



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
022:06:LB:KM:gk

Audit of Advisory Neighborhood Commission 6D
for Fiscal Years 2004 Through 2006
as of March 31, 2006

September 14, 2006



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
022:06:LB:KM:gk

Commissioner Andy Litsky
Chairperson
Advisory Neighborhood Commission 6D
423 M Street, SW
Washington, D.C. 20024

Letter Report: Audit of Advisory Neighborhood Commission 6D for Fiscal Years
2004 Through 2006, as of March 31, 2006

Dear Commissioner Litsky:

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) 6D.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 6D's disbursements complied with the ANC Act, ANC Financial Management Guidelines issued by the Office of the District of Columbia Auditor², 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 fiscal year 2004 through 2006 (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 6D'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2006

Table I presents a statement of ANC 6D's checking, savings, and petty cash account balances as of March 31, 2006.

Table I
ANC 6D's Checking, Savings, and Petty Cash Account Balances
As of March 31, 2006

Petty Cash Account	\$ 200.00
Checking Account	39,807.83
Savings Account	<u>5,102.33</u>
Actual Cash Balance	\$ 45,110.16

Source: ANC 6D's quarterly reports and bank statements for the period October 1, 2004 through March 31, 2006.

SUMMARY OF ANC 6D'S DISBURSEMENTS DURING FISCAL YEARS 2004 THROUGH 2006, AS OF MARCH 31, 2006

During the audit period, ANC 6D disbursed \$37,442.82. Table II summarizes, by category, ANC 6D's disbursements made during the audit period, including bank service charges.

Table II
Summary of ANC 6D'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
Bank Service Charges	\$ 67.40	\$ 39.50	\$ 39.50	\$ 146.40
Federal Wage Taxes Paid	1,842.25	1,021.07	1,513.77	4,377.09
Grants	0.00	0.00	0.00	0.00
Health Insurance	25.00	0.00	0.00	25.00
Local Income Taxes Paid	603.22	146.84	193.40	943.46
Local Transportation	0.00	0.00	0.00	0.00
Net Salaries & Wages	5,646.29	5,618.57	8,638.42	19,903.28
Office Equipment - Purchase	45.96	0.00	0.00	45.96
Office Equipment - Rental	0.00	0.00	0.00	0.00
Office Rent*	2,450.00	0.00	0.00	2,450.00
Office Supplies & Expenses	258.22	350.72	510.43	1,119.37
Petty Cash Reimbursement	465.67	189.46	476.62	1,131.75
Postage and Delivery	0.00	75.00	150.00	225.00
Printing & Duplicating	0.00	0.00	0.00	0.00
Purchase of Service	0.00	413.07	413.07	826.14
Tax Penalties Paid	1,187.04	0.00	0.00	1,187.04
Telephone Service	995.78	1,394.83	1,913.99	4,304.60
Unemployment Insurance Contributions	238.23	0.00	0.00	238.23
Utilities	0.00	0.00	0.00	0.00
Other	28.90	232.80	257.80	519.50
Total Disbursements	\$ 13,853.96	\$ 9,481.86	\$ 14,107.00	\$ 37,442.82

Source: ANC 6D's quarterly financial reports, check book, canceled checks, and bank statements.

*ANC 6D's office was located in a District owned facility during FY 2005 and 2006, as of March 31, 2006 and was charged no rental fees.

FINDINGS

ANC 6D 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 6D maintained adequate documentation to support \$37,442.82, or 100%, of disbursements made during the audit period. The Auditor's examination of relevant documentation indicated that ANC 6D officers established adequate procedures to ensure that appropriate required financial documentation was obtained and maintained in the ANC's files to support disbursements.

ANC 6D'S MINUTES DOCUMENTED THE APPROVAL OF EXPENDITURES BY A MAJORITY OF ANC 6D 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.

The minutes of ANC 6D's public meetings consistently indicated the Commissioners' specific authorization of all expenditures made during the audit period.

ANC 6D 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 6D's quarterly financial reports and other relevant documentation revealed that ANC 6D held a total of 29 public meetings during the 30-month audit period. Therefore, ANC 6D complied fully with the public meeting requirement under D.C. Code, Section 1-309.11(b)(1).

ANC 6D MAINTAINED MINUTES FOR ALL 29 PUBLIC MEETINGS HELD DURING THE AUDIT PERIOD

D.C. Code Section 1-309.11 (e) (1) states, in relevant part, that the secretary shall ensure that appropriate minutes of Commission meetings are kept. A review of ANC 6D's minutes found that ANC 6D maintained minutes for all 29 public meetings held during the audit period. The minutes indicated the Commission took official action only at public meetings where a quorum was present and recorded the votes on all expenditures and reimbursements presented for the Commission's action. The minutes also documented the presentation and approval of expenditures, grant requests, Treasurer's reports, and quarterly financial reports.

ANC 6D DID NOT ESTABLISH AN ANNUAL FISCAL YEAR SPENDING PLAN BUDGET FOR FISCAL YEAR 2004

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 6D's records revealed that annual fiscal year spending plan budgets were established for fiscal years 2005 and 2006, however, ANC 6D did not establish a spending plan budget for fiscal years 2004.

RECOMMENDATIONS

1. ANC 6D develop, present, and adopt an annual fiscal year spending plan budget for fiscal year 2007 within 60 days of notification of the amount of the Commission's annual allotment.
2. ANC 6D, particularly its officers, develop and implement a mechanism to ensure that an annual fiscal year spending plan budget is prepared for each forthcoming fiscal year in a timely manner.

ANC 6D 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.

ANC 6D participated in the ANC Security Fund in calendar years 2004, 2005, and 2006. Therefore, ANC 6D fully complied with D.C. Code Section 1-309.13 (c).

ANC 6D PURCHASED OFFICE SUPPLIES TOTALING \$60.85 THROUGH THE IMPROPER INDIRECT USE OF A CREDIT CARD

Pursuant to D.C. Code Sections 1-309.13 (f) and (h), an ANC may expend public funds only by check signed by two officers of the ANC, one of whom must be the Treasurer or Chairperson, or through disbursements or reimbursements not exceeding \$200 from a petty cash fund. An opinion issued by the OAG concluded that the use of a credit card to make purchases for or by an ANC is not permitted by the ANC Act. The OAG opined that the Act prohibits an ANC from using credit cards directly or indirectly to expend public funds. The opinion, dated May 28, 1996, specifically addresses the *direct* and *indirect* use of a credit card as follows:³

The exclusion of the use of a credit card not only prohibits an ANC from using a credit card directly to make purchases, but also indirectly through the issuance of an ANC check or the disbursement of cash from an ANC petty cash fund to reimburse a Commission member or employee of the Commission who makes purchase for the ANC with his or her own personal credit card.

³ See Letter dated May 28, 1996 from Karen L. Cooper, Director, Office of Legal Counsel, Office of the Corporation Counsel to Russell A. Smith, District of Columbia Auditor.

The Auditor found that a reimbursement of \$60.85 to ANC 6D's administrative assistant for using his personal credit card to purchase office supplies for the Commission did not comply with the ANC Act and the OAG's opinion. As a result, the Auditor disallowed the disbursement and recommended that \$60.58 be deducted from ANC 6D's 1st quarter allotment for fiscal year 2006.

RECEIPT OF MONTHLY BANK STATEMENTS AND CANCELLED CHECKS BY ANC 6D'S TREASURER DEPRIVES OTHER COMMISSION OFFICERS THE OPPORTUNITY TO INDEPENDENTLY REVIEW AND VERIFY TRANSACTIONS WHICH IS AN IMPORTANT INTERNAL CONTROL

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 cancelled 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 cancelled 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.⁴

The Auditor found that anc 6D's Treasurer maintained custody of the checkbook, and contrary to the Auditor's recommendation, the monthly bank statements and cancelled checks were also sent to his residence during fiscal years 2005 and 2006, through March 31, 2006.⁵

Although the Auditor's examination indicated that ANC 6D's Treasurer conducted bank account reconciliations, no independent verifications were conducted by a different Commission officer as recommended by the Auditor.

⁴See ANC Guidelines.

⁵The treasurer indicated that upon receipt at his residence he opens the bank statements and cancelled checks and then delivers them to the administrative staff person at the ANC office.

RECOMMENDATION

ANC 6D take the necessary steps immediately to ensure that in the future all ANC 6D monthly bank statements are mailed to a Commission officer other than the Treasurer. If this procedure cannot be accommodated by ANC 6D's bank, ANC 6D's Chairperson should bring this to the immediate attention of the Auditor so that assistance can be provided facilitating this change.

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

The Auditor found that ANC 6D'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;
- ▶ All disbursements were supported by adequate documentation;
- ▶ Bank account reconciliations were regularly performed⁶;
- ▶ The phrase "District of Columbia Government" was included in the Commission's account name and on the face of its checks; and
- ▶ ANC 6D participated in the ANC Security Fund.

CONCLUSION

As a result of the examination of ANC 6D's books and records, the Auditor determined that ANC 6D complied 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.

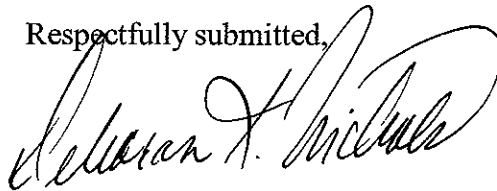
⁶Although the Auditor's examination of relevant documentation indicated that ANC 6D's Treasurer conducted bank account reconciliations, these reconciliations were not conducted in accordance with the Financial Management Guidelines issued by the Office of the District of Columbia Auditor. The Auditor found that ANC 6D officers did not maintain proper separation of duties regarding the custody of the ANC's checkbook, bank statements, and cancelled checks.

During fiscal years 2004, 2005, and 2006, through March 31, 2006, ANC 6D maintained the required documentation to justify and support all expenditures. ANC 6D complied fully with the public meeting requirement of the ANC Act. Minutes of meetings held were prepared and maintained in the ANC's files. Although ANC 6D prepared two of the three required annual fiscal year spending plan budgets during the audit period the Auditor recommends that the Commission develop an annual spending plan budget for the upcoming fiscal year and put a process in place to ensure that this requirement is timely met each fiscal year. In addition, although documentation indicated that ANC 6D's Treasurer conducted monthly bank reconciliations, the Auditor found that ANC 6D officers failed to adequately ensure proper separation of duties regarding the custody of the ANC's checkbook, bank statements and cancelled checks.

Overall, the Auditor found that ANC 6D 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.

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 6D 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 6D's next scheduled quarterly allotment until a response is filed.

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