



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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Audit of Advisory Neighborhood Commission 8C
for Fiscal Years 2004 Through 2006,
as of March 31, 2006

September 15, 2006



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Commissioner Mary Cuthbert
Chairperson
Advisory Neighborhood Commission 8C
3325 Martin Luther King, Jr. Avenue
Washington, D.C. 20032

Letter Report: Audit of Advisory Neighborhood Commission 8C for Fiscal Years
2004 Through 2006, as of March 31, 2006

Dear Commissioner Cuthbert:

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) 8C.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 8C'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); 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 8C'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2006

Table I presents a statement of ANC 8C's checking, savings, and petty cash account balances as of March 31, 2006.

Table I
ANC 8C's Checking, Savings, and Petty Cash Account Balances
As of March 31, 2006

Petty Cash Account	\$	0.00*
Checking Account		9,474.33
Savings Account		<u>0.00*</u>
Actual Cash Balance	\$	9,474.33

Source: ANC 8C's quarterly report and bank statements for the period October 1, 2003 through March 31, 2006.

*ANC 8C did not maintain a petty cash or savings account during the audit period.

SUMMARY OF ANC 8C'S DISBURSEMENTS DURING FISCAL YEARS 2004 THROUGH 2006, AS OF MARCH 31, 2006

During the audit period, ANC 8C disbursed \$31,459.89. Table II summarizes, by category, ANC 8C's disbursements, including bank service charges.

**Table II
Summary of ANC 8C'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	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
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	0.00	0.00	0.00
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	0.00	0.00	0.00
Office Rent	13,000.00	11,800.00	5,600.00	30,400.00
Telephone Service	0.00	0.00	0.00	0.00
Postage and Delivery	0.00	0.00	0.00	0.00
Utilities	0.00	0.00	0.00	0.00
Printing & Duplicating	0.00	0.00	0.00	0.00
Purchase of Service	0.00	0.00	0.00	0.00
Office Supplies & Expenses	869.00	0.00	0.00	869.00
Office Equipment - Rental	0.00	0.00	0.00	0.00
Office Equipment - Purchase	0.00	0.00	0.00	0.00
Grants	0.00	0.00	0.00	0.00
Petty Cash Reimbursement	0.00	0.00	0.00	0.00
Bank Service Charges	95.04	70.85	0.00	165.89
Other	0.00	25.00	0.00	25.00
Total Disbursements	\$ 13,964.04	\$ 11,895.85	\$ 5,600.00	\$ 31,459.89

Source: ANC 8C's quarterly financial reports, check book, canceled checks, and bank statements.

FINDINGS

ANC 8C 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 8C maintained adequate documentation to support \$31,459.89, or 100%, in disbursements during the audit period.

DURING THE AUDIT PERIOD ANC 8C FILED NINE OF 10 QUARTERLY FINANCIAL REPORTS LATE RESULTING IN FORFEITURE OF \$19,093.10 IN QUARTERLY ALLOTMENTS

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.

In addition, D.C. Code §§1-309.13 (2) and (3) state, in relevant part, that:

No quarterly allotment shall be forwarded to a Commission until all reports of financial activity for the quarter preceding the immediate previous quarter are approved by the Auditor. If a Commission fails to file 3 consecutive reports that meet the requirement of paragraph (1) of this subsection, it shall relinquish its checkbook to the Auditor, whose permission will be needed for any expenditure made by check until the Commission files the required financial reports. The Mayor,

upon request the request of the Auditor, may issue official instruction to any pertinent banking institution to freeze accounts held by a Commission that has not complied with this paragraph. If, on the last day of the fiscal year, a Commission has not yet received a quarterly allotment because it failed to file a quarterly report approved by the Auditor, the Commission shall forfeit the unclaimed allotment or allotments and the funds shall be returned to the District's General Fund.

As presented in Table III, ANC 8C consistently failed to file quarterly financial reports in a timely manner. In many instances, the quarterly reports were filed more than one year late. As a consequence of ANC 8C's failure to file quarterly reports as required by the ANC Act, all fiscal year 2004 allotments totaling \$19,093.10 were forfeited to the General Fund. As a further consequence of non-compliance on October 13, 2004 the Auditor requested a freeze on ANC 8C's bank account. The freeze was removed and the ANC's checkbook was returned on April 7, 2005 when ANC 8C came into full compliance with the financial reporting requirements of the ANC Act.

Table III
Advisory Neighborhood Commission 8C
Quarterly Financial Report Submission Record:
Fiscal Years 2003 Through 2005, As of March 31, 2006

Year & Quarter	Reported Months	Due Date	Date Received	Report Filed
2004 - 1 st	10/01/03 through 12/31/03	03/01/04	04/07/05	13 Months Late
2004 - 2 nd	01/01/04 through 03/31/04	05/31/04	04/07/05	9 Months Late
2004 - 3 rd	04/01/04 through 06/30/04	08/30/04	04/07/05	8 Months Late
2004 - 4 th	07/01/04 through 09/30/04	11/29/04	04/07/05	4 Months Late
2005 - 1 st	10/01/04 through 12/31/04	03/01/05	04/07/05	1 Month Late
2005 - 2 nd	01/01/05 through 03/31/05	05/30/05	06/01/05	On Time
2005 - 3 rd	04/01/05 through 06/30/05	08/29/05	09/08/06	12 Months Late
2005 - 4 th	07/01/05 through 09/30/05	11/29/05	09/08/06	9 Months Late
2006 - 1 st	10/01/05 through 12/31/05	03/01/06	09/08/06	6 Months Late
2006 - 2 nd	01/01/06 through 03/31/06	05/30/06	09/08/06	3 Months Late

Source: ANC 8C quarterly financial reports.

RECOMMENDATION

ANC 8C's Treasurer prepare and file all future quarterly financial reports in a timely manner as required by the ANC Act.

ANC 8C 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

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. 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 8C's Secretary failed to prepare and/or maintain minutes for all meetings held during the 30-month audit period. In fact, minutes were maintained for only one meeting during the 15-month period between October 1, 2003 through December 4, 2004. During the remainder of the audit period, January 1, 2005 through March 31, 2006, ANC 8C's Secretary prepared and maintained minutes for only 3 of 9 meetings. As a result, ANC 8C could not fully substantiate: (1) the number of meetings held; (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 8C's Secretary ensure that minutes are prepared and maintained for all public ANC 8C meetings. Further, before approving the quarterly financial report, ANC 8C's Secretary must ensure that each quarterly financial report filed with the Auditor is accompanied by copies of minutes for public meetings held during the reported quarter.

ANC 8C DID NOT ESTABLISH 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 8C's records revealed that annual fiscal year spending plan budgets were not established for fiscal years 2004, 2005, or 2006.

RECOMMENDATIONS

1. ANC 8C 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 8C develop and implement a mechanism to ensure that an annual fiscal year spending plan budget is prepared for each forthcoming fiscal year at the appropriate time.

ANC 8C DID NOT PARTICIPATE IN THE ADVISORY NEIGHBORHOOD COMMISSION SECURITY FUND FOR TWO OF THE THREE YEARS COVERED BY THE AUDIT

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.

During the audit period ANC 8C participated in the Advisory Neighborhood Commission Security Fund in calendar year 2005 only. ANC 8C also failed to bond its Treasurer and Chairperson during the first three months of calendar year 2006 due to the lack of a quorum at its public meetings.

RECOMMENDATION

ANC 8C's Treasurer and Chairperson ensure that: (a) the matter of bonding or participation in the ANC Security Fund is voted on annually at the ANC's January public meeting; and (b) ensure that evidence of a cash or surety bond or the necessary ANC Security Fund documents and participation fee are timely filed with the Auditor by the established deadline.

ANC 8C ISSUED THREE LEGALLY INSUFFICIENT COUNTER CHECKS³ WHICH WERE DISALLOWED BY THE AUDITOR

D.C. Code Section 1-309.13 (f) states, in relevant part, that any checks issued by an ANC shall be prenumbered, shall bear the name of the Commission and the phrase "District of Columbia Government" on its face, and shall be issued in consecutive order.

ANC 8C's Treasurer issued a counter check in the amount of \$30, dated December 4, 2003, for participation in the ANC Security Fund for calendar year 2003. ANC 8C also wrote two additional counter checks totaling \$9,669, one in the amount of \$6,700 dated December 4, 2003 and the other in the amount of \$2,969 dated February 20, 2004, both were for office rent and related materials. All three checks did not comply with the requirements of the ANC Act and were disallowed by the Auditor.

RECOMMENDATION

ANC 8C's Treasurer and Chairperson ensure that all ANC checks comply with the requirements of D.C. Code Section 1-309.13 (f).

INTERNAL CONTROLS WERE NOT ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION AND ENSURE THAT ANC 8C'S ASSETS WERE PROPERLY SAFEGUARDED

In part, ANC 8C's internal controls were found to be inadequate as a result of: (1) failure of the ANC to participate in the ANC Security Fund or bond its Treasurer and Chairperson; (2) untimely approval and filing of quarterly financial reports; and (3) failure of its Secretary to consistently prepare and maintain minutes of all ANC 8C public meetings. Minutes are necessary

³A blank check provided by a bank for the convenience of customers who are making a withdrawal.

to substantiate: the number of meetings held annually; the approval of expenditures; the adoption of annual fiscal year spending plan budgets; and the approval of quarterly financial reports.

The Auditor found that internal controls were adequate with regard to the presence of documentation supporting expenditures. The Auditor found that due to the ANC's frequent absence of a quorum at public meetings, few expenditures were made and those that were made were supported by proper documentation.

RECOMMENDATION

ANC 8C strengthen its internal controls with regard to bonding, approval and filing of quarterly reports, and preparing and maintaining minutes for all public meetings.

CONCLUSION

The Auditor's examination of ANC 8C's books and records revealed that ANC 8C did not comply 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.

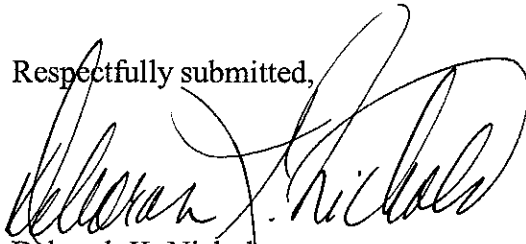
During fiscal years 2004 through 2006, as of March 31, 2006, ANC 8C disbursed \$31,459.89 and maintained adequate documentation to justify and support 100% of total disbursements. The Auditor found that of the 10 quarterly financial reports due to the Auditor's Office during the audit period, nine were filed excessively late. ANC 8C's pattern of late report filing ultimately resulted in the forfeiture of its fiscal year 2004 allotments totaling \$19,093.10 and a 6-month freeze being placed on its checking account.

ANC 8C also failed to prepare and maintain minutes for all public meetings held during the audit period. As a consequence of this deficiency; ANC 8C could not provide evidence that the ANC held the number of public meetings required by the ANC Act. The lack of minutes also resulted in ANC 8C's inability to substantiate the approval of expenditures; the adoption of annual fiscal year spending plan budgets; and the approval of quarterly financial reports.

The Auditor further found that ANC 8C did not establish annual fiscal year spending plan budgets for fiscal years 2004, 2005, and 2006; failed to bond its Treasurer and Chairperson each calendar year during the audit period; and issued of counter checks that did not comply with the ANC Act.

ANC 8C must correct the noted deficiencies, and strengthen its internal controls to ensure that ANC 8C's assets are properly safeguarded and its financial transactions comply with the ANC Act and other applicable standards and principles.

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 8C 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 8C's next schedule quarterly allotment until a response is filed.

Respectfully submitted,

Deborah K. Nichols
District of Columbia Auditor