



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
021:02:MK:GK

**Audit of Advisory Neighborhood Commission 2B
For Fiscal Years 2000, 2001 and 2002
Through March 31, 2002**

September 16, 2002



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Commissioner Vince Micone
Chairperson
Advisory Neighborhood Commission 2B
2007 O Street NW, #105
Washington, D.C. 20036

**Letter Report: Audit of Advisory Neighborhood
Commission 2B for Fiscal Years 2000, 2001 and
2002 Through March 31, 2002**

Dear Commissioner Micone:

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) 2B.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether ANC 2B's:

1. 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
2. internal controls were adequate to produce reliable financial information and ensure that the ANC's assets were properly safeguarded.

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 and invoices, and other relevant documents. We interviewed ANC 2B's treasurer to obtain additional information and insight regarding the ANC's financial operations.

FINDINGS

STATEMENT OF ANC 2B'S CHECKING ACCOUNT BALANCE AS OF MARCH 31, 2002

Table I presents a statement of ANC 2B's checking account balance as of March 31, 2002.

TABLE I
ANC 2B's Checking Account Balance
As of March 31, 2002

Petty Cash on Hand	\$ 0.00
Checking Account Balance	31,244.87*
Savings Account Balance	<u>0.00**</u>
Actual Cash Balance	\$31,244.87

*Checking account balance was obtained from ANC 2B's bank statement as of March 31, 2002.

**ANC 2B does not maintain a savings account or a petty cash fund.

ANC 2B MAINTAINED ADEQUATE DOCUMENTATION TO SUPPORT 94% OF EXPENDITURES MADE DURING THE AUDIT PERIOD

During fiscal years 2000, 2001, and 2002, through March 31, 2002, ANC 2B maintained the required documentation to justify and support approximately \$17,476.97, or 94%, of expenditures totaling \$18,634.85, as reported in quarterly financial reports filed with the Office of the District of Columbia Auditor. 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 invoice.
- d. All vouchers must be filed in check number sequence.

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

During the audit period, ANC 2B was in substantial compliance with this provision of the Financial Management Guidelines. Table II summarizes, by category, ANC 2B’s disbursements made during the audit period, including bank service charges.

Table II
Summary of ANC 2B’s Disbursements
For Fiscal Years 2000, 2001 and 2002,
Through March 31, 2002

Expenditure Category	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002 Thru 03/31/02	Grand Total
Net Salaries & Wages	\$0.00	\$2,977.10	\$3,240.48	\$6,217.58
Total Federal Wage Taxes	0.00	246.23	659.73	905.96
D.C. Income Taxes	0.00	73.73	92.21	165.94
Local Transportation	60.00	52.50	37.00	149.50
Meeting Hall Rent	900.00	1,000.00	0.00	1,900.00
Telephone Service	2,568.00	503.86	172.64	3,244.50
Postage and Delivery	175.72	290.30	50.45	516.47
Printing and Copying	43.79	487.67	15.00	546.46
Purchase of Service	0.00	182.33	398.85	581.18
Casualty Insurance	0.00	1,180.00	0.00	1,180.00
Office Supplies	99.90	746.26	313.36	1,159.52
Office Equipment	490.75	388.97	0.00	879.72
Flyer Distribution/Banners	0.00	199.50	0.00	199.50
Legal Fees	0.00	0.00	250.00	250.00
Grants	200.00	0.00	250.00	450.00
ANC Security Fund	62.00	73.26	73.26	208.52
Bank Charges	3.00	77.00	0.00	80.00
Total Disbursements	\$4,603.16	\$8,478.71	\$5,552.98	\$18,634.85

Source: ANC 2B’s check book, canceled checks, and bank statements.

Check numbers 3361 through 3366, 3369 and 3370, issued during the months of July through September 2000, were not available for the Auditor's review. The Auditor was informed that the previous ANC 2B treasurer lost the original canceled checks and bank statements for July through September 2000. The ANC's current treasurer provided copies of the bank statements and the Auditor obtained copies of the missing canceled checks by subpoena, at the ANC's expense, from the bank.

RECOMMENDATIONS

1. ANC 2B Commissioners should implement additional internal controls to better safeguard the ANC's financial records.
2. When new officers are elected, the outgoing officers and newly elected officers should ensure that all of the ANC's records are promptly transferred to newly elected officers, that all original financial records are accounted for, and that missing or unavailable records are promptly located or replaced with authenticated copies of the original documents. The Office of the District of Columbia Auditor should be notified of instances in which former officers fail or refuse to turn over ANC records. The Auditor may refer such matters to the appropriate law enforcement authority for further investigation.

ANC2B DID NOT INCLUDE THE PHRASE "DISTRICT OF COLUMBIA GOVERNMENT" IN ITS BANK ACCOUNT NAME OR ON THE FACE OF ITS CHECKS

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]

Additionally, 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 2B did not comply with D.C. Code, Section 1-309.13(f), until June 21, 2001, approximately nine months after the deadline established for compliance. More importantly, ANC 2B completely failed to comply with D.C. Code, Section 1-309.13(b)(2), which requires the phrase “District of Columbia Government” to be included in the name of the ANC’s bank account(s).

The Auditor observed that ANC 2B checks issued prior to June 21, 2001, did not comply with the ANC Law even though the ANC Law provided 90 days after June 27, 2000, or by September 27, 2000, for ANCs to comply with this provision. Additionally, in a financial management orientation session for ANC chairpersons and treasurers conducted by the Office of the District of Columbia Auditor on January 27, 2001, the Auditor reiterated the law’s requirements, established a March 1, 2001, deadline for compliance, and stated that money disbursed on non-compliant checks written on non-compliant accounts after March 31, 2001, would be deducted from future quarterly allotments. Representatives from ANC 2B attended the January 2001 orientation session. Further, in a letter dated February 27, 2001, the District of Columbia Auditor advised all ANCs to close existing checking accounts that did not contain the phrase “District of Columbia Government” in the account name or on the face of ANC checks, open a new account, and order new checks that complied with the new requirement. This letter was sent to all ANC Commissioners, including Commissioners of ANC 2B.

Between September 27, 2000, and June 21, 2001, ANC 2B’s treasurer continued using non-compliant checks to make ANC disbursements. More importantly, between September 27, 2000 and the end of the audit period, ANC 2B’s treasurer issued checks from an account that also failed to comply with the ANC Law. Seventy-six (76) checks totaling \$11,968.13 were issued by ANC 2B’s treasurer between March 31, 2001 and March 31, 2002 from a checking account that did not include the phrase “District of Columbia Government” in the account name. As a result of the ANC’s failure to comply with this provision of the ANC Law, the District of Columbia Government is unable to access and control, as appropriate, District funds in ANC 2B’s bank account.

As a consequence of ANC 2B’s failure to comply with D.C. Code, Section 1-309.13(b)(2) and (f), all disbursements from the non-compliant checking account made after March 31, 2001, will be disallowed from ANC 2B’s future quarterly allotments. Further, all checks written on a non-compliant account after March 2002 will also be disallowed from ANC 2B’s future quarterly allotments until the ANC provides the Auditor with satisfactory proof of complete compliance with D.C. Code, Section 1-309.13(b)(2), and the requirement regarding the use of a District tax identification number. Table III presents ANC 2B checks issued after March 31, 2001, without the phrase “District of Columbia Government” in the account name.

Table III
Advisory Neighborhood Commission 2B
Checks Issued From Non-Compliant Bank Account
During the Period April 2001 Through March 2002

Check #	Amount	Date Issued	Payee	Purpose of Expenditure
3391	\$1,000.00	04/11/01	St. Thomas Parish	Meeting Hall Donation
3392	59.00	04/26/01	Home Depot	Office Mailbox
3393	18.99	04/26/01	Staples	Address Plate (1999 P.)
3394	23.92	05/01/01	Verizon	Telephone - ANC 2B
3396	834.70	05/31/01	Frank Montgomery	Payroll - Executive Director
3397	28.61	05/29/01	Verizon	Telephone - ANC 2B
3398	17.93	05/29/01	Jeff Hopp	Reimbursement - Office Supplies
3399	27.20	06/05/01	U.S. Postal Service	Stamps
3400	61.38	06/05/01	Staples	Office Supplies
3401	246.23	06/05/01	Internal Revenue Service	Federal Taxes - Payroll
3402	199.50	06/06/01	The Sign Shop	ANC 2B Banners
3410	28.21	06/21/01	Verizon	Telephone - ANC 2B
3411	14.00	06/12/01	Vince Micone	Reimbursement - Cab Fare
3412	30.77	06/21/01	Frank Montgomery	Reimbursement Office Supplies
3413	42.30	06/21/01	Paychex	Payroll Services
3414	40.40	06/21/01	DC Treasurer	DC Withholding Tax
3415	1,180.00	06/21/01	International Risk	Insurance for Office
3416	26.75	06/21/01	Irv Morgan	Reimbursement Office Supplies
3417	535.60	06/29/01	Frank Montgomery	Payroll - Executive Director
3418	44.47	07/30/01	Paychex	Payroll Services
3419	535.60	07/25/01	Frank Montgomery	Payroll - Executive Director
3420	26.70	07/25/01	Verizon	Telephone - ANC 2B
3421	33.33	07/26/01	DC DOES	Quarterly Unemployment Taxes
3422	51.07	08/08/01	Paychex	Payroll Services
3423	44.50	08/20/01	Frank Montgomery	Reimbursement Office Supplies
3424	535.60	08/31/01	Frank Montgomery	Payroll - Executive Director
3425	26.49	08/28/01	Verizon	Telephone - ANC 2B
3426	58.46	09/05/01	Staples	Office Supplies - Toner

Check #	Amount	Date Issued	Payee	Purpose of Expenditure
3427	44.49	09/19/01	Paychex	Payroll Services
3428	535.60	09/28/01	Frank Montgomery	Payroll - Executive Director
3429	13.60	09/21/01	U.S. Postal Service	Stamps - Postage
3430	49.75	09/21/01	Vince Micone	Reimbursement Web Site
3431	6.00	10/10/01	Irv Morgan	Reimbursement - Cab Fare
3432	26.53	10/10/01	Verizon	Telephone - AN 2B
3433	44.49	10/10/01	Paychex	Payroll Services
3434	535.60	10/23/01	Frank Montgomery	Payroll - Executive Director
3435	28.16	11/07/01	Verizon	Telephone - AN 2B
3436	49.48	11/07/01	Paychex	Payroll Services
3437	37.50	11/15/01	DC DOES	DC Unemployment Taxes
3438	27.14	11/15/01	Irv Morgan	Reimbursement - Office Supplies
3439	15.00	11/15/01	Irv Morgan	Reimbursement - DCM 23 Printing
3440	122.15	11/15/01	IRS Dept. of Treasury	Federal Tax
3441	231.59	11/15/01	E-Z Copy	Office Supplies - Letterhead
3442	250.00	11/15/01	Stephen Gill, Esq.	Phillip Mediation Contribution
3443	535.60	11/30/01	Frank Montgomery	Payroll - Executive Director
3443	44.49	12/12/01	Paychex	Payroll Services
3444	535.60	12/28/01	Frank Montgomery	Payroll - Executive Director
3446	17.21	12/12/01	DC DOES	DC Unemployment Taxes
3447	16.45	12/13/01	UPS	Postage Stamps
3450	44.49	01/16/02	Paychex	Payroll Services
3451	50.04	01/16/02	Verizon	Telephone - ANC 2B
3452	383.21	01/16/01	Internal Revenue Service	Federal Taxes
3453	544.56	01/31/02	Frank Montgomery	Payroll - Executive Director
3454	67.66	02/13/02	Paychex	Payroll Service
3455	21.35	02/13/02	Verizon	Telephone - ANC 2B
3456	73.26	02/13/02	ANC Security Fund	Security Fund ANC 2B
3457	20.00	02/13/02	Vince Micone	Reimbursement -Domain Name
3458	12.00	02/13/02	Irv Morgan	Reimbursement -Cab Fare
3459	250.00	02/13/02	Dupont Circle	Contribution
3460	544.56	02/28/02	Frank Montgomery	Payroll - Executive Director
3461	23.16	03/03/02	Verizon	Telephone ANC 2B

Check #	Amount	Date Issued	Payee	Purpose of Expenditure
3462	44.49	03/03/02	Paychex	Payroll Service
3463	43.33	03/03/02	United States Treasury	FATU Tax
3464	111.04	03/03/02	United States Treasury	FICA Tax
3465	12.00	03/13/02	Irv Morgan	Reimbursement - Taxi
3466	37.50	03/03/02	DC DOES	DC Unemployment Taxes
3467	5.41	03/13/02	Jeff Hopp	Reimbursement - Office Supplies
3468	544.56	03/28/02	Frank Montgomery	Payroll - Executive Director
3469	20.17	03/13/02	Jeff Hopp	Reimbursement - Cleaning/ Office
3470	7.00	03/16/02	Vince Mincone	Reimbursement- Taxi Cab
3471	49.75	03/16/02	Vince Micone	Reimbursement Web Site
3472	34.00	03/18/02	U.S. P.S.	Stamps
3473	29.05	03/18/02	Staples	Office Supplies
3474	17.00	03/29/02	Marilyn Newton	Reimb. advrtsmt for part time staff
3475	17.00	03/29/02	Marilyn Newton	Reimb.advrtsmt for part time staff
3477	23.40	03/29/02	Verizon	Telephone ANC 2B
Total	\$11,968.13			

Source: ANC 2B's checkbook and canceled checks

RECOMMENDATION

The Deputy Chief Financial Officer for Financial Operations and Systems deduct \$11,968.13 from ANC 2B's future quarterly allotments as a result of disbursements made from a checking account that did not comply with D.C. Code, Section 1-309.13(b)(2).

ANC 2B DID NOT FULLY ADHERE TO THE FINANCIAL MANAGEMENT GUIDELINES ISSUED BY THE OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR REGARDING THE ROUTINE USE OF COMMISSIONERS' PERSONAL FUNDS TO PURCHASE GOODS AND SERVICES ON BEHALF OF THE ANC

ANC 2B did not fully adhere to the Financial Management Guidelines issued by the Office of the District of Columbia Auditor regarding Commissioners' routine use of their personal funds to purchase goods and services for the ANC and then requesting reimbursement from the ANC.

The Financial Management Guidelines issued by the Office of the District of Columbia Auditor state:

ANCs must discontinue the practice of paying vendors that provide goods and services to the ANC from their personal funds and then requesting reimbursement from the ANC. Instead, the ANC must pay its vendors directly for purchases of goods and services.

The Auditor found that a Commissioner used \$448.46 of his personal funds to purchase a copier for the ANC and then requested reimbursement from the ANC. There was no indication in available minutes of the ANC's public meetings that a majority of Commissioners approved this purchase in advance. An expenditure of this magnitude should have been approved in advance by a majority of ANC 2B Commissioners, and the payment for this purchase should have been made directly to the vendor with ANC funds disbursed on an ANC check signed by two officers, one of whom should have been the ANC's treasurer or chairperson.

Of the 131 disbursements of ANC funds totaling \$18,634.85 made during the audit period, 41 checks totaling \$1,285.39, or 7%, were reimbursements to Commissioners for purchases of goods for the ANC. Recurring costs such as office supplies, cleaning supplies, photocopying and stamps should be purchased directly from the vendor with ANC funds. The practice of Commissioners making purchases **for** the ANC with their personal funds, especially without the Commission's prior approval, is discouraged and must be used only in emergency circumstances.

In an opinion dated May 28, 1996, the Office of the Corporation Counsel addressed the issue of purchases made by ANCs. The opinion states in relevant part that:

. . . In the context of purchasing office supplies of a relatively nominal amount, i.e., costing less than \$50, the use of cash from the ANC's petty cash fund would be the most convenient means of paying for the supplies needed if payment is made at the point of purchase. Where the office supplies needed will cost more than \$50, an ANC check must be used to pay for them if the supplies are purchased in a single transaction. Thus, major purchases of ANC office supplies would require some advance coordination if the ANC payment check is to be tendered at the point of purchase. In such a case, two ANC officers who are authorized to sign the check (one of whom must be either the chairperson or the treasurer) must shop together.

RECOMMENDATIONS

1. ANC 2B Commissioners must immediately discontinue the practice of routinely making purchases for the ANC with their personal funds and requesting reimbursement. Rather, vendors should be paid directly with ANC 2B funds.
2. ANC 2B Commissioners should consider establishing a petty cash fund not exceeding \$200 at any given time for reimbursement of appropriate ANC 2B expenses. The petty cash custodian should pay reimbursements only upon presentation of proper supporting documentation.

ALL ANC 2B BANK STATEMENTS WERE NOT PROPERLY RECONCILED TO THE ANC'S CHECKBOOK

The Financial Management Guidelines issued by the Office of the District of Columbia Auditor state that ANC treasurers should reconcile the bank statement to the checkbook within 15 days of receipt of the statement. Upon completion of the reconciliation, the chairperson or vice-chairperson should review the statement and bank reconciliation and initial these documents to show that they have been reviewed.

The Auditor found that ANC 2B's reconciliations for the months of October 2000, November 2000, April 2001, May 2001, July 2001, August 2001, October 2001, and November 2001 contained incorrect balances. In addition, ANC 2B's bank statements and reconciliations were not reviewed or initialed by the chairperson or vice-chairperson as recommended in the Financial Management Guidelines.

RECOMMENDATIONS

1. ANC 2B's treasurer should ensure that the bank statement is reviewed and reconciled promptly and correctly, that outstanding checks and bank service charges are included, and that other necessary adjustments are made to reflect the correct checkbook balance.
2. ANC 2B's chairperson and vice-chairperson should review bank statements and reconciliations, and initial these documents to show that they have been reviewed.

ANC 2B CHECKS WERE NOT ISSUED IN COMPLIANCE WITH THE ANC LAW OR FINANCIAL MANAGEMENT GUIDELINES

ANC 2B Checks Were Not Issued in Consecutive Order

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

. . . Any check shall be pre-numbered, . . .and shall be issued in consecutive order.

The Auditor’s review of 21 checks totaling \$6,695.01 issued by ANC 2B during the audit period revealed that \$2,685.97, or 29%, of these checks were not issued in consecutive order. Table IV presents the checks that were not issued in consecutive order.

**Table IV
Advisory Neighborhood Commission 2B
Checks Not Issued in consecutive Order
For the Period October 1, 1999 Through March 31, 2002**

Check #	Amount	Date	Payee	Purpose of Expenditure
3357	\$ 200.00	05/23/00	St. Thomas Parish	Church garden reconstruction
3396	834.70	05/31/01	Frank Montgomery	Payroll- Executive Director
3418	44.47	07/30/01	Paychex	Payroll Services
3419	535.60	07/25/01	Frank Montgomery	Payroll- Executive Director
3424	535.60	08/31/01	Frank Montgomery	Payroll- Executive Director
3428	535.60	09/28/01	Frank Montgomery	Payroll- Executive Director
Total	\$2,685.97			

Source: ANC 2B Checks

ANC 2B Checks Were Issued With Only One Signature

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

. . . 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.

The Auditor found that ANC 2B issued five checks totaling \$114.15 with only the treasurer's signature, even though the ANC Law requires two signatures. Table V presents checks that were issued with only one signature during the audit period.

Table V
Advisory Neighborhood Commission 2B
Checks Issued with One Signature
For the Period October 1, 1999 Through March 31, 2002

Check #	Amount	Date	Payee	Purpose of Expenditure
3470	\$ 7.00	03/16/02	Vince Micone	Reimbursement -Taxi
3471	49.75	03/29/02	Vince Micone	Reimb. Internet Service
3374	17.00	03/29/02	Marilyn Newton	Reimb. Job Advertisement
3475	17.00	03/29/02	Marilyn Newton	Reimb. Job Advertisement
3477	23.40	03/29/02	Verizon	ANC 2B telephone
Total	\$ 114.15			

Source: ANC 2B checks

ANC 2B Lacked Adequate Internal Control Over Checks

The Auditor found that two disbursements were made using check number 3443. One check, dated November 30, 2001, was in the amount of \$535.00 and the second check, dated December 12, 2001, was in the amount of \$44.49. The treasurer attributed this phenomenon to the practice of assigning check numbers to Paychex, a payroll service provider, to create payroll checks for the ANC's staff person. Paychex is the vendor that performs all of ANC 2B's payroll services, including issuing the executive director's pay check. According to ANC 2B's treasurer, a check number is provided to Paychex to create a check for the executive director's monthly salary. Paychex does not immediately issue the payroll check to the executive director on the day the check number is provided by the ANC.

Following this practice, ANC 2B's treasurer provided Paychex with check number 3443 to process the executive director's salary for November 2001. On December 12, 2001, the treasurer inadvertently issued check number 3443 from the ANC's supply of checks to pay Paychex for its services. Thus, two ANC 2B checks bearing the same check number were issued and paid.

The practice that ANC 2B has established of permitting its payroll services vendor to create a check duplicating a check number in the ANC's supply of pre-numbered checks fails to comply with D.C. Code, Section 1-309.13(f). Further, this practice undermines the internal control inherent in the ANC Law requiring the use of pre-numbered checks that must be issued in consecutive order. This requirement is intended to strengthen control over financial instruments and ensure accountability for and control over the disbursement of ANC funds. Under the present practice, ANC 2B would have approximately 12 unused checks in its supply of checks each fiscal year that could subsequently be used, or misused. The continuation of this practice creates the potential for problems with duplicate financial instruments, lack of accountability, and ineffective control. ANC 2B must immediately change this practice by issuing the executive director's pay check from ANC 2B's supply of pre-numbered checks only and providing the vendor with the information it needs to perform agreed upon payroll services. Further, the ANC's officers must ensure that adequate documentation such as approved time sheets are prepared and maintained to support all salary payments made to its employee.

RECOMMENDATIONS

1. ANC 2B must pay its employees by a check issued from the ANC's supply of pre-numbered checks. Failure to adhere to this recommendation will result in the deduction of disbursements on non-compliant checks from future quarterly allotments.
2. ANC 2B must ensure that all checks written on ANC 2B's account are issued in consecutive order.
3. ANC 2B must prepare and maintain adequate documentation, such as time sheets, to justify and support salary payments made to its employees.
4. ANC 2B Commissioners must ensure that all ANC checks contain two signatures, one of which must be that of the Commission's treasurer or chairperson.
5. The Deputy Chief Financial Officer for the Office of Financial Operations and Systems deduct \$114.15 from ANC 2B's next quarterly allotment.

ANC 2B COMPLIED WITH THE ANC LAW AND THE FINANCIAL MANAGEMENT GUIDELINES REGARDING THE SUBMISSION OF FINANCIAL REPORTS

D.C. Code, Section 1-309-13(j)(1), 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 signed by the Chairperson, the secretary and the treasurer, shall be filed along with a record of the vote adopting the report, with the Auditor within 15 days of approval. 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 Auditor found that out of the 10 quarterly financial reports submitted during the audit period, ANC 2B submitted six quarterly reports early, two on the due date, one within 15 days after the filing deadline, and one that was not properly filed until 50 days after the filing deadline. Overall, ANC 2B submitted its quarterly financial reports in a timely manner.

ANC 2B HELD THE REQUIRED NUMBER OF PUBLIC MEETINGS DURING THE AUDIT PERIOD

D.C. Code, Section 1-309.11(b)(1), states: "Each Commission shall meet in public session at regular intervals at least 9 times per year..." During the 30-month audit period, ANC 2B held a total of 28 public meetings and four special meetings. ANC 2B held 11 public meetings during fiscal year 2000, **11** public meetings and 4 special meetings during fiscal year 2001, and six public meetings through the second quarter of fiscal year 2002. Therefore, ANC 2B complied with D.C. Code, Section 1-309.11(b)(1), and in fiscal years 2000 and 2001 exceeded the number of public sessions required by law.

Minutes of ANC 2B Meetings Did Not Adequately Document the Approval of Some Financial Transactions

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, the Financial Management Guidelines state that:

All ANC disbursements must be approved by the Commission in a public meeting at which a quorum of Commissioners is present. The Commission's approval must be recorded in the minutes for that meeting.
[Auditor's Emphasis]

The Auditor found that ANC 2B issued check number 3459 in the amount of \$250 to the Dupont Circle Conservancy on February 13, 2002. The Auditor found no discussion of this expenditure in the minutes of the ANC's public meetings held during the audit period. The treasurer of ANC 2B stated that discussion and approval took place in a public meeting but that it was inadvertently left out of the written minutes. As a consequence, the minutes failed to document the Commissioners' approval of the \$250 disbursement to the Dupont Circle Conservancy. Further, the ANC Law does not authorize ANCs to make donations. The ANC Law authorizes ANCs to make grants to organizations for public purposes. The Auditor will disallow the \$250 disbursement from ANC 2B's next quarterly allotment unless the expenditure is ratified by a majority of Commissioners in a public meeting and recorded in the meeting minutes within 90 days of the date of this report.

RECOMMENDATIONS

1. ANC 2B officers should ensure that the ANC's approval of all expenditures is adequately documented in the minutes of the public meeting in which the approval occurred.
2. The Deputy Chief Financial Officer for the Office of Financial Operations and Systems deduct \$250 from ANC 2B's next quarterly allotment if it does not ratify the disbursement to the Dupont Circle Conservancy.

GRANTS AWARDED BY ANC 2B DID NOT COMPLY WITH THE ANC LAW

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

(1) A grant may not be awarded unless the grant is awarded pursuant to a vote of the Commission at a public meeting following the public presentation of the grant request. A Commission may approve grants only to organizations that are public in nature and benefit persons who reside or work within the Commission area. The services provided by the grantee organization must not be duplicative of any that are already performed by the District government.

(2) An applicant for a grant must submit an application in writing to the Commission. The application shall contain:

- (A) A description of the proposed project for which the grant is requested;
- (B) A statement of expected public benefits; and
- (C) The total cost of the proposed project, including other sources of funding, if any.

(3) Within 60 days following the issuance of a grant, the grant recipient shall forward to the Commission a statement as to the use of the funds consistent with the grant application, complete with receipts which support the expenditures.[Auditor's Emphasis]

According to ANC 2B's minutes of the public meeting held on April 12, 2000, a majority of Commissioners approved a \$200 grant to St. Thomas Parish to help with the renovation of the Parish park. On February 13, 2002, ANC 2B awarded another grant of \$250 to the Dupont Circle Conservancy to assist with the preservation of the historic Christian Heurich Mansion located within the Dupont Circle area. The Commissioners' approval of the grant to the Dupont Circle Conservancy was not documented in the ANC's minutes. Both grantees submitted grant applications.

As required by D.C. Code, Section 1-309.13(m), neither St. Thomas Parish nor the Dupont Circle Conservancy provided a statement as to the use of the funds or receipts that supported the expenditure of the grant funds.

RECOMMENDATIONS

1. Within 90 days, ANC 2B must obtain a statement and receipts from St. Thomas Parish and the Dupont Circle Conservancy detailing how the funds were used. Failure to do so will result in the deduction of these expenditures from ANC 2B's next quarterly allotment.
2. ANC 2B Commissioners must ensure that all grant recipients submit a statement detailing the use of grant funds along with receipts supporting expenditure of the funds within 60 days after receipt of the grant.

CONCLUSION

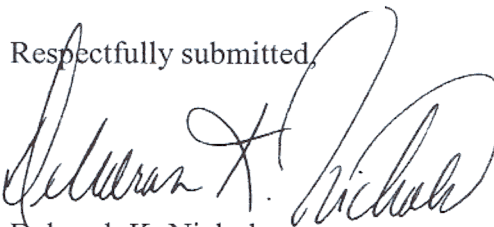
The Auditor's examination revealed that most of ANC 2B's financial transactions complied with the ANC Law, however, some transactions and aspects of ANC 2B's financial operations were deficient and require immediate corrective actions. For example, ANC 2B maintained supporting documentation for approximately 94%, or \$17,476.97, of the disbursements totaling \$18,634.85 made during the audit period, however, the authorization of some expenditures was not always adequately documented in the ANC's meeting minutes. Further, recordkeeping deficiencies resulted in the unavailability of bank statements for the months of July, August, and September 2000 as well as canceled check numbers 3361 through 3366, 3369 and 3370 totaling \$1,157.88, or 6%, of the total disbursements. The Auditor was provided copies of the bank statements for these months and had to obtain copies of the missing canceled checks by subpoena, at the ANC's expense, from its bank.

ANC 2B failed to comply with D.C. Code, Sections 1-309.13(b)(2) and(f), in that the phrase "District of Columbia Government" was not included on the face of its checks until June 21, 2001, and had not been included in its bank account name as of March 31, 2002. Further, the Auditor found that the ANC permitted its payroll services vendor to create checks that duplicated check numbers in the ANC's supply of pre-numbered checks. This practice failed to comply with D.C. Code, Section 1-309.13(f), and must be promptly discontinued. Additionally, ANC 2B did not fully comply with D.C. Code, Section 1-309.13(f), which requires the signature of two ANC officers on all ANC checks, one of which must be that of the treasurer or chairperson.

ANC 2B did not fully comply with D.C. Code, Section 1-309.13(m), regarding accountability procedures that apply to grants awarded by the ANC. ANC 2B failed to ensure that grantees provided statements detailing the use of grant funds and receipts supporting the expenditure of the funds.

ANC 2B held 28 public meetings and four special meetings during the audit period which fully complied with D.C. Code, Section 1-309.11(b)(1). Additionally, quarterly financial reports were generally submitted on time and complied with D.C. Code, Section 1-309.13(j)(1).

Pursuant to D.C. Code, Section 1-309.13(d)(3), ANC 2B 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 2B's next scheduled quarterly allotment until a response is filed.

Respectfully submitted,

Deborah K. Nichols
District of Columbia Auditor