



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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Deborah K. Nichols
District of Columbia Auditor
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**Letter Report: Audit of Advisory Neighborhood
Commission 8A for Fiscal Years 2004
Through 2006, as of March 31, 2006**

February 26, 2007



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Commissioner Anthony Muhammad
Chairperson
Advisory Neighborhood Commission 8A
1609 21st Street, SE, Apt. 11
Washington, D.C. 20020

Letter Report: Audit of Advisory Neighborhood Commission 8A for Fiscal Years
2004 Through 2006, as of March 31, 2006

Dear Commissioner Muhammad:

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 accounts and operations of Advisory Neighborhood Commission (ANC or Commission) 8A.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 8A's disbursements complied with the ANC Act, ANC Financial Management Guidelines² issued by the Office of the District of Columbia Auditor, 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.

¹See Section 16 (d) of the Advisory Neighborhood Commissions Act of 1975, effective October 10, 1975, D.C. Law 1-21, D.C. Official Code § 1-309.13 (d) (2006 Supp.), as amended by the Comprehensive Advisory Neighborhood Commissions Reform Amendment Act of 2000, effective June 27, 2000, D.C. Law 13-135.

²Office of the District of Columbia Auditor, Advisory Neighborhood Commission Financial Management Guidelines (ANC Financial Management Guidelines), February 2003.

The audit covered fiscal years 2004 through 2006 (October 1, 2003 through March 31, 2006). In conducting the audit, the Auditor reviewed all available canceled checks, bank statements, bank signature cards, quarterly financial reports, meeting minutes, receipts and invoices, grant applications, and other relevant documents.

STATEMENT OF ANC 8A'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2006

Table I presents a statement of ANC 8A's checking, savings, and petty cash account balances as of March 31, 2006.

Table I
ANC 8A's Checking, Savings, and Petty Cash Account Balances
As of March 31, 2006

Petty Cash Account	\$	0.00*
Checking Account		30,042.22
Savings Account		<u>0.00*</u>
Actual Cash Balance	\$	30,042.22

*ANC 8A did not maintain a petty cash fund or savings account during the audit period.
Source: ANC 8A's quarterly reports and bank statements for the period October 1, 2003 through March 31, 2006.

SUMMARY OF ANC 8A'S DISBURSEMENTS DURING FISCAL YEARS 2004 THROUGH 2006, AS OF MARCH 31, 2006

During the audit period, ANC 8A disbursed \$49,572.77. Table II summarizes, by category, ANC 8A's disbursements made during the audit period, including bank service charges.

Table II
Summary of ANC 8A's Disbursements
During Fiscal Years 2004 Through 2006,
as of March 31, 2006

Disbursement Category	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006 as of March 31, 2006	Grand Total
Net Salaries & Wages	\$ 0.00	\$ 0.00	\$ 0.00	\$0.00
Workers Compensation	0.00	0.00	0.00	0.00
Federal Wage Taxes Paid	0.00	0.00	0.00	0.00
Local Income Taxes Paid	0.00	0.00	0.00	0.00
Unemployment Insurance Contributions	0.00	0.00	0.00	0.00
Tax Penalties Paid	0.00	0.00	0.00	0.00
Local Transportation	0.00	0.00	0.00	0.00
Office Rent ³	544.21	0.00	0.00	544.21
Telephone Service ⁴	706.26	2,088.97	6,489.64	9,284.87
Postage and Delivery	0.00	37.00	61.61	98.61
Utilities	0.00	0.00	0.00	0.00
Printing & Duplicating	0.00	0.00	270.00	270.00
Purchase of Service	913.74	280.00	375.00	1,568.74
Office Supplies & Expenses	763.51	1,306.21	440.84	2,510.56
Office Equipment - Rental	5,066.88	3,507.84	1,948.80	10,523.52
Office Equipment - Purchase	1,551.73	5,063.85	108.96	6,724.54
Grants	6,500.00	5,000.00	6,000.00	17,500.00
Petty Cash Reimbursement	0.00	0.00	0.00	0.00
Bank Service Charges	51.00	309.00	70.00	430.00
Other	25.00	67.72	25.00	117.72
Total Disbursements	\$ 16,122.33	\$ 17,660.59	\$ 15,789.85	\$ 49,572.77

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

³ ANC 8A's office was located in a District owned facility during FY 2005 and 2006, as of March 31, 2006 and was charged no rental fees.

⁴ ANC 8A's annual telephone expenditures increased during fiscal years 2005 and 2006, as of March 31, 2006, due to the purchase and activation of cell phones.

FINDINGS

ANC 8A DID NOT FULLY COMPLY WITH D.C. CODE SECTION 1-309.13 (j) (1) BY MAINTAINING ADEQUATE DOCUMENTATION TO SUPPORT DISBURSEMENTS

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

Each quarterly [financial] 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, and 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.

Overall, the Auditor found that ANC 8A maintained adequate documentation to support \$42,789.66, or 86%, of the \$49,572.77 in disbursements made during the audit period. The Auditor's examination indicated that ANC 8A officers did not establish adequate procedures or practices to ensure that all appropriate required financial documentation was obtained and maintained in the ANC's files. As a consequence, disbursements totaling \$6,783.11, or 14%, were not adequately supported by required documentation.

ANC 8A'S TREASURER WAS LATE IN FILING THE MAJORITY OF QUARTERLY REPORTS DUE DURING THE AUDIT PERIOD

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. 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 . . . shall be filed . . . with the Auditor within 15 days of approval. Each quarterly report shall include copies of [supporting documents for the] disbursements during the time period covered by the quarterly report.

As presented in Table III, ANC 8A filed seven of the 10 reports required during the audit period over 30 days late. Therefore, the Auditor found that ANC 8A failed to comply with D.C. Code, Section 1-309.13 (j) (1).

Table III
Advisory Neighborhood Commission 8A
Quarterly Financial Report Submission Record:
Fiscal Years 2004 Through 2006, As of March 31,2006

Year & Quarter	Reported Months	Due Date	Date Received	Report Filed
2004 - 2nd	01/01/04 through 03/31/04	05/31/04	07/28/04	58 Days Late
2004 - 3 rd	04/01/04 through 06/30/04	08/30/04	10/21/04	52 Days Late
2004 - 4th	07/01/04 through 09/30/04	11/29/04	01/13/05	45 Days Late
2005 - 1st	10/01/04 through 12/31/04	03/01/05	04/18/05	48 Days Late
2005 - 4 th	07/01/05 through 09/30/05	11/29/05	01/30/06	62 Days Late
2006 -1st	10/01/05 through 12/31/05	03/01/06	04/10/06	40 Days Late
2006 - 2nd	01/01/06 through 03/31/06	05/30/06	08/07/06	69 Days Late

Source: ANC 8A quarterly financial reports.

RECOMMENDATION

ANC 8A’s Treasurer prepare and file all future quarterly financial reports in a more timely manner.

ANC 8A FAILED TO MAINTAIN MINUTES TO INDICATE THAT THE ANC MET IN PUBLIC SESSION AT LEAST 9 TIMES PER YEAR AS REQUIRED BY THE ANC ACT

D.C. Code Section 1-309.11(b) (1) states, in relevant part, that each Commission shall meet in a public session at regular intervals at least 9 times per year. Additionally, D.C. Code Section 1-309.11 (e) (1) states, in relevant part, that the Secretary shall ensure that appropriate minutes of Commission meetings are kept.

The Auditor found that ANC 8A's Secretary failed to prepare and maintain minutes for all meetings held during the 30-month audit period. As a result, ANC 8A could not fully substantiate: (1) the number of meetings held; (2) the approval of all expenditures by a majority of the Commissioners at a public meeting in which a quorum was present; (3) the adoption of annual fiscal year spending plan budgets; or (4) the approval of quarterly financial reports.

RECOMMENDATION

ANC 8A's Secretary ensure that minutes are prepared and maintained for all public ANC 8A meetings. Further, before approving the quarterly financial report, ANC 8A's Secretary must ensure that each quarterly financial report filed with the Auditor is accompanied by copies of minutes for public meetings held during the reported quarter.

ANC 8A ESTABLISHED ANNUAL FISCAL YEAR SPENDING PLAN BUDGETS DURING THE AUDIT PERIOD

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

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.

The Auditor's review of ANC 8A's records revealed that annual fiscal year spending plan budgets were developed during the audit period. Therefore, ANC 8A fully complied with D.C. Code Section 1-309.10 (n).

ANC 8A GRANT DISBURSEMENTS DID NOT FULLY COMPLY WITH THE ANC ACT

Section 1-309.13 (m) of the D. C. Code states that:

A grant may not be awarded unless the grant is awarded pursuant to a vote of the Commission at a public meeting . . . A Commission may approve grants only to organizations that are public in nature . . . An applicant for a grant must submit an application in writing to the Commission . . . 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 . . . complete with receipts which support the expenditures.

As presented in Table IV, ANC 8A awarded 10 grants totaling \$17,500 during the audit period. The Auditor found that all grant recipients submitted a statement as to the use of grant funds to ANC 8A; however, six grantees did not submit receipts supporting the expenditure of grant funds.⁵

⁵Fairlawn Civic Association received two grants during the audit period.

Table IV
Advisory Neighborhood Commission 8A
Grants Issued During Fiscal Years 2004 through 2006,
As of March 31, 2006

Grant Application	Grantee and Grant Purpose	Amount	Grant Approved	Statement of Use and Receipts Submitted
Yes	Main Street Anacostia: To purchase holiday banners for the commercial corridors.	\$2,000.00	10/05/04	No
Yes	We Establish Dads in America, Inc.: For computer and related supplies and lease of building space for press conference.	1,500.00	10/05/04	No
Yes	Fairlawn Civic Association: To support scholarship program.	1,500.00	10/05/04	No
Yes	USA Christianity Team Sports Fund: For Uniforms - Ward 8 Sports Team.	1,500.00	10/05/04	Yes
Yes	Children of Mine Center For gardening equipment, materials , and ingredients needed to maintain the grounds.	2,000.00	10/05/04	No
Yes	Squashallbeefs Sport: For team uniforms and equipment.	2,000.00	10/05/04	Yes
Yes	Anacostia Garden Club: To provide year-round planting, replenishment and maintenance of flower boxes.	1,000.00	01/04/05	Yes ⁶ \$842.27
Yes	Fairlawn Civic Association: To support scholarship program.	2,000.00	11/01/05	No
Yes	Wedding Bliss Foundation, Inc. To provide marriage education to low income couples.	2,000.00	11/02/05	Yes
Yes	Naomi Chapter #9 Order of the Eastern Star: To supplement scholarship program.	2,000.00	12/06/05	No
	Total	\$17,500.00		

Source: ANC 8A quarterly financial reports, checkbook, canceled checks, and bank statements.

⁶ Receipts were provided to support only \$842.27 of the \$1,000 grant.

RECOMMENDATIONS

1. ANC 8A officers ensure that each grant file contains grantee's statement of how grant funds were used along with receipts which support the expenditures.
2. ANC 8A request that grantees listed in Table IV who have not submitted required receipts do so within 90 days of the date of this report.
3. ANC 8A ensure that grantees are aware of the necessity of providing statements of how grant funds were used, complete with receipts which support the expenditures to ensure that: (1) the disallowance of grant disbursements and recommendation for allotment deductions does not occur; and (2) that grantees fully comply with the purpose for which the grant was awarded.

ANC 8A PARTICIPATED IN THE ANC SECURITY FUND

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 8A participated in the ANC Security Fund in calendar years 2004, 2005, and 2006. Therefore, ANC 8A fully complied with D.C. Code Section 1-309.13 (c).

INTERNAL CONTROLS WERE NOT ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION AND ENSURE THAT ANC 8A'S ASSETS WERE PROPERLY SAFEGUARDED

In part, ANC 8A's internal controls were found to be inadequate because of the lack of documentation to support approximately \$6,000 in expenditures, missing minutes, and the absence of receipts showing how grantees used grant funds. Minutes are required to substantiate the number of meetings held annually; the approval of expenditures by a majority of the Commissioners at a

public meeting; the presentation and approval of grant requests at a public meeting; the adoption of annual fiscal year spending plan budgets; and the approval of quarterly financial reports. Overall, the Auditor found that ANC 8A's internal controls were adequate in other areas during fiscal years 2005 and 2006, as of March 31, 2006, as evidenced by the following:

- ▶ Annual spending plan budgets were presented and properly adopted at public meetings;
- ▶ Bank account reconciliations were performed; and
- ▶ ANC 8A participated in the ANC Security Fund.

CONCLUSION

The Auditor's examination of ANC 8A's books and records revealed that ANC 8A did not comply with all 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.

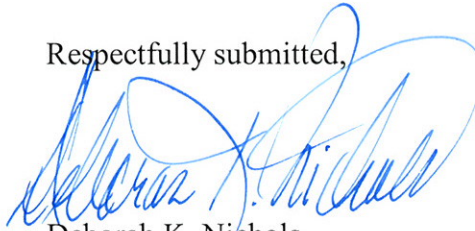
During fiscal years 2004 through 2006, as of March 31, 2006, ANC 8A disbursed \$49,572.77. The Auditor found, however, that ANC 8A maintained adequate documentation to justify and support only \$42,632.58, or 86%, in disbursements made during the audit period. Additionally, of the 10 quarterly financial reports due to the Auditor's Office during the audit period, seven were filed late.

The Auditor further found that ANC 8A failed to maintain minutes for all public meetings held during the audit period and as a consequence of this deficiency, ANC 8A could not provide evidence that the ANC held the number of public meetings required by the ANC Act. Further, the Auditor found that while 10 grantees submitted a statement as to the use of grant funds six grantees failed to submit receipts to fully support expenditures.

ANC 8A must correct the noted deficiencies and strengthen its internal controls and compliance with the controls to ensure that ANC 8A's assets are properly safeguarded and its financial transactions comply with the ANC Act.

Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 8A 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 8A's next schedule quarterly allotment until a response is filed.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Deborah K. Nichols", is written over the typed name. The signature is fluid and cursive, with a large loop at the end.

Deborah K. Nichols

District of Columbia Auditor