



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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Audit of Advisory Neighborhood Commission 5B
for Fiscal Years 2004 Through 2006,
as of March 31, 2006

September 22, 2006



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Commissioner William Shelton
Chairperson
Advisory Neighborhood Commission 5B
1437 Montana Avenue, NE #5
Washington, D.C. 20018

Letter Report: Audit of Advisory Neighborhood Commission 5B for Fiscal Years
2004 Through 2006, as of March 31, 2006

Dear Commissioner Shelton:

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) 5B.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 5B'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 years 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 5B'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2006

Table I presents a statement of ANC 5B's checking, savings, and petty cash account balances as of March 31, 2006.

Table I
ANC 5B's Checking, Savings, and Petty Cash Account Balances
As of March 31, 2006

Petty Cash Account	\$	0.00*
Checking Account		22,184.42
Savings Account		<u>0.00*</u>
Actual Cash Balance	\$	22,184.42

Source: ANC 5B's quarterly reports and bank statements October 1, 2004 through March 31, 2006.

*ANC 5B did not maintain a petty cash or savings account during the audit period.

SUMMARY OF ANC 5B'S DISBURSEMENTS DURING FISCAL YEARS 2004 THROUGH 2006, AS OF MARCH 31, 2006

During the audit period, ANC 5B disbursed \$70,493.52 Table II summarizes, by category, ANC 5B's disbursements made during the audit period, including bank service charges.

**Table II
Summary of ANC 5B'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	\$ 18,542.50	\$ 18,044.00	\$ 9,022.00	\$ 45,608.50
Federal Wage Taxes Paid	3,235.51	3,869.72	6,221.16	13,326.39
Local Income Taxes Paid	1,008.00	1,035.00	460.00	2,503.00
Unemployment Insurance Contributions	262.08	390.79	0.00	652.87
Tax Penalties Paid	941.05	0.00	342.85	1,283.90
Office Rent ³	5.00	0.00	0.00	5.00
Telephone Services	1,423.11	1,012.65	733.66	3,169.42
Postage and Delivery	105.60	185.00	152.00	442.60
Utilities	0.00	10.00	0.00	10.00
Printing & Duplicating	0.00	0.00	0.00	0.00
Purchase of Service	250.00	460.00	0.00	710.00
Office Supplies & Expenses	770.89	342.21	260.00	1,373.10
Office Equipment - Rental	785.00	0.00	0.00	785.00
Office Equipment - Purchase	0.00	350.00	0.00	350.00
Grants	0.00	0.00	0.00	0.00
Bank Service Charges	137.28	33.25	28.21	198.74
Other	25.00	25.00	25.00	75.00
Total Disbursements	\$27,491.02	\$ 25,757.62	\$ 17,244.88	\$ 70,493.52

Source: ANC 5B's quarterly financial reports, check book, canceled checks, and bank statements

³ ANC 5B does not pay rent for its current office space; however, during the period June 2003 through October 2003, ANC 5B rented office space at the Salvation Army Harbor Light Center at a rate of \$1 per month.

FINDINGS

ANC 5B 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 5B maintained sufficient documentation to support \$70,493.52, or 100%, of disbursements made during the audit period. The Auditor's examination of relevant documentation indicated that ANC 5B officers established adequate procedures to ensure that appropriate required financial documentation was obtained and maintained in the ANC's files to support all disbursements.

ANC 5B 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 5B's quarterly financial reports revealed that ANC 5B held a total of 24 public meetings during the 30-month audit period. Therefore, ANC 5B complied fully with the public meeting requirement under D.C. Code Section 1-309.11 (b) (1).

ANC 5B MAINTAINED MINUTES FOR ALL 24 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. The Auditor found that ANC 5B maintained minutes for all 24 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 5B ESTABLISHED ANNUAL FISCAL YEAR SPENDING PLAN BUDGETS FOR TWO OF THE THREE FISCAL YEARS COVERED BY 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 5B's records revealed that annual fiscal year spending plan budgets were properly established for fiscal years 2004 and 2006. The Auditor found however that the annual fiscal year spending plan budget for fiscal year 2005 was not submitted until February 2, 2006 approximately four months after the end of the fiscal year.

RECOMMENDATION

ANC 5B 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 5B 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 . . . 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 5B participated in the ANC Security Fund in calendar years 2004, 2005, and 2006. Therefore, ANC 5B fully complied with D.C. Code Section 1-309.13 (c).

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

The Auditor found that ANC 5B's internal controls were adequate to produce reliable financial information, facilitate financial accountability, and properly safeguard the ANC's financial assets 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 performed;
- ▶ 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.

ISSUES BROUGHT TO THE AUDITOR'S ATTENTION BY INDIVIDUAL ANC 5B COMMISSIONERS PRIOR TO THE CONDUCT OF THE AUDIT HAVE BEEN RESOLVED OR REQUIRE FURTHER REVIEW

Prior to conducting the audit, the Auditor received correspondence from some ANC 5B Commissioners raising issues regarding: (1) alleged denial of access to the ANC 5B Office; (2) failure of the ANC's Treasurer to withhold taxes from the office manager's retroactive salary; and (3) a possible conflict of interest involving a Commissioner's acceptance of a monetary donation from a nightclub owner whose liquor license⁴ renewal was under consideration by the Commission. The individual Commissioners requested the Auditor review these issues during the course of this audit. With regard to these issues the Auditor found the following:

⁴Issued by the District of Columbia Alcohol Beverage Regulation Administration Board.

Access to the ANC Office

D.C. Code Section 1-309.13 (p) states, in relevant part, the following: “Any Commissioner within an individual Commission shall have equal access to the Commission Office and its records in order to carry out Commission duties and responsibilities.” The Auditor found that, contrary to D.C. Code Section 1-309.13 (p), the ANC’s by-laws specifically prohibit providing keys to Commissioners other than the Chairperson of the Commission.⁵ ANC 5B’s Chairperson stated that Commissioners may gain access to the office during office hours, which are known to all Commissioners.⁶ According to an opinion issued by the District’s Office of the Attorney General, ANC by-laws must conform to the provisions of the ANC Act. More specifically, the Commission’s by-laws must be consistent with D.C. Code Section 1-309.13 (p) regarding Commissioners’ equal access to the Commission office and its records. In any instance where the by-laws contradict or conflict with the ANC Act, the Act prevails.

Taxes Withheld from Office Manager’s Retroactive Pay Increase

The Auditor found that a majority of ANC 5B Commissioners in a public meeting approved a \$1.50 per hour pay increase for the ANC’s office manager retroactive to January 12, 2004. However, ANC 5B’s Chairperson could not provide the Auditor with documentation indicating that federal or state taxes were deducted from the office manager’s retroactive paycheck which covered the period from January 12, 2004 to September 6, 2004.

Possible Conflict of Interest Due To Donation Received by an ANC 5B Commissioner

The Auditor’s examination of relevant documentation and information indicated that an ANC 5B commissioner received \$1096 in donations on November 21, 2004 from a nightclub owner (on behalf of his patrons) whose liquor license renewal was under consideration by the Commission. Documentation revealed that the Commissioner accepted the donation not in her capacity as an ANC 5B Commissioner but as the President of a neighborhood organization using the donations to provide Thanksgiving and Christmas baskets to needy families. The Auditor’s review found that

⁵ Article XI, Section 4, of ANC 5B’s By-laws state that no keys shall be provided to individual Commissioners, with the exception of the Chairperson of the Commission. The Chairperson stated however that, “Commissioners may gain access to the office during office hours, which are know to all Commissioners.”

⁶ A February 14, 1994 opinion issued by the Office of the Corporation Counsel states, in relevant part, the following: “A policy that permits access only during weekdays, daytime “office hours”, or when another Commissioner or the office manager is present is unreasonable...”

ANC 5B received no direct donations from the nightclub owner. Additionally, the Commissioner was able to produce: (1) the neighborhood organization's flyer soliciting the donations; and (2) receipts of the expenditures for the Thanksgiving and Christmas baskets.

RECOMMENDATIONS

1. ANC 5B Commissioners consult with the Executive Director of the Office of Advisory Neighborhood Commissions and obtain technical assistance in resolving the issue regarding Commissioners access to the ANC office to ensure ANC 5B's compliance with D.C. Code Section 1-309.13 (p).
2. Within 90 days from the date of this report, ANC 5B's Treasurer provide evidence to the Auditor that additional taxes have been withheld from the office manager's salary to cover the taxes that should have been withheld from the retroactive salary payment .

CONCLUSION

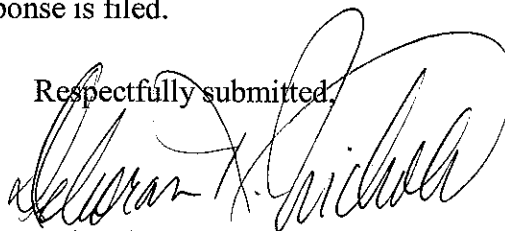
As a result of the examination of ANC 5B's books and records, the Auditor determined that ANC 5B complied with relevant provisions of the Advisory Neighborhood Commissions Act of 1975, as amended, Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General.

During fiscal years 2004 through 2006, as of March 31, 2006, ANC 5B disbursed \$70,493.52 and maintained the required documentation to justify and support all expenditures. Further, ANC 5B complied fully with the public meeting requirement of the ANC Act. All minutes of meetings held during this audit period were prepared and maintained in the ANC's files.

Overall, the Auditor found that ANC 5B maintained an organized record keeping system and adequate internal controls were in place to produce reliable financial information and to substantially ensure that the ANC's assets were properly safeguarded.

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 5B 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 5B's next schedule quarterly allotment until a response is filed.

Respectfully submitted,



Deborah K. Nichols
District of Columbia Auditor