



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
023:05:LB:KM:gk

**Audit of Advisory Neighborhood Commission 2F
for Fiscal Years 2003 Through 2005
as of March 31, 2005**

September 30, 2005



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Commissioner Charles Reed
Chairperson
Advisory Neighborhood Commission 2F
1310 Q Street, NW
Washington, D.C. 20009

Letter Report: Audit of Advisory Neighborhood Commission 2F
for Fiscal Years 2003 Through 2005, as of March 31, 2005

Dear Commissioner Reed:

Pursuant to section 16 (d) of the Advisory Neighborhood Commissions Act of 1975 ("ANC Act"), as amended, the District of Columbia Auditor (Auditor) conducted an audit of the financial accounts and operations of Advisory Neighborhood Commission (ANC or Commission) 2F.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 2F's disbursements complied with the ANC Act, ANC Financial Management Guidelines¹ issued by the Office of the District of Columbia Auditor,¹ and legal opinions issued by the Office of the Attorney General (OAG), formerly the Office of the Corporation Counsel, and
2. internal controls were adequate to produce reliable financial information and ensure that the ANC's assets were properly safeguarded.

¹ Office 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, 2002 through March 31, 2005. 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 2F's CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2005

Table I presents ANC 2F's account balances as of March 31, 2005.

Table I
ANC 2F's Checking, Savings, and Petty Cash Account Balances
As of March 31, 2005

Petty Cash Account	\$ 0.00*
Checking Account Balance	13,551.35
Savings Account Balance	<u>0.00*</u>
Actual Cash Balance	\$ 13,551.35

*ANC 2F did not maintain a petty cash fund or savings account.

Source: ANC 2F's quarterly report and bank statements as of March 31, 2005.

SUMMARY OF ANC 2F'S DISBURSEMENTS FOR FISCAL YEARS 2003 THROUGH 2005, AS OF MARCH 31, 2005

Table II summarizes, by category, ANC 2F disbursements made during the audit period, including bank service charges.

**Table II
Summary of ANC 2F Disbursements
For Fiscal Years 2003 Through 2005,
as of March 31, 2005**

Disbursement Category	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005 as of March 31, 2005	Grand Total
Bank Service Charges	0.00	8.00	0.00	8.00
Federal Wage Taxes Paid	2,997.09	2,727.86	1,538.31	7,263.26
Insurance - Health	0.00	96.00	0.00	96.00
Local Income Taxes Paid	385.00	304.00	278.00	967.00
Local Transportation	17.00	51.75	15.00	83.75
Net Salaries & Wages	7,666.63	8,525.09	4,787.59	20,979.31
Office Equipment - Purchase	0.00	1,200.00	0.00	1,200.00
Office Rent	3,600.00	2,700.00	0.00	6,300.00
Office Supplies & Expenses	54.19	70.61	62.85	187.65
Petty Cash Reimbursement	300.00	0.00	0.00	300.00
Postage and Delivery	117.00	327.35	0.00	444.35
Printing & Duplicating	728.27	0.00	0.00	728.27
Tax Penalties Paid	0.00	34.50	0.00	34.50
Telephone Service	730.14	620.71	266.22	1,617.07
Unemployment Insurance Contributions	142.14	133.26	159.36	434.76
Utilities	0.00	155.40	0.00	155.40
Other	630.15	83.60	25.00	738.75
Total Disbursements	\$ 17,367.61	\$ 17,038.13	\$ 7,132.33	\$ 41,538.07

Source: ANC 2F's quarterly financial reports, check book, canceled checks, and bank statements.

FINDINGS

ANC 2F SUBSTANTIALLY COMPLIED WITH D.C. CODE §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.

During fiscal years 2003 through 2005, as of March 31, 2005, ANC 2F provided adequate documentation with its quarterly financial reports to support all disbursements. A review of reports and supporting documentation maintained by ANC 2F revealed that all quarterly reports and supporting documents were in ANC 2F's files; however, disbursements reported in each quarterly financial report were not matched with appropriate supporting documents. In effect, the quarterly report packages maintained in the ANC's files were not duplicates of the packages submitted to the Auditor. The reports filed with the Auditor and the reports maintained by the ANC should be the same with the exception that the ANC's reports must contain original rather than copies of supporting documentation.

ANC 2F DID NOT FILE ALL OF ITS 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, signed by the Chairperson, the secretary, and the treasurer, shall be filed, along with a record of the vote adopting the report, with the Auditor within 15 days of approval.* [Auditor's Emphasis]

As presented in Table III, ANC 2F submitted only three of the ten 10 reports due during the audit period on time or shortly thereafter. ANC 2F was, therefore, not in compliance with D.C. Code Section 1-309.13 (j) (1).

Table III
Advisory Neighborhood Commission 2F
Quarterly Financial Report Submission
For Fiscal Years 2003, 2004 Through March 31, 2005

Year & Quarter	Reported Months	Due Date	Date Received	Report Received
2003 - 1 st	10/01/02 through 12/31/02	03/03/03	04/22/03	Late
2003 - 2 nd	01/01/03 through 03/31/03	05/30/03	05/22/03	Early
2003 - 3 rd	04/01/03 through 06/30/03	08/29/03	08/13/03	Early
2003 - 4 th	07/01/03 through 09/30/03	11/29/03	01/14/04	Late
2004 - 1 st	10/01/03 through 12/31/03	03/01/04	04/19/04	Late
2004 - 2 nd	01/01/04 through 03/31/04	05/31/04	06/03/04	On Time
2004 - 3 rd	04/01/04 through 06/30/04	08/30/04	09/20/04	Late
2004 - 4 th	07/01/04 through 09/30/04	11/29/04	12/16/04	Late
2005-1 st	10/01/04 through 12/31/04	3/01/05	03/21/05	Late
2005 - 2 nd	01/01/05 through 03/31/05	05/30/05	06/09/05	Late

Source: ANC 2F quarterly financial reports.

ANC 2F must substantially improve its performance of this responsibility.

RECOMMENDATION

ANC 2F’s Treasurer, with the cooperation of all 2F Commissioners, prepare and file all quarterly financial reports in a more timely manner.

ANC 2F 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 2F’s quarterly financial reports revealed that ANC 2F held a total of 29 public meetings during the 30-month audit period. Therefore, ANC 2F exceeded the public meeting requirement under D.C. Code Section 1-309.11 (b) (1).

ANC 2F MAINTAINED MINUTES FOR ALL 29 PUBLIC MEETINGS HELD DURING THE AUDIT PERIOD

The Auditor found that ANC 2F Commissioners approved all expenditures and reimbursements made during the audit period in a public meeting and recorded the approval in the ANC's minutes. ANC 2F maintained minutes for all 29 meetings held during the audit period.

ANC 2F PREPARED 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.

A review of ANC 2F's documents and minutes revealed that annual fiscal year spending plan budgets were developed, presented, and properly adopted at public meetings during the audit period.

ANC 2F PURCHASED A \$1,200 LAPTOP COMPUTER THROUGH THE INDIRECT USE OF A CREDIT CARD

Pursuant to D.C. Code Sections 1-309.13 (f) and (h), an ANC may expend its funds by checks signed by two officers of the ANC, one of whom must be the Treasurer or Chairperson, and through cash disbursements from a petty cash fund. Two opinions rendered by the Office of the Attorney General concluded that since the use of a credit card to make purchases for an ANC is not expressly provided in the ANC Act, the Council's intent was to prohibit an ANC from using this method directly or indirectly to expend public funds. The first opinion on this matter, dated May 28, 1996, specifically addresses the *direct* and *indirect* use of a credit card as follows:

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 purchases for the ANC with his or her own personal credit card.

In a letter dated May 17, 2004, the Auditor requested an updated opinion on this issue from the Office of the Attorney General. In a June 14, 2004 response, the Attorney General concluded that “we could find no acceptable basis to alter our earlier conclusion that under current ANC law, credit card use for authorized purchases would be improper.”

Therefore, the reimbursement of \$1,200 to ANC 2F’s executive director for using her personal credit card to purchase a \$1,200 laptop computer for the Commission was prohibited.

RECOMMENDATION

The Associate Chief Financial Officer of the Office of Finance and Resource Management deduct \$1,200 from ANC 2F’s next quarterly allotment.

INTERNAL CONTROLS WERE ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION AND ENSURE THAT THE ANC’S ASSETS WERE PROPERLY SAFEGUARDED

ANC 2F’s internal controls were found to be adequate as evidenced by, but not limited to, the following:

- ▶ Budgets were presented and properly adopted at public meetings;
- ▶ All expenditures were first approved by the ANC in a public meeting and recorded in the minutes;
- ▶ 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 2F participated in the ANC Security Fund.

CONCLUSION

During fiscal years 2003, 2004, and 2005, through March 31, 2005, ANC 2F maintained the required documentation to justify and support all expenditures.

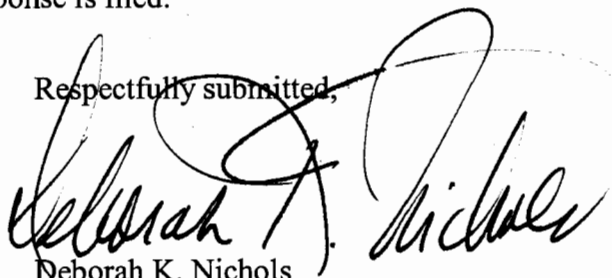
As a result of the examination of ANC 2F's books and records, the Auditor determined that ANC 2F was in substantial compliance with relevant provisions of the Advisory Neighborhood Commissions Act of 1975, as amended, the Financial Management Guidelines and Procedures issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General.

Of the 10 quarterly financial reports that were due to the Auditor's Office during the audit period, three were filed within the filing deadline and the remaining 7 were filed late. The Auditor recommends that ANC 2F's Treasurer prepare and file all quarterly financial reports in a more timely manner. ANC 2F exceeded the number of public meetings required to be held annually and minutes of meetings held were maintained in the ANC's files. The Auditor found that ANC 2F prepared annual fiscal year spending plan budgets during the audit period as required by the ANC Act.

Overall, the Auditor found that ANC 2F 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 2F 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 2Fs next scheduled quarterly allotment until a response is filed.

Respectfully submitted,



Deborah K. Nichols
District of Columbia Auditor