



Deborah K. Nichols  
District of Columbia Auditor

**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

016:01:LB

**Audit of Advisory Neighborhood Commission 2D  
for Fiscal Years 1999, 2000,  
and 2001 Through December 31, 2000**

**June 8, 2001**



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Mr. Andy Litsky, Chairperson  
Advisory Neighborhood Commission 2D  
423 N Street, SW  
Washington, DC 20024

**Letter Report:** Audit of Advisory Neighborhood Commission 2D for Fiscal Years 1999, 2000, and 2001 Through December 31, 2000

Dear Commissioner Litsky:

Pursuant to D.C. Code, Section 1-264(d), as amended, the District of Columbia Auditor conducted an audit of the financial operations and activities of Advisory Neighborhood Commission (ANC) 2D.

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

The objectives of this audit were to determine:

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

The audit covered the period October 1, 1998 through December 31, 2000. The Auditor reviewed available canceled checks, bank statements, receipts, invoices, quarterly reports, minutes of public meetings, and other documents that supported ANC 2D's disbursements and related financial activities for the audit period. ANC 2D's executive director was interviewed to obtain additional information regarding the Commission's financial activities.

## FINDINGS

### STATEMENT OF ANC 2D'S CASH POSITION AS OF DECEMBER 31, 2000

**TABLE 1**  
**Statement of ANC 2D's Cash Balances**  
**as of December 31, 2000**

|   |           |                  |
|---|-----------|------------------|
| Petty Cash on Hand  | \$        | 50.00            |
| Cash in Savings Account<br><i>(Savings Account Not Established)</i> |           | -0-              |
| Cash in Checking Account  |           | <u>15,825.99</u> |
| <b>Total Available Cash</b><br><i>(As of December 31, 2000)</i>     | <b>\$</b> | <b>15,875.99</b> |

### ANC 2D'S INTERNAL CONTROLS OVER PETTY CASH WERE INADEQUATE

During the first 21 months of the audit period, the ANC Law limited ANC petty cash funds to \$50. Pursuant to D.C. Law 13-135, the ANC petty cash fund ceiling was increased from \$50 to \$200, effective June 27, 2000. D.C. Code, Section 1-264(h) states, in relevant part, 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 [Office of the Chief Financial Officer].

Imprest Fund Procedures set forth in Mayor's Memorandum 82-29, dated May 28, 1982, Paragraph XIII, "Accountability for Imprest Fund," and Paragraph XIV, "Audit of Imprest Fund," state, in relevant part, that:

The safekeeping of the fund and related cash receipts is the responsibility of the Imprest Fund Custodian. The commingling of cash advance funds with any other fund is prohibited...The absolute minimum security requires that the custodian be provided a metal box (lockable) for safekeeping of the funds and that the box be secured in a safe locked file cabinet or desk overnight...All imprest funds shall be subject to audit without notification at any time...[by the appropriate oversight agency].

The Auditor's review of ANC 2D's petty cash fund revealed that petty cash (\$50) was not secured in a safe location such as a locked safe or cabinet. Instead, petty cash was kept on the person of the ANC's executive director, who stated that he has kept the ANC's petty cash on his person since there was a break-in ANC 2D's previous office. Although the Auditor found no misuse of the ANC's petty cash, the executive director's practice of keeping the ANC's petty cash on his person: (1) is not a prudent financial management practice; (2) does not permit independent review of the petty cash fund at unannounced intervals; (3) may involve the commingling of public funds with the executive director's personal funds; and (4) does not substantially comply with the Office of the Chief Financial Officer's imprest fund procedures. ANC 2D has been in its new location for six months, and the petty cash fund should now be secured in ANC 2D's new office.

### **RECOMMENDATION**

ANC 2D's executive director immediately discontinue the practice of keeping ANC petty cash on his person and follow the procedures for securing petty cash in a lockable metal box that is secured in a locked file cabinet or desk overnight.

### **ANC 2D's FINANCIAL TRANSACTIONS AND OPERATIONS COMPLIED WITH RELEVANT PROVISIONS OF THE ANC LAW**

#### **ANC 2D Conducted 11 Meetings in Fiscal Year 1999 and 11 Meetings in Fiscal Year 2000**

D.C. Code, Section 1-262(b) states, in relevant part, that:

Each Commission shall meet in public session at regular intervals at least 9 times per year at locations that are designed to reasonably accommodate the residents of the Commission area, depending on the issues to be considered by the Commission.

ANC 2D conducted 11 public meetings in fiscal year 1999 and 11 public meetings in fiscal year 2000, which exceeded the number of public meetings required by ANC Law. Notices of public meetings were provided 7 days prior to public meetings to Commission members and residents via neighborhood newsletters, written notices posted in conspicuous places, the ANC's office answering machine, and on ANC 2D's website.

**All Expenditures Were Approved in a Public Meeting  
and Reflected in the Minutes Thereof**

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

Any expenditure of funds by a Commission shall be 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  
[Auditor's Emphasis]

The Auditor's review of ANC 2D's minutes indicated that all expenditures and reimbursements were approved by a majority of Commissioners in a public meeting of the ANC. Table 2 presents a summary of ANC 2D's expenditures for fiscal years 1999, 2000, and 2001 through December 31, 2000.

**TABLE 2**  
**Summary of ANC 2D's Expenditures for Fiscal Years**  
**1999, 2000, and 2001 Through December 31, 2000**

| <b>Expenditure Categories</b>    | <b>FY 1999</b>    | <b>FY 2000</b>    | <b>FY 2001<br/>(1<sup>st</sup> Qtr)</b> | <b>Total</b>       |
|----------------------------------|-------------------|-------------------|---|--------------------|
| Net Salaries & Wages             | \$0.00            | \$3,569.80        | \$0.00                                  | <b>\$3,569.80</b>  |
| Workers Compensation             | 232.00            | 233.00            | 0.00                                    | <b>\$465.00</b>    |
| Health Insurance                 | 2,590.65          | 2,900.58          | 737.49                                  | <b>\$6,228.72</b>  |
| Total Federal Wages & Taxes Paid | 0.00              | 1,133.60          | 0.00                                    | <b>\$1,133.60</b>  |
| DC or State Income Taxes Paid    | 0.00              | 223.60            | 0.00                                    | <b>\$223.60</b>    |
| Unemployment Taxes Paid          | 64.06             | 129.22            | 0.00                                    | <b>\$193.28</b>    |
| Office Rent                      | 300.00            | 0.00              | 0.00                                    | <b>\$300.00</b>    |
| Telephone Service                | 117.68            | 0.00              | 452.95                                  | <b>\$570.63</b>    |
| Postage and Delivery             | 173.14            | 165.00            | 66.00                                   | <b>\$404.14</b>    |
| Printing & Copying               | 166.26            | 323.09            | 40.74                                   | <b>\$530.09</b>    |
| Office Supplies                  | 0.00              | 53.63             | 0.00                                    | <b>\$53.63</b>     |
| Petty Cash Reimbursements        | 42.08             | 0.00              | 0.00                                    | <b>\$42.08</b>     |
| Miscellaneous                    | 231.20            | 130.00            | 0.00                                    | <b>\$361.20</b>    |
| <b>Total</b>                     | <b>\$3,917.07</b> | <b>\$8,861.52</b> | <b>\$1,297.18</b>                       | <b>\$14,075.77</b> |

Source: ANC 2D quarterly financial reports

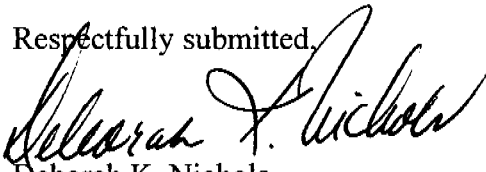
**ANC 2D's Internal Controls Were Adequate to Produce Reliable Information and Ensure That the ANC's Assets Were Properly Safeguarded**

With the exception of the proper safeguarding of petty cash funds, ANC 2D's internal controls were found to be adequate as evidenced by the following:

- ▶ Budgets were presented and properly adopted at public meetings;
- ▶ All disbursements were supported by adequate documentation in the form of receipts, invoices, and contracts;
- ▶ All checks were signed by two Commissioners, one of whom was the chairperson or the treasurer;
- ▶ ANC 2D's bank account was reconciled monthly and the Commission was informed of the bank balance periodically at the Commission's public meetings.
- ▶ The Commission's name and "DC Government" were printed on the ANC's bank account and checks;
- ▶ ANC 2D participated in the ANC Security Fund.

**CONCLUSION**

With the exception of how the ANC's petty cash funds were safeguarded, the Auditor found no other significant weaknesses in ANC 2D's financial transactions and operations. All expenditures were properly approved in a public meeting by a majority of Commissioners; all checks were signed by two officers of the Commission, one of which was the treasurer or chairperson; and disbursements were supported by invoices and receipts. ANC 2D's books and records, including supporting documentation, were well-organized and complete. ANC 2D held 11 meetings in calendar year 1999 and 11 meetings in calendar year 2000, which exceeded the number of meetings required by D.C. Code, Section 1-262(b). Notices of public meetings were provided 7 days prior to the meetings to Commission members and residents. ANC 2D's internal controls were adequate to produce reliable financial information and ensured that the ANC's assets were properly safeguarded.

Respectfully submitted,  
  
Deborah K. Nichols  
District of Columbia Auditor