



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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Deborah K. Nichols
District of Columbia Auditor
012:02:WDW:VH

April 5, 2002

**Audit of Advisory Neighborhood Commission 8A
For Fiscal Years 2000, 2001, and 2002 through December 31, 2001
(10/01/99 through 12/31/01)**



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Mr. Charles Wilson, Chairperson
Advisory Neighborhood Commission 8A
1808 Morris Road, SE
Washington, D.C. 20020

Letter Report: Audit of Advisory Neighborhood
Commission 8A For Fiscal Years
2000, 2001, and 2002 through
December 31, 2001 (10/01/99 through
12/31/01)

Dear Chairperson Wilson:

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

OBJECTIVES, SCOPE, AND METHODOLOGY

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

1. disbursements 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 safeguarded.

The scope of the audit covered the period October 1, 1999 through December 31, 2001. In conducting the audit, the Auditor reviewed all ANC 8A checks written during the audit period, bank statements, bank signature cards, quarterly financial reports, meeting minutes, vendor invoices, and other related documents. Further, the Auditor interviewed ANC 8A's chairperson as of December 31, 2001, treasurer, secretary, and a former ANC 8A chairperson.

Advisory Neighborhood Commission (ANC) 8A is composed of seven (7) single member districts (SMD). Only five of the seven single member districts were occupied by elected Commissioners during fiscal year 2000, and six of the single member districts were occupied during fiscal years 2001 and 2002, through December 31, 2001. SMD's 8A04 and 8A06 were vacant during fiscal years 2000, and SMD 8A04 was vacant during fiscal years 2001 and 2002 through the first quarter of 2002.

FINDINGS

STATEMENT OF ANC 8A's CASH BALANCES IN BANK ACCOUNT AND PETTY CASH FUND AS OF DECEMBER 31, 2001

Table I presents a statement of ANC 8A's cash balances in its checking account and petty cash fund as of December 31, 2001.

TABLE I

ANC 8A's Cash Balances As Of December 31, 2001

Petty Cash on Hand	\$ 137.32
Checking Account Balance	15,796.99*
Savings Account Balance	<u>0.00**</u>
Actual Cash Balance	\$ 15,934.31

*Checking account balance was obtained from ANC 8A's bank statement as of December 31, 2001.

**ANC 8A does not maintain a savings account.

ANC 8A's FINANCIAL TRANSACTIONS AND OPERATIONS DID NOT FULLY COMPLY WITH RELEVANT PROVISIONS OF THE ANC LAW

ANC 8A Disbursed Only \$3,627.17 of \$19,612.29 Received Over the 27-Month Period Covered by The Audit

Between October 1, 1999 and December 31, 2001, ANC 8A received \$19,612.29 in allotments from the District Treasury. Of this amount, ANC 8A disbursed only \$3,627.17, or approximately 18.5%, of the \$19,612.29 received during the audit period. While there is no specific law governing the amount that an ANC must spend, D.C. Code, Section 1-309.13(1)(1), states, in relevant part, that:

A Commission shall expend funds received through the annual allocation received . . . for public purposes within the Commission area or for the functioning of the Commission office, including staff salaries, Commissioner training, property liability insurance, and nominal refreshments at Commission meetings. Expenditures may be in the form of grants by the Commission for public purposes. . .

Discussions with ANC 8A's current chairperson, treasurer, secretary, and the previous chairperson revealed that, during the audit period, ANC 8A suffered from internal dissension and conflict between the Commissioner holding the office of chairperson as of December 31, 2001 and other ANC 8A Commissioners. Further, as discussed later in this report, ANC 8A held only seven public meetings during fiscal year 2000, four public meetings during fiscal year 2001, and had held no public meeting during fiscal year 2002, through December 31, 2001. Internal conflict and the resulting failure to hold required public meetings prevented ANC 8A from effectively addressing the needs and interests of the residents and businesses within the Commission's boundary, as well as conducting routine business relative to the ANC's operations in a timely and orderly manner. Table II presents ANC 8A's disbursements made during the audit period.

TABLE II
Advisory Neighborhood Commission 8A
Disbursement History
For The Period October 1, 1999 through December 31, 2001

Check #	Amount	Date of Check	Payee	Purpose of Expenditure
501	\$400.00	10/27/00	C. Wilson	Service Contract
502	200.00	12/14/00	C. Thomas	Petty Cash Replenishment
503	-0-	-----	Voided Check	-----
504	1600.00	01/18/01	C. Wilson	Service Contract
505	75.00	01/18/01	ANC Security Fund	Participation in Fund
506	336.91	03/13/01	Verizon	Prior Telephone Bills
507	-0-	-----	Voided Check	-----
508	358.30	06/21/01	Verizon	Prior Telephone Bills
509	-0-	-----	Voided Check	-----
510	200.00	11/14/01	CASH	Petty Cash Replenishment
511	456.96	12/04/01	Verizon	Prior Telephone Bills
\$3,627.17		TOTAL DISBURSEMENTS		

Source: ANC 8A's checkbook, cancelled checks, and bank statements

RECOMMENDATION

ANC 8A Commissioners should immediately seek a meeting with the Executive Director of the Office of Advisory Neighborhood Commissions to provide the guidance and assistance necessary for ANC 8A to operate more effectively.

ANC 8A Failed to Hold The Required Number of Public Meetings During The 27-Month 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 nine (9) times per year . . . [Auditor's Emphasis]

According to available minutes reviewed by the Auditor, ANC 8A held seven public meetings during fiscal year 2000, four public meetings during fiscal year 2001, and had not held any public meetings during fiscal year 2002, through December 31, 2001.

During interviews of ANC 8A Commissioners, the Auditor found that the vice-chairperson, in the absence of the chairperson, did not attempt to conduct public meetings of the Commission. According to some Commissioners, during fiscal years 2001 and 2002 through December 31, 2001 ANC 8A's chairperson was generally out of the metropolitan area during the time the ANC's meetings were normally scheduled. However, in the absence of the chairperson, D.C. Code, Section 1-309.11(c)(1), states, in relevant part that:

. . . The vice-chairperson shall fulfill the obligations of the Chairperson in the Chairperson's absence.

It appeared that the ANC 8A's chairperson's employment was well outside of the Washington Metropolitan area, thus resulting in his unavailability to perform the duties and responsibilities of chairperson on a regular basis. Apparently, the lack of consistent available leadership had an adverse impact upon the Commission. This problem was exacerbated by other authorized Commission officers not stepping in to fill the leadership void created by the chairperson's absences.

As of December 31, 2001, ANC 8A had not held any public meetings since June 2001. As a consequence, the ANC had not filed annual financial information with the District of Columbia Auditor as required by the ANC Law and was not paying the ANC's vendors in a timely manner. Further, ANC 8A failed to "hear the views of residents within the Commission area and other affected persons on problems or issues of concern within the Commission area and on proposed District government actions that affect the Commission area."

RECOMMENDATION

ANC 8A must hold a minimum of nine (9) public meetings during each fiscal year as required by D.C. Code, Section 1-309.11(b)(1).

During Calendar Year 2000, ANC 8A's Chairperson and Treasurer Made Disbursements Without Being Properly Bonded or Without the ANC's Participation in the ANC Security Fund

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

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. . . No expenditure shall be made by a Commission during a vacancy in the office of treasurer or at any time when a current and accurate statement and bond or its equivalent are not on file with the Auditor.

On May 15, 2000, ANC 8A's treasurer and chairperson filed a statement with the Auditor indicating that ANC 8A would participate in the Advisory Neighborhood Commission Security Fund (Fund). As set forth in the statement, ANC 8A agreed to contribute the sum of \$69 to participate in the Fund for the period January 1, 2000 through December 31, 2000. However, ANC 8A failed to pay the \$69 fee required to participate in the Fund. At the time (May 15, 2000) that ANC 8A filed the statement with the Auditor, the Auditor had refused to recommend the release of District funds to the ANC and, thus, it did not have any funds in its bank account as a result of prior financial irregularities, including the failure to file outstanding quarterly financial reports. ANC 8A filed all outstanding quarterly financial reports and the Auditor subsequently recommended the release of outstanding quarterly allotments due to ANC 8A.

Although the ANC could not pay the required fee on May 15, 2000, it received \$11,175 in quarterly allotments on July 6, 2000, from which the \$69 fee should have been paid. However, the ANC's chairperson and treasurer failed to make this payment. Subsequently, and in violation of D.C. Code, Section 1-309.13(c), the ANC's chairperson and treasurer issued a \$400 check on October 27, 2000, and a \$200 check on December 14, 2000. As a result of this violation, \$600 will be disallowed from the ANC's next quarterly allotment.

The Auditor acknowledges that ANC 8A paid its fees and actively participated in the ANC Security Fund for the period January 1, 2001 through December 31, 2001.

RECOMMENDATION

The Deputy Chief Financial Officer for the Office of Financial Operations and Systems deduct \$600 from ANC 8A's next quarterly allotment for violating D.C. Code, Section 1.309.13(c), which precludes the expenditure of ANC funds during a period when a current and accurate statement and bond or its equivalent are not on file with the Auditor.

ANC 8A Did Not Establish A Budget For Fiscal Years 2000, 2001, or 2002

D.C. Code, Section 1-309.10(n), states, in relevant part, that:

Each Commission shall develop an annual fiscal year spending plan budget for the upcoming fiscal year 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.

ANC 8A did not establish a spending plan budget for fiscal years 2000, 2001, or 2002, as of December 31, 2001, as required by the ANC Law. As a result of operating without an approved budget, ongoing operating expenses such as telephone service were approved, in some cases, by a majority of Commissioners after the treasurer and chairperson had disbursed ANC funds to pay these expenses. In other instances, disbursements were made without the Commissioners' approval. For example, ANC 8A's treasurer paid telephone expenses of \$336.91 on March 13, 2001. However, this payment was not approved by a majority of ANC 8A's Commissioners until June 21, 2001, three months after the bill was paid. Further, the treasurer made a second payment of \$358.30 for telephone expenses on June 21, 2001, however, the Auditor did not find any ANC minutes in which this expenditure was approved by a majority of ANC 8A Commissioners. These disbursements violated D.C. Code, Section 1-309.13(f), which states, in relevant part, that:

“ . . . No expenditure of any amount shall be made without the specific authorization of the Commission. . . ”

Unless the telephone expenditure of \$358.30 is ratified within 60 days of the date of this report, in a public meeting by a majority of ANC 8A Commissioners, the Auditor will recommend the deduction of \$358.30 from ANC 8A's next quarterly allotment.

RECOMMENDATIONS

1. ANC 8A must approve an annual fiscal year spending plan budget, including the current fiscal year, as required by D.C. Code, Section 1-309.10(n). The Auditor will verify implementation of this recommendation within 45 days of the date of this report.

2. ANC 8A's treasurer and chairperson must ensure that all expenditures are approved by a majority of ANC 8A Commissioners before disbursing any ANC funds.

ANC 8A's Chairperson And Treasurer Approved A Check Payable to "Cash"

On November 14, 2001, ANC 8A's chairperson and treasurer issued a \$200 check made payable to "cash" to replenish the ANC's petty cash fund. ANC checks made payable to cash violate the ANC Financial Management Guidelines issued by the Office of the District of Columbia Auditor and D.C. Code, Section 309.13(f), which states, in relevant part, that: "... No check may be made payable to cash."

Checks written to replenish petty cash must be issued in the name of an officer or staff person of the Commission with the purpose of the disbursement clearly noted on the check.

RECOMMENDATION

ANC 8A's treasurer and chairperson must not make any ANC 8A checks payable to "cash" or "bearer". Checks written to reimburse petty cash should be made payable to an ANC 8A officer or staff person, with the purpose of the disbursement clearly noted on the check.

**ANC 8A Did Not Include “District of Columbia Government”
On Its Bank Account or the Face of Its Checks**

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. [Auditor’s Emphasis]

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

. . . Any check shall be pre-numbered, shall bear the name of the commission and “District of Columbia Government” on its face, and shall be issued in consecutive order. [Auditor’s Emphasis]

The Auditor found that ANC 8A’s checking account and checks did not contain the phrase “District of Columbia Government” as required by the ANC Law. As of December 31, 2001, ANC 8A had disbursed \$3,627.17 in ANC funds from a non-compliant checking account on non-compliant checks. As a consequence of ANC 8A’s longstanding non-compliance with D.C. Code, Section 1-309.13(b)(2) and (f), all disbursements, including the \$3,627.17, made from non-compliant checking accounts on non-compliant checks written after October 2000 will be disallowed from the ANC’s future quarterly allotments.

RECOMMENDATIONS

1. ANC 8A immediately close its current checking account and establish a new account with new checks which include the phrase “District of Columbia Government” on both the account name and on the face of each check. All old checks must be appropriately destroyed. The Auditor will verify compliance with this recommendation within 30 days of the date of this report. Further, until this recommendation is fully implemented, the Auditor will not recommend the release of any further quarterly allotments to ANC 8A.

2. The Deputy Chief Financial Officer for Financial Operations and Systems withhold \$3,627.17 from ANC 8A's next quarterly allotment for violating D.C. Code, Sections 1-309.13(b) (2) and (f).

Irregularities in ANC 8A's Payment of \$2,000 To a Former Chairperson for Services Rendered to the ANC

During the review of ANC 8A disbursements, the Auditor found two disbursements totaling \$2,000 made payable to an individual subsequently elected as ANC 8A's chairperson. Both disbursements were made during fiscal year 2001. The first disbursement was made payable in the amount of \$400 on October 27, 2000. At the time this disbursement was made, the individual was not a Commissioner of ANC 8A. The second disbursement was made payable in the amount of \$1,600 on January 18, 2001, the same date this individual was nominated and unanimously elected as chairperson of ANC 8A by a quorum of ANC 8A Commissioners in a public meeting. The individual had been elected a Commissioner in November 2000.

Minutes of ANC 8A's public meeting held Friday, October 27, 2000, one month before the general election of ANC Commissioners, revealed a discussion by ANC 8A Commissioners of the "best way" to employ the services of the individual. During the meeting, ANC 8A Commissioners agreed to enter into a purchase-of-service contract with the individual for specific services such as cleaning and maintaining the ANC 8A office, receiving and sorting mail, designing, copying, and distributing monthly meeting flyers, delivering quarterly reports, and transcribing and copying meeting minutes. ANC 8A Commissioners also agreed to pay the individual \$400 bi-weekly beginning October 27, 2000.

The Auditor questions the first disbursement of \$400 on October 27, 2000, apparently paid before any work was performed and without a signed agreement between the ANC 8A Commission and the individual. Further, the \$400 and \$1,600 disbursements violated ANC 8A Bylaws, Article V - Employment, Section 2, which states in relevant part that:

All services contracted for or personnel employed by this Commission shall be approved by resolution. The services, duties and responsibilities contracted for or personnel employed pursuant to this Article shall be defined and described in the resolution approved by the Commission.

The Auditor found no resolution of ANC 8A Commissioners approving this service contract, in a public meeting of the ANC. Therefore, the disbursements totaling \$2,000 were not in compliance with ANC 8A by-laws and must be repaid within 90 days from the date of this audit report unless a resolution is approved in a public meeting by a majority of ANC 8A Commissioners.

RECOMMENDATION

Unless ANC 8A Commissioners approve, by resolution, the services discussed above, the Auditor recommends that the Deputy Chief Financial Officer for the Office of Financial Operations and Systems deduct \$2,000 from ANC 8A's next quarterly allotment for violating Article V - Employment, Section 2 of ANC 8A's Bylaws.

STATUS OF A PREVIOUS AUDIT FINDING

The District of Columbia Auditor conducted a previous audit of the financial operations of ANC 8A for the period October 1, 1994 through September 30, 1998. The report of this audit was issued January 27, 1999. The audit found numerous deficiencies in ANC 8A's internal accounting controls and an overall lack of accountability resulting in substantial unauthorized and unsupported expenditures.

The Auditor determined that expenditures totaling \$30,332.95 lacked adequate supporting documentation and the expenditures had not been approved or ratified by a majority of ANC 8A Commissioners in a publicly held meeting of the ANC. At the time, the Auditor concluded that one-half of future quarterly allotments for ANC 8A would be withheld until the full sum of \$30,332.95 was reimbursed to the D. C. Treasury. The Auditor has deducted a total of \$5,737.11 from ANC 8A's quarterly allotments, leaving an outstanding balance of \$24,595.84 as of the date of this audit

report. Further, the Auditor recommended that the Office of the Inspector General investigate the payment of \$4,712 of ANC 8A funds to a previous chairperson. The Office of the Inspector General concluded that there was no “criminality” in the payment of \$4,712 to ANC 8A’s previous chairperson.

The Auditor determined that ANC 8A had lost over \$54,000 in quarterly allotments for fiscal years 1996 through 1999 due primarily to its non-compliance with quarterly financial reporting requirements coupled with the impact of Section 2(b) of D.C. Law 9-112, the “Advisory Neighborhood Commissions Management Control and Funding Temporary Amendment Act of 1999” D.C. Law 9-112 required the reallocation of quarterly allotments held in reserve for any period through the end of fiscal year 1997 and the return to the General Fund, beginning September 30, 1999 and on the last day of each subsequent fiscal year, any additional funds held in reserve for Commissions due to the failure to file a quarterly financial report on a timely basis. In light of the punitive financial impact of D.C. Law 9-112, the Auditor determined that the remaining outstanding balance of \$24,595.84 would not be deducted from ANC 8A’s future quarterly allotments. The Auditor will not further penalize ANC 8A for its non-compliance in fiscal years 1996 through 1999.

CONCLUSION

As a result of the examination of ANC 8A’s quarterly financial reports, minutes of meetings, bank statements, canceled checks, and check registry, the Auditor determined that ANC 8A did not 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 relevant opinions issued by the Office of the Corporation Counsel.

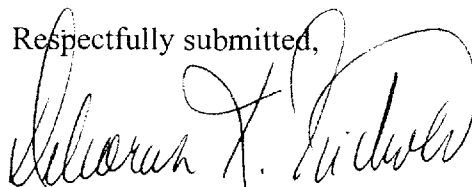
The Auditor found that ANC 8A spent only \$3,627.17 while receiving \$19,612.29 in allotments over a 27-month period. According to ANC 8A’s available minutes, the ANC failed to hold the required number of public meetings during fiscal years 2000 and 2001. Further, ANC 8A minutes of public meetings, bank statements, and canceled checks indicated that certain expenditures were disbursed prior to approval in public meetings in which a quorum of Commissioners were

present. Additionally, ANC 8A did not establish or approve annual spending plan budgets for fiscal years 2000, 2001, or 2002 through December 31, 2001. Also, the ANC's chairperson and treasurer erroneously signed a check payable to "cash", and failed to include the phrase "District of Columbia Government" on its bank account or the face of its checks.

The Auditor further concluded that ANC 8A's internal controls were inadequate and that, overall, the Commission continues to experience problems which place its assets at risk and prevent the Commission from operating efficiently and effectively. It is hoped that with the election of new officers and the assistance of the Office of Advisory Neighborhood Commissions that ANC 8A will begin to operate in accordance with the ANC Law, Financial Management Guidelines issued by the Office of the District of Columbia Auditor, opinions issued by the Office of the Corporation Counsel, and its by-laws. The Auditor will continue to closely monitor ANC 8A's financial operations and activities, and will conduct a follow-up review within 120 days of the date of this report to determine the status of the ANC's implementation of recommendations made herein.

Pursuant to D.C. Code, Section 1-309.13(d)(3), ANC 8A must respond in writing, within 90 days of the date of this report, to each infraction alleged herein. Failure to do so will result in the withholding of future quarterly allotments until a response is filed with the Auditor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Deborah K. Nichols", with a large, stylized flourish extending from the end of the signature.

Deborah K. Nichols
District of Columbia Auditor