



Deborah K. Nichols  
District of Columbia Auditor  
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## OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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

**September 25, 2006**



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Commissioner Joseph Martin  
Chairperson  
Advisory Neighborhood Commission 4C  
4230 4<sup>th</sup> Street, NW  
Washington, D.C. 20011

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

Dear Commissioner Martin:

Pursuant to Section 16 (d) of the Advisory Neighborhood Commissions Act of 1975 (ANC Act),<sup>1</sup> as amended, the District of Columbia Auditor (Auditor) conducted an audit of the financial accounts and operations of Advisory Neighborhood Commission (ANC or Commission) 4C.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of the audit were to determine whether:

1. ANC 4C's disbursements complied with the ANC Act, ANC Financial Management Guidelines<sup>2</sup> 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.

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<sup>1</sup>See 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.

<sup>2</sup>Office 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 4C'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2006**

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

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

Petty Cash Account	\$	0.00*
Checking Account		80,387.05
Savings Account		<u>65,541.42</u>
<b>Actual Cash Balance</b>		<b>\$145,928.47</b>

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

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

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

During the audit period, ANC 4C disbursed \$14,697.75. Table II summarizes, by category, ANC 4C's disbursements made during the audit period, including bank service charges.

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

<b>Disbursement Category</b>	<b>Fiscal Year 2004</b>	<b>Fiscal Year 2005</b>	<b>Fiscal Year 2006 as of March 31, 2006</b>	<b>Grand Total</b>
Net Salaries & Wages	\$ 0.00	\$ 0.00	\$ 0.00	0.00
Workers Compensation	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	65.80	8.00	0.00	73.80
Office Rent	0.00	0.00	0.00	0.00
Telephone Service	892.43	1,083.63	521.40	2,497.46
Postage and Delivery	251.89	10.03	200.00	461.92
Utilities	0.00	0.00	0.00	0.00
Printing & Duplicating	1,047.83	349.86	537.72	1,935.41
Purchase of Service	612.40	285.00	982.50	1,879.90
Office Supplies & Expenses	309.50	87.43	0.00	396.93
Office Equipment - Rental	0.00	0.00	0.00	0.00
Office Equipment - Purchase	0.00	0.00	146.99	146.99
Grants	1,000.00	4,147.18	2,000.00	7,147.18
Petty Cash Reimbursement	0.00	0.00	0.00	0.00
Bank Service Charges	19.00	6.00	0.00	25.00
Other	83.16	25.00	25.00	133.16
<b>Total Disbursements</b>	<b>\$ 4,282.01</b>	<b>\$ 6,002.13</b>	<b>\$ 4,413.61</b>	<b>\$ 14,697.75</b>

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

## **FINDINGS**

### **ANC 4C DID NOT COMPLY 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 4C maintained adequate documentation to support only \$10,435.40, or 71%, of the \$14,697.75 in disbursements made during the audit period. The Auditor's examination of relevant documentation indicated, however, that ANC 4C officers did not establish adequate procedures or practices to ensure that appropriate required financial documentation was obtained and maintained in the ANC's files. As a consequence, disbursements totaling \$4,241.70, or 29%, were not adequately supported by required documentation.

### **ANC 4C'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. Each quarterly report shall include copies of [supporting documents for the] disbursements during the time period covered by the quarterly report.

Although ANC 4C filed all 10 required quarterly financial reports due during the audit period six of 6 the reports were filed more than 100 days after the required due dates. Table III presents more detailed information on the six reports filed late.

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

<b>Year &amp; Quarter</b>	<b>Reported Months</b>	<b>Due Date</b>	<b>Date Received</b>	<b>Report Received</b>
2004 - 1 <sup>st</sup>	10/01/03 through 12/31/03	03/01/04	09/22/04	205 Days Late
2004 - 2 <sup>nd</sup>	01/01/04 through 03/31/04	05/31/04	09/24/04	116 Days Late
2004 - 3 <sup>rd</sup>	04/01/04 through 06/30/04	08/30/04	09/22/05	388 Days Late
2004 - 4 <sup>th</sup>	07/01/04 through 09/30/04	11/29/04	12/27/05	393 Days Late
2005 - 2 <sup>nd</sup>	01/01/05 through 03/31/05	05/30/05	09/22/05	115 Days Late
2006 -1 <sup>st</sup>	10/01/05 through 12/31/05	03/01/06	06/27/06	118 Days Late

Source: ANC 4C quarterly financial reports.

**RECOMMENDATIONS**

1. ANC 4C officers must substantially improve their performance of this responsibility.
2. ANC 4C’s Treasurer prepare and file all future quarterly financial reports in a more timely manner.

**ANC 4C 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 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 4C did not fully comply with D.C. Code Section 1-309.11 (e) (1). As a result, ANC 4C could not fully substantiate: (1) the number of 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 4C's Secretary ensure that minutes are prepared and maintained for all public ANC 4C meetings. Further, before approving the quarterly financial report, ANC 4C'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 4C 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 4C's records revealed that annual fiscal year spending plan budgets were established for fiscal years 2005 and 2006, however, ANC 4C did not establish a spending plan budget for fiscal year 2004.

### **RECOMMENDATIONS**

ANC 4C officers ensure that an annual fiscal year spending plan budget is timely developed and implemented as early as possible for each fiscal year.

## **ANC 4C GRANT DISBURSEMENTS DID NOT COMPLY 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 . . . . A Commission may approve grants only to organizations that are public in nature . . . . An applicant for a grant must submit an application in writing to the Commission . . . . Within 60 days following the issuance of a grant, the grant recipient shall forward to the Commission a statement as to the use of the funds . . . complete with receipts which support the expenditures.

As presented in Table IV, ANC 4C awarded eight grants totaling \$ 7,147.18 during the audit period. The Auditor found that three grantees did not submit a statement as to the use of the grant funds or receipts to support expenditures. Therefore, ANC 4C did not comply with D. C. Code Section 1-309.13 (m). As a result, the Auditor disallowed \$3,000 in grant disbursements and recommended that these funds be deducted from ANC 4C's quarterly allotments.

**Table IV**  
**Advisory Neighborhood Commission 4C**  
**Grants Issued During Fiscal Years 2004 through 2006,**  
**As of March 31, 2006**

<b>Grant Application</b>	<b>Grantee and Grant Purpose</b>	<b>Amount</b>	<b>Grant Approved</b>	<b>Statements of Use and Receipts Submitted</b>
Yes	Upshur, New Hampshire, Taylor, Seventh (U.N.T.S.): To replace damaged planters purchased during a previous ANC beautification project.	\$1,000.00	09/19/04	Yes
Yes	Youth Organization United to Rise (Y.O.U.R): To underwrite the cost of field trips that are planned in conjunction with the organization's Before and After Care Program.	\$1,000.00	03/08/05	No
Yes	Capital Wesleyan Backyard Camp: To purchase craft materials and trips for the "Run To Win Project."	\$1,000.00	05/10/05	No
Yes	U.N.T.S.: To purchase mulch for tree boxes in the Commission area.	\$524.72	05/10/05	Yes
Yes	Sharp Health School: To provide uniforms for organized clubs under the Leisure Education Program.	\$1,000.00	06/14/05	No
No	Merrifield Gardens: Plants for neighborhood beautification project.	\$622.46	06/14/05	Yes
Yes	Believer's in Christ Ministry To teach youth in the Grant Circle Neighborhood how to play musical instruments and read and write music.	\$1,000.00	11/08/05	Yes
Yes	CHIME: To provide intensive integrated music programs during the school day.	\$1,000.00	11/08/05	Yes
	<b>Total</b>	\$7,147.18		

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

## **RECOMMENDATIONS**

1. ANC 4C officers ensure that each grant file contains the original grant request or application; a copy of the minutes of the ANC's meeting at which the grant was presented and approved by the Commission; and each grantee's statement of how grant funds were used, along with receipts which support the expenditures.
2. ANC 4C ensure that grantees are aware of the necessity of providing statements of how grant funds were used, complete with receipts which support the expenditures to ensure that: (1) the disallowance of grant disbursements and recommendation for allotment deductions do not occur; and (2) that grantees fully comply with D.C. Code § 1-309.13 (m) (3).

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

## **ANC 4C's COMPLIANCE WITH INTERNAL CONTROLS REQUIRE SUBSTANTIAL IMPROVEMENT**

In part, ANC 4C's internal controls were found to be inadequate because of the absence of: (1) statements and receipts showing how grantees used grant funds; (2) absence of receipts for other ANC 4C expenditures; (3) a spending plan budget for fiscal year 2004; and (4) the absence of minutes for all ANC public meetings held during the audit period. Minutes are required to substantiate the number of meetings held annually; the approval of expenditures by a majority of the Commissioners at a public meeting; presentation and approval of grant requests at a public meeting;

the adoption of annual fiscal year spending plan budgets; and the approval of quarterly financial reports. Overall, the Auditor found that ANC 4C's internal controls were adequate in other areas as evidenced by, but not limited to, the following:

- ▶ Annual spending plan budgets for fiscal years 2005 and 2006 were prepared, presented, adopted, and implemented;
- ▶ ANC 4C participated in the ANC Security Fund during the audit period; and
- ▶ The phrase "District of Columbia Government" was included in the Commission's account name and on the face of its checks.

### **CONCLUSION**

The Auditor's examination of ANC 4C's books and records revealed that ANC 4C 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 4C disbursed \$14,697.75 and maintained adequate documentation to justify and support only \$10,435.40, or 71%, of total disbursements made during the audit period. Additionally, of the 10 quarterly financial reports due to the Auditor's Office during the audit period, six were filed more than 100 days after the required due date.

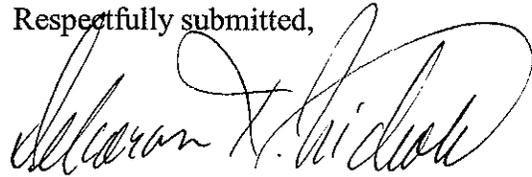
Further, ANC 4C failed to maintain minutes for all public meetings held during the audit period. As a consequence of this deficiency, ANC 4C could not provide evidence that the ANC held the number of public meetings required by the ANC Act.

The Auditor also found that ANC 4C did not prepare one of three required annual fiscal year spending plan budgets during the audit period. The Auditor found that all grants were not supported by required documentation such as grantee statements as to the use of grant funds, along with receipts to support expenditures. As a result of, the Auditor disallowed these grants and recommended that the grant funds be deducted from ANC 4C's future quarterly allotments.

ANC 4C should immediately implement corrective action to address the noted deficiencies and strengthen internal controls and compliance with the ANC Act.

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 4C 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 4C'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