training	0.00	0.00	0.00	0.00
Petty Cash Reimbursement	0.00	0.00	0.00	0.00
Transfer(s) to Savings Account	0.00	0.00	0.00	0.00
Bank Service Charges	4.00	34.50	0.00	38.50
Other	25.00	211.80	457.12	693.92
Total Disbursements	\$ 13,048.44	\$ 15,746.57	\$ 11,906.81	\$ 40,701.82

Source: ANC 4B's quarterly financial reports, check book, canceled checks, and bank statements.

FINDINGS

ANC 4B 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's examination of relevant documentation found that adequate procedures existed to ensure that appropriate financial documentation was obtained and maintained in the ANC's files to support \$40,701.82, or 100%, of ANC disbursements made during the audit period. This documentation included receipts, invoices, grant request letters, and grant disbursements.

ANC 4B'S TREASURER WAS LATE IN FILING SOME QUARTERLY REPORTS DUE DURING THE AUDIT PERIOD

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.

ANC 4B filed all 10 required quarterly financial reports due during the audit period, however, as presented in Table III, six of the reports were filed more than 45 days after the required due date.

Table III
Advisory Neighborhood Commission 4B
Quarterly Financial Report Submission Record:
Fiscal Years 2004 Through 2006, As of March 31, 2006

Year & Quarter	Reported Months	Due Date	Date Received	Report Received
2004 - 1 st	10/01/03 through 12/31/03	03/01/04	06/16/04	47 Days Late
2005 - 1st	10/01/04 through 12/31/04	03/01/05	04/18/05	49 Days Late
2005 - 3rd	04/01/05 through 06/30/05	08/29/05	10/20/05	52 Days Late
2005 - 4 th	07/01/05 through 09/30/05	11/29/05	01/30/06	62 Days Late
2006 - 1st	10/01/05 through 12/31/05	03/01/06	04/24/06	52 Days Late
2006 - 2nd	01/01/06 through 03/31/06	05/30/06	07/26/06	56 Days Late

Source: ANC 4B quarterly financial reports.

RECOMMENDATION

ANC 4B's Treasurer prepare and file all future quarterly financial reports in a more timely manner.

ANC 4B FAILED TO MAINTAIN MINUTES INDICATING THAT THE ANC MET IN PUBLIC SESSION AT LEAST 9 TIMES PER YEAR AS REQUIRED BY THE ANC ACT

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. Additionally, D.C. Code Section 1-309.11 (e) (1) states, in part, that the Secretary shall ensure that appropriate minutes of Commission meetings are kept.

The Auditor found that ANC 4B was did not comply with D.C. Code Section 1-309.11 (e) (1) in that minutes were not maintained for all meetings held during the 30-month audit period. In fact, no minutes were maintained during the 15-month period between October 1, 2003 through December 4, 2004.³ As a result, ANC 4B could not fully substantiate: (1) the number of meetings

³During the remainder of the audit period, January 1, 2005 through March 31, 2006, ANC 4B maintained minutes for 10 meetings.

held annually; (2) the approval of all expenditures by a majority of the Commissioners at a public meeting; (3) the adoption of annual fiscal year spending plan budgets; or (4) the approval of quarterly financial reports.

RECOMMENDATION

ANC 4B's Secretary ensure that minutes are produced and maintained for all public ANC 4B meetings. Further, before approving the quarterly financial report, ANC 4B's Secretary must ensure that each quarterly financial report filed with the Auditor is accompanied by copies of minutes for all public meetings held during the reported quarter.

ANC 4B 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 4B's records revealed that annual fiscal year spending plan budgets were developed during the audit period. Unfortunately, there were no minutes to substantiate that annual fiscal year spending plan budgets were presented to and adopted by a majority of Commissioners at public meetings.

ANC 4B GRANTS 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 following the public presentation of the grant request. A Commission may approve grants only to organizations that are public in nature and benefit persons who reside or work within the Commission area.

Further, D.C. Code § 1-309.13 (m) (2) requires that an applicant for a grant must submit a written application which contains a description of the project; a statement of public benefit; and the total cost of the grant. Within 60 days following the issuance of a grant, the grantee must forward a statement setting forth how the funds were used along with supporting receipts, invoices, and other relevant documentation.

Table V presents the five grants totaling \$5,525 that were awarded by ANC 4B during the audit period. The Auditor's review of documents indicated that each grantee organization submitted a grant application describing the project for which the request was made, the projected total cost of the project, and how grant funds would be used. Documentation further indicated that within 60 days after each grant was awarded, the grantee submitted a statement setting forth how the funds were used along with supporting receipts, invoices, and other relevant documentation. Also, according to ANC 4B's minutes for January 1, 2005 through March 31, 2006, a representative from each grantee organization made a presentation at an ANC 4B public meeting, all grants were public in nature, and grants were approved by a majority of ANC 4B Commissioners in a public meeting. Therefore, ANC 4B substantially complied with D.C. Code Section 1-309 (m) during the audit period.

Table V
Advisory Neighborhood Commission 4B
Grants Issued During Fiscal Years 2004 through 2006,
As of March 31, 2006

Grant Application	Grantee and Grant Purpose	Amount	Grant Approved	Statements of Use and Receipts Submitted
Yes	Classic Tents, Inc. Tent rental for Riggs Park Day.	\$525.00	07/28/05	Yes
Yes	Icon Chess Foundation To provide chess classes for at-risk youth.	1,000.00	07/28/05	No ⁴
Yes	Coolidge PTSO For cheerleader uniforms.	1,000.00	10/26/05	Yes
Yes	Berean Baptist Church To offer a Spanish Language Class at Emery Recreation Center.	1,000.00	01/26/06	Yes
Yes	Lamond Riggs Athletic Association To pay for a portion of the fee needed for the Association's participation in the D.C. Youth Football League for the 2005 season.	2,000.00	01/26/06	Yes
	Total	\$5,525.00		

Source: ANC 4B quarterly financial reports, checkbook, canceled checks, and bank statements.

ANC 4B 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 established by § 1-309.14 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 bond or its equivalent are not on file with the Auditor.

⁴ Grant check to Icon Chess Foundation was returned uncashed because the Foundation was unable to conduct the program during after-school hours.

ANC 4B participated in the ANC Security Fund in calendar years 2004, 2005, and 2006. Therefore, ANC 4B fully complied with D.C. Code Section 1-309.13 (c).

ANC 4B's INTERNAL CONTROLS WERE ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION EXCEPT FOR THE FAILURE TO PREPARE AND MAINTAIN MINUTES FOR A 15-MONTH PERIOD

The Auditor found that some of ANC 4B's internal controls were sufficient during fiscal years 2004 through 2006, as of March 31, 2006, as evidenced by the following:

- ▶ All disbursements were supported by adequate documentation in the form of receipts, invoices, and contracts;
- ▶ Bank account reconciliations were performed;
- ▶ The phrase "District of Columbia Government" was included in the Commission's account name and on the face of its checks; and
- ▶ ANC 4B participated in the ANC Security Fund.

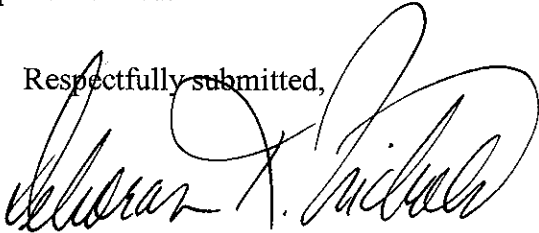
However ANC 4B's internal controls were found to be inadequate because of missing minutes. Minutes are extremely important to the financial reporting and accountability system established for ANCs. For example, minutes are critical to substantiate: (1) the number of meetings held annually; (2) the approval of expenditures by a majority of Commissioners at a public meeting; (3) presentation and approval of grant requests and applications at a public meeting; (4) the adoption of annual fiscal year spending plan budgets; and (5) the approval of quarterly financial reports.

CONCLUSION

The Auditor's examination of ANC 4B's books and records revealed that ANC 4B substantially complied with all 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. In addition, the Auditor found that some internal controls were inadequate to ensure that the ANC's assets were properly safeguarded.

During fiscal years 2004, 2005, and 2006, through March 31, 2006, (1) ANC 4B maintained the required documentation to justify and support expenditures totaling \$40,701.82 as reported in quarterly financial reports filed with the Auditor;(2) grants awarded by ANC 4B complied with the ANC Act; and (3) ANC 4B officers developed annual fiscal year spending plan budgets. The Auditor found, however, that some quarterly financial reports were filed late; and for 15 months ANC 4B failed to maintain minutes to indicate that the ANC met in public session at least 9 times per year as required by the ANC Act. The Auditor recommended that ANC 4B's Treasurer prepare and file all quarterly financial reports in a more timely manner and ANC 4B's Secretary ensure that minutes are produced and maintained for all public ANC 4B meetings.

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 4B 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 4B's next scheduled quarterly allotment until a response is filed.

Respectfully submitted,


Deborah K. Nichols
District of Columbia Auditor