



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
004:06:LB:KM:GK

**Audit of Advisory Neighborhood Commission
8B for Fiscal Years 2003 Through 2005,
as of March 31, 2005**

January 9, 2006



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

Commissioner Jacque Patterson
Chairperson
Advisory Neighborhood Commission 8B
3521 21st Street, SE
Washington, D.C. 20020

Letter Report: Audit of Advisory Neighborhood Commission 8B
for Fiscal Years 2003 Through 2005, as of March 31, 2005

Dear Commissioner Patterson:

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 operations and activities of Advisory Neighborhood Commission (“ANC”) 8B.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 8B’s disbursements complied with the ANC Act, ANC Financial Management Guidelines issued by the Office of the District of Columbia Auditor,² 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.

¹ See the Advisory Neighborhood Commissions Act of 1975 (effective October 10, 1975, D.C. Law 1-21), as amended, by the Comprehensive Advisory Neighborhood Commissions Reform Amendment Act of 2000, effective June 27, 2000, D.C. Law 13-135, D.C. Code § 1-309.13 (d) (2004 Supp.)

² 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. In conducting the audit, the Auditor reviewed all available canceled checks, bank statements, bank signature cards, quarterly financial reports, meeting minutes, receipts and invoices, and other relevant documents.

BACKGROUND

This audit was precipitated by ANC 8B's continued non-compliance with statutory financial reporting requirements. During fiscal years 2003 and 2004, ANC 8B's Treasurer was unavailable to perform the duties and responsibilities of his office, failed or refused to respond to any of the Auditor's correspondence, and failed to return telephone calls the Auditor made to him. Further, the ANC's Chairperson failed on numerous occasions to keep agreed upon appointments with the Auditor regarding overdue quarterly financial reports and missing documentation for previously submitted reports.

On May 2, 2005, the Auditor issued a subpoena to ANC 8B Commissioners for information and documentation previously requested but not provided. On May 12, 2005, the Treasurer and Chairperson met with the Auditor and delivered all ANC records covering the period July 1, 2002 through December 31, 2004, including: the Commission's checkbook and all blank checks; original bank statements; canceled checks; copies of quarterly financial reports; original receipts and invoices; vendor and employee contracts and agreements; grant request letters; grantee statements and receipts regarding the use of grant funds; minutes of public meetings; and other documentation supporting expenditures made by ANC 8B during the stated period. At the meeting, the Chairperson declared that the records brought to the meeting comprised all the available records requested by the Auditor. The Auditor's examination revealed that these records were incomplete and did not support all disbursements made by the ANC.

**STATEMENT OF ANC 8B's CHECKING, SAVINGS, AND PETTY CASH ACCOUNT
BALANCES AS OF MARCH 31, 2005**

Table I presents ANC 8B's checking, savings, and petty cash account balances as of March 31, 2005.

**Table I
ANC 8B's Checking, Savings, and Petty Cash Account Balances
As of March 31, 2005**

Petty Cash	\$ 0.00*
Checking Account	24,670.06
Savings Account	<u>868.71</u>
Actual Cash Balance	\$ 25,538.77

Source: ANC 8B's bank statements as of March 31, 2005.

*ANC 8B did not maintain a petty cash account.

SUMMARY OF ANC 8B'S DISBURSEMENTS DURING FISCAL YEARS 2003 THROUGH 2005, AS OF MARCH 31, 2005

During the audit period, ANC 8B disbursed \$24,974.38. Table II summarizes, by category, ANC 8B's disbursements including bank service charges.

Table II
Summary of ANC 8B's Disbursements:
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
Rent	\$2,005.00	\$0.00	\$0.00	\$ 2,005.00
Grants	17,489.00	0.00	0.00	17,489.00
ANC Security Fund Participation Fee	25.00	25.00	0.00	50.00
Other (Contributions/Donations) *	3,479.55	1,950.83	0.00	5,430.38
Total Disbursements	\$22,998.55	??	\$0.00	\$24,974.38

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

* Funds expended for school supplies that circumvented the grant process.

** ANC 8B's checking account frozen by the Auditor for non-compliance with financial reporting requirements of the ANC Act.

During the audit period, ANC 8B expended its allotments primarily on grants totaling \$17,489, rent totaling \$2,005, and donations totaling \$5,430.38. The \$5,430.38 expended for school supplies and backpacks which Commissioners donated to school students violated the ANC Act. The ANC reported no other significant expenditures during the audit period primarily due to the fact that on November 13, 2003, the Auditor requested Riggs Bank to freeze the ANC's bank account for non-compliance with the financial reporting requirements of the ANC Act.

FINDINGS

ANC 8B DID NOT COMPLY WITH D.C. CODE SECTION 1-309.13(j)(1) BY FAILING TO MAINTAIN DOCUMENTATION TO SUPPORT DISBURSEMENTS

D.C. Code Section 1-309.13 (j) (1) states, in relevant part that:

The treasurer of a Commission shall prepare a quarterly financial report on a form provided by the Auditor...Each quarterly report shall include copies of canceled checks, bank statements, grant request letters and grant disbursements, invoices and receipts...the minutes of all meetings indicating the Commission's approval of disbursements during the time period covered by the quarterly report...

ANC 8B did not comply with D.C. Code Section 1-309.13 (j) (1) and failed to follow the directions contained on the quarterly financial report form itself.³ Ten (10) quarterly reports were due during the audit period; however, ANC 8B submitted only five. The five reports submitted were incomplete for the following reasons: (1) none included the required check listing; (2) copies of only the front of canceled checks were submitted for two of the quarters; (3) supporting documentation for disbursed grants was incomplete; and (4) grant applications and minutes reflecting the Commission's approval of the \$17,489 in grant disbursements were not submitted.

RECOMMENDATION

ANC 8B's Treasurer and Chairperson ensure that: (1) no disbursements are made without the Commissioners' approval being documented in the ANC's minutes; and (2) copies of supporting documentation, as required by D.C. Code Section 1-309.13, are submitted with ANC 8B's quarterly financial reports.

³ The instructions state, "Please list each check issued this quarter, including voided checks, and attach copies of bank statements, back and front of canceled checks, receipts/invoices, contracts, agreements, grant request letters, minutes, and any other pertinent documentation that supports the listed disbursements. **Failure to submit copies of appropriate supporting documentation will result in disallowance of the related disbursement.**"

ANC 8B FAILED TO COMPLY WITH QUARTERLY REPORT FILING DEADLINES UNDER THE ANC ACT

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... 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. Each quarterly 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, 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.

ANC 8B did not submit any of the required quarterly reports on or before the due dates. In fact, most reports were submitted over 120 days past the due date. As of March 31, 2005, three past due reports had not been submitted to the Auditor as required by the ANC Act.

In September 2003, ANC 8B had four overdue quarterly financial reports. As a consequence of its failure to file the past due reports, the ANC was required to relinquish its checkbook to the Auditor and was required to obtain the Auditor's prior approval for all disbursements until it filed all past due quarterly financial reports.

In an apparent attempt to avoid relinquishing its checkbook, ANC 8B's Chairperson submitted incomplete past due reports to the Auditor's Office. Although the Auditor acknowledged receipt of the past due reports, the Chairperson was also informed that the reports contained numerous deficiencies, and were unacceptable for the Auditor's approval. The Auditor further informed ANC 8B that as a result of its chronic non-compliance: (1) all FY 2003 allotments totaling \$18,706.60 would lapse to the General Fund; (2) a freeze would be placed on its checking and savings accounts; and (3) the Auditor would audit the ANC's financial activities and operations. In fact, the Auditor did not recommend the release of ANC 8B's FY 2003 allotments totaling \$18,706.60, which lapsed to the General Fund at the end of FY 2003. Additionally, the Auditor placed a freeze on the ANC's bank accounts. ANC 8B also forfeited all FY 2004 allotments totaling \$18,938.50 because it failed to file the additional quarterly financial reports by September 30, 2004.

RECOMMENDATIONS

1. ANC 8B's current Treasurer prepare and file complete, accurate and timely quarterly financial reports with the Office of the District of Columbia Auditor as required by the ANC Act.
2. ANC 8B's Chairperson and Treasurer promptly respond to all correspondence received from the Auditor's Office, particularly matters regarding supporting documentation required to be submitted with quarterly financial reports and adhere to requests and the statutory requirement to relinquish the Commission's checkbook to the Auditor during periods of longstanding non-compliance.
3. All ANC 8B Commissioners familiarize themselves with quarterly financial report due dates, the ANC Act, in general, and the Auditor's *ANC Financial Management Guidelines* to ensure that the Commission timely files accurate and complete quarterly financial reports so that it does not have to relinquish its checkbook, forfeit its allotments, or have its bank accounts frozen.

ANC 8B FAILED TO HOLD THE REQUIRED NUMBER OF PUBLIC MEETINGS DURING THE AUDIT PERIOD

D.C. Code Sections 1-309.11(b) (1) and (b) (2) state, in relevant part, that:

Each Commission shall meet in public session at regular intervals at least 9 times per year...To the extent possible, each Commission shall, at its first meeting of the calendar year, adopt a schedule of regular Commission meetings for the remainder of the calendar year.

During fiscal years 2003 and 2004, and the first six months of fiscal year 2005, ANC 8B should have held 21 public meetings. The Auditor's review of meeting minutes maintained by ANC 8B revealed that nine meetings were held during fiscal year 2003, three meetings were held during fiscal year 2004, and no meetings were held during the first six months of fiscal year 2005. Thus, the Auditor found that ANC 8B held only 12 of the 21 required public meetings during the audit period, which did not comply with D.C. Code Sections 1-309.11 (b) (1) and (b) (2). Although some ANC 8B officers asserted that more than 12 meetings were held during the audit period, no creditable documentation was provided to support their assertion.

RECOMMENDATION

ANC 8B ensure that it conducts the number of public meetings required by D.C. Code, Section 1-309.11(b)(1) and that meeting minutes are prepared and submitted with all quarterly financial reports filed with the Auditor's Office.

ANC 8B FAILED TO MAINTAIN MINUTES FOR ALL PUBLIC MEETINGS HELD DURING THE AUDIT PERIOD

D.C. Code Section 1-1309.11 (e) (1) states, in relevant part, that: "The Secretary shall ensure that appropriate minutes of Commission meetings are kept..."

During the audit period, ANC 8B should have submitted minutes for all 21 public meetings with its quarterly financial reports. Instead, ANC 8B submitted minutes for only 12 public meetings held during the audit period. As a result of this deficiency, ANC 8B failed to provide written evidence that: (1) at least 9 public meetings were held per year; (2) official action was taken only at public meetings having a quorum; and (3) all expenditures, grants, and quarterly financial reports were voted on and approved by a majority of Commissioners at these meetings.

RECOMMENDATION

ANC 8B's Secretary ensure that minutes are produced and maintained for all public ANC 8B meetings. Further, before approving the quarterly financial report, ANC 8B's Secretary should ensure that each quarterly financial report filed with the Auditor contains copies of minutes for public meetings held during the reported quarter.

ANC 8B FAILED TO ESTABLISH ANNUAL FISCAL YEAR SPENDING PLAN BUDGETS DURING THE AUDIT PERIOD

D.C. Code Section 1-309.10 (n) states:

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 8B's records including minutes revealed that annual fiscal year spending plan budgets were not developed, presented, or adopted by the Commission.

RECOMMENDATION

ANC 8B develop, present and adopt an annual spending plan budget for fiscal year 2006 within 60 days of notification of the amount of the Commission's annual allotment. Also, ANC 8B officers should put into place a mechanism to ensure that an annual fiscal year spending plan budget is timely prepared and adopted each year.

ANC 8B DID NOT COMPLY WITH GRANT AWARD REQUIREMENTS UNDER THE ANC ACT

During the audit period, ANC 8B issued five grants totaling \$17,489. D.C. Code Section 1-309.13 (m) (1) through (3) states the following:

(m)(1) A grant may not be awarded unless the grant is awarded pursuant to a vote of the Commission at a public meeting following the public presentation of the grant request. A Commission may approve grants only to organizations that are public in nature and benefit persons who reside or work within the Commission area. The services provided by the grantee organization must not be duplicative of any that are already performed by the District government.

- (2) An applicant for a grant must submit an application in writing to the Commission. The application shall contain:
 - (A) a description of the proposed project for which the grant is requested;
 - (B) a statement of expected public benefits; and
 - (c) the total cost of the proposed project, including other sources of funding, if any.
- (3) 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 consistent with the grant application, complete with receipts which support the expenditures.

The Auditor's review of ANC 8B's records revealed that:

- only three of the five grantees submitted a written grant application;
- only three of the five grants were approved by Commissioners at a public ANC 8B meeting;
- one of the grantees failed to provide a statement as to the use of the funds, complete with invoices and receipts showing how grant funds were spent; and
- only two of the five grants were awarded for allowable expenditures that served a public purpose.

RECOMMENDATIONS

1. ANC 8B cease awarding grants to grantees that do not adhere to Commission approved grant guidelines and procedures and the ANC Act.
2. ANC 8B officers ensure that: (a) all grant applications are provided to each Commissioner well in advance of a vote; (b) each grant application is approved by a majority of Commissioners in a public meeting at which a quorum is present, and (c) the results of the vote are recorded in the ANC's minutes.

GRANTS FUNDS WERE USED BY TWO GRANTEEES FOR PROHIBITED EXPENDITURES

Grant Funds Disbursed to Love Thy Neighbor Community, Inc. Were Spent on Unallowable Items and Supporting Documentation Was Inadequate

By letter dated November 5, 2002, Love Thy Neighbor Community, Inc. (LTNC) submitted a written request, for a \$2,000 grant to support its Youth Investment Initiative program. ANC 8B Commissioners approved the request. In its accounting of how the grant funds were used, LTNC reported that \$200 was spent on utilities, however, the utility receipts submitted totaled \$979.25, a difference of \$779.25. The Auditor has long held that a grantee's use of ANC funds to pay for operating expenses of an organization is a prohibited expenditure. Further, Section 1 of Article 13 of ANC 8B's bylaws state: "Grants may not be used for the general support of an organization; e.g. for an organization's rent; utilities; maintenance; or the general upkeep of a building." [Emphasis Added]

In addition to these unallowable expenditures, the Auditor found that LTNC's supporting documentation contained the following discrepancies: (1) a receipt totaling \$401.09 which contained no description of goods or services purchased from American Cash Express; (2) six receipts totaling \$74.30 to unidentified vendors with no description of the items purchased; (3) no receipts were provided to support the expenditure of \$300 for a trip reported by the grantee; and (4) no receipts were provided to support \$500 in claimed purchases of school supplies. Further, documentation submitted to support a \$500 expenditure LTNC claimed to have spent for a Christmas party was a prohibited expense in that ANCs are not allowed, directly or indirectly, to expend public funds for food and entertainment. If receipts and other supporting documentation had been provided by the grantee for school supplies, it would have been the only allowable expenditure of the \$2,000 grant.

RECOMMENDATIONS

1. The Associate Chief Financial Officer of the Office of Finance and Resource Management deduct \$2,000 from ANC 8B's future quarterly allotments.
2. ANC 8B ensure that prospective grantees are informed of the prohibited uses of ANC grant funds.
3. ANC 8B should never approve a grant request that is not accompanied by a detailed budget which states how the requested ANC grant funds will be spent.
4. In the future, ANC 8B's Treasurer verify and ensure that receipts submitted by grantees: (a) support the purpose and total grant amount; (b) match expenditures reported by the grantee; and (c) support only allowable expenditures.
5. The ANC's grant to LTNC and the apparent misuse of these grant funds should be investigated further by the Office of the Inspector General. The Auditor will immediately make this referral.

ANC 8B Issued a Grant for \$1,288 To Transport Senior Citizens to a Fair and Baseball Game in Bowie, Maryland

By letter dated March 11, 2003, a Community Relations Coordinator for the District of Columbia Housing Authority (DCHA), Anacostia Region, requested that ANC 8B provide financial support to transport a group of senior citizens to a Senior Recreation Fair and Baysox Baseball game

in Bowie, Maryland. The request included the following budget: (1) \$14 per senior (includes boxed lunch, baseball game, bingo, Barbershop Quartet Performance, arts and crafts), and (2) one 52-passenger bus. ANC 8B approved this disbursement as a grant, and issued two checks for \$728 and \$500 to Bowie Baysox Baseball Club and Morgan Bus Tours, respectively. The total cost of the activity was \$1,288.

D.C. Code Section 1-309.13 (l) (1) allows food (nominal refreshments) to be served at ANC public meetings only. Also, a May 26, 1994 Office of the Corporation Counsel opinion determined that food and entertainment were not permissible purposes for which an ANC can expend public funds either directly or through a grant. By letter dated August 16, 1994, the Auditor informed all ANCs of this opinion which concluded that the expenditure of ANC funds for food and entertainment, such as block parties, festivals, and similar activities, was prohibited and that the Auditor would recommend disallowance of such expenditures. Further, D.C. Code Section 1-309.13 (l) (2) prohibits the use of ANC funds for travel outside of the Washington metropolitan area. Therefore, using ANC funds for this activity did not comply with the ANC Act.

RECOMMENDATIONS

1. ANC 8B Commissioners ensure that all grants awarded by ANC 8B meet the public purpose and other requirements of D.C. Code Section 1-309.13 (m), as well as opinions issued by the Office of the Attorney General including the opinion prohibiting the use of ANC funds to purchase food and entertainment. In addition, ANC Commissioners should ensure that grantees are aware of the restrictions and prohibitions placed on the use of ANC grant funds as set forth in the ANC Act and interpreted by the Office of the Attorney General.
2. The Associate Chief Financial Officer for the Office of Finance and Resource Management deduct \$1,288 from ANC 8B's next quarterly allotments.

ANC 8B DID NOT COMPLY WITH THE GRANT PROVISIONS SET FORTH IN D.C. CODE SECTION 1-309.13 (l) (1) IN DISBURSING \$5,427.38 FOR SCHOOL SUPPLIES, BACKPACKS, AND ATHLETIC AWARDS

D.C. Code Section 1-309.13 (l) (1), states in relevant part that: "A Commission shall expend funds received through the annual allocation...for public purposes within the Commission area or for the functioning of the Commission office...Expenditures may be in the form of grants by the

Commission for public purposes within the Commission area...” [Auditor Emphasis] There is no provision in the ANC Act that authorizes a Commission to make contributions or donations.

The Auditor found that seven (7) disbursements were not approved by ANC 8B Commissioners, and were not supported by a written grant application, and could not be found in minutes reflecting approval by a majority of Commissioners in a public meeting at which a quorum was present. Five of the seven disbursements were made directly to vendors rather than grantees. Disbursements made directly to vendors as well as the absence of grant applications indicated that the Commission purchased school supplies and distributed them to recipients, thus constituting a contribution or donation from the ANC which is not authorized by the ANC Act. Receipts were provided for six of the seven disbursements, however, ANC 8B’s records did not contain any additional documentation indicating that the disbursements were grant awards. In the absence of a grant application in addition to other relevant evidence, the Auditor found that these disbursements were contributions or donations not permitted by the ANC Act.

RECOMMENDATIONS

1. The Associate Chief Financial Officer of the Office of Finance and Resource Management deduct \$5,427.38 from ANC 8B’s future quarterly allotments.
2. ANC 8B comply with D.C. Code Sections 1-309.13 (m) (1) through (4) in considering and awarding grants.
3. ANC 8B cease making contributions and donations in that neither is authorized by the ANC Act.

ANC 8B DID NOT INCLUDE THE PHRASE “DISTRICT OF COLUMBIA GOVERNMENT” IN ITS BANK ACCOUNT NAME AS OF MARCH 31, 2005

D.C. Code Section 1-309.13 (b) (2), states, in relevant part, that:

“Each Commission shall...include the phrase *‘District of Columbia Government’* in each account name within *90 days after June 27, 2000.*” [Emphasis Added]

The Auditor found that ANC 8B failed to comply with D.C. Code Section 1-309.13(b)(2), which requires all ANCs to include the phrase "District of Columbia Government" in each ANC bank account name that it maintains or establishes. ANC 8B was cited by the Office of the Auditor in a February 19, 2002, audit report for failing to comply with this statutory requirement. Over the past three years, the ANC has not taken any action to correct this important instance of non-compliance. The consequence of non-compliance with this requirement is that public funds deposited into such accounts may be beyond the control of the District government.

RECOMMENDATION

ANC 8B's Chairperson and Treasurer immediately, within 30 days from the date of this report, ensure that the phrase "District of Columbia Government" is included in ANC 8B's checking and savings (bank) account name. The ANC's failure to comply with this recommendation within the time-frame set forth above will result in the disallowance of all funds disbursed from non-compliant bank accounts until they are brought into compliance with the ANC Act.

ANC 8B PARTICIPATED IN THE ANC SECURITY FUND ONLY IN CALENDAR YEAR 2003

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 8B participated in the ANC Security Fund only in calendar year 2003. Further, ANC 8B's Treasurer and Chairperson did not obtain a cash or surety bond for calendar years 2004 and 2005, and the ANC did not participate in the ANC Security Fund. This was due, in part, to the fact that the ANC's bank accounts were frozen in November 2003 for failure to file three or more quarterly financial reports. The accounts remained frozen as of March 31, 2005.

ANC 8B'S CHAIRPERSON AND TREASURER ISSUED A \$2,100 CHECK WHICH WAS DISHONORED BY THE BANK BECAUSE THE COMMISSION'S CHECKING ACCOUNT WAS FROZEN

ANC 8B's Chairperson and Treasurer were informed by letter dated January 23, 2004, that a freeze had been placed on the ANC's bank accounts for failure to comply with quarterly financial reporting requirements. Despite the freeze, ANC 8B's Treasurer and Chairperson improperly issued check number 1034 for \$2,100 on May 7, 2004, to Langston Boys and Girls Club (LBGC) on behalf of Woodlawn Terrace Resident Council, a grantee of the ANC.

The purpose of the grant was to "help defray the cost for fifteen (15) youths to enable them to play golf and learn valuable life skills training." In anticipation of receiving the grant funds, LBGC ordered and paid for necessary supplies and equipment after the Commission approved the grant but prior to receiving the grant check. The check issued to LBGC was dishonored by the bank. Issuing a check to a grantee during a period when the ANC's Treasurer and Chairperson knew or should have known that the ANC's accounts were frozen was irresponsible and an example of the exercise of poor judgement on the part of these public officials. The Chairperson and Treasurer's inappropriate action in this case resulted in financial loss to LBGC and tarnished ANC 8B's integrity.

RECOMMENDATION

When the freeze has been removed from ANC 8B's bank account, the Commission approve the issuance of a new check to the Langston Boys and Girls Club for \$2,100 plus any bank service charges incurred by the recipient as a result of the bounced check.

ANC 8B'S TREASURER ISSUED A CHECK FOR \$727.64 WITH ONLY ONE SIGNATURE

To ensure proper control over funds, the ANC Act requires that at least two officers of the Commission sign all ANC checks for expenditures authorized by a majority of Commissioners in a public meeting. Specifically, D.C. Code Section 1-309.13 (f) states, in relevant part, that: "Any expenditure made by check shall be signed by at least 2 officers of the Commission, one of whom shall be the treasurer or Chairperson."

The Auditor found that during the audit period ANC 8B's Treasurer issued a check for \$727.64 with only one signature even though the Treasurer knew or should have known that the ANC Act requires two signatures. Check number 1019, dated December 14, 2002, was made payable to ASI to purchase 100 backpacks for students.

RECOMMENDATION

ANC 8B's officers, particularly the Chairperson and Treasurer, must ensure compliance with D.C. Code Section 1-309.13 (f) by ensuring that all ANC checks contain two signatures, one of which must be that of the Commission's Treasurer or Chairperson. Any future checks issued by the Treasurer, Chairperson, or any other Commissioner with only one signature will be deducted from the ANC's next quarterly allotment.

CONCLUSION

The Auditor's examination revealed that ANC 8B failed to substantially comply 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 2003 through 2005, as of March 31, 2005, ANC 8B failed to maintain adequate documentation to justify and support \$17,319, or 69%, of total disbursements.

ANC 8B submitted only five of 10 quarterly financial reports due during the audit period. The five reports submitted were incomplete in that: (1) they did not include the required check listing; (2) copies of only the front of canceled checks were submitted for two of the quarters; and (3) supporting documentation was incomplete. Further, all 10 quarterly financial reports were filed late, in most cases, over 120 days past their deadline.

ANC 8B held only 12 of 21 public meetings that should have been conducted during the audit period. ANC 8B officers could did not provide documentary evidence that more than 12 of the required 21 public meetings were held.

The Auditor found that ANC 8B failed to develop, present, and adopt annual fiscal year spending plan budgets during the audit period. The Auditor recommends that ANC 8B develop an annual spending plan budget for the current fiscal year and implement a process to ensure that a spending plan budget is prepared for each fiscal year.

Also, ANC 8B did not comply with grant award procedures and requirements under the ANC Act. The Auditor found that seven (7) disbursements (described by the ANC as grants) were not approved by ANC 8B Commissioners; were not supported by a written grant application; and minutes did not reflect approval by a majority of Commissioners. Deficiencies and violations of the ANC Act also included: failure to ensure that grantees submitted statements setting forth the use of grant funds, complete with receipts; the ANC making donations which the ANC Act does not authorize; and a grantee using \$3,288 in grant funds to pay for utility bills, unspecified purchases, food, and entertainment.

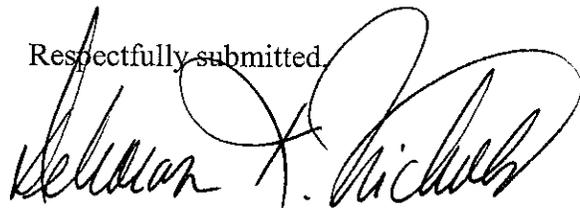
ANC 8B failed to comply with D.C. Code Section 1-309.13(b)(2), which requires all ANCs to include the phrase "District of Columbia Government" in each ANC bank account name that it maintains or establishes. In a February 19, 2002, audit report, the Auditor cited ANC 8B for non-compliance with the same statutory requirement.

As a consequence of ANC 8B's chronic non-compliance with the ANC Act, particularly the quarterly financial reporting requirements: (1) all of its FY 2003 allotments totaling \$18,706.60 lapsed to the General Fund; (2) a freeze was placed on its checking and savings accounts; and (3) all of its FY 2004 allotments totaling \$18,938.50 also lapsed to the General Fund.

In summary, ANC 8B must make substantial improvements in its financial operations in order to achieve satisfactory compliance with the ANC Act. Further, the ANC's internal control environment and internal controls must be strengthened and strictly adhered to in order to ensure that the ANC's assets are properly used and safeguarded.

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 8B 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 8B'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 over the typed name below.

Deborah K. Nichols
District of Columbia Auditor