



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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District of Columbia Auditor
009:02:DKN:VJ:VII

February 19, 2002

**Audit of Advisory Neighborhood Commission 8B
for Fiscal Years 1999 Through 2001 (10/01/98 Through 09/30/01)**



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Mr. Jacque Patterson, Chairperson
Advisory Neighborhood Commission 8B
1809 Savannah Street, S.E.
Washington, D.C. 20020

Letter Report: Audit of Advisory Neighborhood
Commission 8B for Fiscal Years 1999 Through 2001
(10/01/98 Through 09/30/01)

Dear Commissioner Patterson:

Pursuant to D. C. Code, Section 1-309.13(d)(2), as amended, the District of Columbia Auditor conducted an audit of the financial activities and operations of Advisory Neighborhood Commission (ANC) 8B.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether ANC 8B's:

1. disbursements and financial operations complied with the Advisory Neighborhood Commissions Act of 1975 (ANC law), as amended, Advisory Neighborhood Commission Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Corporation Counsel; and
2. internal controls were adequate to produce reliable financial information and ensure that its assets were properly safeguarded.

The audit covered fiscal years 1999 through 2001 (October 1, 1998 through September 30, 2001). The Auditor examined ANC 8B's available canceled checks, bank statements, receipts, invoices, quarterly financial reports, minutes of meetings, and other relevant documents that supported the ANC's disbursements and related financial activities for the audit period. The Auditor interviewed ANC 8B's former chairperson, treasurer, secretary, and other Commissioners.

FINDINGS

OFFICE OF THE CHIEF FINANCIAL OFFICERS' OFFICE OF FINANCIAL OPERATIONS AND SYSTEMS (OFOS) APPEARS TO HAVE IMPROPERLY PAID ANC 8B's FISCAL YEAR 2000 FIRST AND SECOND QUARTER ALLOTMENTS TWICE

It appears that the Office of the Chief Financial Officer's Office of Financial Operations and Systems improperly paid ANC 8B its fiscal year 2000 first and second quarter allotments twice. According to D.C. Code, Section 1-309.13(j)(2), no quarterly allotment shall be forwarded to a Commission until all reports of financial activity for the quarters preceding the immediate previous quarter are approved by the Auditor. The Auditor reviewed the appropriate quarterly reports that would trigger the release of ANC 8B's fiscal year 2000 first and second quarter allotments, and on January 10, 2000, recommended, in writing, the release of these funds to ANC 8B.¹ Each quarterly allotment totaled \$3,635.54 for a total of \$7,271.08.

The Auditor observed that a deposit totaling \$7,271.08 was made to ANC 8B's checking account on February 9, 2000. Then, on June 15, 2000, another deposit totaling \$7,271.08 was made to ANC 8B's checking account. According to officials in OFOS, the deposit on June 15, 2000, represented ANC 8B's fiscal year 2000 first and second quarter allotments. If this is the case, an unusual delay of five months occurred between the January 10, 2000, recommendation to release these funds and the June 15, 2000, transfer of these funds to ANC 8B's checking account. Further, there would have been no basis for OFOS to deposit \$7,271.08 to the ANC's account on February 9, 2000. Moreover, OFOS officials could not provide a valid explanation or relevant documentation concerning the basis for the \$7,271.08 deposit made to ANC 8B's checking account on February 9, 2000.

RECOMMENDATIONS

1. The Deputy Chief Financial Officer for the Office of Financial Operations and Systems must immediately investigate the \$7,271.08 deposited into ANC 8B's checking account on February 9, 2000 and promptly report its findings to the Office of the District of Columbia Auditor. If OFOS finds that the \$7,271.08 payment was a duplicate allotment, ANC 8B must immediately repay the money to the District Treasury.

¹The Auditor reviewed the appropriate quarterly reports which triggered the release of ANC 8B's fiscal year 2000 third and fourth quarter allotments. The Auditor's letter recommending the release of the fiscal year 2000 third quarter allotment was dated April 11, 2000, and the allotment was deposited into ANC 8B's checking account on May 19, 2000. The Auditor's letter recommending the release of ANC 8B's fiscal year 2000 fourth quarter allotment was dated April 4, 2001, and the allotment was deposited into ANC 8B's checking account on April 30, 2001.

2. The Deputy Chief Financial Officer for the Office of Financial Operations and Systems must institute an effective process which ensures that duplicate payments are never made to any ANC, and that an accounting of all payments made to ANCs is conducted at least quarterly and reconciled to written allotment release recommendations provided by the District of Columbia Auditor.

QUESTIONABLE CHECKS TOTALING \$8,700 WERE WRITTEN FROM ANC 8B'S CHECKING ACCOUNT DURING FISCAL YEAR 2001

Four questionable checks totaling \$8,700 were written on ANC 8B's checking account during November 2000, the first quarter of fiscal year 2001. The minutes of ANC 8B's public meetings did not reflect the Commissioners' approval of any disbursements to the payee named on the checks. Attempts by the Auditor to contact the payee, Joanne Barker, were not successful. The purpose for the disbursements was not written on the checks.

In violation of D.C. Code, Section 1-309.13(f), which requires each ANC check to be signed by two officers of the ANC, each of these checks was signed by only one individual. Although it was unclear who actually signed the four checks, the name signed on three of the checks appeared to be that of ANC 8B's then-treasurer. The name signed on the fourth check appeared to be that of ANC 8B's then-chairperson. Both of these individuals denied signing any of the checks and indicated that their signatures had been forged. They further stated that they were unaware that the checks had been written until they were informed by bank officials.

TABLE I
Advisory Neighborhood Commission 8B:
Questionable Disbursements

Check #	Date	Amount	Payee	Names Appearing as Signatory
2780	11/21/00	\$2,500	Joanne Barker	Hope B. Etienne
2785	11/21/00	\$1,200	Joanne Barker	James Shelton
2786	11/21/00	\$2,500	Joanne Barker	James Shelton
2793	11/29/00	\$2,500	JoAnne Barker	James Shelton
Total		\$8,700		

Source: Copies of cancelled checks obtained directly from ANC 8B's bank

The \$8,700 were written on checks that did not appear to have come from checks used by ANC 8B in November 2000. Check numbers on the four checks were out of sequence with other checks issued by ANC 8B in November 2000. Also, the appearance of the checks substantially differed from checks used by ANC 8B during this period. For example, ANC 8B's checks had a design in the left corner while the four checks listed in Table I did not. However, the checks in

question accurately reflected the name, address, checking account number, and telephone number of ANC 8B. ANC 8B officers could not explain the origin of these checks or how the ANC's account number was obtained.

A review of the ANC's bank statements, copies of the cancelled checks, and interviews with bank officials indicated that two of the four checks (numbered 2780 and 2786) totaling \$5,000 did not clear the ANC's account and were returned unpaid. It appears that the checks were cashed at businesses rather than the bank, however, when the checks were presented to the ANC's bank for payment, the bank dishonored and returned the checks unpaid.

It appears that only two checks, totaling \$3,700, were actually paid from ANC 8B's checking account. Check numbers 2793 and 2785 for \$2,500 and \$1,200 respectively were disbursed from ANC 8B's checking account. It further appears that the \$1,200 may have been repaid in that \$1,200 in cash was deposited into ANC 8B's account on December 1, 2000 by an unidentified source. The Auditor was unable to determine who made the \$1,200 deposit or the source of the funds deposited. ANC 8B's then-chairperson and treasurer both stated that they did not make the \$1,200 deposit and were unaware of who made the deposit and why.

In December 2000, ANC 8B officers closed the checking account from which the four checks were written. A new account was opened and the balance in the old checking account was transferred to the new account.

The Auditor notes that in September 1999, questionable disbursements totaling \$2,500 were also made from ANC 8B's checking account. These disbursements were discussed in the Auditor's report dated May 25, 2000, entitled "Auditor's Review of Unauthorized Disbursements From ANC 8B's Checking Account." The Auditor's review indicated that the funds were misappropriated and recommended that the Office of the Inspector General investigate the events related to these disbursements. The Auditor notes that on March 17, 2001, ANC 8B's bank reimbursed the \$2,500 to the ANC's checking account. The Auditor has also referred the matter pertaining to the \$8,700 in fraudulent checks written on ANC 8B's account to the Office of the Inspector General for further investigation.

RECOMMENDATIONS

1. Advisory Neighborhood Commission 8B officers must request its bank to reimburse ANC 8B for the remaining \$2,500 of the \$3,700 misappropriated from the ANC's checking account.
2. The Office of the Inspector General must conduct a thorough investigation into the circumstances surrounding the \$8,700 in checks written on ANC 8B's checking

account, which includes the improper disbursement of \$3,700 from the ANC's checking account, identify the individual or individuals responsible for these criminal acts, and hold them accountable to the fullest extent of the law. A written report of the Office of the Inspector General's investigation of this matter should be promptly provided to the Council of the District of Columbia and the Office of the District of Columbia Auditor.

ANC 8B FAILED TO FULLY COMPLY WITH THE ANC LAW AND FINANCIAL MANAGEMENT GUIDELINES ISSUED BY THE OFFICE OF THE D.C. AUDITOR

The Auditor found that ANC 8B officers did not fully comply with the requirements of the Advisory Neighborhood Commissions Act of 1975, as amended, or the Advisory Neighborhood Commission Financial Management Guidelines issued by the Office of the District of Columbia Auditor.

The Phrase "District of Columbia Government" Was Not Included in ANC 8B's Checking Account Name

D.C. Code, Section 1-309.13, as amended, requires that the phrase "District of Columbia Government" be included in each account name and on the face of all ANC checks. The Auditor found that ANC 8B officers partially complied with this statutory requirement by having the phrase printed on the face of the ANC's checks when they opened the ANC's new account in calendar year 2001, but failed to include the phrase in the account name. As a consequence, public funds deposited in this account are beyond the reach of the District government. Therefore, the District of Columbia Auditor will not recommend the release of any funds to ANC 8B until it fully complies with D.C. Code, Section 1-309.13.

ANC 8B Did Not Have a District of Columbia Tax Identification Number

D.C. Code, Section 1-309.13(b)(2), as amended, states that each Commission shall request a District of Columbia tax identification number. The Auditor found that ANC 8B's officers had not obtained a District of Columbia tax identification number.

ANC 8B Officers Did Not Immediately Notify its Bank When One or More Authorized Check Signers Changed

D.C. Code, Section 1-309.13(f), as amended, states in relevant part, the following:

...The depository in which the Commission maintains a checking account shall be immediately notified of any change in Commission officers.

ANC Financial Management Guidelines issued by the Office of the District of Columbia Auditor also state the following:

...The bank should be notified immediately when an authorized check signer resigns or leaves the ANC for any reason.

ANC 8B officers failed to comply with these provisions in that the name of a former ANC 8B chairperson remained on the signature card for the ANC's checking account even though this individual resigned from the ANC in October 1997. The former chairperson had not been an ANC 8B commissioner at any time during the three-year audit period, nevertheless, her name remained on the signature card until ANC 8B officers opened a new account and signed new cards on January 26, 2001, after the theft of \$2,500 and the attempted theft of \$8,700 from the ANC's checking account. Between October 1997 and January 2001, this individual may have been able to improperly obtain funds or other information regarding ANC 8B's bank account without the knowledge or consent of the Commission. According to bank records, prior to the January 2001 update, the signature cards had not been updated since January 23, 1997. Allowing the name of an individual who was no longer a commissioner to remain an authorized check signer on the account constituted gross negligence on the part of Commissioners who served as chairpersons and treasurers between October 1997 and December 2000. This failure placed the ANC's funds at substantial risk of theft.

Bank Statements Were Not Reconciled Each Month and Reconciliations That Were Completed Were Not Reconciled Properly

Financial Management Guidelines issued by the Office of the D.C. Auditor state that the Treasurer should reconcile the bank statement to the checkbook within 15 days of receipt of the bank statement. Further, the bank statement and bank reconciliation should be reviewed by the Chairperson or Vice-Chairperson of the ANC, who should indicate their review by initialing the bank reconciliation and bank statement.

The Auditor found that ANC 8B did not comply with these guidelines in that reconciliations were prepared for only 11, or 31%, of the 36 months of the audit period. Reconciliations were prepared for January through March 2000, and May through December 2000. Bank reconciliations were not prepared for October 1998 through December 1999, April 2000, and January through September 2001.

The Auditor also found that completed reconciliation balances were not properly recorded in ANC 8B's checkbook. For six of the months, there was no balance written in the checkbook to which the balance on the bank statement could have been reconciled. Without a written checkbook balance it would be impossible to ensure the accuracy of the reconciliation. For the remaining five months, the balance to which the bank statements were reconciled did not agree with the balance recorded in the

checkbook. Because the account was not reconciled properly, ANC 8B officers were not aware of the actual balance in the account. Additionally, errors that may have been made by the ANC's treasurer or the bank would not be detected and corrected. The Auditor also found that some deposits reflected on ANC 8B's bank statements were not recorded in its checkbook. All deposits, as well as any reconciling items, should be properly recorded in the checkbook.

Further, for the 11 reconciliations completed, it did not appear that the chairperson or vice-chairperson reviewed the reconciliations, as required by the Auditor's guidelines. There were no initials on the reconciliations or bank statements by any ANC 8B officers which indicated that a review had been conducted.

Minutes of ANC 8B's Meetings Did Not Reflect the Approval of All Expenditures

D.C. Code, Section 1-309.13(f), states, in relevant part, that: "... No expenditure of any amount shall be made without the specific authorization of the Commission . . ."

Further, the ANC Financial Management Guidelines issued by the Office of the D.C. Auditor state the following:

No expenditure of any amount may be made unless authorized by the ANC in a public meeting, either specifically or as a general budget item adopted and recorded in the minutes of an ANC meeting.

The officers of ANC 8B did not fully comply with the ANC law and Financial Management Guidelines. A review of ANC 8B's bank statements and checkbook revealed that, during the audit period, ANC 8B disbursed a total of \$8,364.98 (excluding the questionable \$8,700 discussed above). Of the \$8,364.98 disbursed, \$7,864.98 was not specifically authorized or approved as a general budget item by a majority of ANC 8B Commissioners in a public meeting. Only the \$500 grant was approved by the ANC 8B Commissioners. Table II below presents a summary, by category, of all disbursements made by ANC 8B during the audit period.

TABLE II
ANC 8B Disbursements
October 1, 1998 through September 30, 2001

Category	Disbursement
Rent	\$6,867.00
Bonding fees	269.00
Grant	500.00
Postage/box rental	101.00
Petty Cash	115.00
Newsletter	80.00
Reproduction	348.21
Bank Fees	84.77
Total	\$8,364.98

Source: ANC 8B's checkbook and bank statements.

Disbursements for rent and other ongoing operating expenses could have been approved in an annual budget, thus eliminating the need for the ANC to approve these expenditures on a monthly basis. Additionally, in March 2000, ANC 8B's monthly rent payments increased from \$250 to \$253, however, none of the minutes of ANC 8B's meetings reviewed by the audit team reflected the ANC's approval of the increase.

ANC 8B Did Not Maintain Documentation for All Disbursements

ANC 8B's Treasurer did not maintain documentation to support all disbursements made by the ANC. For example, the Treasurer could not provide the Auditor with a lease agreement signed by authorized ANC officers to support the \$6,867 disbursed for office rent during the audit period. Of the remaining \$1,497.98 disbursed, the ANC's Treasurer provided receipts for \$1,030.98, or 69%, of the disbursements, however, the Treasurer was unable to provide documentation for the balance of \$467, or 31%, of disbursements. Including payments for rent, the ANC was unable to provide adequate supporting documentation for \$7,334, or 88%, of total disbursements made during the audit period.

RECOMMENDATIONS

1. ANC 8B officers must immediately obtain a District of Columbia tax identification number.
2. ANC 8B officers must immediately direct the ANC's bank to include the phrase "District of Columbia Government" in its bank account name. The Auditor will verify compliance with this recommendation within 30 days of the date of this report. Until the ANC complies with this recommendation, the Auditor will not recommend the release of any further allotments to ANC 8B.

3. In the future, if authorized check signers resign, leave the ANC for any reason, or cease to qualify as authorized check signers, ANC 8B's chairperson and treasurer must immediately notify the ANC's bank and remove the names of these Commissioners as authorized signers on the ANC's account(s).
4. ANC 8B's treasurer or financial secretary must reconcile the ANC's bank statement to its checkbook balance monthly. All deposits and any reconciling items must be properly recorded in the checkbook. If the responsible officers do not know how to conduct a reconciliation, they may contact the Office of the D.C. Auditor for guidance.
5. ANC 8B's chairperson or vice-chairperson must review each reconciliation and initial the reconciliation to reflect that a review has been conducted. The Auditor will periodically verify whether this recommendation is followed by these officers.
6. A majority of ANC 8B Commissioners must approve all disbursements in a public meeting prior to the disbursement of any ANC funds or, for ongoing operating expenses only, as a general budget item.
7. ANC 8B officers must ensure that receipts, invoices and other documentation are maintained in the ANC's files for at least five years to justify and support all ANC 8B disbursements.
8. Unless the \$7,864.98 in unauthorized expenditures discussed above are properly approved by the Commission within 60 days of this report, and supporting documentation is provided for the Auditor's review, they will be deducted from the ANC's future quarterly allotments.

ANC 8B OFFICERS MUST SECURE THE ANC'S ASSETS

ANC 8B officers must establish adequate security measures to ensure that the ANC's assets are properly safeguarded. Minutes of the ANC's meeting dated March 21, 2000, indicated that the ANC office was broken into and the copier/fax machine was stolen. According to an ANC 8B Commissioner, the locks on the door did not appear to be broken. It is uncertain how entrance to the office was gained other than with a key or the office door was left unlocked. According to the ANC's former chairperson, the theft was reported to the Metropolitan Police Department (MPD), however, a copy of the report could not be provided by the ANC's officers for the Auditor's review. The MPD also could not provide a copy of the report for the Auditor's review because ANC 8B officers could not provide sufficient information, such as the date of the break-in, which would enable the MPD to locate the report.

D.C. Code, Section 1-309.13(l)(1), currently permits ANC's to purchase property liability insurance with ANC funds. ANC 8B should obtain such insurance for its office equipment. In the absence of property liability insurance, the cost to replace equipment stolen in any future thefts from the ANC will be deducted from the ANC's quarterly allotment.

RECOMMENDATIONS

1. ANC 8B Commissioners must, secure all of ANC 8B's property in a locked safe or other appropriate place to ensure that its assets are properly safeguarded. Keys must be collected from former staff and Commissioners and locks must be changed as appropriate.
2. ANC 8B Commissioners obtain property liability insurance sufficient to cover the value of the ANC's office equipment. Failure to promptly comply with this request will result in the deduction of the cost to replace equipment stolen in the future from the ANC.

\$500 GRANT AWARD DID NOT MEET PUBLIC PURPOSE REQUIREMENT

A \$500 grant to Never Say Never, Inc. did not meet the public purpose requirement of D.C. Code, Section 1-309.13(m)(1), which states that a grant approved by a Commission shall provide a benefit that is public in nature and that benefits persons who reside or work within the Commission area. Also, ANC funds cannot be used for entertainment purposes. In a letter dated August 16, 1994, the D.C. Auditor informed all ANC's that expending monies for block parties, festivals, and similar activities was prohibited by law and that the Auditor would recommend disallowance of all disbursements for food and entertainment purposes. Based on a letter from the grantee, the \$500 grant awarded by ANC 8B to Never Say Never, Inc. was used to support activities for an annual community day.

On June 16, 1999, a written request from the President/Founder of Never Say Never, Inc. to the then treasurer of ANC 8B indicated that the organization was planning its "10th Annual Community Day program that will include face painting, clown acts, music, moon bounce, free food, and a [sic] educational play." The letter further requested \$500 to help purchase drug prevention supplies such as tee shirts, hats, aprons, and awards. A review of receipts submitted by the grantee in support of the grant indicated that the funds were used to help purchase the following items: 1) \$240 for the purchase of a plaque; 2) \$168 for a banner; 3) \$40.20 to purchase tote bags; and 4) \$73.50 to put an imprint on the bags. The purchase of these items did not meet the public purpose requirement of the ANC law.

The Auditor also found that ANC 8B Commissioners did not comply with all the requirements of the ANC law before awarding the grant to Never Say Never, Inc. The grant provisions of the ANC law in effect at that time required each ANC to adopt guidelines for the consideration of grants. Such guidelines were to include a provision requiring the proposed grantee to present the request at a public meeting of the Commission. Although the grant was approved by the ANC at its meeting in June 1999, the Auditor found that ANC 8B had not adopted guidelines for awarding grants. Further, minutes of ANC 8B's meetings did not reflect that the grantee presented the grant request at a public meeting.

RECOMMENDATIONS

1. ANC 8B Commissioners must ensure that all grants awarded by the ANC meet the public purpose and other criteria. ANC 8B Commissioners must ensure that funds are expended for a public purpose consistent with the prohibition against the use of ANC funds to purchase food, entertainment, and related items directly or indirectly.
2. The Chief Financial Officer deduct \$500 from ANC 8B's future quarterly allotment as a disallowed expenditure.

CONCLUSION

The Auditor found that ANC 8B did not substantially comply with the ANC law and Financial Management Guidelines issued by the Office of the District of Columbia Auditor in disbursing ANC funds, in properly managing the ANC's overall financial operations, and safeguarding its assets.

ANC 8B officers did not notify its bank in a timely manner of changes in authorized check signers and failed to update its signature card to reflect current authorized check signers.

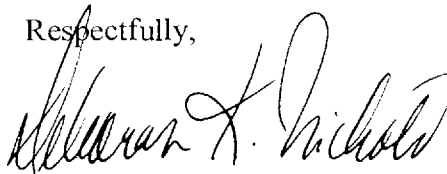
ANC 8B's bank account did not contain the phrase "District of Columbia Government" as required by D.C. Code, Section 1-309.13(b)(2). As a consequence, the District of Columbia Auditor will not recommend the release of any funds to ANC 8B until it fully complies with D.C. Code, Section 1-309.13. Further, ANC 8B officers had not applied for and received a District of Columbia tax identification number as required by the ANC law.

Bank reconciliations for ANC 8B's checking account had not been consistently prepared during the audit period and the few reconciliations that had been prepared were not done properly. Additionally, there was no evidence that the ANC's vice chairperson or chairperson had reviewed the few reconciliations prepared by the ANC's treasurer.

The minutes of ANC 8B's meetings did not reflect the approval of all disbursements by a majority of ANC 8B Commissioners. Further, ANC 8B's files did not contain a copy of the lease agreement for office space occupied by the ANC. In addition to the lack of documentation for rent payments, the files did not contain adequate documentation to justify and support approximately 31% of the remaining disbursements made during the audit period. Finally, a \$500 grant awarded by the ANC did not comply with the ANC law.

ANC 8B's financial operations were poorly managed during the audit period. Its elected officers did not effectively perform their fiduciary and legal responsibilities under the ANC law. As a consequence, over \$3,700 in public funds entrusted to their care were stolen even though all but \$2,500 was restored by an unknown individual. Disbursements were made without the approval of a majority of Commissioners at a public meeting. Equipment was stolen. Its then-treasurer, chairperson, and vice-chairperson could not properly perform the monthly task of reconciling the ANC's checkbook balances to its bank statement balances. Further, ANC 8B Commissioners failed repeatedly to approve an annual budget, or spending plan, to guide the use of District appropriated funds entrusted to the ANC in order to address the needs of the community they were elected to serve. ANC 8B is a troubled ANC that will be closely monitored by the Office of the District of Columbia Auditor until it is able to effectively manage its financial responsibilities.

Respectfully,

A handwritten signature in black ink, appearing to read "Deborah K. Nichols". The signature is fluid and cursive, with a large initial "D" and "K".

Deborah K. Nichols

District of Columbia Auditor