



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 8C for Fiscal Years 2007 Through 2009, as of March 31, 2009

September 2, 2009



Deborah K. Nichols
District of Columbia Auditor
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717 14TH STREET N.W., SUITE 900
WASHINGTON, D.C. 20005
TEL. 202-727-3600 • FAX: 202-724-8814

Commissioner Mary J. Cuthbert
Chairperson
Advisory Neighborhood Commission 8C
3325 Martin Luther King, Jr. Avenue, SE
Washington, D.C. 20032

Letter Report: Audit of Advisory Neighborhood Commission 8C for Fiscal Years
2007 Through 2009, as of March 31, 2009

Dear Commissioner Cuthbert:

Pursuant to a request from Councilmember Yvette Alexander, Chairperson of the Council's Committee on Aging and Community Affairs, and Section 16 (d) of the Advisory Neighborhood Commissions Act of 1975 (ANC Act),¹ as amended, the District of Columbia Auditor (Auditor) conducted an audit of the financial accounts and operations of Advisory Neighborhood Commission (ANC or Commission) 8C.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 8C's disbursements complied with the ANC Act, ANC Financial Management Guidelines² issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General (OAG); and

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

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

2. internal controls were adequate to produce reliable financial information and ensure that the ANC's assets were properly safeguarded.

The audit covered fiscal years 2007 through 2009, as of March 31, 2009 (October 1, 2006 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 8C'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2009

Table I presents a statement of ANC 8C's checking, savings, and petty cash account balances as of March 31, 2009.

Table I
ANC 8C's Checking, Savings, and Petty Cash Account Balances
As of March 31, 2009

Petty Cash Account	\$ 0.00*
Checking Account	\$ 30,778.42
Savings Account	<u>\$ 0.00*</u>
Actual Cash Balance	\$ 30,778.42

*ANC 8C did not maintain a petty cash fund or savings account during the audit period.
Source: ANC 8C's quarterly reports and bank statements for the period October 1, 2006 through March 31, 2009.

SUMMARY OF ANC 8C'S DISBURSEMENTS DURING FISCAL YEARS 2007 THROUGH 2009, AS OF MARCH 31, 2009

During the audit period, ANC 8C disbursed \$24,347.98. Table II summarizes, by category, ANC 8C's disbursements made during the audit period, including bank service charges.

Table II
Summary of ANC 8C's Disbursements
During Fiscal Years 2007 Through 2009,
as of March 31, 2009

Disbursement Category	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009 as of March 31, 2009	Grand Total
Net Salaries & Wages	0.00	0.00	0.00	0.00
Workers Compensation	0.00	0.00	0.00	0.00
Federal Wage Taxes Paid	0.00	0.00	0.00	0.00
Local Income Taxes Paid	0.00	0.00	0.00	0.00
Tax Penalties Paid	0.00	0.00	0.00	0.00
Local Transportation	0.00	0.00	0.00	0.00
Office Rent	10,800.00	8,100.00	5,400.00	24,300.00
Telephone Service	0.00	0.00	0.00	0.00
Postage and Delivery	0.00	0.00	0.00	0.00
Utilities	0.00	0.00	0.00	0.00
Printing & Duplicating	0.00	0.00	0.00	0.00
Flyer Distribution	0.00	0.00	0.00	0.00
Purchase of Service	0.00	0.00	0.00	0.00
Office Supplies & Expenses	0.00	0.00	0.00	0.00
Office Equipment - Rental	0.00	0.00	0.00	0.00
Office Equipment - Purchase	0.00	0.00	0.00	0.00
Grants	0.00	0.00	0.00	0.00
Petty Cash Reimbursement	0.00	0.00	0.00	0.00
Bank Service Charges	3.67	12.33	6.98	22.98
Other	0.00	25.00	0.00	25.00
Total Disbursements	\$ 10,803.67	\$ 8,137.33	\$ 5,406.98	\$ 24,347.98

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

FINDINGS

ANC 8C COMPLIED FULLY 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.

The Auditor found that ANC 8C's Treasurer maintained adequate documentation to support 100% of the \$24,347.98 disbursed during the audit period. Of the total amount disbursed, 99.8 % represented rent payments for the Commission's office.

Pursuant to D.C. Code, Section 1-309.13 (j) (1), the Treasurer must file with the Auditor a quarterly financial report that has been approved by a majority of Commissioners at an ANC public meeting. The financial reports are to contain details regarding funds received and funds disbursed during the quarter, and copies of bank statements and canceled checks to substantiate the ANCs receipts and disbursements. The Auditor found that all ANC funds have been accounted for in quarterly financial reports which were signed and approved by the ANC's officers.

ANC 8C'S EXPENDITURE OF FUNDS FOR OFFICE SPACE WAS A MAJOR CONCERN OF SOME COMMUNITY RESIDENTS

ANC 8C leases office space on the entire second floor at 3125 Martin Luther King, Jr. Avenue, SE. The lease was last renewed for 3 years on November 2, 2005, covering the period January 1, 2006 through December 31, 2008. The ANC is currently on a month-to-month lease. According to ANC 8C's Chairperson, ANC public meetings were held at ANC 8C's office until increasing attendance in 2008 made it necessary to hold the meetings at the Petey Green Center, located at 2907 Martin Luther King, Jr. Avenue, SE.

The Auditor found that ANC 8C failed to produce and maintain minutes of all public meetings documenting the Commission's approval of these rental payments for the period October 1, 2006 through March 31, 2009. ANC 8C also failed to develop and approve annual spending plan budgets, during the audit period, detailing and adopting these rental payments in their annual budget.

In August 2008 and April 2009, the Auditor received inquiries from the Office of the Inspector General (OIG) and the Council of the District of Columbia, respectively, on behalf of a group of concerned citizens, regarding the financial activities of ANC 8C. The group was particularly concerned about rent payments for office space made by ANC 8C over the past few years, given that the office space apparently had not been used for any official purposes by ANC 8C and no money had been expended for office-related supplies, equipment, or activities. The Auditor reviewed the financial activities of ANC 8C, as requested by the OIG, and responded to the OIG on November 7, 2008. [Letter - Attachment I] The Auditor does not know the status or outcome of any OIG investigation of ANC 8C or its response to the complaint filed by concerned citizens.

According to ANC 8C's Chairperson, throughout the audit period, ANC 8C has not been able to disburse funds to improve the functioning of the ANC office due to the continuous lack of a quorum which is necessary to conduct official business at its public meetings. Without a quorum, the ANC cannot take official action, including the timely approval of quarterly financial reports and approval of the expenditure of funds for office space, office supplies, office equipment rentals and repairs, telephone service, administrative staff or other goods and services needed to operate and maintain a functional office. While the Auditor agrees that ANC 8C has expended funds for unutilized office space, the Auditor does not possess the authority to require that ANC 8C give up its office space. However, the Auditor does consider this expense, under the current circumstances, to be an uneconomical and wasteful use of public funds provided to the ANC.

RECOMMENDATIONS

1. Each ANC 8C Commissioner attend all ANC public meetings so that a quorum can be established to approve: (a) expenditures for goods and services needed to improve the functioning of the ANC and the ANC office; and (b) quarterly financial reports and file them in a timely manner to prevent the forfeiture of quarterly allotments.

2. With the assistance of the Office of Advisory Neighborhood Commissions and the Board of Ethics and Elections, ANC 8C officers explore and pursue appropriate remedies available to resolve chronic Commissioner absenteeism at ANC public meetings.
3. ANC 8C Officers consider vacating 3125 Martin Luther King, Jr. Avenue, SE, and obtaining new office space at a more economical rental rate at such time as the ANC is able to function cohesively and effectively.
4. The Treasurer of ANC 8C cease paying rent for the ANC's office space unless the expenditure is approved by a majority of Commissioners in a public meeting at which a quorum is present.
5. Unless ratified within 90 days of the date of this report, the Associate Chief Financial Officer for the Office of Finance and Resource Management deduct \$24,300 from ANC 8C's next allotments for rent payments made without the approval of ANC 8C Commissioners.

SIX OF THE TEN QUARTERLY FINANCIAL REPORTS DUE DURING THE AUDIT PERIOD WERE FILED 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 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 8C filed six of the 10 reports required during the audit period over 30 days late. Of the remaining 4 reports, 2 were filed early and 2 were filed less than 30 days after the due date. Therefore, the Auditor found that ANC 8C failed to fully comply with D.C. Code, Section 1-309.13 (j) (1).

Additionally, ANC 8C forfeited \$10,311.12 in quarterly allotments because two quarterly reports were not filed by the end of the fiscal year as required by D.C. Code, Section 1-309.13 (j) (3) which states: "If on the last day of the fiscal year, a Commission has not received a quarterly allotment because it failed to file a quarterly report approved by the Auditor, the Commission shall forfeit the unclaimed allotment or allotments and the funds shall return to the District's General Fund."

ANC 8C's lack of a quorum at many of the public meetings held during the audit period resulted in the Commission's inability to approve and file quarterly financial reports in a timely manner. As a result, ANC 8C forfeited the 4th quarter FY 2007 allotment for \$5,057.32 because the 2nd quarter FY 2007 report was not filed by September 30, 2007. ANC 8C also forfeited the 4th quarter FY 2008 allotment for \$5,253.80 because the 2nd quarter FY 2008 report was not filed by September 30, 2008. Both allotments were returned to the District's General Fund.

Further, D.C. Code, Section 1-309.13 (j) (2) states, in relevant part : "No quarterly allotment shall be forwarded to a Commission until all reports of financial activity for the quarters preceding the immediate quarter are approved by the Auditor." The Auditor did not recommend the release of allotments related to subsequent quarterly financial reports until ANC 8C finally filed the 2nd quarter FY 2007 report with the Auditor on January 31, 2008.

Table III
Advisory Neighborhood Commission 8C
Quarterly Financial Report Submission Record:
Fiscal Years 2007 Through 2009, As of March 31,2009

Year & Quarter	Reported Months	Due Date	Date Received	Report Filed	Related Allotment	Allotment Recommended for Release
2007 - 1st	10/01/06 through 12/31/06	03/01/07	01/16/07	44 Days Early	3 rd FY07	10/17/07
2007 - 2nd	01/01/07 through 03/31/07	05/30/07	01/31/08	246 Days Late	4 th FY07	Forfeited
2007 - 3rd	04/01/07 through 06/30/07	08/29/07	01/31/08	155 Days Late	1 st FY 08	08/27/08
2007 - 4th	07/01/07 through 09/30/07	11/29/07	01/31/08	63 Days Late	2 nd FY 08	08/27/08
2008 - 1st	10/01/07 through 12/31/07	02/29/08	03/14/08	14 Days Late	3 rd FY 08	08/27/08
2008 - 2nd	01/01/08 through 03/31/08	05/30/08	05/26/09	361 Days Late	4 th FY 08	Forfeited
2008 - 3rd	04/01/08 through 06/30/08	08/29/08	08/14/08	15 Days Early	1 st FY 09	Not yet recommended for release
2008 - 4th	07/01/08 through 09/30/08	11/29/08	05/29/09	181 Days Late	2 nd FY 09	Not yet recommended for release
2009 - 1st	10/01/08 through 12/31/08	03/01/09	05/26/09	86 Days Late	3 rd FY 09	Not yet recommended for release
2009 - 2nd	01/01/09 through 03/31/09	05/30/09	06/10/09	11 Days Late	4 th FY 09	Not yet recommended for release

Source: ANC 8C quarterly financial reports.

RECOMMENDATION

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

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

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

The Auditor found that ANC 8C's Secretary only provided minutes for three meetings held during the 30-month audit period. Without meeting minutes, ANC 8C could not fully substantiate: (1) the number of meetings held; (2) the approval of all expenditures by a majority of Commissioners at a public meeting in which a quorum was present; (3) the adoption of annual fiscal year spending plan budgets; or (4) the approval of quarterly financial reports.

RECOMMENDATION

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

ANC 8C DID NOT ESTABLISH 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 8C's records revealed that annual fiscal year spending plan budgets were not established for fiscal years 2007, 2008, or 2009.³

RECOMMENDATIONS

1. If ANC 8C established a fiscal year 2009 spending plan budget subsequent to March 31, 2009, a copy of the budget should be submitted to the Auditor's Office within 30 days of the date of this report.
2. ANC 8C develop, present, and adopt an annual fiscal year spending plan budget for fiscal year 2010 within 60 days of notification of the amount of the Commission's annual allotment.
3. ANC 8C's Chairperson and Treasurer develop and implement a mechanism to ensure that an annual fiscal year spending plan budget is prepared and approved by the Commissioners for each forthcoming fiscal year at the appropriate time.

ANC 8C DID NOT PARTICIPATE IN THE ANC SECURITY FUND IN CALENDAR YEAR 2007

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.

³ Although ANC 8C Commissioner's discussed at its January 2009 public meeting the need to approve a preliminary budget at its next executive meeting, a budget had not been filed with the Auditor's Office as of March 31, 2009.

ANC 8C participated in the ANC Security Fund in calendar years 2008 and 2009 only. The Auditor also found that ANC 8C did not maintain in force a cash or surety bond during calendar year 2007. Therefore, ANC 8C failed to comply with D.C. Code, Section 1-309.13 (c) during calendar year 2007.

RECOMMENDATION

ANC 8C's Treasurer and Chairperson ensure that: (a) the matter of bonding or participation in the ANC Security Fund is voted on annually at the ANC's January public meeting; and (b) ensure that evidence of a cash or surety bond or the necessary ANC Security Fund documents and participation fee are timely filed with the Auditor by the established deadline.

INTERNAL CONTROLS WERE NOT ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION AND ENSURE THAT ASSETS WERE PROPERLY SAFEGUARDED

ANC 8C's internal controls were found to be inadequate as a result of: (1) failure of the ANC to participate in the ANC Security Fund or bond its Treasurer and Chairperson; (2) untimely approval and filing of quarterly financial reports; and (3) failure of its Secretary to consistently prepare and maintain minutes of all ANC 8C public meetings which should have documented the Commission's approval of all disbursements. Minutes are necessary to substantiate: (1) the number of meetings held annually; (2) the approval of expenditures; (3) the adoption of annual fiscal year spending plan budgets; and (4) the approval of quarterly financial reports.

RECOMMENDATION

ANC 8C strengthen its internal controls with regard to bonding, approval and filing of quarterly financial reports, and preparing and maintaining minutes for all public meetings.

CONCLUSION

The Auditor's examination of ANC 8C's financial accounts, books, and records revealed that ANC 8C did not comply with all relevant provisions of the Advisory Neighborhood Commissions Act of 1975, as amended, Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General.

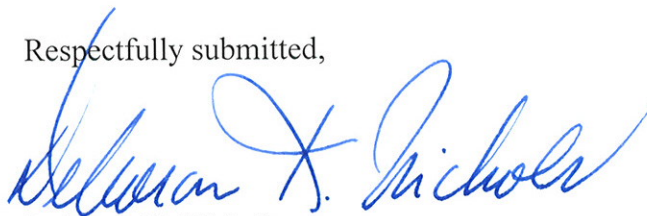
During fiscal years 2007 through 2009, as of March 31, 2009, ANC 8C disbursed \$24,347.98 and maintained documentation to support 100% of total disbursements. The Auditor found that 99.8 % of total disbursements were rental payments for an un-utilized office. Further, the Auditor found that ANC 8C failed to produce minutes of public meetings which should have documented the approval of these expenses. The ANC also failed to establish and approve annual spending plan budgets authorizing these payments.

The Auditor found that six of the 10 quarterly financial reports due to the Auditor's Office during the audit period were filed over 30 days late. The Auditor further found that ANC 8C failed to maintain minutes for all public meetings held during the audit period and as a consequence of this deficiency, ANC 8C could not provide evidence that the ANC held the number of public meetings required by the ANC Act.

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

Pursuant to D.C. Code, Section 1-309.13 (d) (3), ANC 8C must respond in writing to each of the violations detailed herein within 90 days. Failure to do so will result in the forfeiture of ANC 8C's next scheduled quarterly allotment until a response is filed.

Respectfully submitted,



Deborah K. Nichols

District of Columbia Auditor

ATTACHMENT



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

Deborah K. Nichols
District of Columbia Auditor
09:074:DKN:LB:gk

November 7, 2008

Mr. Charles J. Willoughby
District of Columbia Inspector General
Office of the Inspector General
717 14th Street, NW, Suite 500
Washington, D.C. 20005

RE: Complaint Alleging that Advisory Neighborhood Commission 8C is a Sham Organization Existing Only to Misuse Municipal Funding

Dear Mr. Willoughby:

In response to your August 13, 2008 referral regarding a complaint received by you, the Office of the District of Columbia Auditor has reviewed the financial activities of Advisory Neighborhood Commission 8C to determine whether ANC 8C has misused ANC funds in violation of the ANC law.

The complainant's statement that the ANC spends no money on ANC activities, apart from rent, is correct and is supported by financial information contained in an audit report issued by this office on September 15, 2006, entitled "Audit of Advisory Neighborhood Commission 8C for Fiscal Years 2004 Through 2006, as of March 31, 2006."

Pursuant to D.C. Code, Section 1-309.13 (j) (1), the Treasurer must file with the Auditor a quarterly financial report that has been approved by a majority of Commissioners at an ANC public meeting. The financial report contains details regarding funds received and funds disbursed during the quarter, and each quarterly report contains copies of bank statements and canceled checks to support the ANC's receipts and disbursements. While it appears that ANC 8C is expending funds for under-utilized office space, we have seen no evidence suggesting that any of the Commissioners have a personal or financial interest in maintaining the office. According to the Chairperson, ANC 8C public meetings were held at the office last year; however, because attendance has grown since last year, public meetings are now held at the Petey Green Center, which is located at 2907 Martin Luther King, Jr. Avenue, SE.

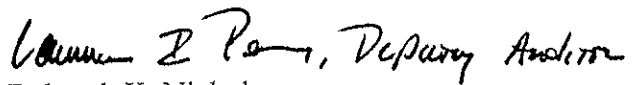
This office is aware of the continuing problem that ANC 8C has in establishing a quorum of Commissioners at its meetings. Without a quorum, the ANC cannot take official action, including the approval of quarterly reports and the expenditure of funds for rent, administrative support, office supplies, office equipment, and telephone service. At the request of one of ANC 8C's

Commissioners, a meeting of all ANC 8C Commissioners was held at the Auditor's office last year in an attempt to get the ANC back on track by encouraging increased participation in ANC activities and meeting attendance on the part of each Commissioner.

While the complainant contends that it appears that ANC 8C is wasting public funds by maintaining an office which is not fully functional, my review found no evidence that funds are being misappropriated. The ANC properly approved the disbursement of the \$900 monthly rent payment and has executed a lease which sets forth the terms and conditions of this obligation. Although it is the Auditor's opinion that this is not the most prudent or economical use of ANC funds or its office space under present circumstances, this office does not possess the authority to require that ANC 8C give up its office space.

Should you have any further questions regarding this matter, please do not hesitate to contact me or Deputy Auditor Lawrence Perry at 202-727-3600.

Respectfully,


for: Deborah K. Nichols
District of Columbia Auditor