



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

018:00:MN

**Statutory Audit of Advisory Neighborhood
Commission 4C for the Period
October 1, 1995 through September 30, 1999**

August 21, 2000



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

018:00:MN

Mr. Willie Flowers, Chairperson
Advisory Neighborhood Commission 4C
3724 9th Street, NW
Washington, D.C. 20010

Letter Report: Statutory Audit of Advisory
Neighborhood Commission 4C for the Period
October 1, 1995 through September 30, 1999

Dear Chairperson Flowers:

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) 4C for the period October 1, 1995 through September 30, 1999 (fiscal years 1996 through 1999).

The objective of this audit was to determine whether ANC 4C's financial accounts and operations complied with the Advisory Neighborhood Commission 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 the Corporation Counsel.

The Auditor reviewed available documentation which supported the financial activities of ANC 4C during the period under audit. The examination included a review of available canceled checks, bank statements, quarterly financial reports, minutes of public meetings, and other supporting documentation including vendor invoices and purchase receipts. The Auditor also reviewed the findings and recommendations of the previous audit of ANC 4C in order to assess the quality of its compliance with those recommendations.

The audit was conducted in accordance with generally accepted governmental auditing standards and included such tests of the records as were deemed necessary under the circumstances.

FINDINGS

STATEMENT OF ANC 4C'S CASH POSITION AS OF SEPTEMBER 30, 1999

Table1 presents a statement of ANC 4C's cash position as September 30, 1999.

TABLE 1

ANC 4C's Statement of Cash Balances as of September 30, 1999

Petty Cash on Hand	\$ 9.24
Cash in Checking Account (1)	14,405.21
Cash in Savings Account	<u>51,080.30</u>
Total Available Cash	\$ 65,494.75

(1) Checking account balance was obtained from the bank statement as of September 30, 1999. The quarterly Financial Report for the period ending September 30, 1999 was incomplete and ANC 4C's treasurer had not reconciled the ledger balance with the bank balance.

REGULAR PUBLIC MEETINGS WERE NOT HELD BY THE COMMISSION AS REQUIRED BY THE ANC LAW

The Auditor's review of available records indicated that ANC 4C held no public meetings during fiscal year 1996, four meetings during fiscal year 1997, two meetings during fiscal year 1998, and, only one meeting was held during fiscal year 1999. Failure to conduct at least 9 public meetings per year did not comply with D.C. Code, Section 1-262 (b), which, 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 designated to reasonably accommodate the residents of the Commission area, depending on the issues to be considered by the Commission. To the extent possible, each Commission shall, at its first meeting of the calendar year, adopt a schedule of regular Commission meetings for the remainder of the calendar year...." [Auditor's Emphasis]

QUARTERLY FINANCIAL REPORTS FOR ANC 4C WERE NOT FILED IN A TIMELY MANNER WITH THE OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

During the review of ANC 4C's quarterly financial reports for the period under audit, the Auditor found that ANC 4C was generally delinquent in filing the required reports with the Office of the District of Columbia Auditor. Of the sixteen reports due for the period October 1, 1995 through September 30, 1999, only two were filed within the time period specified by law. D.C. Code, Section 1-264(j,) states 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 public meeting of the Commission within 30 days¹ 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, with a record of the vote adopting the report, with the Auditor within 7 days of approval.No quarterly allotment shall be forwarded to a Commission until all reports of financial activity for the quarters preceding the immediate previous quarter are approved by the Auditor.."

ANC 4C's untimely filing of quarterly financial reports with the Office of the District of Columbia Auditor has delayed the release of ANC 4C's quarterly allotments and failed to provide prompt accountability of public funds. Table 2 shows the report filing pattern of ANC 4C for the period October 1, 1995 through September 30, 1999.

¹ D.C. Code Section 1-264(j), was amended by Section 3(d) of the Comprehensive Advisory Neighborhood Commissions Reform Amendment Act of 1999", effective June 27, 2000. Commission treasurers must now present quarterly financial reports to the Commission within 45 days after the end of the quarter, and file the report with the D.C. Auditor within 15 days of its approval.

TABLE 2

**ANC 4C's Quarterly Financial Report Filing Pattern
During October 1, 1995 through September 30, 1999**

Report Period	D.C. Auditor's Filing Deadline (A)	Commission's Approval Date	Date Received by D.C. Auditor (B)	Number of Days Late (B-A)
10/1/95 - 12/31/95	2/15/96	3/11/97	3/25/97	375
1/1/96 - 3/31/96	5/15/96	3/11/97	3/25/97	285
4/1/96 - 6/30/96	8/15/96	3/11/97	3/25/97	195
7/1/96 - 9/30/96	11/15/96	3/11/97	3/25/97	105
10/1/96 - 12/31/96	2/15/97	3/11/97	3/25/97	40
1/1/97 - 3/31/97	5/15/97	6/11/97	6/30/97	45
4/1/97 - 6/30/97	8/15/97	7/18/97	9/16/97	31
7/1/97 - 9/30/97	11/15/97	1/13/98	1/28/98	73
10/1/97 - 12/31/97	2/15/98	1/13/98	1/28/98	0
1/1/98 - 3/31/98	5/15/98	11/10/98	12/8/98	203
4/1/98 - 6/30/98	8/15/98	11/10/98	12/8/98	113
7/1/98 - 9/30/98	11/15/98	11/10/98	12/8/98	23
10/1/98 - 12/31/98	2/15/99	Report Unapproved	3/4/99	17
1/1/99 - 3/31/99	5/15/99	4/13/99 ²	5/5/99	0
4/1/99 - 6/30/99	8/15/99	10/12/99	11/9/99	84
7/1/99 - 9/30/99	11/15/99	Report Unapproved	2/8/00	83

Source: D.C. Auditors permanent file for ANC 4C

² Commission approval date reported on the quarterly financial report ended 3/3/99 could not be verified because copies of the minutes for that period were not submitted.

ANC 4C CHECKS WERE MADE PAYABLE TO OFFICERS WHO SIGNED OR COUNTERSIGNED THE CHECKS

During the audit, the Auditor found five checks totaling \$670.88 made payable to ANC 4C officers who either signed or countersigned the checks.

To ensure proper internal controls over District funds, the District of Columbia Auditor has maintained the position that ANC officers should not sign or countersign checks made payable to themselves. Instead, another ANC officer should sign the check after reviewing supporting documentation and verifying that the ANC has approved the disbursement. This procedure would allow at least two disinterested ANC officers, who are not payees on the check, the opportunity to review the supporting documentation and to ensure that the disbursement is proper and approved by a majority of the commissioners in a public meeting. Table 3 lists those disbursements made payable to ANC 4C officers who signed or counter signed the checks.

TABLE 3

Checks Made Payable to Commissioners Who Also Signed Them

Date	Check #	Amount	Payee	Signatures	Purpose
1/26/98	1784	\$126.64	Chairman	Treasurer Chairman	Photocopying Expenses
3/3/98	1788	50.43	Treasurer	Treasurer Chairman	Printing Newsletters
4/14/98	1790	31.73	Chairman	Treasurer Chairman	Photocopying Expenses
4/27/98	1794 ³	126.64	Chairman	Treasurer Chairman	Purchase of Festival Supplies
5/30/98	1807 ³	335.44	Chairman	Treasurer Chairman	Purchase of Flowers for Beautification Project
Total		\$670.88			

Source: Canceled checks for ANC 4C

³Expenditures made by checks 1794 and 1807 were disallowed by the District of Columbia Auditor as an impermissible use of appropriated funds for entertainment purposes. These expenditures are being reported in a subsequent finding of this audit report.

ANC 4C NEEDS TO ESTABLISH GUIDELINES AND EFFECTIVE MANAGEMENT CONTROLS FOR ITS NEIGHBORHOOD BEAUTIFICATION PROJECT

In the June 1997 meeting, ANC 4C Commissioners voted to allocate \$500 to each Single Member District (SMD) for neighborhood beautification. The minutes did not specify any guidelines or identify properties that would be eligible for neighborhood beautification. As there are 10 Single Member Districts located in ANC 4C, the total amount of potential expenditures for this project was \$5,000. Of the amount approved, disbursements made for the project totaled \$1,300.

In a prior audit report, dated March 22, 1996, the District of Columbia Auditor cited ANC 4C for failing to establish grant award guidelines and to obtain grant applications for expenditures which had been classified as beautification grants. We observed, during our current audit, that ANC 4C has established written guidelines for grant awards. Although the neighborhood beautification disbursements were not reported as grants, it appears that the funds were used for a purpose previously classified and approved as a grant.

ANC 4C's beautification efforts should be designed to ensure that a public purpose is served and a public benefit is derived from its distribution of plants and flowers. The purchase and distribution of flowers to the public may not serve a significant public purpose and may not provide a public benefit in that these items may be used to enhance private property and their use may not be confined to the District of Columbia. A better use of public funds for neighborhood beautification may be for each SMD to adopt a park, block, or other public space to clean, beautify and maintain. These efforts, similar to Adopt-A-Road programs in operation throughout the United States, can be planned and coordinated with the assistance, where appropriate, of responsible city agencies. This type of neighborhood beautification project would clearly involve a commitment of public funds to the beautification of public space. The Commission may also find ways to contribute to the District's Neighborhood Stabilization Program. Table 4 provides a list of the disbursements made by ANC 4C for neighborhood beautification.

TABLE 4

Expenditures for ANC 4C's Neighborhood Beautification Program

Check #	Date	Payee	Purpose	Expense Category	Amount
1773	6/27/97	Frank's Nursery	Plants and flowers for beautification of ANC 4C-06	Purchase of Service (14)	\$ 500.00
1805	5/12/98	Petworth Neighborhood Civic Assoc.	Neighborhood beautification 4C-07	Other Expenses (21)	300.00
1806	5/18/98	Hechingers	Neighborhood beautification 4C-03	Other Expenses (21)	500.00
Total					\$1,300.00

Source: ANC 4C Quarterly Reports, ANC 4C minutes, and review of ANC disbursements

EXPENDITURES DISALLOWED BY THE DISTRICT OF COLUMBIA AUDITOR

During the period under audit, ANC 4C disbursed funds to individuals and organizations for the purpose of bus trips and neighborhood family festivals. The expenditures were classified as purchases of services on the quarterly financial report for the period ended June 30, 1998. The District of Columbia Auditor, after reviewing the quarterly report and supporting financial documentation, found the expenditures to be impermissible under ANC law and relevant Corporation Counsel opinions.

Expenditures for bus trips and neighborhood family festivals are considered to be in the nature of entertainment under the General Accounting Office's Principles of Federal Appropriation Law, and do not serve any public purpose. Further, the Office of the Corporation Counsel issued a legal opinion, dated May 26, 1994, which states, in relevant part that:

"...Just as the entertainment of government personnel is generally unauthorized, the entertainment of non-government personnel is equally impermissible. The basic rule is the same regardless of who is being fed or entertained: Appropriated funds are not available for entertainment, including free food, except under specific statutory authority..."

Further, it appeared that a majority of Commissioners in a public meeting of the Commission did not approve these expenditures in that there were no minutes in which the Commission's approval was recorded. Table 5 lists the expenditures that were disallowed during the period October 1, 1995 through September 30, 1999. The expenditures will be deducted from future ANC 4C allotments.

TABLE 5

**Impermissible Expenditures Made During the Period
October 1, 1995 through September 30, 1999**

Check#	Date	Payee	Purpose of Expenditure	Amount
1789	4/9/98	A & E Limo and Tour Services	Bus trip, ANC 4C-06	\$250.00
1794	4/27/98	Willie Flowers	Reimbursement for neighborhood festival expenses ANC 4C-06	126.64
1797	5/1/98	D.C. Dept. of Recreation	Equipment rental for festival	10.00
1798	5/1/98	D.C. Dept. of Recreation	Use of recreation center	35.00
1800	5/1/989	Bernie's Amusement recreation	Rental of equipment for festival ANC 4C-06	323.50
1801	5/1/98	Willie Flowers	Rental of equipment for festival ANC 4C-06	160.00
1807	5/30/98	Willie Flowers	Reimbursement for printing cost for festival ANC 4C-06	112.71
Totals				\$ 1,017.85

Source: ANC 4C Quarterly Financial Reports

**TAX EXEMPT STATUS OF ANC 4C's SAVINGS ACCOUNT INTEREST INCOME
MUST BE ESTABLISHED**

ANC 4C has established a savings account with Industrial Bank of Washington with a balance of \$51,080.30 as of 9/30/99. We observed that the interest earned during our audit period was subject to federal income taxation of more than \$450.

The Office of the District of Columbia Auditor position on this subject is stated in a memorandum dated September 15, 1982 as follows:

According to Section 115 of the Internal Revenue Code, any income derived from any governmental function or any political subdivision is exempt from paying income taxes. Therefore it is the opinion of this office that as an instrumentality of the District Government Advisory Neighborhood Commissions are not required to pay Federal or District income taxes on income they may earn, e.g. interest. Advisory Neighborhood Commission are still required to pay any and all payroll taxes for their employees.

D.C. Law 13-135, the Comprehensive Advisory Neighborhood Commission Reform Act of 2000," states in relevant part the following:

(b)(1)Each Commission shall by resolution designate a commercial bank, savings and loan association, or any combination thereof, which is insured by the government of the United States pursuant to the Federal Deposit Insurance Act and which is located within the District of Columbia, as a depository of all funds received by the Commission."

(2)Each Commission shall request a District of Columbia Tax Identification Number and include the phrase "District of Columbia Government" in each account name within 90 days after the effective date of the Comprehensive Advisory Neighborhood Commissions Reform Amendment Act of 2000.

Implementation of subsection b(2) of the new law concerning establishing ANC accounts with a District government tax identification number should resolve this matter for future purposes and may facilitate ANC 4C in obtaining a tax refund from the Internal Revenue Service.

RECOMMENDATIONS

1. The Commissioners of ANC 4C establish and adhere to a schedule of regular meetings at the beginning of each calendar year. The Commission should conduct at least 9 public meetings as required by the ANC law.

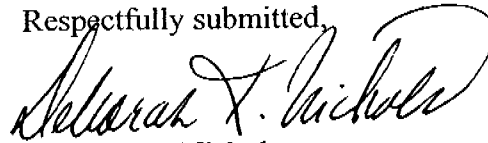
2. ANC 4C promptly file quarterly financial reports with the Office of the District of Columbia Auditor within 45 days of the end of each quarter.
The reports must be approved by a majority ANC 4C commissioners and must be supported by appropriate documentation including, but not limited to, minutes, copies of canceled checks (front and back) bank statements, and receipts.
3. ANC 4C officers who receive ANC funds for reimbursement of expenses should discontinue the practice of signing or countersigning checks made payable to themselves. Other officers who are not payees should sign or countersign checks after reviewing supporting documentation and verifying the Commission's approval of the expenditures.
4. ANC 4C should establish procedures and controls to ensure that expenditures made for the beautification project are for the benefit of public properties and are made in accordance with the ANC law. Procedures should include project monitoring and reporting the status of the project to the Commission during public meetings.
5. ANC 4C Commissioners should review the ANC Financial Management and Reporting manual issued by the Office of the District of Columbia Auditor to determine which expenditures are appropriate and the types of expenditures that are prohibited. Also, ANC 4C may solicit opinions from the Office of the Corporation Counsel when unsure of whether its proposed expenditures comply with the ANC law.
6. The ANC should use the District's tax exempt identification number for its savings account at the Industrial Bank and take appropriate action, with the assistance of the Office of the Corporation Counsel, to recover federal taxes assessed against funds in its savings account.

CONCLUSION

Based on the Auditor's examination, it appears that ANC 4C's failure to hold the required number of regular public meetings has adversely impacted on its ability to complete, approve, and timely submit quarterly financial reports to the Office of the District of Columbia Auditor. Also, the ANC failed to approve expenditures before disbursing funds, which resulted in such expenditures being disallowed by the District of Columbia Auditor. The disallowed expenditures of \$1,017.85 will be deducted from future ANC 4C quarterly allotments.

As previously stated, ANC 4C should establish more effective management controls over and guideline for its beautification program. Such controls would identify public properties to be enhanced, and the ANC would monitor and report on the results of neighborhood beautification expenditures.

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, prominent initial 'D'.

Deborah K. Nichols,

District of Columbia Auditor