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**Audit of Advisory Neighborhood Commission 1A
For Fiscal Years 1994 Through 1997**

June 1, 1998

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SUMMARY OF ANC 1A FINANCIAL AUDIT

This is the District of Columbia Auditor's report of the financial activities of Advisory Neighborhood Commission (ANC) 1A for the period October 1, 1993 through September 30, 1997 (fiscal years 1994 through 1997). The audit is part of a continuing initiative by the Office of the Auditor to review the financial status of each Advisory Neighborhood Commission.

The Auditor found numerous deficiencies in ANC 1A's internal accounting controls, a lack of accountability for ANC 1A funds, and a pattern of mismanagement of the Commission's financial resources that resulted in the unauthorized disbursement of over \$20,000 for improper and questionable expenditures. The deficiencies identified in this gave rise to the expenditure of funds without proper documentation and, in most cases, the approval of ANC 1A commissioners. There was no assurance that funds disbursed by ANC 1A's officers benefitted the ANC 1A community or were used for purposes permitted by the ANC law. The ANC 1A officers who authorized these expenditures failed to effectively carry out their fiduciary responsibilities and failed to comply with the ANC law, the Auditor's Financial Guidelines and Procedures, and relevant legal opinions issued by the Corporation Counsel of the District of Columbia. The financial transactions examined by the Auditor warrant further investigation by appropriate law enforcement authorities.

The Office of the Auditor recommends the continued suspension of further allocations of District funds to ANC 1A until the Commission accounts for all District funds it has received and spent during the audited period.



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Robert W. Tucker
Chairperson, ANC 1A
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Dear Commission Chairperson:

Letter Report: Audit of Advisory Neighborhood Commission 1A For Fiscal Years 1994 Through 1997

Pursuant to D.C. Code, Section 1-264(d), the District of Columbia Auditor conducted an audit of the financial operations and activities of Advisory Neighborhood Commission (ANC) 1A.

The objectives of this audit were to:

1. determine whether ANC 1A's financial accounts and operations were in compliance with ANC laws, Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor, and legal opinions issued by the District of Columbia Corporation Counsel; and
2. review ANC 1A's implementation of recommendations made in a previous audit report, dated August 11, 1994, which covered the period October 1, 1990 through September 30, 1993. A status of the implementation of previous recommendations is presented throughout this report in subsections entitled, "*Implementation Status of Previous Recommendation(s)*."

The current audit covered fiscal years 1994 through 1997 (October 1, 1993 through September 30, 1997) and included a review of all available documentation in support of ANC 1A's financial activities during the period under audit. Where possible, the Auditor interviewed ANC 1A commissioners and officers as well as individuals and organizations receiving monies from the ANC.

FINDINGS

ANC 1A DID NOT MAINTAIN ADEQUATE DOCUMENTATION IN SUPPORT OF ALL DISBURSEMENTS

Previous Recommendation:

ANC 1A must take immediate action to ensure that all records are adequately maintained. For example, the ANC should institute a filing system and affix vouchers to each disbursement made by the ANC. These vouchers should indicate the date bills were paid, and those bills which are outstanding.

Implementation Status of Previous Recommendation:

Missing Supporting Documentation

In the previous audit, the audit team found that the Commission lacked sufficient supporting documentation for 40 percent of the financial transactions reviewed. During the current audit period, ANC 1A failed to maintain supporting documentation, such as invoices and receipts, for approximately 46 percent of all disbursements reviewed by the audit team.

We noted that during fiscal year 1994, the Commission improved recordkeeping in support of financial transactions by maintaining supporting documentation for 72% of its financial transactions. However, during fiscal years 1995, 1996, and 1997 deficiencies in recordkeeping resurfaced and the Commission failed to maintain documentation to support 50 percent or more of its disbursements. Due to the lack of adequate supporting documentation in the files of the Commission, the audit team was not able to verify that each disbursement represented a valid use of ANC 1A funds for public purposes. Table I below presents, by fiscal year, the number of missing supporting documents for the current audit period.

TABLE I
Analysis of Missing Documentation
for Fiscal Years 1994, 1995, 1996, and 1997

Fiscal Year	Total Disbursements Reviewed	Supporting Documentation Missing	Percentage of Supporting Documentation Missing
1994	141	39	28%
1995	68	50	74%
1996	112	56	50%
1997	60	32	53%
Total	381	177	46%

Source: Office of the District of Columbia Auditor and ANC 1A financial records.

The failure of ANC 1A's former officers to maintain documentation in support of the ANC's disbursements did not comply with ANC Financial Guidelines and Procedures established by the Office of the District of Columbia Auditor or standard financial management policies and procedures followed by the District of Columbia Government. The Office of the Auditor's guidelines state that prior to disbursing funds, the treasurer must ensure that a voucher package is prepared which contains an original invoice or receipt from the supplier of services or goods. The guidelines also require that all voucher packages must be retained in the ANC's files for a period of at least seven years. ANC 1A's former officers failed to adhere to these guidelines.

Missing Canceled Checks and Bank Statements

Canceled checks and bank statements were also missing from ANC 1A's files for twelve (12) months beginning April 1995 through March 1996. Because the canceled checks and bank statements were missing, the Auditor could not conduct vital tests of the documentation and could not compare check amounts and payees recorded on quarterly financial reports with amounts and payees on original canceled checks. The lack of supporting documentation and the unavailability of canceled checks and bank statements precluded a full accounting of appropriated funds provided to ANC 1A by the District of Columbia Government. Moreover, the missing financial records may or may not contain evidence of improper financial transactions that were processed inadvertently or intentionally by the ANC's officers. Table II below identifies the missing canceled checks.

TABLE II
Canceled Checks Missing from ANC 1A's Files
October 1, 1993 Through September 30, 1997

Check Numbers	Number of Checks
1952 through 2123	172
2220	1
2226	1
2234 through 2236	3
2242	1
2297	1
2300	1
2328	1
2345	1
2350	1
2353	<u>1</u>
Total	184

Source: ANC 1A's records.

Despite the absence of numerous canceled checks, the audit team was able to examine xeroxed copies of the face of some missing checks. However, unless provided directly to the Auditor by a bank, xeroxed copies of only the face of canceled checks cannot be fully relied upon because of the susceptibility to alteration and the absence of other corroborating evidence. Further, because only the face of the xeroxed copies were available for review, the audit team was unable to examine the endorsement on the back of the xeroxed checks to determine the absence of other irregularities. The audit team made only limited findings, in a few instances, based on a review of the xeroxed copies of the checks. However, in most instances, the xeroxed copies were unreliable and could not be used to develop findings and conclusions.

The Auditor repeatedly requested ANC 1A officers to obtain copies of all missing canceled checks and bank statements from the ANC's bank, and to have these documents sent directly to the Office of the Auditor. The Office of the Auditor also offered its assistance in facilitating the flow of information necessary for the audit. However, ANC 1A's officers have not complied with the Auditor's requests or accepted the Auditor's offer of assistance. Nevertheless, vigorous independent efforts are being made by the Auditor to obtain the necessary documents. Until such time as these financial records are received and thoroughly reviewed, the Office of the Auditor will not recommend that ANC 1A receive any future quarterly allocations of appropriated District of Columbia Government funds.

RECOMMENDATIONS

1. To support all Commission disbursements, ANC 1A must maintain invoices, receipts, canceled checks, bank statements, and related financial documentation including notes and correspondence in its files for a period of not less than seven years.
2. The Commission's treasurer maintain all voided checks in the files of the Commission for a period of not less than seven years.
3. ANC 1A officers facilitate, in a timely manner, the Auditor's requests for the Commission's financial records in order to account for all appropriated funds made available to it by the District government.

PERSONAL SERVICE DISBURSEMENTS WERE NOT SPECIFICALLY APPROVED BY ANC 1A COMMISSIONERS AS REQUIRED BY LAW

Certain ANC 1A officers violated D.C. Code, Section 1-264(g) which states in relevant part:

“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 required to be approved pursuant to this subsection is made without the required authorization of the Commission, the expenditure shall be deemed to be a personal expense of the officer who authorized the payment, unless the Commission subsequently approves the expenditure.”(Auditor’s Emphasis)

Over \$5,000 was disbursed to individuals or organizations as personal service payments without obtaining the approval of a majority of ANC 1A commissioners and without obtaining receipts, invoices and other documentation in support of the disbursements. In other words, these disbursements were not approved by a majority of ANC 1A commissioners during a public meeting and there was no paper trail to justify and support the disbursements. Further, except for six disbursements noted in Appendix I by a single asterisk, the expenditures were not subsequently approved by the Commission. Appendix I provides a listing of the \$5,000 in personal service disbursements that appeared to violate D.C. Code, Section 1-264(g).

According to explanations provided on canceled checks or quarterly financial reports, the 41 disbursements presented in Appendix I represented payments for services rendered by the payees. However, there were no receipts, no vouchers, no invoices, and no other supporting documentation from which one could ascertain: (1) the nature and extent of the services provided; (2) the rate of compensation; (3) the maximum hours of service; or (4) whether the money disbursed was used for a valid public purpose. All ANC disbursements, including those in excess of \$50 and those for less than \$50, must be supported by receipts, invoices, and other supporting documentation.

RECOMMENDATIONS

1. All personal service expenditures exceeding \$50 must be specifically approved by a majority of ANC 1A commissioners at a public meeting of the Commission. The Commission’s approval must be specific as to the name of the person who is to receive the payment, the rate of compensation, the maximum hours of service to be provided, and a description of the services and deliverables to be provided by the contractor.
2. All expenditures made by ANC 1A must be supported by documentation, and the documentation must be maintained in the files of the Commission for a period of not less than seven (7) years.
3. All personal services expenditures in Appendix I that exceeded \$50 and were not specifically approved by the Commission at a public meeting prior to, or after, the disbursement are deemed the personal expense of the officer(s) who authorized the payment and must be repaid to the Commission by those officers—specifically the former chairman, vice-chairman, secretary, and treasurer—unless the Commission approves the expenditure. The Auditor will conduct a follow-up review of this matter within 180 days to determine compliance with this recommendation.

**ANC Made Questionable Payments For
Janitorial Services, Flier Distribution, And Postage**

Custodial or janitorial service was the indicated purpose for a number of the disbursements listed in Appendix I. In some instances, more than one payment was made on the same day to different individuals for the same type of service. For example, on both June 8, 1994 and March 22, 1995, two checks were written on each date to two different entities for providing custodial/janitorial services. No documentation was available in the Commission's files to support either of these disbursements or to explain why there were two janitorial service payments on the same date, and where the services were performed. Also, in several instances, the amounts paid varied for the same type of service.

Flier distribution was another indicated purpose for disbursement on several other checks. The audit team found that, in some instances, the Commission made payments to individuals for distribution of fliers purportedly announcing ANC 1A meetings. During the same period of time, ANC 1A's officers purchased approximately \$1,200 in stamps and bulk mail permits from the U. S. Postal Service. The Commission did not maintain adequate records of the nature of any items mailed with the stamps or bulk mail permits. Without an adequate record of documents mailed, the audit team could not determine whether the stamps were used to mail documents pertaining to ANC 1A or were used by commissioners, in whole or in part, to send personal mail that did not pertain to the business of ANC 1A.

**Check Issued For Personal Services
Was Not Authorized by The Commission,
Was Not Supported by Documentation, And
Contained a Questionable Endorsement**

Check number 2158, in the amount of \$125, was signed by ANC 1A's then-chairperson (Lenwood Johnson) and secretary (Anna Bowman). This check was made payable to a Phyllis Davis. The disbursement was not authorized by a majority of ANC 1A commissioners at a public meeting and was not supported by receipts, invoices, or other documentation certifying that the expenditure was a valid public purpose use of ANC funds. Further, ANC 1A's then-chairperson and secretary could not provide an explanation for the disbursement nor could the audit team discern whether the check was signed before or after it was filled out. The former chairperson and secretary of ANC 1A violated D. C. Code, Section 1-264 (f) which states in relevant part that no expenditure of any amount shall be made without the specific authorization of the Commission.

Check number 2158 also contained an improper endorsement. This check was made payable to one individual but was endorsed by another individual, without the endorsement of the individual to whom the check was written. More specifically, the check for \$125 was made payable to Phyllis Davis but was endorsed on the back as follows: "Voncelle Manning for Phyllis Davis." When questioned by the audit team, Ms. Manning could not recall the circumstances surrounding her endorsement of this check.

A representative of the bank on which the check was drawn indicated that if a payee of a check wished to transfer a check to another individual, the correct procedure would have been to have the payee (Ms. Davis) endorse the check prior to the transfer. That procedure was not followed with this check.

It did not appear that ANC 1A's officers investigated the propriety of the endorsement on this check, or the circumstances that led to this unauthorized disbursement. At minimum, ANC 1A's internal control system should have included a procedure that required a review of each month's bank statement and canceled checks by an ANC officer other than the chairperson or treasurer in order to uncover improper disbursements, improper endorsements, or other irregularities and improprieties pertaining to disbursements of ANC funds. An improper endorsement, such as the one on check number 2158, may indicate a number of irregularities including theft, embezzlement, and misappropriation through a real or fictitious payee.

Because of the lack of documentation, absence of Commission approval of this disbursement, and the irregularity of the endorsement, ANC 1A commissioners must review the circumstances surrounding the disbursement to determine whether it was for a bona fide public purpose, and, if not, seek restitution of the funds from the individual endorsing the check or the former officers who authorized the disbursement.

RECOMMENDATIONS

1. Should the ANC's former chairman, former treasurer, and former secretary fail to repay the improper disbursements to the District government within 180 days of this report, the Office of the Corporation Counsel must institute the appropriate legal process to recover funds improperly disbursed pursuant to D.C. Code, Section 1-264(g).
2. ANC 1A commissioners must review the circumstances surrounding the \$125 disbursement to Ms. Davis to determine whether it was a valid disbursement for a public purpose, and, if not, seek restitution of the funds from the payee or the individual endorsing the check or the former ANC 1A officers who authorized the disbursement.

Salary Disbursements For Office Workers Were Not Always Documented

ANC 1A failed to comply with Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor which state that a payroll register must be maintained to record all paychecks issued to employees. A payroll register should be used to accumulate employees' payroll and related information, including employee earnings and withholdings which must be reported to the appropriate tax authorities. ANC 1A did not have a payroll register and, therefore, could not ensure that accurate payments were being made to the appropriate tax authorities.

Also, salary disbursements to ANC 1A's office workers were not always supported by an approved timesheet or other appropriate supporting documentation. Without properly approved timesheets or other documentation of hours worked, the Commission could not be assured that salary payments to its office workers represented accurate payment for hours actually worked.

Advisory Neighborhood Commission 1A's documentation to support payments to the office worker (who was employed by the Commission from October 1, 1993 through December 1994) was not available for six (6), or approximately 19 percent, of the 31 payroll disbursements. In 16, or approximately 64 percent, of the 25 instances in which a timesheet was available, an authorized ANC 1A officer's signature was not present on the timesheet to indicate review and approval of the hours reported as having been worked.

Documentation was also not available in the Commission's files to support eight (8), or approximately 18 percent, of the 45 salary payments to another office worker employed by the Commission beginning in September 1995.

RECOMMENDATIONS

1. ANC 1A must ensure that adequate documentation is maintained for all payroll disbursements.
2. All supporting documents that generate salary disbursements must be approved by an authorized ANC 1A officer.
3. A payroll register must be maintained to record appropriate payroll information for all employees.

DISBURSEMENTS TO ANC 1A COMMISSIONERS LACKED DOCUMENTATION

Previous Recommendations:

Maintain receipts/bills and Commission minutes to document every disbursement made to an ANC Commissioner.

Discontinue the practice of writing checks to an individual to purchase office supplies. Disbursements of this nature should be made directly to the vendor.

Seek restitution from [commissioners] for disbursements which lacked appropriate documentation (receipts/bills, etc.).

Implementation Status of Previous Recommendations:

ANC 1A's officers continued to make disbursements to ANC 1A commissioners without obtaining receipts or invoices to document and support such disbursements and without obtaining the Commission's prior or post approval, except in the instance of check number 2214.

The Commission's officers also continued the practice of writing checks to commissioners for good and services provided by third parties rather than writing checks directly to vendors and service providers. In training sessions and written correspondence, the Auditor has repeatedly informed ANCs that the preferred practice is to write checks directly to the vendor of goods and services and to obtain a receipt to support the disbursement rather than the practice of writing a check that is not supported by appropriate documentation to an ANC commissioner who in turn pays a vendor. In the absence of supporting documentation, there is no assurance that the amount disbursed to the commissioner is, in fact, the amount charged by and subsequently paid to the vendor. In some cases, there is no assurance that a vendor actually exists.

The Auditor also found that the Commission did not follow the recommendation made in the last audit report that it seek restitution from commissioners responsible for disbursements that lacked appropriate documentation and authorization. The Auditor will continue to disallow such disbursements and recommend a reduction in these amounts to the ANC's quarterly allotment.

Disbursements totaling approximately \$896 were made to several commissioners without adequate justification, supporting documentation, or approval by a majority of ANC 1A commissioners at a public meeting. These disbursements are listed in Table III.

**TABLE III
Undocumented Disbursements to Commissioners
for the Period October 1, 1993 Through September 30, 1997**

Check No.	Date	Payee	Amount	Purpose
2055	06/08/94	Beverly Wheeler	\$37.38	custodial service reimbursement
2056	06/08/94	Beverly Wheeler	12.00	copying service reimbursement
2082	08/01/94	Elizabeth McIntire	15.00	reimbursement grant
2083	08/01/94	Pauline Accra	35.00	office supplies reimbursement
2126	02/14/95	Lenwood Johnson	50.00	petty cash fund
2132	03/22/95	Reginald Maulstby	75.00	reimbursement: janitorial services
2134	03/22/95	Mack James	42.30	reimbursement ANC fliers
2147	06/24/95	Lenwood Johnson	375.00	neighborhood beautification
2171	10/02/95	Lenwood O. Johnson	50.00	petty cash
2214	02/23/96	Lenwood O. Johnson	100.00	janitorial services
2349	08/28/97	Robert Tucker	48.58	copying paper
2351	09/10/97	Robert Tucker	55.98	office supplies
Total			\$896.24	

Source: ANC 1A quarterly financial reports and financial records.

Commission's Former Chairperson Signed Checks Made Payable to Himself

To ensure proper internal control over Commission disbursements, Commission officers should refrain from signing Commission checks made payable to themselves. When Commission officers receive Commission funds by check, the preferred procedure is to have Commission officers other than the payee sign the check. This procedure allows at least two commissioners who are not involved in the transaction the opportunity to verify that the disbursement has been approved by a majority of commissioners and that adequate documentation in support of the disbursement has been presented in advance by the payee.

The then-chairperson of ANC 1A, Lenwood Johnson, did not use the preferred procedure of having other Commission officers sign ANC 1A checks made payable to him. Instead, Mr. Johnson was one of the signers of checks totaling \$525 that were made payable to him. ANC 1A's vice chairperson, Pauline Accra, and the Commission's secretary, Anna Bowman, countersigned these checks with Mr. Johnson.

None of the disbursements to Mr. Johnson were supported by documentation that could be found in the Commission's files, and the purpose of these disbursements was not made clear in written explanations submitted with quarterly financial reports. For example, in a written explanation of check number 2214 for \$100, Mr. Johnson stated that he "gave a personal check or cash to pay for janitorial services after 1A town meeting." Check number 2214 represented a reimbursement to Mr. Johnson, however, Mr. Johnson did not provide invoices, receipts or a signed statement from any individual acknowledging receipt of the \$100 payment. Check number 2214 was signed by Mr. Johnson and the Commission's then secretary, Anna Bowman.

Another example involved check number 2147 for \$ 375 which was reported on the April through June 1995 quarterly financial report. The written explanation indicated that Mr. Johnson cashed the check to pay "cash only" trash haulers for a Commission approved neighborhood cleanup. This check was signed by Mr. Johnson and the ANC's vice-chairperson. The Commission's files, however, did not contain any documentation that would confirm or support this explanation. Further, no receipts, invoices or signed statements from the individuals who Mr. Johnson indicated performed the services could be found in the Commission's files.

The audit team also could not find any explanations or supporting documentation in the Commission's files for two \$50 disbursements to Mr. Johnson on check numbers 2126 and 2171.

RECOMMENDATIONS

1. ANC 1A must immediately discontinue the practice of writing checks directly to ANC commissioners for services performed by third parties. Instead, the Commission must adopt the practice of paying vendors directly for their services.

2. The Commission must obtain and maintain supporting documentation for all disbursements in its files for a period of not less than seven (7) years.
3. The Commission must seek restitution from all commissioners who received disbursements listed in Table III that lacked appropriate supporting documentation such as receipts, invoices, or signed statements from vendors. The Auditor will conduct a follow-up review within 180 days to determine compliance with this recommendation.
4. Commissioners who receive ANC funds by check must refrain from signing checks that are payable to them. Other Commissioners who are not involved in the transaction should sign these checks.

**PAYMENTS MADE FOR ACCOUNTING SERVICES
WERE NOT AUTHORIZED BY A MAJORITY OF COMMISSIONERS
AND WERE NOT ADEQUATELY DOCUMENTED**

D.C. Code, Section 1-264 (f) states in relevant part that:

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

Further, D.C. Code, Section 1-264(g) states:

“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 required to be approved pursuant to this subsection is made without the required authorization of the Commission, the expenditure shall be deemed to be a personal expense of the officer who authorized the payment, unless the Commission subsequently approves the expenditure.”(Auditor’s Emphasis)

ANC 1A's then-chairperson, Lenwood Johnson, and vice chairperson, Pauline Accra, violated D.C. Code, Sections 1-264(f) and (g) by authorizing payments purportedly for accounting services totaling approximately \$3,000 to Customized Accounting Services and Help, a defunct Maryland-based firm. Neither the services nor the payments were authorized by a majority of ANC 1A commissioners.

Invoices submitted by the vendor did not adequately document the services provided to ANC 1A. Additionally, other commissioners did not independently verify the vendor’s scope of work and resulting work product. In fact, the Commission's files did not contain a contract identifying the

services to be provided, the contractor's rate of pay, or deliverables. As a result of these deficiencies, the Auditor could not determine whether any services were provided to the Commission even though certain ANC officers disbursed almost \$3,000 to the firm.

These disbursements were made as follows:

- On June 24, 1996, ANC 1A's former chairperson, Lenwood Johnson, and vice chairperson, Pauline Accra, disbursed \$712.50 to Customized Accounting Services and Help to "reconcile and collect data to produce three quarterly reports." The invoice did not identify the quarters for which data was collected and reconciled in order to prepare the quarterly reports. It appears that the contractor was paid an average of \$237.50 to "reconcile and collect data to produce" each of the three quarterly reports. Therefore, it was unclear to the Auditor which quarterly reports, if any, "Customized Accounting Services and Help" prepared for ANC 1A. The audit team's review of documentation maintained by the Office of the Auditor revealed that no quarterly financial reports were received from ANC 1A until four months later during October 1996. At the time, only two quarterly financial reports covering the periods October through December 1995 and January through March 1996 were filed with the Office of the Auditor. No other quarterly financial reports have been filed by ANC 1A since that time.
- On August 16, 1996, ANC 1A's chairperson, Lenwood Johnson, and vice chairperson, Pauline Accra, signed check number 2277 disbursing an additional \$893.10 to "Customized Accounting Services and Help" to "reconcile payroll federal and state taxes." The audit team did not find a contract in the Commission's files and could not determine the detailed scope of work or a work product that generated the \$893.10 payment. The Commission's files did not contain any reconciliations of federal and state taxes for the Commission. In November 1996, the Internal Revenue Service notified ANC 1A that it owed the IRS approximately \$1,718 for the tax period ending September 30, 1994. In March 1997, ANC 1A made a \$1,000 payment to the IRS and paid an additional \$1,000 to the IRS in September 1997.
- Finally, on September 13, 1996, ANC 1A's chairperson, Lenwood Johnson, and vice-chairperson, Pauline Accra, signed check number 2222 disbursing a final payment of \$1,357.90 to "Customized Accounting Services and Help." The invoice, which was the only supporting documentation, indicated that the \$1,357.90 was paid to "Customized Accounting Services and Help" for services rendered in August 1996. The invoice did not contain a descriptive statement of the specific services or work products provided to ANC 1A in return for the payment. Table IV below presents payments made to "Customized Accounting Services and Help."

TABLE IV
Payments to "Customized Accounting Services and Help"
During the Period October 1, 1993 Through September 30, 1997

Date	Check Number	Payee	Amount	Purpose
9/13/96	2222 ¹	Customized Accounting Services and Help	\$1,357.90	For Services Rendered for August 1996
6/24/96	2261	Customized Accounting Services and Help	712.50	Reconciled and collected data to produce three (3) quarterly reports
8/16/96	2277	Customized Accounting Services and Help	893.10	Reconciled payroll federal and state taxes.
	Total		\$2,963.50	

Source: ANC 1A quarterly financial reports, financial records and invoices submitted by the payee.

RECOMMENDATIONS

1. ANC 1A must prepare and execute a written contractual agreement with each of its independent contractors. At minimum, the contract/agreement must detail the scope of work, rate of pay, and the contract period.
2. ANC 1A must document all disbursements, including those made to contractors and consultants. ANC 1A commissioners must also independently review statements of work and ensure that the services were in fact received by the ANC.
3. According to D.C. Code, Section 1-264(g), all personal service disbursements exceeding \$50 that were not specifically authorized by ANC 1A commissioners shall become a personal expense of the officer(s) who authorized the disbursements. The Commission's then-chairperson, Lenwood Johnson, and the vice-chairperson, Pauline Accra, were responsible for improperly signing checks disbursing payments to Customized Accounting Services and Help without obtaining the Commission's approval, and therefore must repay those funds to the District of Columbia Government. The Auditor will conduct a follow-up review within 180 days to determine compliance with this recommendation.

GRANT DISBURSEMENTS VIOLATED
D. C. CODE, SECTION 1-264(m)

Previous Recommendations:

ANC 1A provide adequate documentation for all grants/neighborhood enhancement requests. This documentation must include the following items:

¹This check appears to have been written out of numerical sequence.

1. *Grant request letter and/or proposal from the organization requesting funds.*
2. *Commission minutes that clearly indicate full commission approval of funds requested by the organization.*
3. *Receipts/bills from vendors for neighborhood enhancement projects.*

ANC 1A discontinue the practice of making checks payable to individuals for grants or neighborhood enhancement programs.

Implementation Status of Previous Recommendations:

ANC 1A's then-chairperson, Lenwood Johnson, vice chairperson, Pauline Accra, treasurer, Vivian Brown, and secretary, Anna Bowman, violated ANC law by signing checks to disburse funds for grants that did not comply with D.C. Code, Section 1-264(m) which states:

“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. A grant to an individual shall be prohibited as a non-public purpose expenditure. A Commission shall adopt guidelines for the consideration and award of grants that shall include a provision that requires the proposed grantee to present the request for a grant at a public meeting of the Commission. A grant may not be awarded unless the grant is awarded pursuant to a vote of the Commission at a public meeting. The award of a grant by a Commission shall not be conditioned on support for a position taken by the Commission.”

ANC 1A officers continued to make grant disbursements that violated D.C. Code, Section 1-264(m) for the following reasons:

- (1) the Commission failed to adopt grant guidelines;
- (2) grant checks were made payable to individuals;
- (3) grants were not approved by a majority of ANC 1A commissioners at a public meeting of the Commission;
- (4) grantees did not present the grant request at a public meeting of the Commission; and
- (5) grants were awarded for purposes that did not provide a benefit that was public in nature and benefitted persons who resided or worked within the Commission area.

Table V lists disbursements made by ANC 1A officers that were classified on quarterly financial reports as grants. Table V also identifies two disbursements that were not classified as grants but were misclassified on quarterly financial reports.

TABLE V
Grant Disbursements
Listed on Quarterly Financial Reports:
October 1, 1993 Through September 30, 1997

Check	Check	Payee	Amount	Purpose
2045*	05/11/94	TNT Block Association	\$1,000.00	Community Fair
2081	08/01/94	Rap Graphics	530.00	Auditor Could Not Determine
2082	08/01/94	Elizabeth McIntire	15.00	Auditor Could Not Determine
2099	09/12/94	Voncelle Manning	500.00	Gospel Festival
2141*	05/22/95	Cardoza Senior H/S	450.00	Perfect Attendance Awards
2229	08/16/95	Greg Simpkins	900.00	Basketball Uniforms
2165	09/14/95	Gregory Simpkins	695.00	Basketball Uniforms
2168**	09/27/95	Park View Community Management	900.00	Community Enhancement
2191*	12/13/95	Ernestine Smith	1,500.00	Appreciation for Mr. Mosley
2192*	12/13/95	4th District Comm. Service	200.00	Purchase Gifts for Needy Children Throughout the City
2193*	12/13/95	Neighbors' Conseja	350.00	Community Education / Empowerment Project
2206**	01/05/96	Gary Rucker	1,700.00	Community Enhancement, Outdoor Lighted Bulletin Board
003537 ²	02/22/97	Change, Inc.	1,500.00	Community Network
	Total		\$10,240.00	

Source: ANC 1A quarterly financial reports and Grant Applications.

* denotes that grant applications were found in ANC 1A's files.

**ANC 1A's quarterly financial reports misclassified these expenditures.

Grant applications were in ANC 1A's records for five (5) of the thirteen (13) grants listed in Table V. However, these grants, identified by a single asterisk in Table V, violated D.C. Code, Section 1-264(m) because the grantee never presented the grant request to commissioners during a public meeting of the Commission.

²This check was written from the Commission's saving account at NationsBank.

A review of minutes of ANC 1A meetings revealed that only four (4) grants totaling \$3,450, or approximately 34 percent of the dollar value of grants listed in Table V, were approved by the Commission. The remaining nine (9) grants totaling \$6,790, representing 66 percent of the dollar value of grants listed in Table V, were not approved by a majority of ANC 1A commissioners at a public meeting. The grants approved by the Commission were:

Change, Inc.	\$1,500	Proposed grantee did not present grant request at a public meeting of the Commission.
TNT Block Association	\$1,000	Grant funds were used for a purpose prohibited by law.
Voncelle Manning	\$500	Grant payable to an individual and thus prohibited as non-public purpose expenditure.
Cardoza Senior H.S.	\$450	Prohibited from making a "direct grant to a public school."

Even the grants approved by a majority of ANC 1A commissioners violated D.C. Code, Section 1-264(m) for one or more of the following reasons: (1) the proposed grantee did not present the grant request at a public meeting of the Commission; (2) the grant was payable to an individual and was thus prohibited as a non-public purpose expenditure; or (3) grant funds were used for a purpose prohibited by law. For example, according to a Corporation Counsel opinion dated January 10, 1986, the grant of \$450 to Cardoza Senior High School was prohibited as a "direct grant to a public school."

ANC 1A Awarded Grants to Fund Festivals

A May 26, 1994 Corporation Counsel opinion determined that food and entertainment were not permissible purposes for which an ANC could make a grant. By letter dated August 16, 1994, the District of Columbia Auditor specifically informed ANC 1A of the Corporation Counsel's opinion and stated that the expenditure of ANC funds for entertainment and food, such as block parties, festivals, and similar activities, was prohibited and would be disallowed during the quarterly financial report review process. However, despite the prohibition, ANC 1A's treasurer and chairperson signed checks disbursing grants totaling at least \$2,900 to fund festivals and similar entertainment type activities. These grants are discussed below:

- On September 12, 1994, check number 2099 for \$500 was disbursed to Voncelle Manning as a grant for a gospel festival. The Auditor could not locate, in the Commission's files, original or copies of receipts that documented how the funds were used by this individual. However, Ms. Manning indicated that she submitted receipts to the ANC representative from her single member district. This commissioner provided receipts for the Auditor's review that did not support expenditures for the gospel festival in that all of the receipts were dated in September 1993—a full year before the ANC disbursed the grant award check for a gospel festival. Therefore, it appeared that the receipts submitted for the Auditor's review did not relate at all to the 1994 grant for a gospel festival. The Auditor did not find any other

documents to support the September 12, 1994 disbursement to Ms. Manning.

- ANC 1A's then-chairperson and secretary failed to comply with either the Corporation Counsel's opinion or the Auditor's letter related to the prohibition against using ANC money to fund festivals and food purchases when they signed check number 2168, dated September 27, 1995, disbursing \$900 to Park View Community Management for community enhancement. The Auditor's review of receipts submitted in support of the \$900 expenditure by Ms. Voncelle Manning, then-President of Park View Community Management, reflected purchases for balloons, flowers, novelty items, video tapes and equipment, eight hours of videotaping, cook helper, flyer distribution, signs, set-up, and cleanup. In an October 12, 1995 memorandum attached to the receipts, Ms. Manning indicated that the purchased items were used for a JAMBOREE. The JAMBOREE was a festival-type activity, or entertainment, which was specifically prohibited in the Corporation Counsel's May 26, 1994 opinion. Further, the receipts submitted by Ms. Manning totaled only \$525.26 and a memorandum prepared by Ms. Manning indicated that she submitted a refund of \$374.74 (the difference between the \$900.00 received and the \$525.26 spent) to the Commission. The Auditor's review of the Commission's quarterly financial reports did not reflect the receipt and deposit of the \$374.74 refund into the ANC's bank account. Further, bank statements for this period were missing from the Commission's files and the Auditor could not determine whether the \$374.74 was ever deposited into ANC 1A's bank account. Because of the absence of relevant financial records, the Auditor could not determine whether the Commission's treasurer received the refund and did not deposit it into the ANC's account, or whether the refund ever reached the Commission or the Commission's treasurer.
- On December 13, 1995, ANC 1A's then chairperson and secretary signed check number 2191 for \$1,500, payable to Ernestine Smith, to fund an "appreciation day" for a community resident. This activity included music and other entertainment. This grant violated D.C. Code, Section 1-264(m) which prohibits grants to an individual as a non-public purpose expenditure, and failed to comply with the Corporation Counsel's opinion that such expenditures were not allowed based on a federal statute which prohibits expenditure of appropriated funds for food and entertainment purposes.

**ANC 1A Failed to Ensure That Grantees
Used Grant Funds as The Commission Intended**

In an October 1993 letter to ANC 1A, The Neighborhood Trying (TNT) Block Association requested a grant of \$1,500 for rides, decorations, permits, insurance, a school janitor, stationery, printing, and postage for a community fair. Minutes of the ANC 1A meeting at which the Commission approved the TNT grant specifically stated that the grant to TNT should not be used for printing, postage, stationary, or food.

ANC 1A commissioners did not monitor TNT's expenditure of grant funds to ensure that the funds were not used for the purposes specifically prohibited by the Commission. While ANC 1A's minutes indicated that receipts supporting expenditure of the grant funds were to be delivered by TNT to the Commission in June 1994, the audit team did not find such receipts in the ANC's files. It is unclear how TNT used the grant funds. As a result, the Auditor could not determine whether the grant was used to fund the Association's operations or was used for a community festival.

Also, in January 1996, the Commission's then chairperson and secretary disbursed \$1,700 to Gary B. Rucker and classified the payment on the quarterly financial report as "other." The Commission's files did not contain any documentation: 1) describing the purpose of the disbursement; and 2) indicating whether the disbursement was a valid ANC 1A expenditure. The check was endorsed by the payee as "Gary B. Rucker, For Deposit Only, ParkView PTA." The Commission should have obtained receipts, invoices, or other adequate documentation to justify and support the disbursement, and to ensure that the funds were spent as the Commission intended. Finally, the Commission's minutes did not document that the disbursement was approved by a majority of ANC 1A commissioners at a public meeting.

According to the ANC's then-treasurer, the disbursement was for the purchase of an outdoor lighted bulletin board for the Park View Elementary School. The sign was to be used to advertise ANC meetings, school events, and other events. No documentation existed in the Commission's files to verify that the funds were used as the Commission intended.

RECOMMENDATIONS

1. ANC 1A must refrain from awarding any grants until guidelines for issuing grants are established by the Commission. These guidelines must comply with D.C. Code, Section 1-264(m). The Auditor will disallow all ANC 1A grants until grant guidelines are adopted and implemented by the commissioners.
2. ANC 1A must award grants only in accordance with D.C. Code, Section 1-264(m) and Corporation Counsel opinions.
3. ANC 1A must monitor organizations to which it has awarded grants to ensure that all grant funds are expended for the purpose awarded by the Commission and that such expenditures comply with the ANC law and guidelines.
4. ANC 1A must ensure that its grant disbursements are for valid public purposes.
5. Invoices, receipts, and other documentation must be obtained from grantees and maintained in the Commission's files to support expenditures funded by each grant disbursement.

ANC 1A FAILED TO TIMELY FILE QUARTERLY FINANCIAL REPORTS

ANC 1A violated D.C. Code, Section 1-264(j) when it failed to file quarterly financial reports with the Office of the Auditor for fiscal years 1997 and 1998, as of the date of this report. D.C. Code, Section 1-264(j) 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 public meeting of the Commission within 30 days of the end of the quarter. A copy of the approved financial report, signed by the Chairman, the secretary, and the treasurer, shall be filed, along with a record of the vote adopting the report with the District of Columbia Auditor within 7 days of approval. No quarterly allotment shall be forwarded to a Commission until the report of financial activity for the quarter preceding the immediate previous quarter is submitted to and reviewed by the Auditor..."

The last quarterly financial report filed by ANC 1A with the Office of the Auditor was in April 1997 for the fourth quarter of fiscal year 1996 (July through September 1996). ANC 1A has not filed any further quarterly financial reports with the Office of the Auditor.

Many of ANC 1A's quarterly financial reports were filed late. Table VI below presents information concerning the dates that quarterly financial reports were due in the Office of the Auditor and the actual dates that ANC 1A's quarterly financial reports were received by the Office of the Auditor.

TABLE VI
Quarterly Financial Reports Submitted Late by ANC 1A
for the Period October 1, 1993 Through Conclusion of Audit

Period	Date Due	Date Received	Number of Months Late
01/01/94 - 03/31/94	05/13/94	07/01/94	2
07/01/94 - 09/30/94	11/11/94	09/22/95	10
10/01/94 - 12/31/94	02/11/95	09/22/95	7
01/01/95 - 03/31/95	05/15/95	09/22/95	4
04/01/95 - 06/30/95	08/14/95	03/14/96	7
07/01/95 - 09/30/95	11/14/95	03/14/96	4
10/01/95 - 12/31/95	02/12/96	10/09/96	8
01/01/96 - 03/31/96	05/13/96	10/09/96	5
04/01/96 - 06/30/96	08/14/96	03/28/97	7
07/01/96 - 09/30/96	11/11/96	04/24/97	5
10/01/96 - 12/31/96	02/13/97	Not Submitted	15
01/01/97 - 03/31/97	05/13/97	Not Submitted	12
04/01/97 - 6/30/97	08/14/97	Not Submitted	9
07/01/97 - 9/30/97	11/13/97	Not Submitted	6
10/01/97 - 12/31/97	02/13/97	Not Submitted	3

Source: Office of the District of Columbia Auditor

Inasmuch as ANC 1A has not submitted any quarterly financial reports for fiscal years 1997 or 1998, as of the date of this report, and cannot adequately account for funds previously released to it, the Auditor has not recommended the release of any further quarterly funding allocations to it. The Auditor's policy, which is consistent with D. C. Code, Section 1-264(j), is not to recommend the release of quarterly allocations to an ANC when it fails to file quarterly financial reports. D. C. Code, Section 1-264(j) states, in relevant part, the following:

“... No quarterly allotment shall be forwarded to a Commission until the report of financial activity for the quarter preceding the immediate previous quarter is submitted to and reviewed by the Auditor. . . .”

As of May 1, 1998, a total of \$23,642.78 in quarterly funding allocations were being withheld from ANC 1A by the District government pending the submission of overdue quarterly financial reports and missing canceled checks and bank statements. The \$23,642.78 consisted of \$9,422.78 in fiscal year 1997 allotments that were placed in retainage and \$14,220 in fiscal year 1998 allotments.

RECOMMENDATIONS

1. ANC 1A must immediately submit all overdue quarterly financial reports and thereafter submit quarterly financial reports by the due date.
2. ANC 1A must submit all outstanding quarterly financial reports before the Auditor will recommend the release of future funding allocations from the District government.

ANC 1A FAILED TO COMPLY WITH THE ANC LAW AND GUIDELINES AND PROCEDURES ISSUED BY THE OFFICE OF THE AUDITOR

I. Checks Were Not Written in Consecutive Order

In violation of D. C. Code, Section 1-264(f), at least six checks written by the Commission's former chairperson, Lenwood Johnson, and vice-chairperson, Pauline Accra, were not written in consecutive numerical order. In other words, checks were written out of sequence. ANC 1A's officers began the practice of writing checks out of numerical order in March 1995. D. C. Code, Section 1-264 (f) states, in relevant part, the following:

“... Any check shall be prenumbered . . . and shall be issued in consecutive order.”

Also, the practice of writing checks out of numerical order did not comply with ANC Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor. These guidelines state: "All checks must be issued by the ANC in consecutive order on pre-numbered checks."

Checks should be written in numerical order to more accurately account for each check written and to ensure that each check written is recorded in the financial records of the Commission.

One example of a check written out of consecutive order was check number 2228 dated April 6, 1995. Other checks in the sequence were written almost a year later in March 1996. Another

example was check number 2222 made payable to “Customized Accounting Services and Help” in the amount of \$1,375.90 dated September 13, 1996. Other checks in the sequence were written six months earlier in March 1996.

RECOMMENDATION

The Commission must write all checks from its checkbook in consecutive numerical order.

II. Checkbook Was Not Consistently Maintained and Bank Statement Balance Was Not Reconciled to Checkbook Balance

Previous Recommendations:

Ensure that each disbursement made by the ANC is properly recorded in the checkbook ledger and that a running checkbook balance is consistently maintained for each transaction. This will provide an accurate accounting of monies available for the ANC's immediate use.

Prepare bank reconciliations on a monthly basis to avoid any inaccuracies which could result from outstanding checks and/or bank service charges, etc. Further, this will safeguard the ANC from incurring bank overdraft and service charges which may negatively impact the ANC's overall financial position.

Implementation Status of Previous Recommendations:

The Commission’s officers continued to write checks without maintaining a ledger in which to record all disbursements. Further, the Commission did not maintain a running balance of funds available to it after each disbursement and deposit.

The Financial Guidelines and Procedures issued by the Office of the Auditor state that:

“... The treasurer must reconcile the bank statement to the checkbook within 15 days of receipt of the bank statement. The bank statement and bank reconciliation must be reviewed by the chairman or vice-chairman of the ANC, who must indicate their review by initialing the bank reconciliation.”

The Commission’s former treasurer and former chairperson failed to consistently reconcile the check book balance to each bank statement balance. When bank reconciliations were prepared, they were not signed or initialed to identify the preparer or the reviewer.

The failure to consistently prepare and review bank reconciliations did not comply with Financial Guidelines and Procedures issued by the Office of the Auditor. Bank reconciliations should have been performed in order to detect errors that may have been made by the bank, and to detect

deliberate or inadvertent mistakes that may have been made by commissioners who had access to the -Commission's checkbook and related financial records. As part of the reconciliation process, canceled checks returned with bank statements should have been examined to determine whether the canceled checks agreed with the amounts, dates, and payees recorded on the check stub.

RECOMMENDATIONS

1. ANC 1A's treasurer must maintain a running checkbook balance after each transaction. This will provide the Commission with a readily available balance of monies in its account.
2. ANC 1A must designate an officer, other than the treasurer, to reconcile its bank account each month. The reconciliation must be reviewed by the chairperson or vice-chairperson and an indication of this review must be made on the bank reconciliation.

III. Voided Checks Were Not Consistently Maintained in the Commission's Files

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

"Voided or spoiled checks must be mutilated to preclude subsequent use. These checks must be retained by the treasurer for the purpose of accounting for consecutively numbered checks belonging to the ANC."

Advisory Neighborhood Commission 1A did not comply with ANC Financial Guidelines and Procedures issued by the Office of the Auditor in that all voided checks reported on the Commission's quarterly financial reports were not maintained in the Commission's files. Voided checks must be maintained in the Commission's files for a period of at least seven (7) years to account for all check numbers, to ensure that checks labeled as voided were not used to improperly disburse ANC funds, and to ensure that voided checks were actually mutilated to prevent future use.

Fifteen (15) checks were identified as voided during the period under audit. Three, or 20 percent, of the voided checks were not available for review by the audit team. Also, the audit team found that check number 2222 was mislabeled as a voided check on the January through March 1996 quarterly financial report. However, the Auditor's review of ANC 1A's canceled checks revealed that check 2222 had not been voided but rather had been signed by the Commission's then chairperson, Lenwood Johnson, and vice-chairperson, Pauline Accra, and made payable to "Customized Accounting Services and Help" for \$1,357.90. This check was also written out of numerical sequence, and the disbursement was not approved by ANC 1A commissioners. In light of the numerous irregularities surrounding this disbursement, serious questions are raised concerning the legality of the disbursement and whether it was a legitimate expenditure of appropriated funds.

The Auditor could not account for all ANC 1A check numbers. Some canceled checks: (1) were not listed on quarterly financial reports; (2) were not available in the files of the Commission; and (3) were not categorized in financial documentation as being canceled, unused, or voided. Therefore, there is no assurance that all disbursements of ANC 1A funds and all ANC checks have been accounted for in the Commission's financial records.

RECOMMENDATIONS

1. ANC 1A must maintain all voided checks in the files of the Commission. Additionally, the Commission must account for all Commission checks.
2. The Office of the Inspector General investigate the circumstances surrounding the disbursement of check number 2222 to determine whether it was a legitimate expenditure of District appropriated funds.

IV. Minutes of Commission Meetings Not Properly Identified

District of Columbia Code, Section 1-262(b) states that each Commission shall meet in a public session at regular intervals. Further, the disbursement of ANC funds must be approved by a majority of commissioners in a public meeting and recorded in the minutes of the Commission. The Auditor may disallow any disbursement of ANC funds not approved by a majority of commissioners in a public meeting. Therefore, ANC 1A must clearly identify the nature of each meeting, especially those that are public meetings conducted pursuant to D.C. Code, Section 1-262(b).

According to the Auditor's review, none of the minutes for ANC 1A meetings were identified as public meetings. Minutes from three (3) of the meetings were identified as "Special" meetings. Two sets of minutes did not specify the nature of the meeting. The remaining seventeen sets of minutes were identified only as "business" meetings.

The Auditor reviewed the minutes of ANC 1A and determined that the meetings identified as business meetings appeared to have been opened to the public. This determination was based on discussions with ANC 1A's former chairperson, a review of the agenda from these meetings, if available, that indicated "community forum" as an agenda item, and minutes of meetings that included discussions by individuals other than ANC 1A commissioners.

RECOMMENDATION

ANC 1A's minutes must clearly identify the nature of its meetings. Minutes should clearly reflect whether the meetings were public meetings conducted pursuant to D.C. Code, Section 1-262(b) and should accurately reflect discussions and decisions of the Commission.

V. Savings Account Opened Without Commission Approval

D. C. Code, Section 1-264(b) states:

"Each Commission shall by resolution designate a commercial bank, savings and loan association, credit union, or any combination thereof, which is insured by the government of the United States . . . and which is located within the District of Columbia, as a depository of all funds received by the Commission. Each Commission shall establish no more than 1

checking or negotiable order of withdrawal account. The Commission may deposit into any savings account created pursuant to this section funds not immediately needed for the operation of the Commission.”

In violation of D.C. Code, Section 1-264 (b), the Commission’s chairperson, Richard Maultsby, and treasurer, Mack James, opened a savings account at NationsBank. This account was opened in February 1997 and was closed in March 1997. Disbursements totaling \$2,405 were improperly made from the savings account by the chairperson and treasurer. Any savings account opened by the Commission should have been designated in a resolution that was approved by a majority of ANC 1A commissioners. This savings account was opened by these two officers without the approval of ANC 1A commissioners.

The savings account at NationsBank was opened in February 1997 with funds withdrawn from the ANC's checking account at Industrial Bank. Five withdrawals, using cashiers’ checks, were made from the account before it was closed. The audit team examined copies of the cashiers’ checks. Three disbursements totaling \$904.94 were made payable to ANC 1A's office worker. Another disbursement totaling \$1,500.00 was made payable to Change, Inc. for "community network."³ The final withdrawal was made to close out the account and transfer the balance to the Commission’s checking account.

The audit team did not find any minutes of Commission meetings that reflected the Commission’s authorization to open the account. Also, the audit team did not find minutes that authorized withdrawals from the account. Further, because of the number and nature of withdrawals made in the one month period, it appeared that the savings account was used as a checking account and that funds deposited into the savings account were immediately needed by ANC 1A for the operation of the Commission. According to D. C. Code, Section 1-264(b), a Commission shall establish no more than one checking or negotiable order of withdrawal account. Therefore, the opening of the savings account and use of it as a checking account violated D. C. Code, Section 1-264(b).

RECOMMENDATION

The authorization of the Commission must be obtained before any Commission checking or savings accounts may be opened or closed.

SEVERAL RECOMMENDATIONS MADE IN THE PREVIOUS AUDIT REPORT WERE NOT IMPLEMENTED

The Auditor made several findings and recommendations in the previous audit report of ANC 1A, dated August 11, 1994, that were not implemented by the Commission. Some of the recommendations are discussed in previous sections of this report. The following are additional recommendations that the Commission failed to implement:

³No documentation was available in the files of the Commission to fully describe or support this disbursement. The audit team contacted a representative of Change, Inc. who submitted receipts supporting the purchase of a computer and related supplies.

Previous Recommendation:

ANC 1A maintain minutes for all meetings held by the ANC as required by D.C. Code, Section 1-262(e).

Implementation Status of Previous Recommendation:

Minutes for all ANC 1A meetings were not available for review by the Auditor. Commission minutes represent one of the ways in which the Auditor verifies the Commission's approval of ANC funds for disbursement. Therefore, the Commission must maintain minutes for all of its meetings.

Previous Recommendation:

ANC 1A develop a system to ensure that quarterly withholding taxes are paid expeditiously. This should include federal, state, and unemployment taxes.

Implementation Status of Previous Recommendation:

The Commission did not timely file its employee withholding taxes. Notification from the IRS, dated November 1996, reported that the Commission had not paid its 1994 withholding taxes. The IRS assessed penalties of approximately \$454 and interest of approximately \$253 on outstanding withholding taxes due from ANC 1A.

Previous recommendations:

Take corrective measures to institute a system that will adequately monitor the petty cash account.

Ensure that a petty cash voucher is prepared for each transaction made from the petty cash account."

Implementation Status of Previous Recommendations:

Petty cash expenditures were not documented and a system to adequately monitor the petty cash account was not established by the commissioners of ANC 1A.

RECOMMENDATIONS

1. ANC 1A must maintain minutes for all of its meetings. These minutes must accurately reflect discussions, approvals and authorizations of the Commission.
2. ANC 1A must timely file federal and state tax forms to avoid unnecessary

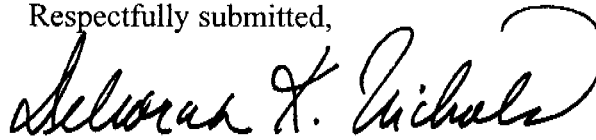
- penalties and interest.
3. ANC 1A must establish a system to monitor petty cash activities. Documentation must be maintained for all petty cash disbursements.

CONCLUSION

The Auditor found numerous deficiencies in ANC 1A's internal accounting controls, a lack of accountability for ANC 1A funds, and a pattern of mismanagement of the Commission's financial resources that resulted in the unauthorized disbursement of over \$20,000 for improper and questionable expenditures. The deficiencies identified in this report gave rise to the expenditure of funds without proper documentation and, in most cases, the approval of ANC 1A commissioners. There was no assurance that funds disbursed by ANC 1A's officers benefitted the ANC 1A community or were used for purposes permitted by the ANC law. The ANC 1A officers who authorized these expenditures failed to effectively carry out their fiduciary responsibilities and failed to comply with the ANC law, the Auditor's Financial Guidelines and Procedures, and relevant legal opinions issued by the Corporation Counsel of the District of Columbia. The financial transactions examined by the Auditor warrant further investigation by appropriate law enforcement authorities.

The Office of the Auditor recommends the continued suspension of further allocations of District funds to ANC 1A until the Commission accounts for all District funds it has received and spent during the audited period.

Respectfully submitted,



Deborah K. Nichols
Interim District of Columbia Auditor

APPENDIX

**Undocumented and/or Unauthorized
Personal Services Disbursements
for the Period October 1, 1993 Through September 30, 1997 ⁴**

Check Number	Date	Payee	Amount	Purpose ⁵
1958*	Oct. 27, 1993	Clarence Hubbard	\$ 37.38	Custodial Services
2006	Feb. 22, 1994	Ilna Faulks	220.00	Distribution Services and Flyers
2007	Feb. 22, 1994	Chauncey Lyles	50.00	Feb. 1994, Office Cleaning
2038	April 27, 1994	Chauncey Lyles	50.00	Custodial Services
2055	June 8, 1994	Beverly Wheeler	37.38	Custodial Services
2056	June 8, 1994	Beverly Wheeler	12.00	Copying Services Reimbursement
2057	June 8, 1994	Clarence Hubbard	37.38	Custodial Services Reimbursement
2064	June 30, 1994	Kenneth R. Gooch	60.00	Custodial Service
2069	July 13, 1994	Kenneth R. Gooch	50.00	Custodial Services
2087	Aug. 22, 1994	Chauncey Lyles	50.00	Custodial Service
2094	Aug. 24, 1994	Michael Nauls	50.00	Custodial Service
2095	Aug. 24, 1994	Ilna Faulks	266.00	Flier Distribution
2101	Sept 28, 1994	Chauncey Lyles	50.00	Custodial Services
2113	Oct. 26, 1994	Funds for the Community Future	250.00	Custodial Service
2132	March 22, 1995	Reginald Maulstby	75.00	Reimbursement Janitorial Services
2133	March 22, 1995	Raymond Elem. Gen. Fund	75.00	Janitorial Services
2134	March 22, 1995	Mack James	42.30	Reimbursement for ANC fliers
2138	May 19, 1995	Ralph Queen	292.50	Janitorial Services
2139	May 24, 1995	Raymond Gen. Fund	75.00	Custodial Services
2142	May 26, 1995	Ralph Queen	95.00	Janitorial Services

⁴These disbursements do not include personal service payments made to the Commission's office worker. Deficiencies involving payments to the office worker are discussed later in this report.

⁵ The explanations were taken directly from the quarterly financial reports or from attachments to the quarterly financial reports.

2147	June 24, 1995	Lenwood Johnson	375.00	Neighborhood Beautification
2148	June 24, 1995	Michael Nauls	600.00	Neighborhood Beautification
2149	June 17, 1995	Fred Hollinshed	70.00	Janitorial Services
2157	Aug. 14, 1995	Voncelle Manning	125.00	Neighborhood Beautification
2158	Aug. 14, 1995	Phyllis Davis	125.00	Neighborhood Beautification
2172*	Sept. 28, 1995	Kristin Svensen	100.00	Flier Distribution
2174*	Oct. 13, 1995	Gail Oliver	500.00	Booth Rental/Flier Production
2210*	Jan. 29, 1996	Gary M. Bell	120.00	Flier Distribution
2211	May 21, 1996	Gary Bell	120.00	SMD Meeting
2213*	Jan 31, 1996	Ilona Faulks	125.00	Janitorial Services
2214*	Feb. 23, 1996	Lenwood O. Johnson	100.00	Janitorial Services for Town Hall Meeting
2244	May 16, 1996	Raymond Elem. Gen. Fund	75.00	Janitorial Services for Town Hall Meeting
2253	June 12, 1996	Bishop Brown	150.00	Distribution of Flyers & Janitorial Services for ANC 1A Town Hall Meeting, SMD Meeting
2262	June 25, 1996	Raymond Gen. Fund	75.00	Janitorial Services for ANC 1A Town Hall Meeting.
2263	June 25, 1996	Ilona Faulks	55.00	Janitorial Services for ANC 1A Town Hall Meeting.
2281	Aug. 15, 1996	Ilona Faulks	75.00	Janitorial Services for ANC 1A Town Hall Meeting.
2288	Aug. 30, 1996	Ilona Faulks	60.00	Janitorial Services for ANC 1A Town Hall Meeting.
2289	Sept. 11, 1996	Voncelle Manning	200.00	Distribution of Flyers and Janitorial Services
2302	Oct. 15, 1995	Raymond Elem.	75.00	SMD Meeting
2322	Jan. 23, 1997	Raymond Elem. Gen. Fund	75.00	Town Hall Meeting
2333	March 20, 1997	Raymond Elem. Gen. Fund	75.00	Purpose not Provided
Total			\$5,149.94	

* The asterisk indicates disbursements which were approved by ANC 1A commissioners.