



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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**Audit of
Advisory Neighborhood Commission 5A
for the Period 10/01/95 Through 09/30/98**

May 14, 1999



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Deborah K. Nichols
District of Columbia Auditor

Joseph Bowser, Chairperson
Advisory Neighborhood Commission 5A
Slowe School Demountable
14th and Irving Streets N. E.
Washington, D.C. 20017

Letter Report: Audit of Advisory Neighborhood
Commission 5A for the Period 10/1/95 Through
9/30/98

Dear Commissioner Bowser:

Pursuant to D.C. Code, Section 1-264(d), the District of Columbia Auditor conducted an audit of the financial activities of Advisory Neighborhood Commission (ANC) 5A at the request of the ANC's commissioners.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this audit were to determine:

1. whether ANC 5A's disbursements complied with the Advisory Neighborhood Commission Act of 1975 (ANC Law), as amended, legal opinions issued by the Office of the Corporation Counsel, and Advisory Neighborhood Commission (ANC) Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor; and
2. whether ANC 5A's internal controls were adequate to produce reliable financial information and ensure that its assets were safeguarded.

The audit covered fiscal years 1996, 1997, and 1998. The Auditor reviewed available canceled checks, bank statements, receipts, invoices, quarterly financial reports, minutes of public meetings, and other documents that supported ANC 5A's disbursements and related financial activities for the audit period.

Where possible, the Auditor interviewed ANC 5A officers, commissioners and office staff. The Auditor also interviewed several vendors who provided services to ANC 5A.

FINDINGS

A TOTAL OF APPROXIMATELY \$8,984.86 IN ANC 5A's APPROPRIATED FUNDS WERE IMPROPERLY DIVERTED AND USED FOR NON-PUBLIC PURPOSES

I. Payees' Names Were Misrepresented on Quarterly Financial Reports For Checks Totaling \$6,688.56 In Funds Improperly Diverted for Personal Use

ANC 5A's former treasurer and current chairperson violated D.C. Code, Section 1-264(l) which states, in relevant part, the following:

"A Commission shall expend funds received through the annual allocation received pursuant to subsection (a) of this section, or other donated funds, for public purposes within the Commission area or for the functioning of the Commission office, . . ."
(Auditor's Emphasis)

Further, ANC 5A's chairperson and former treasurer violated D.C. Code, Section 1-264(f) which states in relevant part the following:

"Any expenditure of funds by a Commission shall be authorized in writing by the treasurer or Chairman and recorded by the treasurer in the Commission's books of accounts. No expenditure of any amount shall be made without the specific authorization of the Commission..."

During fiscal year 1998, seventeen ANC 5A checks totaling \$6,688.56 were written to individuals and business establishments for apparent non-public purposes in violation of D.C. Code, Section 1-264(l). Also, the checks were written without the ANC's approval which violated D.C. Code, Section 1-264(f). Notations made on three of the checks indicated that the disbursements were made for hotel expenses. The former treasurer's name appeared in the notation on two of the three

checks written for hotel expenses. Four of the checks totaling \$1,474.68 were made payable directly to Isaac Williams, Jr. for undisclosed purposes. The remaining ten checks also did not contain any notations or other indication of the purpose for the disbursements. Further, ANC 5A's files did not contain any receipts, invoices, or other documentation describing the purpose of the disbursements. Such supporting documentation could have been used to verify whether the individuals and business establishments to whom the checks were written actually provided goods or services to ANC 5A. The questionable disbursements are listed in Table I below.

TABLE I
Questionable Disbursements
for Fiscal Years 1997 and 1998

Check #	Date	Amount	Payee Reported on Quarterly Financial Report	Actual Payee As Noted on Canceled Check	Purpose As Noted on Canceled Check	Check Signers	Supporting Documentation
4968	12/23/97	\$473.58	SAVIN	Cynthia Mason	None noted	Isaac Williams, Jr. Joseph P. Bowser	None
4969	12/23/97	\$526.42	PEPCO	Cynthia Mason	None noted	Isaac Williams, Jr. Joseph P. Bowser	None
4987	2/11/98	\$396.00	SAVIN	Cynthia Mason	None noted	Isaac Williams, Jr. Joseph P. Bowser	None
4988	2/11/98	\$304.00	Potomac Paper Co.	Cynthia Mason	None noted	Isaac Williams, Jr. Joseph P. Bowser	None
4998	3/27/98	\$648.67	Pemelia Hayden	Isaac Williams, Jr.	None noted	Isaac Williams, Jr. Joseph P. Bowser	None
5011	4/10/98	\$311.88	Potomac Paper	Courtyard by Marriott	82999337 4/23/98	Isaac Williams, Jr. Joseph P. Bowser	None
5012	4/10/98	\$521.00	Savin	Cynthia Mason	None noted	Isaac Williams, Jr. Joseph P. Bowser	None
5013	4/17/98	\$425.00	Bell Atlantic	Isaac Williams, Jr.	None noted	Isaac Williams, Jr. Joseph P. Bowser	None
5023	5/13/98	\$301.04	ABC Burglar Alarm	Ramada Plaza Hotel	Reservation 5/21/98-5/25/98; confirmation # 53199483	Isaac Williams, Jr. Joseph P. Bowser	None
5024	5/05/98	\$175.47	U. S. Post Office	Isaac Williams, Jr.	reimbursement	Isaac Williams, Jr. Joseph P. Bowser	None
5025	5/12/98	\$225.54	Laser Art, Inc.	Isaac Williams, Jr.	reimbursement	Isaac Williams, Jr. Joseph P. Bowser	None
5027	5/20/98	\$217.30	Potomac Paper	Marriott Residence Inn	5/28/98-5/31/98; Conf #81204065; Isaac Williams, Jr.	Isaac Williams, Jr. Joseph P. Bowser	None
5028	5/20/98	\$108.66	Office of Tax & Rev.	Marriott Residence Inn	5/28/98-5/31/98; Conf # 81204065; Isaac Williams Jr.	Isaac Williams, Jr. Joseph P. Bowser	None
5035	6/02/98	\$540.00	SAVIN	Cynthia Mason	None noted	Isaac Williams, Jr.	None

5036	6/02/98	\$460.00	ABC Burglar Alarms SYS	Cynthia Mason	None noted	Isaac Williams, Jr.	None
5037	6/02/98	\$625.00	Riggs Bank	Cynthia Mason	None noted	Isaac Williams, Jr.	None
5042	6/19/98	\$429.00	PEPCO	Cynthia Mason	None noted	Isaac Williams, Jr.	None
TOTAL		\$6,688.56					

Source: ANC 5A quarterly financial reports and copies of canceled checks obtained directly from the ANC 5A's bank

Of the \$6,688.56 disbursed, four checks totaling \$2,054 contained only the signature of ANC 5A's former treasurer, Isaac Williams. The remaining thirteen checks totaling \$4,634.56 contained the apparent signatures of both the former treasurer, Isaac Williams, Jr., and ANC 5A's chairperson, Joseph Bowser. The four checks signed only by ANC 5A's former treasurer were issued in violation of D.C. Code, Section 1-264(f) which states, in relevant part, the following:

" . . . Any expenditure made by check shall be signed by at least 2 officers of the Commission, one of whom shall be the treasurer or Chairman..."

Also, the Auditor found that the payees named on each of the seventeen checks listed in Table I were misrepresented on ANC 5A's quarterly financial reports that were submitted to the District of Columbia Auditor. The disbursements were reported incorrectly on quarterly financial reports in an apparent effort to conceal the misappropriation of these funds. Instead of listing the names of the individuals and business establishments to whom the checks were actually written, ANC 5A's former treasurer falsely reported the names of legitimate businesses that had previously received disbursements from ANC 5A for goods purchased or services rendered. The Auditor's subsequent examination of copies of canceled checks obtained from ANC 5A's bank revealed that the payees actually named on the seventeen checks were not the payees reported in quarterly financial reports submitted to the Auditor. Again, the misrepresentation of payees named on quarterly financial reports appeared to be an intentional effort by the preparer of the reports to conceal the misappropriation of public funds and mislead the commissioners of ANC 5A, the District of Columbia Auditor, and other reviewers of these quarterly financial reports.

The Auditor was unable to locate ANC 5A's former treasurer, Isaac Williams, Jr., to interview him regarding his knowledge of the expenditures listed in Table I. However, the audit team did interview ANC 5A's chairperson, Commissioner Joseph Bowser, regarding his involvement with the unauthorized and unsupported checks which appeared to contain his signature. Commissioner Bowser indicated that he usually signed ANC 5A checks only after determining that the checks were complete as to date, payee, and amount, and after he reviewed appropriate documentation to support the disbursement. However, contrary to prudent and sound financial management principles,

Commissioner Bowser did acknowledge that he sometimes signed "blank" checks. This improper practice may have unnecessarily exposed ANC 5A's funds to an unreasonably high risk of loss. Signing blank ANC checks also violated D. C. Code, Section 1-264(f) which states, in relevant part, the following:

"...The check shall, prior to signature, contain the date of payment, the name of the payee, and the amount of the payment...."

Commissioner Bowser could not recall the specific circumstances related to the thirteen checks listed in Table I that appeared to contain his signature. Although, the checks appear to have been signed by Commissioner Bowser, the Auditor was unable to conclusively determine the nature and extent, if any, of Commissioner Bowser's involvement in the diversion of ANC 5A funds. One of the following scenarios may explain the Commissioner's involvement.

1. Someone forged the Commissioner's signature on the checks without his knowledge.
2. The Commissioner violated D.C. Code, Section 1-264(f) by signing blank checks (i.e. checks that did not contain the date, amount, and payee prior to his signature) and the payees and amounts were entered after he signed the checks.
3. The checks were complete as to date, amount, and payee when the Commissioner signed the checks but he did not question the disbursement and did not review any supporting documentation before he signed the checks.
4. The Commissioner was aware of the diversion of funds by the former treasurer and willingly assisted the former treasurer by signing the checks.

The Auditor has referred this matter to the appropriate law enforcement authority for further investigation.

RECOMMENDATIONS

1. The appropriate law enforcement authority investigate the issuance of the seventeen checks listed in Table I.
2. Former Commissioner Isaac Williams, Jr. and Commissioner Joseph Bowser make restitution in the amount of \$6,688.56 to ANC 5A .

3. ANC 5A officers authorized to sign ANC checks must comply with D.C. Code, Section 1-264(f) by signing only those ANC checks that contain the date, the amount, and payee's name. Before signing ANC checks, the signer must review all supporting documentation and ensure that the disbursement has been approved by a majority of commissioners.
4. ANC 5A must ensure that its treasurer files complete and accurate written financial reports with the Commission monthly and that bank records are made available for their review upon request or at least on a monthly basis.

II. Long-distance Telephone Calls Totaling \$476.56 Appeared to Be Personal in Nature

A number of long distance telephone calls were made from ANC 5A's office telephone and charged to its telephone bill. A review of available telephone bills for the audit period revealed that approximately \$476.56 in long distance calls from ANC 5A's telephone number appeared to be personal in nature. The calls were made to phone numbers in Philadelphia, New Jersey, and North Carolina. The Auditor determined the individuals to whom the calls were placed, the cities called, and the amount charged to ANC 5A's telephone bill for the long distance calls. This information is listed in Table II.

**TABLE II
Long Distance Telephone Calls
Made From ANC 5A's Number**

Individuals to Whom Calls Were Placed	Location	Total Amount of Calls Placed to Each Individual
Cynthia Mason	Philadelphia, Pa.	\$333.69
Lucretia Ellis	Langhorne, Pa.	\$44.87
Carl Johnson	Philadelphia, Pa.	\$20.10
Could not Identify	Various Cities	\$77.90
Total		\$476.56

Source: ANC 5A telephone bills

Over \$330 in long distance calls were made to a Ms. Cynthia Mason's telephone number. The Auditor was not able to determine who placed the calls to Ms. Mason. As previously noted in Table I, unauthorized and unsupported ANC 5A checks totaling over \$4,200 were written to this same individual.

A former staff person for ANC 5A, Ms. Angela Ellis, acknowledged that she placed calls to her mother, Ms. Lucretia Ellis, who was ill when she made the calls.

RECOMMENDATIONS

1. The appropriate law enforcement authority investigate the long distance telephone calls listed in Table II.
2. Individuals responsible for charging long distance calls that were personal in nature to ANC 5A must immediately reimburse the ANC for the cost of the calls.

III. Disbursement to Bell Atlantic

Totaling \$374.36 Appeared Questionable

According to the Advisory Neighborhood Commission (ANC) Financial Guidelines and Procedures issued by the Office of the D.C. Auditor, all disbursements must be supported by documentation such as an invoice or receipt. ANC 5A's check number 5045, dated July 11, 1998, to Bell Atlantic for \$374.36 was not supported by a telephone bill or other documentation. The Auditor's review of the endorsement on the back of the check revealed that the check was endorsed "as agent for Pennsylvania Bell" and the telephone number for Cynthia Mason appeared in the account number on the back of the check. This check contained only the apparent signature of ANC 5A's former treasurer, Isaac Williams, Jr. A comparison of this check with other ANC 5A checks written to pay ANC 5A's legitimate telephone bills revealed that the legitimate payments were supported by adequate documentation and were not endorsed "as agent for Pennsylvania Bell." It appeared that the \$374.36 was not disbursed for a public purpose but rather that former Commissioner Williams used ANC 5A's appropriated funds to pay Ms. Cynthia Mason's telephone bill.

IV. Disbursement to "Dept. Of Revenue"

For \$1,445.74 Appeared Questionable

ANC 5A's quarterly financial report for the first quarter of fiscal year 1998 reported a disbursement to "IRS" for \$1,445.74. The purpose of the disbursement, as reported in ANC 5A's quarterly financial report, was for 1993 federal taxes. However, the Auditor's review of the canceled check revealed that the check was actually written to "Dept. of Revenue." An account number was stamped on the back of the check and was further endorsed as "real estate tax del.161 Phila." The

endorsement also indicated "For deposit to City of Phila." The Auditor contacted a representative of the real estate tax division of the City of Philadelphia. The representative indicated that \$1,445.74 was applied to the account number contained on the back of the check and represented payment of 1996 real estate taxes for a Roberta Powell. The Auditor was not able to obtain any information regarding Ms. Powell. This check contained the apparent signatures of ANC 5A's former treasurer, Isaac William, Jr., and its chairperson, Commissioner Joseph P. Bowser.

The \$1,445.74 expenditure did not represent a use of ANC 5A funds for a bona fide public purpose. Instead, this disbursement was diverted for the purpose of improperly paying an individual's personal real estate taxes in another city.

RECOMMENDATIONS

1. The appropriate law enforcement authority investigate the circumstances surrounding the disbursement of \$374.36 to Bell Atlantic and \$1,445.74 to the Philadelphia Department of Revenue.
2. Restitution must be made to ANC 5A by those individuals responsible for making the improper disbursements.

INADEQUATE SEPARATION OF DUTIES CREATED **UNREASONABLE RISK OF UNDETECTED ACCOUNTING** **ERRORS AND IMPROPER DIVERSION OF ANC 5A FUNDS**

The Auditor's examination of ANC 5A's financial operations and control environment indicated that the ANC's commissioners failed to discharge their fiduciary duty to safeguard the assets of ANC 5A. It appeared that the details of ANC 5A's financial activity were not routinely disclosed to all of its commissioners. It further appeared that disbursements were made without the commissioners' prior approval and were subsequently presented for their approval as part of the quarterly financial report. Approval of the quarterly financial report does not constitute the commissioners' approval of specific transactions reported therein.

The quarterly financial report often was not made available to ANC 5A commissioners until the evening of the meeting in which the commissioners were asked to approve the report. Commissioners must be provided a minimum of 48-hours to review a quarterly financial report before they are requested to approve it. When commissioners are not provided a minimum of 48-hours to review a quarterly financial report, it should be reported to the District of Columbia Auditor.

The commissioners of ANC 5A failed over a significant period of time to obtain a full and accurate accounting of the ANC's funds from its former treasurer and its chairman. At the same time, it appeared that the chairman and treasurer of ANC 5A failed to voluntarily disclose the financial activity of ANC 5A to the commissioners on a regular basis, and failed to present proposed expenditures to the commissioners in a public meeting for their approval before making disbursements. As a result, most of ANC 5A's disbursements were made without the commissioner's prior approval in violation of D.C. Code, Section 1-264(f).

The Auditor has advised the commissioners of ANC 5A that they must approve each expenditure of ANC funds before the treasurer and chairman may make any disbursements. This approval may be: (1) of an annual budget for routine operating expenses, and (2) on an itemized basis for all non-routine expenditures. The commissioners' approval of the annual budget and all non-routine expenditures must be recorded in ANC 5A's minutes along with the results of the vote.

The Auditor suggests that all ANCs separate duties related to financial accounting and reporting by assigning different commissioners the responsibility of performing specific duties relative to the ANC's financial management and reporting function. For example, if the treasurer controls the check book, different commissioners should be assigned the responsibility of receiving the bank statement and canceled checks and performing the bank reconciliation. After commissioners perform the reconciliation and verification of the validity of the transactions reported in the bank statement, the bank statement and canceled checks should be turned over to the treasurer so that the ANC's monthly and quarterly financial reports can be prepared. Separation of duties in this manner provides a system of checks and balances that should ensure the integrity of the ANC's financial transactions and full disclosure of its financial activity. The Commission should not permit, or grant, its treasurer and/or chairman exclusive access and control of its financial activities and assets. Further, the Commission should establish an effective system of continuous monitoring and disclosure of the ANC's financial activity.

Commissioners who are authorized to sign ANC checks must never sign checks that are blank or not completely filled out as to amount and payee. To do so places the ANC's funds at an unreasonably high risk of loss to improper purposes or to unintended payees. Instead, the ANC should authorize at least one other Commission officer, in addition to the treasurer and chairperson, to countersign checks if either the chairperson or treasurer are not accessible. In the absence of both the chairperson and the treasurer, the ANC cannot make any disbursements.

RECOMMENDATIONS

1. ANC 5A commissioners must adequately discharge their fiduciary duties and require frequent detailed accountability from their treasurer and chairperson for all public funds entrusted to the ANC's management and care.
2. ANC 5A commissioners must ensure that expenditures are fully approved by a majority of commissioners before funds are disbursed and that the disbursement is supported by adequate appropriate documentation.

CONCLUSION

The Auditor's examination of ANC 5A's financial operations and activities revealed critical flaws in its internal accounting controls that resulted in approximately \$8,985 in improper and questionable disbursements. ANC 5A's internal controls were inadequate to produce reliable financial information and to safeguard its assets. Further, ANC 5A's internal controls were not adequate to allow its officers and other commissioners to timely discover the improper and questionable disbursements.

Approximately \$6,688 were disbursed to individuals and business establishments for apparent non-public purposes that were misrepresented on ANC 5A's quarterly financial reports in an intentional effort to conceal the misappropriation of public funds. Other disbursements totaling approximately \$2,297 were questionable and also were apparently not for a public purpose. These matters have been referred to the appropriate law enforcement authority for further investigation. The commissioner(s) responsible for the diversion of ANC 5A's appropriated funds must be held accountable and must make restitution to the ANC for any unauthorized use of ANC 5A funds as a result of misfeasance or malfeasance.

ANC 5A's former treasurer, Isaac Williams, Jr., and its chairperson, Commissioner Joseph P. Bowser, did not comply with several provisions of the ANC Law and ANC Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor. The violations of law included signing blank checks, making disbursements on checks with only one signature, and making unauthorized, undocumented non-public purpose disbursements of ANC 5A funds.

The commissioners of ANC 5A failed to establish an effective system of checks and balances to ensure that funds made available to the ANC were safeguarded, used only for authorized purposes permitted by law, and accounted for on a regular basis.

The Commission must immediately establish effective accounting controls over its financial assets, establish an effective system of checks and balances to strengthen the integrity of its disbursements, and improve the quality of its financial reporting. These controls should ensure that no single Commission officer establishes complete control over the ANC's accounting records or financial assets. ANC 5A's treasurer and chairman must timely file accurate and complete monthly financial reports with the Commission and timely file accurate and complete quarterly financial reports with the District of Columbia Auditor.

Respectfully submitted,

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

Deborah K. Nichols

District of Columbia Auditor