



Deborah K. Nichols  
District of Columbia Auditor  
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## OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

717 14TH STREET N.W., SUITE 900  
WASHINGTON, D.C. 20005  
TEL. 202-727-3600 • FAX: 202-724-8814

### **Letter Report: Audit of Advisory Neighborhood Commission 1D for Fiscal Years 2006 Through 2009, as of March 31, 2009**

**August 27, 2009**



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Commissioner Angelia D. Scott  
Chairperson  
Advisory Neighborhood Commission 1D  
1845 Harvard Street, NW #606  
Washington, D.C. 20009

**Letter Report:** Audit of Advisory Neighborhood Commission 1D for Fiscal Years  
2006 Through 2009, as of March 31, 2009

Dear Commissioner Scott:

Pursuant to Section 16 (d) of the Advisory Neighborhood Commissions Act of 1975 (ANC Act),<sup>1</sup> as amended, the District of Columbia Auditor (Auditor) conducted an audit of the financial accounts and operations of Advisory Neighborhood Commission (ANC or Commission) 1D.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of the audit were to determine whether:

1. ANC 1D's disbursements complied with the ANC Act, ANC Financial Management Guidelines<sup>2</sup> issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General (OAG); and
2. internal controls were adequate to produce reliable financial information and ensure that the ANC's assets were properly safeguarded.

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

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

The audit covered fiscal years 2006 through 2009, as of March 31, 2009 (October 1, 2005 through March 31, 2009). In conducting the audit, the Auditor reviewed all available canceled checks, bank statements, bank signature cards, quarterly financial reports, meeting minutes, receipts and invoices, grant applications, and other relevant documents.

**STATEMENT OF ANC 1D'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2009**

Table I presents a statement of ANC 1D's checking, savings, and petty cash account balances as of March 31, 2009.

**Table I**  
**ANC 1D's Checking, Savings, and Petty Cash Account Balances**  
**As of March 31, 2009**

Petty Cash Account	\$ 200.00
Checking Account	50,023.61
Savings Account	<u>0.00*</u>
<b>Actual Cash Balance</b>	<b>\$ 50,223.61</b>

\*ANC 1D did not maintain a savings account during the audit period.

Source: ANC 1D's quarterly reports and bank statements for the period October 1, 2005 through March 31, 2009.

**SUMMARY OF ANC 1D'S DISBURSEMENTS DURING FISCAL YEARS 2006 THROUGH 2009, AS OF MARCH 31, 2009**

During the audit period, ANC 1D disbursed \$37,778.39. Table II summarizes, by category, ANC 1D's disbursements made during the audit period, including bank service charges.

**Table II**  
**Summary of ANC 1D's Disbursements**  
**During Fiscal Years 2006 Through 2009,**  
**as of March 31, 2009**

Disbursement Category	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009 through March 31, 2009	Grand Total
Net Salaries & Wages	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Federal Wage Taxes Paid	0.00	0.00	0.00	0.00	0.00
Local Income Taxes Paid	0.00	0.00	0.00	0.00	0.00
Local Transportation	0.00	0.00	0.00	0.00	0.00
Office Rent	525.00	425.00	0.00	150.00	1,100.00
Telephone Service	0.00	0.00	0.00	0.00	0.00
Postage and Delivery	0.00	210.00	0.00	0.00	210.00
Utilities	0.00	0.00	0.00	0.00	0.00
Printing & Duplicating	0.00	17.60	0.00	367.30	384.90
Flyer Distribution	0.00	30.00	0.00	0.00	30.00
Purchase of Service <sup>3</sup>	1,466.40	2,940.40	9,845.11	10,125.95	24,377.86
Office Supplies & Expenses	0.00	0.00	0.00	0.00	0.00
Office Equipment - Rental <sup>4</sup>	2,442.00	0.00	0.00	0.00	2,442.00
Office Equipment - Purchase <sup>5</sup>	3,426.65	479.92	0.00	104.98	4,011.55
Grants	0.00	0.00	0.00	0.00	0.00
Training	0.00	0.00	35.00	0.00	35.00
Petty Cash Reimbursement	70.61	118.21	87.98	0.00	276.80
Bank Service Charges	35.00	18.00	47.00	20.00	120.00
Other <sup>6</sup>	872.45	1,189.74	1,770.05	958.04	4,790.28
<b>Total Disbursements</b>	<b>\$ 8,838.11</b>	<b>\$ 5,428.87</b>	<b>\$11,785.14</b>	<b>\$ 11,726.27</b>	<b>\$ 37,778.39</b>

Source: ANC 1D's quarterly financial reports, check book, canceled checks, and bank statements.

<sup>3</sup> Includes internet, website hosting, and interpreting services.

<sup>4</sup> Includes simultaneous interpretation equipment for non-English speaking residents attending ANC public meetings.

<sup>5</sup> Includes audiovisual equipment, laptop computer, and accessories.

<sup>6</sup> Includes refreshments for public meetings, mailbox rental; ANC Security Fund fees; meeting room fees; and Urban Land Institute membership and conference fees.

## **FINDINGS**

### **ANC 1D SUBSTANTIALLY COMPLIED WITH D.C. CODE, SECTION 1-309.13 (j) (1) BY MAINTAINING ADEQUATE DOCUMENTATION TO SUPPORT DISBURSEMENTS**

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

Each quarterly [financial] report shall include copies of canceled checks, bank statements, grant request letters and grant disbursements, invoices and receipts, executed contracts, details about all contributions received during the time period covered by the quarterly report, and the minutes of all meetings indicating the Commission's approval of disbursements during the time period covered by the quarterly report, and certification of the Commission's approval of the quarterly report signed by the Commission's Secretary.

Overall, the Auditor found that ANC 1D maintained adequate documentation to support \$35,552.67, or 94.11%, of the \$37,778.39 in disbursements made during the audit period. However, disbursements totaling \$2,225.72, or 5.89 %, of total disbursements were not supported by adequate documentation.<sup>7</sup> Therefore, ANC 1D substantially complied with D.C. Code, Section 1-309.13 (j) (1).

### **RECOMMENDATION**

ANC 1D officers ensure that adequate documentation is maintained to support all disbursements.

### **ANC 1D FILED SEVEN OF 14 QUARTERLY REPORTS DUE MORE THAN 30 DAYS LATE**

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

The treasurer of a Commission shall prepare a quarterly financial report on a form provided by the Auditor. The financial report shall be presented to the Commission for its consideration at a Commission meeting within 45 days after the end of the quarter. A

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<sup>7</sup> The Auditor disallowed the \$2,225.72 as unsupported disbursements during the quarterly review process.

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

As presented in Table III, ANC 1D’s Treasurer filed seven of the 14 reports required during the audit period over 30 days late. The remaining 7 reports were filed early. Therefore, the Auditor found that ANC 1D did not fully comply with D.C. Code, Section 1-309.13 (j) (1).

**Table III**  
**Advisory Neighborhood Commission 1D**  
**Quarterly Financial Report Submission Record:**  
**Fiscal Years 2006 Through 2009, As of March 31,2009**

Year & Quarter	Reported Months	Due Date	Date Received	Report Filed
2006 - 1st	10/01/05 through 12/31/05	03/01/06	05/15/06	75 Days Late
2006 - 2 <sup>nd</sup>	01/01/06 through 03/31/06	05/30/06	10/26/06	146 Days Late
2006 - 3 <sup>rd</sup>	04/01/06 through 06/30/06	08/29/06	01/04/07	128 Days Late
2006 - 4 <sup>th</sup>	07/01/06 through 09/30/06	11/29/06	01/04/07	36 Days Late
2007 - 1 <sup>st</sup>	10/01/06 through 12/31/06	03/01/07	08/15/07	167 Days Late
2007 - 2 <sup>nd</sup>	01/01/07 through 03/31/07	05/30/07	08/15/07	77 Days Late
2007 - 3 <sup>rd</sup>	04/01/07 through 06/30/07	08/29/07	11/27/07	90 Days Late

Source: ANC 1D quarterly financial reports.

**RECOMMENDATION**

ANC 1D’s Treasurer prepare and file all future quarterly financial reports in a more timely manner.

**ANC 1D HELD THE REQUIRED NUMBER OF PUBLIC MEETINGS DURING THE AUDIT PERIOD**

D.C. Code, Section 1-309.11 (b) (1) states, in relevant part, that each Commission shall meet in a public session at regular intervals at least 9 times per year. The Auditor's review of ANC 1D's quarterly financial reports and other relevant documentation revealed that ANC 1D held a total of 57 public meetings during the 42-month audit period. Therefore, ANC 1D fully complied with the public meeting requirement under D.C. Code, Section 1-309.11 (b) (1).

**ANC 1D MAINTAINED MINUTES FOR ALL 57 PUBLIC MEETINGS HELD DURING THE AUDIT PERIOD**

ANC 1D maintained minutes for all 57 public meetings held during the audit period. A review of ANC 1D's minutes indicated that the Commission took official action only at public meetings where a quorum was present and recorded the votes on all expenditures and reimbursements brought before the Commission for approval. The minutes documented the presentation and approval of expenditures, grant requests, treasurer's reports, and quarterly financial reports.

**ANC 1D ESTABLISHED ANNUAL FISCAL YEAR SPENDING PLAN BUDGETS DURING THE AUDIT PERIOD**

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

Each Commission shall develop an annual fiscal year spending plan budget for the upcoming fiscal year within 60 days of notification of the amount of the Commission's annual allotment. Prior to adoption of the budget at a public meeting, the Commission shall present the budget at a public meeting of the Commission to elicit comments from the residents of the Commission area.

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

## **ANC 1D PARTICIPATED IN THE ANC SECURITY FUND**

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

The treasurer and Chairperson shall file with the Auditor and maintain in force during their occupancy of their respective offices, a cash or surety bond in an amount and on a form satisfactory to the Auditor. Participation by a Commission in the Advisory Neighborhood Commission Security Fund . . . shall satisfy the requirement of a cash or surety bond. . . . No expenditure shall be made by a Commission . . . at any time when a current and accurate statement and a bond or its equivalent are not on file with the Auditor.

ANC 1D participated in the ANC Security Fund in calendar years 2006, 2007, 2008, and 2009. Therefore, ANC 1D fully complied with D.C. Code, Section 1-309.13 (c).

## **ANC 1D'S TREASURER FAILED TO FOLLOW PETTY CASH PROCEDURES**

D. C. Code, Section 1-309.13 (h) states that:

Each Commission may establish a petty cash fund not to exceed \$200 at any one time in accordance with procedures established for imprest funds by the D.C. Controller. The fund shall be reimbursed by the treasurer upon presentation of appropriate supporting documents. The treasurer may disburse to another Commissioner or employee of the Commission an amount not in excess of \$200 for authorized Commission expenditures through a Commission-established petty cash fund. A record of disbursements from the petty cash fund shall be kept by the treasurer in a manner consistent with other accounts of the Commission.

Further, ANC Financial Management Guidelines issued by the Office of the D.C. Auditor state that:

All payments out of the fund should be supported by signed petty cash vouchers and receipts from vendors. The vouchers should list the voucher number, date, payee, description of the purchase, amount, the signature of the payee and the signature of the ANC authorized representative.<sup>8</sup>

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<sup>8</sup> See guideline 21 of the Auditor's *Suggested Advisory Neighborhood Commission Financial Management Guidelines*.

During the audit period, ANC 1D's Treasurer disbursed three checks totaling \$276.80 to reimburse the Commission's petty cash fund; however, receipts totaling only \$87.98 were submitted to support the reimbursements. Therefore, a total of \$188.82 was recommended to be withheld from ANC 1D's quarterly allotments during the Auditor's quarterly review process. In addition, a verification of the petty cash fund on November 17, 2008, by the Auditor, revealed that the \$200 fund contained \$63.73 in receipts and \$73.42 in cash, resulting in a shortage of \$62.85. The current Treasurer and petty cash custodian stated that the fund was short this amount before he became custodian, and he did not ask the previous custodian to reimburse the fund because he felt that receipts had been lost and there had been no misappropriation of funds. ANC 1D Commissioners approved the replenishment of the petty cash fund in the amount necessary to restore the fund to its original level of \$200 on December 4, 2008.

### **RECOMMENDATIONS**

1. The Associate Chief Financial Officer for the Office of Finance and Resource Management deduct \$62.85 from ANC 1D's next quarterly allotment because receipts were not provided to support \$62.85 in petty cash disbursements.
2. ANC 1D's Chairperson and Treasurer verify the petty cash fund on a monthly basis to ensure that total receipts and cash equal \$200 and that any shortages are promptly reimbursed by the petty cash fund custodian.

### **INTERNAL CONTROLS WERE ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION AND ENSURE THAT ASSETS WERE PROPERLY SAFEGUARDED**

With the exception of the operation of the Commission's petty cash fund, the Auditor found that ANC 1D's internal controls were adequate as evidenced by, but not limited to, the following:

- ▶ all expenditures were first approved by a majority of Commissioners in a public meeting at which a quorum was present, and recorded in the minutes;
- ▶ 94.11% of disbursements were supported by adequate documentation; and
- ▶ ANC 1D participated in the ANC Security Fund.

## CONCLUSION

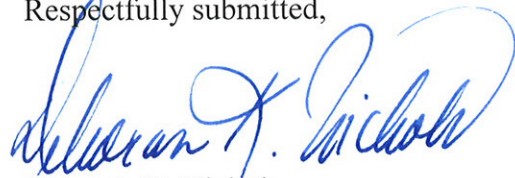
The Auditor's examination of ANC 1D's financial accounts, books, and records revealed that ANC 1D substantially complied with all relevant provisions of the Advisory Neighborhood Commissions Act of 1975, as amended, Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General.

During fiscal years 2006, 2007, 2008, and 2009, through March 31, 2009, ANC 1D maintained the required documentation to justify and support 94.11% of expenditures. The Auditor found, however, that seven (7) of the 14 quarterly financial reports due to the Auditor's Office during the audit period were filed more than 30 days after the required due date. Further, ANC 1D's Treasurer failed to fully comply with applicable petty cash procedures.

Overall, the Auditor found that, with the exception of petty cash procedures, adequate internal controls were in place to produce reliable financial information and substantially ensure that the ANC's assets were properly safeguarded.

Pursuant to D.C. Code, Section 1-309.13 (d) (3), ANC 1D must respond in writing to each of the violations detailed herein within 90 days. Failure to so will result in the forfeiture of ANC 1D's next scheduled quarterly allotment until a response is filed.

Respectfully submitted,



Deborah K. Nichols

District of Columbia Auditor