

Written Statement

of

The Hon. Kathy Patterson
D.C. Auditor

Prepared for

The D.C. Council Committee on Housing and Community Development

Performance Oversight Hearing on
The Advisory Neighborhood Commissions

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The John A. Wilson Building
1350 Pennsylvania Avenue N.W.
Washington D.C. 20004

Madame Chairperson, I appreciate this opportunity to share information for the record on the performance of the Advisory Neighborhood Commissions and hope the information is useful to you and your colleagues. I share information from the annual report prepared by the Office of the District of Columbia Auditor (ODCA) on fiscal year (FY) 2014 activities and expenditures by the District of Columbia's 40 Advisory Neighborhood Commissions and some of the preliminary information we have gathered for FY 2015. The FY 2014 report is available in full on our website, dcauditor.org and [here](#).

The full report provides details on the FY 2014 financial activities of the District's 40 ANCs including:

- Total funds maintained by all ANCs as of September 30, 2014;
- FY 2014 Categories of increases and decreases in expenditures;
- Summary of receipts and disbursements, FYs 2005-2014; and
- FY 2014 spending by ward and category.

The total appropriation to ANCs in FY 14 was \$677,688, the same amount allocated in the previous fiscal year. ODCA recommended releasing a total of \$646,569.13 of the \$677,688 for FY 2014 and \$660,205.40 of the \$677,688 for FY 2015. We recommended disallowing a total of \$31,118.87 for FY 2014 for ANC expenditures that did not comply with the ANC rules and regulations and that were unauthorized or lacked proper supporting documentation, and \$17,482.60 was forfeited for FY 2015 due to two ANCs not turning in their required quarterly reports.

ODCA reviews quarterly reports of financial activity submitted by ANCs to determine whether all expenditures are allowable and in accordance with ANC rules and regulations. For example, expenditures for entertainment or services provided by another District agency are not permitted. ODCA also reviews reports to determine whether expenditures are supported with adequate documentation.

Because ANC funds that are not spent do not revert to the general fund, the total funds maintained by all ANCs, as of September 30, 2014, was \$1,845,537.30. Eight ANCs maintained savings and checking accounts during FY14; the remaining 32 maintained only checking accounts.

ODCA does not control the amount that ANCs spend on the various categories of allowable expenditures. FY 2014 ANC expenditures totaled \$605,670, which was a decrease of \$231,117 or 27.62 percent, from FY 2013 expenditures of \$836,788. The largest percentage decreases occurred in the following categories: Insurance – Health, Other, Flyer Distribution, and Local Transportation. The largest percentage increases occurred in the following categories: Office

Equipment-Purchase, Office Equipment – Rental, Telephone Service-Cellular, and Purchase of Service.

The largest single dollar difference between the two fiscal years – a \$255,469 decrease in the “other” category – is a result of the reorganization of ANCs that occurred in FY 2013 following the 2010 census. ANCs 2C, 5A, 5B, 5C and 6C were required to submit all unspent monies to the D.C. Treasurer to fund the newly formed ANCs 5D, 5E and 6E and the restructured ANCs 2C, 5A, 5B, 5C, and 6C.

Another significant dollar difference -- an increase of \$39,049 in the “purchase of service” category – was due primarily to ANCs changing the way in which they compensated staff, changing what had been categorized as “net salaries and wages” into a purchase of service via contract. ANC 3D, for example, reported \$17,400 in expenditures under purchase of service, the majority of which was to compensate office staff.

In FY 2014, individual Commissions reported wide differences in the decisions made in how allotments were spent. A total of 12 ANCs reported paying salaries, ranging up to \$19,000 paid in that category by ANC 6B. As mentioned above, several other ANCs hired and compensated staff, but paid as a purchase of service, and those totals are recorded in that budget line. Fourteen ANCs reported paying rent for office space, ranging from \$75 paid by ANC 1D to \$11,000 paid by ANC 6B.

Fourteen ANCs made grants in 2014 and 2015, while the remaining 26 did not. ANC 1A in 2014 and 3B in 2015 awarded the largest amount of grant dollars, \$12,886 and \$9,949.90, respectively, of their annual allotment.

A majority of ANCs chose not to pay for cell phones, but seven ANCs did support this expenditure in 2014, and nine did in 2015. ANC 8B reported paying just under \$10,000 and ANC 8E paid just over \$10,000 in cell phone costs in 2014.

ANCs are required to file quarterly financial reports with ODCA. During FY 2014, 78 reports were filed on or before the due dates and 82 were filed after the due dates. The following shows the number of days by which ANCs missed the report submission deadline.

Over 120 days.....	4
61 to 120 days.....	12
31 to 60 days.....	21
1 to 30 days.....	45

I am pleased to report somewhat better results in FY 2015, possibly due to implementation of the new quarterly report assistant (QRA) or electronic submission system. For FY 2015, of the 160 quarterly reports due, 124 were submitted on time or within 30 days; 32 were received

late, and only 4 were not submitted. Twenty-two were submitted with complete information and 134 were missing some supporting documentation.

We found in our review of quarterly reports that some ANC's did not comply with recommended internal control procedures. Internal controls are designed to ensure that ANC's operate in a manner that is consistent with ANC rules, regulations and laws, and serve to protect District assets from waste, fraud and abuse. In FY 2014, we found that some ANC's:

- Failed to provide appropriate or sufficient documentation to support expenditures;
- Lacked sufficient separation of duties related to ANC financial operations;
- Failed to ensure grantees submitted documentation to support grant expenditures;
- Failed to maintain minutes for all public ANC meetings memorializing approval of expenditures at a public meeting; and
- Lacked regular reconciliation of ANC checking accounts.

Each year, we continue to find a significant number of ANC's who are not properly reconciling their checking accounts and quarterly reports. As a result, ANC's often report incorrect ending and beginning balances on their quarterly reports. For ANC's to fully achieve their mission and to ensure that ANC's properly and effectively address the needs of residents, ANC's must develop and implement appropriate internal controls. A majority of ANC's made a concerted effort to comply with ANC rules and regulations, Office of the Attorney General opinions, and ODCA's financial management guidelines.

In FY 2014, ODCA representatives continued to attend ANC public meetings, meet face-to-face with Commissioners, and communicate with ANC's through social media. Attending ANC public meetings is part of our effort to help ANC's effectively manage their finances. In addition, attending ANC meetings increases our understanding of the operations of the ANC's. Madame Chairperson, we remain committed to promoting and strengthening the financial accountability of each ANC. The Office of the D.C. Auditor will continue to monitor the compliance of each ANC with rules, regulations, and laws through a review of quarterly financial reports and audits. And we will work with ANC's to strengthen their ability to protect their assets and District resources, and increase accountability and public trust.

Thank you for the opportunity to share this information.