



**OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR**

717 14TH STREET N.W., SUITE 900

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**Deborah K. Nichols**  
District of Columbia Auditor  
022:03:FM:GK

**Audit of Advisory Neighborhood Commission 3C  
for Fiscal Years 1999 Through 2003  
as of March 31, 2003**

**September 30, 2003**



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Commissioner Nancy J. MacWood  
Chairperson  
ANC 3C  
3417 Woodley Road, NW  
Washington, D.C. 20016

**Letter Report:** Audit of Advisory Neighborhood Commission 3C  
for Fiscal Years 1999 Through 2003, as of March 31, 2003

Dear Commissioner MacWood:

Pursuant to D.C. Code, Section 1-309.13(d)(2), as amended, the District of Columbia Auditor conducted an audit of the financial activities and operations of Advisory Neighborhood Commission (ANC) 3C.

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

The objectives of the audit were to determine whether ANC 3C's:

1. disbursements and financial activities complied with the Advisory Neighborhood Commissions Act of 1975, as amended (ANC Law), legal opinions issued by the Office of the Corporation Counsel, and Financial Management Guidelines issued by the Office of the District of Columbia Auditor; and
2. internal controls were adequate to produce reliable financial information and safeguard the ANC's assets.

The audit covered the period October 1, 1998 through March 31, 2003.

In conducting the audit, the Auditor reviewed available bank statements, canceled checks, invoices, receipts, quarterly financial reports, minutes of public meetings, ANC 3C's bylaws, bank signature cards, and other related financial records. The Auditor also performed a petty cash count to verify that total petty cash receipts and cash still in the fund matched the total amount authorized for the petty cash fund. ANC 3C's chairperson, treasurer, and former treasurer were interviewed to obtain additional insight and information on the ANC's financial transactions, procedures, and practices.

**STATEMENT OF ANC 3C'S PETTY CASH AND BANK BALANCES AS OF MARCH 31, 2003**

Table I presents ANC 3C's petty cash and bank balances as of March 31, 2003.

**TABLE I**  
**Statement of ANC 3C's Petty Cash and Bank Balances**  
**As of March 31, 2003**

Petty Cash on Hand	\$ 98.44
Checking Account Balance	\$22,825.67*
Savings Account Balance	<u>\$20,262.92*</u>
<b>Total Available Cash</b>	<b>\$43,187.03</b>

\* Source: ANC 3C's reconciled checking and savings account balances as of March 31, 2003.

## **FINDINGS**

### **THE MAJORITY OF ANC 3C'S DISBURSEMENTS AND FINANCIAL ACTIVITIES COMPLIED WITH THE ANC LAW, CORPORATION COUNSEL OPINIONS, AND THE AUDITOR'S GUIDELINES**

The Auditor found that the majority of ANC 3C's disbursements and financial activities complied with the ANC Law, legal opinions issued by the Office of the Corporation Counsel, and Financial Management Guidelines issued by the Office of the District of Columbia Auditor. Specifically, the Auditor found that:

- ANC 3C adopted budgets for each fiscal year and Commissioners routinely authorized payments at public meetings.
- All checks issued during the audit period were signed by the treasurer or chairperson and one other officer of the Commission.
- Checks were pre-numbered and issued in consecutive order.
- ANC 3C's treasurers properly recorded disbursements from the checking account and prepared bank reconciliations monthly, with the help of a small accounting firm.

The Auditor found that ANC 3C did not comply with the following requirements and guidelines, which are discussed later in this report:

- Two checks totaling \$238 were made payable to cash, in violation of D.C. Code, Section 1-309.13(f).
- Petty cash disbursements totaling \$69.20 were inadequately documented or unaccounted for, in violation of D.C. Code, Section 1-309.13(h).
- Checks and the petty cash fund were not adequately secured, as recommended by Financial Management Guidelines issued by the Office of the District of Columbia Auditor.
- ANC 3C purchased office supplies totaling \$271.56 by credit card, contrary to a legal opinion issued by the Office of the Corporation Counsel.

- Reimbursements totaling \$519.06 to ANC 3C Commissioners were inadequately documented, in violation of D.C. Code, Section 1-309.13(j)(1).
- ANC 3C paid approximately \$70 for unauthorized long distance calls and cellular phone charges, in violation of D.C. Code, Sections 1-309.13(l)(1) and 1-309.13(f).
- ANC 3C expended \$2,732.68 when the treasurer and chairperson were not bonded and the ANC's participation in the ANC Security Fund had lapsed, in violation of D.C. Code, Section 1-309.13(c).

In summary, ANC 3C expended \$3,881.30, or 8.1%, of the \$48,150.03 disbursed during the audit period in a manner that did not comply with the ANC Law. Table II presents ANC 3C's expenditures by category during the audit period (October 1, 1998 through March 31, 2003).

**TABLE II**  
**ANC 3C's Check Disbursements During the Audit Period:**  
**October 1, 1998 through March 31, 2003**

Disbursements	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003 (through 03/31/03)	Total	% of total
Salaries and Wages	\$ 2,840.09	\$ 3,124.89	\$ 3,498.39	\$ 5,008.46	\$ 3,484.54	\$17,956.37	37.3%
Employee Benefits	302.34	0.00	0.00	0.00	0.00	302.34	0.6%
Payroll taxes	1,871.20	420.23	2,057.04	1,712.27	943.84	7,004.58	14.6%
Office rent	1,595.00	1,560.00	1,640.00	1,820.00	1,230.00	7,845.00	16.3%
Purchase of Services	1,555.00	1,430.00	1,395.00	1,320.00	978.14	6,678.14	13.9%
Subscriptions*	304.42	294.23	392.55	487.35	190.75	1,669.30	3.5%
Memberships**	10.00	0.00	10.00	0.00	0.00	20.00	0.04%
ANC Security Fund	168.00	86.00	93.00	93.00	0.00	440.00	0.9%
Petty cash	38.00	0.00	200.00	0.00	193.51	431.51	0.9%
Telephone	585.51	642.10	505.17	650.69	229.67	2,613.14	5.4%
Office supplies/expenses	536.20	572.69	406.25	632.84	80.80	2,228.78	4.6%
Other operating costs***	278.49	467.35	108.23	106.80	0.00	960.87	2.0%
<b>Total ****</b>	<b>\$10,084.25</b>	<b>\$ 8,597.49</b>	<b>\$10,305.63</b>	<b>\$11,831.41</b>	<b>\$ 7,331.25</b>	<b>\$48,150.03</b>	<b>100.0%</b>

Source: ANC 3C's Quarterly Financial Reports

\* Includes subscriptions for the D.C. Code and also for the D.C. Register for a Commissioner.

\*\* ANC 3C paid membership dues to the Cleveland Park Citizens Association.

\*\*\* Includes expenditures for printing and duplicating, local transportation, postage and delivery, and other miscellaneous costs.

\*\*\*\* Does not include a \$20,000 transfer to the savings account in fiscal year 2002 and bank fees totaling \$10.40.

## PETTY CASH

### Checks Payable to Cash

Two checks were made payable to cash, in violation of D.C. Code, Section 1-309.13(f) which states, in relevant part, that "No check may be made payable to cash." Table III shows the two ANC 3C checks that were made payable to cash.

**Table III**  
**ANC 3C Checks That Were Made Payable to Cash**

Check Number	Date of Check	Payee	Amount	Purpose	Check Signatories
1103 <sup>1</sup>	02/28/99	Petty Cash	\$ 38.00	Replenish the petty cash fund (to \$50)	Then-treasurer and then-chairperson
1243	03/05/01	Cash	\$ 200.00	Start petty cash fund	Then-treasurer and then vice-chairperson

Source: ANC 3C's files and the Office of the District of Columbia

### Inadequately Supported Petty Cash Disbursements

The Auditor found that ANC 3C's files did not contain any receipts to support \$19.20 in petty cash expenditures. ANC 3C also did not provide adequate documentation to support the \$19.20 in with the applicable quarterly financial report, as required by D.C. Code, Section 1-309.13(j)(1).

In the second quarter of fiscal year 2001, ANC 3C's former treasurer reported that check number 1243 was written to start a new petty cash fund. There was no explanation of the \$50 that should have been in the petty cash fund at the time since there were no reported expenditures from petty cash after it was reportedly replenished in February 1999. ANC 3C's files also did not contain receipts that would account for the \$50 that should have been in the petty cash fund. ANC 3C thus violated D.C. Code, Section 1-309.13(h), which states that:

A record of disbursements from the petty cash shall be kept by the treasurer in a manner consistent with other accounts of the Commission.

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<sup>1</sup> Check number 1103 replaced a previous check that was written to replenish the petty cash fund. The previous check, check number 1096, was one of many payments the ANC postponed in December 1998 because it was in a critical financial state. The amount of the previous check was \$38.40 and it was payable to the ANC's former Executive Director.

## **Petty Cash Was Not Adequately Protected and Secured**

Each ANC must ensure proper accountability and protection of District Government funds and other assets made available to the ANC.

Petty Cash Guidelines issued by the Office of the District of Columbia Auditor also state the following:

The (petty cash) fund should be put in the care of one person, the petty cash custodian. . . . The cash and receipts should always be secured in a safe location such as a locked safe or cabinet.

The Auditor found that ANC 3C's petty cash box was unlocked and kept in an unlocked desk drawer at the ANC's office. The ANC's checkbook was also kept in an unlocked desk drawer at the ANC's office.

The ANC's office administrator, who was the petty cash custodian at the time of the audit fieldwork<sup>2</sup>, did not work regular hours at the ANC's office and was not the only person with a key to the office. Most of ANC 3C's Commissioners had a key to the office. The Auditor was also told that the landlord had a key to the office. In addition, the Auditor learned that a former Commissioner, who had not turned over his/her key, also had access to the office.

By failing to secure blank checks and the petty cash fund in a locked drawer, safe, or cabinet, ANC 3C failed to properly safeguard funds made available to it. A number of people had access to the petty cash box and blank checks thus providing easy access to the ANC's funds.

The petty cash count performed by the Auditor revealed that the sum of receipts and cash still in the fund was slightly over the \$200 petty cash fund amount. The Auditor also noted that receipts were in the petty cash box with the cash. Further, there were no vouchers indicating who requested and received reimbursements. The signature of a Commissioner authorized to approve petty cash disbursements was also not on any of the available receipts to indicate that the disbursements were approved. This was a noticeable change from the practice of the former treasurer. In keeping with the guidelines issued by the Office of the District of Columbia Auditor, the former treasurer maintained receipts and signed vouchers to support disbursements from the petty cash fund prior to

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<sup>2</sup> During fiscal year 2003, ANC 3C's office administrator signed a statement agreeing to take possession and responsibility for the ANC's petty cash.

January 2003. The vouchers indicated the date, amount, payee, and description of the purchase and were signed by the payee and the former treasurer.

**ANC 3C PURCHASED OFFICE SUPPLIES BY CREDIT CARD**

The Auditor found that an Office Depot credit card account was opened in the ANC’s name and the card was used to purchase office supplies from the store. This violated a legal opinion issued by the Office of the Corporation Counsel on May 28, 1996 that states:

. . . 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 use 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. . . . [Auditor’s Emphasis]

The credit limit on the card was \$2,500. In October 1998, \$124.67 was charged to the card and \$101.89 was also charged to the card in November 2001. Receipts reviewed by the Auditor indicated that office supplies such as file folders, copy paper, and toner were purchased. Table IV shows the checks that paid for these purchases. The payments also included late fees.

**Table IV  
ANC 3C Checks That Paid for Office Supplies  
purchased with the ANC’s Office Depot Credit Card**

Check Number	Date of Check	Payee	Payments	Check Signatories
1102	02/28/99	Office Depot	\$ 144.67	Then-treasurer and then-chairperson
1802	01/30/02	Office Depot Credit Plan	\$ 101.89	Then-treasurer and then-vice chairperson
1803	02/26/02	Office Depot	\$ 25.00	Then-treasurer and then-secretary
<b>Total</b>			<b>\$ 271.56</b>	

Source: ANC 3C’s books and records

**REIMBURSEMENTS TOTALING \$519.06 PAID TO ANC 3C COMMISSIONERS AND EMPLOYEES WERE INADEQUATELY DOCUMENTED**

ANC 3C’s files did not contain adequate documentation to support \$519.06, or 22.7%, of the \$2,287.61 reimbursed to ANC 3C Commissioners and employees during the audit period. Reimbursements to Commissioners made up approximately 4.8% of total disbursements during the

audit period. Table V presents those reimbursements to Commissioners and ANC 3C staff that were inadequately supported.

**Table V**  
**Reimbursements to ANC 3C Commissioners and Staff**  
**That Were Not Supported by Adequate Documentation**

Check Number	Check Date	Payee	ANC 3C Employee or Commissioner	Amount	Purpose of Expenditure noted in quarterly financial report
1164	02/17/00	R. Miller	Commissioner	\$ 239.65	Copying
1169	04/16/00	A. Loikow	Commissioner	150.00	DC Register Subscription
1203	09/14/00	M. Scohera	Employee	19.80	Office supplies/expenses
1204	09/14/00	R. Doggett	Commissioner	10.67	Local transportation
1209	10/28/00	M. Scohera	Employee	16.94	Postage
1213	10/30/00	R. Miller	Commissioner	10.00	Rental of room at John Eaton School
1214	10/30/00	M. Scohera	Employee	20.00	Rental of room at John Eaton School
1215	10/30/00	J. Evans	Commissioner	20.00	Rental of room at John Eaton School
1229	12/18/00	R. Bartel	Commissioner	32.00	Copying
<b>Total Reimbursements</b>				<b>\$ 519.06</b>	

Source: ANC 3C's books and records

Check number 1164 was supported by a "hold sale" from a vendor that showed the cost of 3,210 copies of a document. The final invoice or receipt was not available in the ANC's files. Check number 1229 was supported by an e-mail request from a Commissioner. The ANC Law requires that ANCs maintain documentation such as invoices, receipts, and contracts to justify and support disbursements.

**ANC 3C PAID APPROXIMATELY \$70 FOR UNAUTHORIZED LONG DISTANCE CALLS AND CELLULAR PHONE CHARGES**

Unauthorized cellular phone charges of \$30.08 resulted from the unauthorized opening of a Sprint wireless account in the ANC's name in March 2001. The remaining \$40 were charges for unauthorized long distance calls made from the ANC's phone during the period July 1, 1999 through October 31, 2001. The wireless account was closed shortly after it was opened and the ANC has discontinued long distance service.

**ANC 3C EXPENDED \$2,732.68 WHEN THE TREASURER AND CHAIRPERSON WERE NOT BONDED**

The Auditor found that ANC 3C expended \$2,732.68 between February 9, 2003 and March 17, 2003 when the treasurer and chairperson were not bonded, in violation of D.C. Code, Section 1-309.13(c). 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 during a vacancy in the office of treasurer or at any time when a current and accurate statement and bond or its equivalent are not on file with the Auditor. [Auditor's Emphasis]

ANC 3C submitted its Security Fund Agreement on February 5, 2003 but did not submit the fee to participate in the Fund until May 22, 2003. The ANC was late paying the fee to participate in the ANC Security Fund.

**RECOMMENDATIONS**

1. ANC 3C's treasurer and chairperson must not make any ANC checks payable to "cash". Checks written to reimburse petty cash should be made payable to the petty cash custodian with the purpose of the disbursement clearly noted on the check.
2. ANC 3C maintain invoices, receipts, agreements, and other supporting documentation to support all disbursements, including reimbursements to Commissioners and employees.
3. The Associate Chief Financial Officer of the Office of Finance and Resource Management (OFRM) deduct \$69.20 from ANC 3C's next quarterly allotment. This includes: undocumented expenditures from the petty cash fund totaling \$19.20 and \$50 of petty cash funds that could not be accounted for.
4. ANC 3C must properly protect and secure unused checks and petty cash funds. Checks should be kept in a locked drawer. The petty cash box must be locked at all times and kept in a locked drawer or cabinet.

5. ANC 3C must refrain from using credit cards to make purchases. The Office Depot credit card account must be closed.
6. The Associate Chief Financial Officer of the Office of Finance and Resource Management (OFRM) deduct \$519.06 from ANC 3C's next quarterly allotment. This represents the total inadequately supported reimbursements to ANC 3C Commissioners and employees.
7. The Associate Chief Financial Officer of the Office of Finance and Resource Management (OFRM) deduct \$40 from ANC 3C's next quarterly allotment. This represents the payments for unauthorized phone charges less the \$30.38 previously disallowed and withheld from the ANC's allotments.
8. The Associate Chief Financial Officer of the Office of Finance and Resource Management (OFRM) deduct \$2,732.68 from ANC 3C's next quarterly allotment. This represents the amount ANC 3C expended when the ANC's treasurer and chairperson were not bonded or the ANC did not participate in the ANC Security Fund.

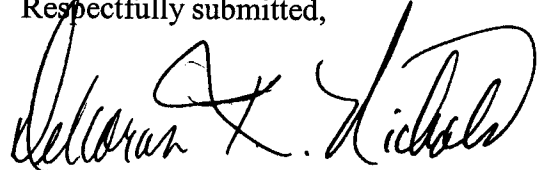
## **CONCLUSION**

As a result of the examination of ANC 3C's books and records, the Auditor determined that ANC 3C's disbursements and financial activities substantially complied with the ANC Law, legal opinions issued by the Office of the Corporation Counsel, and Financial Management Guidelines issued by the Office of the District of Columbia Auditor. ANC 3C adopted budgets for each fiscal year and routinely authorized the payment of expenses at meetings. All ANC 3C checks were signed by the treasurer or chairperson and one other officer of the Commission and were issued in consecutive order.

The Auditor found that, in violation of the ANC Law, ANC 3C expended \$2,732.68 when the treasurer and chairperson were not bonded and the ANC had not paid the fee to participate in the ANC Security Fund, checks were made payable to cash, ANC 3C could not account for \$69.20 of petty cash funds, petty cash and checks were not adequately protected and secured, and an Office Depot credit card account was opened in the ANC's name. In addition, reimbursements totaling \$519.06 paid to ANC 3C Commissioners and employees were inadequately supported, and the ANC paid approximately \$70 for unauthorized long distance calls and cellular phone charges.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Deborah K. Nichols". The signature is fluid and cursive, with a large initial "D" and "N".

Deborah K. Nichols

District of Columbia Auditor