



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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019:02:WDW:GK

**Audit of Advisory Neighborhood Commission 7D
For Fiscal Years 2000, 2001, and 2002 Through
March 31, 2002**

July 25, 2002



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Commissioner Raymon Murchison
Chairperson
Advisory Neighborhood Commission 7D
3741 Grant Place, NE
Washington, D.C. 20019

**Letter Report: Audit of Advisory Neighborhood
Commission 7D For Fiscal Years 2000, 2001, and
2002 through March 31, 2002**

Dear Commissioner Murchison:

Pursuant to D.C. Code, Section 1-309.13(d), as amended, the District of Columbia Auditor conducted an audit of the financial operations and activities of Advisory Neighborhood Commission (ANC) 7D.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether ANC 7D's:

- a. disbursements complied with the Advisory Neighborhood Commissions Act of 1975 (ANC Law), as amended, Advisory Neighborhood Commission Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Corporation Counsel; and
- b. internal controls were adequate to produce reliable financial information and ensure that its assets were safeguarded.

The scope of the audit covered the period October 1, 1999 through March 31, 2002. In conducting the audit, the Auditor reviewed all available canceled checks, bank statements, bank signature cards, quarterly financial reports, meeting minutes, receipts, invoices, and other related documents. Further, the Auditor interviewed ANC 7D's current chairperson, treasurer, and other ANC 7D Commissioners.

ANC 7D is composed of seven (7) single member districts (SMD). All SMDs except 7D05 were occupied with elected Commissioners during fiscal year 2002, as of March 31, 2002. During fiscal years 2000 and 2001, all SMDs were occupied.

FINDINGS

STATEMENT OF ANC 7D's CASH BALANCE IN CHECKING ACCOUNT AND PETTY CASH FUND AS OF MARCH 31, 2002

Table I presents a statement of ANC 7D's cash balance in its checking account and petty cash fund as of March 31, 2002.

TABLE I
ANC 7D's Cash Balance
As Of March 31, 2002

Petty Cash on Hand	\$ 0.00
Checking Account Balance	26,183.39*
Savings Account Balance	<u>0.00**</u>
Total Cash Balance	\$26,183.39

*Checking account balance obtained from ANC 7D's bank statement as of March 31, 2002.

**ANC 7D does not maintain a savings account.

ANC 7D's FINANCIAL RECORDS AND DISBURSEMENTS WERE NOT IN SUBSTANTIAL COMPLIANCE WITH THE ANC LAW AND FINANCIAL MANAGEMENT GUIDELINES

ANC 7D Did Not Maintain Required Documentation To Support Expenditures During The Audit Period

During fiscal years 2000, 2001, and 2002 through March 31, 2002, ANC 7D did not maintain original documentation to justify and support approximately 99% of expenditures totaling \$7,229.43 as reported in quarterly financial reports filed with the Office of the District of Columbia Auditor. In relevant part, D.C. Code, Section 1-309.13(j)(1), states the following:

. . . Each quarterly report must 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 the meeting indicating the Commission's approval of disbursements reported in the quarterly report. . . The Commission shall make available for onsite review to the Auditor, upon the Auditor's request, originals of documents required to be submitted with quarterly financial reports pursuant to this section. [Auditor's Emphasis]

Further, ANC Financial Management Guidelines issued by the Office of the District of Columbia Auditor state, in relevant part, that:

Prior to disbursing funds, the Treasurer must ensure that a voucher package is prepared which contains the following:

- a. An original invoice or receipt from the supplier of goods and services.
- b. A signed statement must be attached to the invoice or written on the invoice by the ANC representative who receives the goods or services which states:

"I certify that the goods or services described on the attached invoice have been received and represent bona fide expenses of the ANC."
- c. The date paid and check number must be entered on the original invoice.
- d. All vouchers must be filed in check number sequence.

All voucher packages must be retained for a period of at least five years.

The Auditor found that ANC 7D did not comply with the ANC Law and relevant provisions of the ANC Financial Management Guidelines during the audit period. Specifically, ANC 7D's treasurer did not: (1) prepare voucher packages containing original invoices or receipts from vendors, (2) verify that goods and services were received, (3) stamp the invoices paid, or (4) write the check number used to pay each vendor on the voucher when paying ANC 7D's bills. Further, the ANC did not maintain original documentation, copies of which may have been submitted with quarterly financial reports, on-site for the Auditor's review. Quarterly financial reports submitted by ANC 7D contained copies of receipts to support reported disbursements. However, when the Auditor requested to see the original supporting documentation, the ANC's treasurer and chairperson were unable to provide these records. In fact, the ANC's treasurer could locate only one original receipt for \$475.88 paid to Xerox. The ANC's treasurer stated that she was not aware of the recommended practice of preparing voucher packages when paying bills or the requirement that ANCs maintain original documentation supporting its financial transactions for a minimum of five years.

The ANC's treasurer also could not provide all approved time sheets in support of \$2,654.50 in salary payments for hours purportedly worked by ANC 7D's office manager during fiscal year 2000. The ANC's treasurer made available only three time sheets supporting a small percentage of salary payments made to the office manager. The time sheets made available for the Auditor's review were not signed by any officers of the ANC.

ANC Commissioners Obtained Goods and Services Using Their Personal Funds

ANC 7D's treasurer wrote check number 817, dated December 3, 1999, in the amount of \$355.79 payable to a former ANC 7D chairperson. According to the treasurer, the check was a reimbursement for postage (\$124.79) and copying costs (\$231.00) for ANC 7D's newsletter for which the former chairperson used his personal credit card to pay for the services. Original receipts and one of the newsletters could not be made available for the Auditor's review. Guideline No. 23 of the ANC Financial Management Guidelines, and a directive issued by the District of Columbia Auditor on October 27, 1994, state that the routine practice of Commissioners paying vendors for goods and services obtained on the ANC's behalf, using their personal funds and then requesting reimbursement from the ANC, is discouraged. ANCs must pay its vendors directly using ANC 7D checks or petty cash funds for goods and services provided to the ANC. Further, on May 28, 1996, an opinion issued by the Office of the Corporation Counsel stated, in relevant part, the following:

. . . Section 16 expressly sets forth two ways an ANC may expend its funds, namely through the writing of checks and through cash disbursements from a petty cash fund. . . Since the cost of a credit card by an ANC to make purchases is not expressly mentioned, we interpret the Council's intent in Section 16 to prohibit an ANC from using this method to expend its funds. The exclusion of the use of a credit card not only prohibits an ANC from using a credit card directly to make purchases, but also indirectly through the issuance of an ANC check or the disbursement of cash from an ANC petty cash fund to reimburse a Commission member or employee of the Commission who makes purchases for the ANC with his or her own personal credit card. [Auditor's Emphasis]

The Corporation Counsel recommended that ANCs use the preferred practice of directly paying vendors of goods and services rather than reimbursing Commissioners for using their personal credit cards.

All ANC 7D Checks Were Not Signed By Two Officers

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

No expenditure of any amount shall be made without the specific authorization of the Commission. Any expenditure made by check shall be signed by at least 2 officers of the Commission, one of whom shall be the treasurer or Chairperson. [Auditor's Emphasis]

In violation of D.C. Code, Section 1-309.13(f), check number 817 in the amount of \$355.79, made payable to a former ANC chairperson, and check number 840 in the amount of \$41.60, made payable to the Internal Revenue Service, were issued with only the treasurer's signature.

ANC 7D Failed To Approve Most Disbursements

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

. . . No expenditure of any amount shall be made without the specific authorization of the Commission. [Auditor's Emphasis]

Except for two expenditures of \$77 and \$40, the Auditor found that the specific authorization of expenditures by a majority of ANC 7D Commissioners was not reflected in minutes made available for the Auditor's review. Rather, ANC 7D Commissioners approved the treasurer's monthly financial report, which was not attached to ANC minutes reviewed by the Auditor. The unavailability of the treasurer's monthly financial reports precluded a determination of which specific expenditures, if any, were included in the reports approved by the Commission. Further, approval of the treasurer's report does not satisfy the requirement of the ANC Law that expenditures must be made based on the specific authorization of the Commission. Table II presents a disbursement history of all checks written by ANC 7D between October 1, 1999 and March 31, 2002.

TABLE II
Advisory Neighborhood Commission 7D Disbursement History
For The Period October 1, 1999 through March 31, 2002

Check #	Amount	Date of Check	Payee	Purpose of Expenditure
806	\$ 124.79	10/01/99	Kinkos	Printing of Newsletter
807	231.00	10/01/99	D.C. Postmaster	Postage
808	405.51	10/01/99	Internal Revenue Service	Quarterly Employer Tax
809	280.69	10/08/99	T. Carter	Salary
810	31.00	10/13/99	D.C. DOES	Unemployment Taxes
811	32.00	10/14/99	D. C. Postmaster	Postage
812	116.30	10/15/99	T. Carter	Salary
813	139.50	10/22/99	T. Carter	Salary

Check #	Amount	Date of Check	Payee	Purpose of Expenditure
814	280.69	11/05/99	T. Carter	Salary
815	232.50	11/19/99	T. Carter	Salary
816	257.10	12/03/99	T. Carter	Salary
817	355.79	12/03/99	W. Wright	Postage (One Signature)
818	114.73	12/13/99	Kinkos	Printing of Newsletter
819	396.00	12/13/99	D.C. Postmaster	Postage
820	245.59	12/17/99	T. Carter	Salary
821	209.50	12/30/99	T. Carter	Salary
822	417.92	01/03/00	Internal Revenue Service	Federal Employee Taxes
823	279.30	01/10/00	D.C. Treasurer	D.C. Employment Taxes
824	33.45	01/10/00	D.C. DOES	Unemployment Taxes
825	209.50	01/14/00	T. Carter	Salary
826	209.50	01/28/00	T. Carter	Salary
827	112.73	01/28/00	Kinkos	Printing of Newsletter
828	198.00	01/28/00	D.C. Postmaster	Postage
829	475.88	02/04/00	Xerox	Office Supplies
830	322.33	02/11/00	T. Carter	Salary
831	198.00	03/06/00	D.C. Postmaster	Postage
832	118.44	03/06/00	Kinkos	Printing
833	116.33	03/29/00	Kinkos	Printing
834	330.00	03/29/00	D.C. Postmaster	Postage
835	173.24	04/03/00	Internal Revenue Service	Federal Employment Taxes
836	71.00	04/27/00	ANC Security Fund	Bonding of Treasurer
837	14.14	05/02/00	D.C. DOES	Unemployment Taxes
838	32.00	05/02/00	D.C. Postmaster	Postage
839	151.30	06/29/00	T. Carter	Salary
840	\$ 41.60	07/10/00	Internal Revenue Service	Employer Qtr. Tax (One Signature)
841	35.29	10/16/00	H. Whitten	Refreshments for ANC Mtg.

Check #	Amount	Date of Check	Payee	Purpose of Expenditure
842	2.99	10/16/00	D.C. DOES	Employer Qtr. Tax
843	32.00	11/13/00	D.C. Postmaster	Post Office Box Fee
844	44.80	12/00	D.C. Treasurer	Employer Qtr. Tax
845	77.00	04/27/01	ANC Security Fund	Bonding for ANC Treasurer
846	40.00	04/27/01	D.C. Postmaster	Postage
847	40.00	11/19/01	D.C. Postmaster	Postal Box Fee
\$7,229.43		TOTAL DISBURSEMENTS		

Source: ANC 7D's checkbook, cancelled checks, and bank statements

ANC 7D Commissioners Did Not Approve A Spending Plan Budget For Fiscal Years 2000, 2001, or 2002

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

Each Commission shall develop an annual fiscal year spending plan budget for the upcoming fiscal year 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.

ANC 7D Commissioners did not approve a spending plan budget for fiscal years 2000, 2001, or 2002, as of March 31, 2002, as required by the ANC Law. There were no discussions by ANC Commissioners concerning spending plan budgets in any of the ANC's minutes reviewed by the Auditor.

RECOMMENDATIONS

- 1 The Deputy Chief Financial Officer for Financial Operations and Systems deduct \$7,112.43 from ANC 7D's future quarterly allotments unless, within 90 days of the date of this report, the Commission specifically ratifies the expenditures made during the audit period and makes available for the Auditor's review original documentation to support the expenditures listed in Table II.
2. The Deputy Chief Financial Officer for Financial Operations and Systems deduct \$397.39 from ANC 7D's next quarterly allotment for checks signed by only one officer

of ANC 7D in violation of D.C. Code, Section 1-309.13(f). Further, the Commissioner receiving the reimbursement or the Commissioner signing the check making the disbursement must repay the Commission \$355.79. Should these individuals fail or refuse to repay the Commission within 90 days of the date of this report, the Auditor will request the Corporation Counsel to initiate the appropriate legal action to recover these funds.

3. ANC 7D must maintain original supporting documentation for any expenditures in accordance with the ANC Financial Management Guidelines issued by the Office of the District of Columbia Auditor, relevant provisions of D. C. Code, Section 1-309, and opinions issued by the Office of the Corporation Counsel.
4. All expenditures, except recurring expenses authorized by an annual spending plan budget, must be specifically approved by a majority of Commissioners at a public meeting in which a quorum is present rather than as part of a treasurer's report unless the report provides detailed information about each proposed expenditure and is incorporated into the minutes of the meeting. The treasurer's report should not be used as a vehicle to routinely ratify expenditures after the fact. Failure to comply with this recommendation will result in the disallowance of relevant expenditures if not subsequently ratified by a majority of Commissioners in a public meeting.
5. All ANC 7D checks must be signed by at least two officers of the ANC, one of which must be the treasurer or chairperson.
6. ANC 7D must approve an annual fiscal year spending plan budget as required by D.C. Code, Section 1-309.10(n).

ANC 7D Did Not Hold The Required Number of Public Meetings During The 30-Month Audit Period

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 nine (9) times per year . . . [Auditor's Emphasis]

According to ANC minutes reviewed by the Auditor, ANC 7D held only 6 public meetings during fiscal year 2000, a period during which the ANC purchased \$1,417 in postage stamps, 2

public meetings during fiscal year 2001, and 3 public meetings during fiscal year 2002, through March 31, 2002. The ANC’s treasurer stated that ANC 7D held the required number of public meetings each fiscal year but they were unable to locate minutes of the meetings for the Auditor’s review. The ANC also failed to submit minutes of all public meetings with its quarterly financial reports. This suggests that the ANC did not conduct the required number of public meetings or has a major recordkeeping or record retention problem. 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.”

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

... Each quarterly report must include. . . minutes of the meeting indicating the Commission’s approval of disbursements reported in the quarterly report.

Table III presents the number of regular monthly public meetings held by ANC 7D during the audit period. Overall, the Auditor’s review indicated that ANC 7D is a troubled Commission that may benefit from the assistance of the Executive Director of the Office of Advisory Neighborhood Commissions.

Table III
ANC 7D Meetings Held During
Fiscal Years 2000, 2001, and 2002
Through March 31, 2002

Fiscal Year	Regular Monthly Meetings	Total Meetings Held
2000	6	6
2001	2	2
2002	3	3

Source: ANC 7D Minutes of Meetings

RECOMMENDATIONS

Advisory Neighborhood Commission 7D must adhere to D.C. Code, Section 1-309.11(b)(1), by holding at least 9 public meetings each fiscal year. Further, ANC 7D's secretary must prepare and maintain minutes of ANC 7D's public meetings as required by D.C. Code, Section 1-309.11(e)(1).

2. The Executive Director of the Office of Advisory Neighborhood Commissions assist ANC 7D in re-establishing its operations in a manner that fully complies with the requirements of the ANC Law.

ANC 7D Did Not Include "District of Columbia Government" On Its Bank Account or the Face of Its Checks As of March 31, 2002

D. C. Code, Section 1-309.13(b)(2), states, in relevant part, that:

Each Commission shall include the phrase "District of Columbia Government" in each account name within 90 days after June 27, 2000.
[Auditor's Emphasis]

Further, D. C. Code, Section 1-309.13(f), states, in relevant part, that:

. . . Any check shall be pre-numbered, shall bear the name of the commission and "District of Columbia Government" on its face, and shall be issued in consecutive order. [Auditor's Emphasis]

The Auditor found that ANC 7D failed to comply with D.C. Code, Section 1-309.13(b)(2) and (f), through March 31, 2002. The Auditor observed that the ANC Law allowed ANCs 90 days after June 27, 2000, to comply with the provisions cited above. However, ANC 7D continued issuing non-compliant checks from a non-compliant account after the 90-day deadline. A total of \$272.08 was issued on checks from a checking account that does not comply with the ANC Law. As a consequence of ANC 7D's longstanding noncompliance with D.C. Code, Section 1-309.13(b)(2) and (f), \$272.08 in disbursements from the non-compliant checking account on non-compliant checks written after September 27, 2000, will be disallowed from ANC 7D's next quarterly allotment.

RECOMMENDATION

The Deputy Chief Financial Officer for Financial Operations and Systems withhold \$272.08 from ANC 7D's next quarterly allotment as a consequence of its failure to comply with D.C. Code, Sections 1-309.13(b)(2) and (f).

ANC 7D Commissioners Are Not Utilizing Office Space Made Available To It During Fiscal Year 1999

The Auditor found that ANC 7D has not used office space located on the third floor of 5140 Nannie Helen Burroughs Avenue, NE, made available to it, rent free, by the Department of Health in March 1999. ANC 7D moved its office equipment and furniture from 3801 Minnesota Avenue, NE on May 1, 1999 to reduce the ANC's monthly expenditures. Shortly thereafter, ANC 7D ceased using the new space, allegedly because the primary tenant, Umoja, operates an addiction/substance abuse treatment clinic on the first and second floors. Since that time, ANC 7D has rented a post office box to receive mail. According to its March 12, 2002 minutes of a public meeting, ANC 7D is in the process of signing a contract to lease office space at another location.

CONCLUSION

As a result of the examination of ANC 7D's quarterly financial reports, minutes of meetings, bank statements, canceled checks, and check registry, the Auditor found that ANC 7D's financial records and disbursements were not in substantial compliance with the ANC Law, Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and opinions issued by the Office of the Corporation Counsel. The ANC did not maintain sufficient documentation to justify and support expenditures, including voucher packages containing original invoices or receipts from vendors, verifying that goods and services were received, stamping invoices paid, and including the check number used to pay the vendor on the voucher.

All canceled checks reviewed by the Auditor were properly signed by the ANC chairperson and treasurer in accordance with the ANC Law, except for two disbursements totaling \$397.39 which were signed only by the ANC's treasurer. The Auditor has recommended that the Deputy Chief Financial Officer for Financial Operations and Systems deduct the \$397.39 in disbursements from the ANC's next quarterly allotment and, with specific regard to the \$355.79 reimbursement, that the Commissioner receiving the reimbursement or the Commissioner signing the check disbursing the funds repay the Commission within 90 days of the date of this report.

The Auditor also found that ANC 7D did not specifically authorize the expenditure of \$7,112.43 in ANC funds and did not approve a spending plan budget for fiscal years 2000, 2001, or 2002. As a consequence of this deficiency, the Auditor has recommended that the Deputy Chief Financial Officer for Financial Operations and Systems deduct \$7,112.43 from ANC 7D's future quarterly allotments unless, within 90 days of the date of this report, the Commission specifically ratifies the expenditures made during the audit period and makes available for the Auditor's review original documentation to support expenditures listed in Table II.

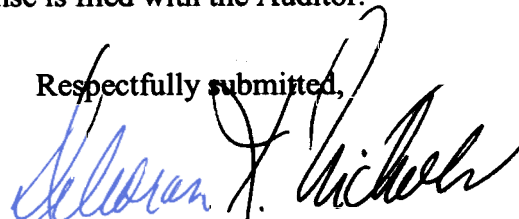
According to available minutes, the Auditor found that ANC 7D did not hold the minimum required nine public meetings each fiscal year during the audit period as required by the ANC Law.

ANC 7D did not include "District of Columbia Government" on its bank account or the face of its checks. As a consequence of this violation of the ANC Law, the Auditor has recommended that the Deputy Chief Financial Officer for Financial Operations and Systems withhold \$272.08 from ANC 7D's next quarterly allotment.

The Auditor found that ANC 7D has not used rent free office space made available to it for the past two years.

Pursuant to D.C. Code, Section 1-309.13(d)(3), ANC 7D must respond in writing, within 90 days of the date of this report, to each of the infractions alleged herein. Failure to do so will result in the loss of future quarterly allotments until a response is filed with the Auditor.

Respectfully submitted,



Deborah K. Nichols
District of Columbia Auditor