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Follow-up Audit of Advisory Neighborhood Commission 1C For Fiscal Years 1999 and 2000 (10/1/1998 Through 9/30/2000)

January 17, 2002



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Mr. Andrew Miscuk, Chairperson
Advisory Neighborhood Commission 1C
P.O. Box 21652
Washington, D.C. 20009

Letter Report: Follow-up Audit of Advisory
Neighborhood Commission 1C for Fiscal Years
1999 and 2000 (10/1/1998 through 9/30/2000)

Dear Commissioner Miscuk:

Pursuant to D.C. Code, Section 1-309.13(d), as amended, the Office of the District of Columbia Auditor released the results of its initial audit of Advisory Neighborhood Commission (ANC) 1C for the period October 1, 1998 through September 30, 2000 on May 7, 2001. This follow-up report contains the results of the Auditor's review of additional information made available by ANC 1C's officers subsequent to the issuance of the May 7, 2001 report.

OBJECTIVES, SCOPE, AND METHODOLOGY:

The objectives of this review were to follow-up on the findings of the May 7, 2001, report as a consequence of the disclosure of additional information to determine whether:

1. disbursements complied with the Advisory Neighborhood Commissions Act of 1975 (ANC law), as amended, Advisory Neighborhood Commission Financial Guidelines and Procedures 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 audit covered fiscal years 1999 and 2000. The Auditor reviewed available cancelled checks, bank statements, receipts, invoices, quarterly financial reports, minutes of public meetings, and other documentation supporting ANC 1C's disbursements and related financial activities during the audit period. As previously noted, many of these documents were made available subsequent to the issuance of our report dated May 7, 2001. ANC 1C's chairperson and treasurer were again interviewed. With the assistance of the Commission's vice-chairperson, additional information and insight were obtained regarding ANC 1C's financial transactions and operations.

FINDINGS

STATEMENT OF ANC 1C's CASH POSITION AS OF SEPTEMBER 30, 2000

Table I presents ANC 1C's bank balances as of September 30, 2000.

TABLE I

**ANC 1C's Statement of Cash/Bank Balances
As of September 30, 2000**

Petty Cash on Hand	\$	0.00
Cash in Checking Account		21,239.36
Cash in Savings Account		0.00
Total Available Cash	\$	21,239.36

(1) Checking account balance was obtained from the bank statement as of September 30, 2000.

ANC 1C HELD EIGHTEEN PUBLIC MEETINGS DURING THE TWO-YEAR AUDIT PERIOD

Minutes for only seven of ANC 1C's public meetings were made available for the Auditor's initial review. Subsequent to the issuance of the May 7, 2001 audit report, additional minutes were made available for the Auditor's review. As a result of the disclosure of additional minutes, the Auditor's examination determined that ANC 1C complied with D.C. Code, Section 1-309.11(b)(1), which states: "Each Commission shall meet in public session at regular intervals at least nine (9) times per year..."[Auditor's Emphasis] ANC 1C's minutes indicated that 18 public meetings were held during the two-year audit period as required by the ANC law. According to minutes reviewed by the Auditor, ANC 1C held nine public meetings during fiscal year 1999 and nine public meetings during fiscal year 2000.

ANC 1C's FINANCIAL RECORDS AND DISBURSEMENTS SUBSTANTIALLY COMPLIED WITH APPLICABLE LAWS, GUIDELINES, AND PROCEDURES

The Auditor's examination of relevant documentation indicated that ANC 1C officers established adequate procedures to ensure that all financial documentation was properly obtained and maintained in the ANC's files. Overall, the Auditor found that ANC 1C maintained sufficient documentation to support \$21,418.20, or 91%, of ANC funds disbursed during fiscal years 1999 and 2000.

ANC 1C Did Not Maintain Documentation to Justify and Support \$2,220, or 9%, of the Disbursements Made During the Audit Period

ANC 1C did not fully comply with ANC Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor which state:

Prior to disbursing funds, the Treasurer must ensure that a voucher package is prepared which contains the following:

- a. An original invoice or receipt from the supplier of goods and services.
- b. A signed statement must be attached to the invoice or written on the invoice by the ANC representative who receives the goods or services which states:

"I certify that the goods or services described on the attached invoice have been received and represent bona fide expenses of the ANC."
- c. The date paid and check number must be entered on the original invoice.
- d. All vouchers must be filed in check number sequence.

All voucher packages must be retained for a period of at least five years.

Based on an examination of 101 checks totaling \$23,638.20 and available supporting documentation, the Auditor found that \$2,220, or 9%, of the disbursements made from October 1, 1998 through September 30, 2000, lacked any documentation such as invoices, receipts, executed contracts or other records.

Table II presents a list of ANC 1C's disbursements for the audit period which were not supported by invoices, receipts, executed contracts, or other relevant supporting documentation.

TABLE II

Disbursements Made Without Adequate Documentation

Date	Check No.	Payee	Purpose	Amount
5/14/99	2910	M. Meersman	Painting	\$700.00
5/28/99	2913	Jim Crosby	Moving Exp.	\$800.00
6/3/99	2915	M. Meersman	Painting	\$420.00
6/3/99	2916	M. Meersman	Painting	\$300.00
Total				\$2,220.00

Source: ANC 1C's quarterly reports, canceled checks, and check book.

ANC 1C's Minutes Did Not Document the Approval of Expenditures by a Majority of ANC 1C Commissioners

Advisory Neighborhood Commission 1C did not fully comply with D.C. Code, Section 1-309.13(f), which states, in relevant part, the following:

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

ANC Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor state:

All ANC disbursements must be approved by the Commission in a public meeting and recorded in the minutes for that meeting.

Further, D.C. Code, Section 1-309.11(e)(1), states, in relevant part, the following:

...The secretary shall ensure that appropriate minutes of Commission meetings are kept...

During the audit period, the minutes of ANC 1C's public meetings indicated the approval of the quarterly financial report by a majority of ANC 1C Commissioners. However, the minutes consistently did not indicate the Commissioners' specific approval of disbursements made by the ANC's chairperson and/or treasurer.

Subsequent to the May 7, 2001 report, ANC 1C's treasurer prepared a spending approval resolution for fiscal years 1999 and 2000 that listed all expenditures for the aforementioned period, and submitted this resolution to the Auditor. The Auditor did not accept the resolution because it did not comply with D.C. Code, Section 1-309.13(f), which requires the specific authorization of each expenditure by the Commission, or with the ANC Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor regarding Commission approval of expenditures. The spending resolution had not been approved by a majority of the Commissioners at a public meeting of the Commission. ANC 1C's treasurer proposed to present the spending resolution, with a schedule of specifically identified expenditures attached, to the Commission at an ANC 1C public meeting for their review and ratification. If the Commissioners ratify the resolution, and the vote is recorded in the minutes of the public meeting of the ANC, it will have complied with the ANC law. If the resolution and schedule of expenditures are not presented to the Commissioners for ratification or the Commissioners do not ratify the expenditures, the Auditor will recommend the disallowance of the expenditures from the ANC's next quarterly allotment.

RECOMMENDATIONS

1. All expenditures of any amount must be made with the specific authorization of a majority of Commissioners in a public meeting. The Commissioners' authorization must be reflected in the minutes of the public meeting in which the vote was taken.
2. The ANC's treasurer or chairperson must present the expenditures in question to the Commission for ratification within 60 days of the date of this report. Failure to do so will result in the disallowance of the expenditures from the ANC's quarterly allotment.

PERSONAL SERVICE EXPENDITURES WERE NOT AUTHORIZED OR DOCUMENTED PRIOR TO THE DISBURSEMENT

ANC 1C's treasurer and chairperson did not comply with D.C. Code, Section 1-309.13(g), which states, in relevant part, the following:

Disbursements of Commission funds exceeding \$50 for personal service expenditures shall be specifically approved by the Commission at a public meeting prior to the disbursement. The approval shall be recorded in the minutes of the Commission meeting. Any personal services payment shall name the person who is to receive the payments, the rate of compensation, and the maximum hours of service, if less than full-time compensation. If an expenditure is made without the required authorization of the Commission, the expenditure shall be deemed to be a personal expense of the Commissioner who authorized the payment, unless the Commission subsequently approves the expenditure within 90 days. If the Commission fails to approve the expense within 90 days, the Corporation Counsel, upon notification by the Auditor, shall institute any actions necessary to recover Commission funds... [Auditor's Emphasis]

Expenditures for painting services totaling \$1,420 (M. Meersman, 5/14/99 & 6/3/99) and moving services totaling \$800 (J. Crosby, 5/28/99) were not specifically approved by the Commission at a public meeting prior to the disbursement. The disbursements were not supported by invoices, receipts, contracts, or any other relevant documentation that would justify and support the expenditures (see Table II). As a consequence of these deficiencies, the expenditures will be deducted from ANC 1C's next quarterly allotment. Further, the expenditures must be ratified by a majority of ANC 1C Commissioners in a public meeting within 90 days of the date of this report or the expenditures will be deemed a personal expense of the Commissioner(s) who authorized the payments.

RECOMMENDATIONS

1. All disbursements for personal services exceeding \$50 must be specifically approved in advance by a majority of ANC 1C Commissioners at a public meeting. The ANC's approval must be clearly recorded in the minutes of the meeting in which the personal service expenditure(s) was approved, and must be specific as to the name of the person who is to receive payment, the rate of compensation, and the maximum hours of services to be provided.
2. All payments to vendors for personal services provided to the ANC must be supported by receipts, invoices, executed contracts, and other relevant supporting documentation.
3. The personal services expenditures presented in Table II must be ratified by a majority of Commissioners in a public meeting within 90 days of the date of this report or the expenditures will be deemed a personal expense of the Commissioner(s) who authorized the payments. If the expenditures are not ratified by the Commission, the Commissioner(s) who authorized the payments must immediately reimburse the Commission. If the Commissioner(s) fail to reimburse the Commission within 90 days of the date on which the expenditures were presented for the Commissioners' ratification, the matter will be referred to the Corporation Counsel to institute actions necessary to recover the Commission's funds.

ANC 1C SUBMITTED ALL FISCAL YEAR 1999 AND 2000 QUARTERLY FINANCIAL REPORTS

D.C. Code, Section 1-309.13(j)(1), states: "The treasurer of a Commission shall prepare a quarterly financial report on a form provided by the Auditor. The financial report shall be presented to the Commission for its consideration at a Commission meeting within 45 days after the end of the quarter. A copy of the approved financial report, 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..."

D.C. Code, Section 1-309.13(j)(1), further states that: "Each quarterly report must include copies of cancelled checks, bank statements, grant request letters and grant disbursements, invoices and receipts, executed contracts, details about all contributions received during the time period covered by the quarterly report, and the minutes of the meeting indicating the Commission's approval of disbursements reported in the quarterly report..."

ANC 1C submitted all quarterly financial reports for fiscal years 1999 and 2000, however, ANC 1C submitted its fourth quarter fiscal year 2000 financial report four months late. Notwithstanding the late submission of the fourth quarter fiscal year 2000 financial report, ANC 1C has substantially complied with D.C. Code, Section 1-309.13(j)(1), with regard to filing its quarterly financial reports for fiscal years 1999 and 2000.

CONCLUSION

As a result of the examination of ANC 1C's books, accounts and records, the Auditor determined that ANC 1C was in substantial compliance with relevant provisions of the Advisory Neighborhood Commissions Act of 1975, as amended, and the Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor.

ANC 1C did not fully comply with D.C. Code, Section 1-309.13(g), regarding disbursement of Commission funds exceeding \$50 for personal service expenditures. ANC 1C did not ensure that: (1) personal service disbursements exceeding \$50 were specifically approved by a majority of ANC 1C Commissioners in a public meeting before the funds were disbursed; and (2) failed to obtain and maintain documentation to fully justify and support personal services expenditures. As a result of these deficiencies, the Auditor recommended that all disbursements for personal services exceeding \$50 must be specifically approved in advance by a majority of ANC 1C commissioners at a public meeting. The ANC's approval must be clearly recorded in the minutes of the meeting in which the personal service expenditure(s) was approved and documentation supporting the disbursement must be maintained. The personal services expenditures presented in Table II must be ratified by a majority of Commissioners in a public meeting within 90 days of the date of this report or the expenditures will be deemed a personal expense of the Commissioner(s) who authorized the payments.

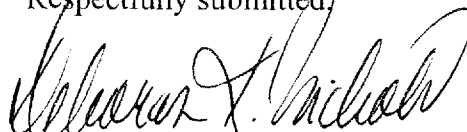
ANC 1C substantially complied with the quarterly financial reporting requirement even though it filed its fourth quarter fiscal year 2000 report four months late.

During fiscal years 1999 and 2000, ANC 1C fully complied with the minimum nine public meeting required by D.C. Code, Section 1-309.11(b)(1)

ANC 1C's overall recordkeeping measures were adequate, however, ANC 1C lacked documentation to support \$2,220, or 9%, in personal services disbursements. As a result of this finding, the Auditor recommended that the next ANC 1C quarterly allotment be reduced by \$2,200 for personal service expenditures not supported by adequate documentation.

ANC 1C had the necessary supporting documentation to ensure that 91% of its disbursements were properly justified, and supported. However, ANC 1C did not document in the minutes of its public meetings the Commissioners' specific approval of disbursements as required by D.C. Code, Section 1-309.13(f). As a result of this deficiency, the Auditor recommended that the ANC's treasurer or chairperson present the expenditures to the Commissioners for ratification within 60 days of the date of this report, or the expenditures will be disallowed from the ANC's future quarterly allotments.

Respectfully submitted,



Deborah K. Nichols

District of Columbia Auditor