



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
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**Letter Report: Audit of Advisory Neighborhood Commission
7C for Fiscal Years 2005 Through 2007,
as of March 31, 2007**

September 14, 2007



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Commissioner Muriel Chambers
Chairperson
Advisory Neighborhood Commission 7C
1027 46th Street, NE
Washington, D.C. 20019

Letter Report: Audit of Advisory Neighborhood Commission 7C for Fiscal Years
2005 Through 2007, as of March 31, 2007

Dear Commissioner Chambers:

Pursuant to Section 16 (d) of the Advisory Neighborhood Commissions Act of 1975 (ANC Act),¹ as amended, D.C. Code § 1-309.13 (d) (1), the District of Columbia Auditor (Auditor) conducted an audit of the financial accounts and operations of Advisory Neighborhood Commission (ANC or Commission) 7C.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 7C's disbursements complied with the ANC Act, ANC Financial Management Guidelines² issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General (OAG); and

¹See Section 16 (d) (1) of the Advisory Neighborhood Commissions Act of 1975, effective October 10, 1975, D.C. Law 1-21, as amended by the Comprehensive Advisory Neighborhood Commissions Reform Amendment Act of 2000, effective June 27, 2000, (D.C. Law 13-135, D.C. Code §1-309.13 (d) (1) (2006 Repl.)) (collectively the "ANC Act"). See D.C. Code § 1-309.13 (d) (1) which states that the Auditor shall audit the financial accounts of selected Commissions and maintain a database of financial information of each Commission for historical and expenditure trend analysis.

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

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

The audit covered fiscal years 2005 through 2007 (October 1, 2004 through March 31, 2007). In conducting the audit, the Auditor reviewed all available canceled checks, bank statements, bank signature cards, quarterly financial reports, meeting minutes, receipts and invoices, grant applications, and other relevant documents.

STATEMENT OF ANC 7C'S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2006

Table I presents a statement of ANC 7C's checking, savings, and petty cash account balances as of March 31, 2007.

Table I
ANC 7C's Checking, Savings, and Petty Cash Account Balances
As of March 31, 2007

Petty Cash Account	\$ 0.00*
Checking Account	17,078.03
Savings Account	<u>0.00*</u>
Actual Cash Balance	\$ 17,078.03

*ANC 7C did not maintain a petty cash fund or savings account during the audit period.

Source: ANC 7C's quarterly reports and bank statements for the period October 1, 2004 through March 31, 2007.

SUMMARY OF ANC 7C'S DISBURSEMENTS DURING FISCAL YEARS 2005 THROUGH 2007, AS OF MARCH 31, 2007

During the audit period, ANC 7C disbursed \$44,768.89 Table II summarizes, by category, ANC 7C's disbursements made during the audit period, including bank service charges.

Table II
Summary of ANC 7C's Disbursements
During Fiscal Years 2005 Through 2007,
as of March 31, 2007

Disbursement Category	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007 as of March 31, 2007	Grand Total
Net Salaries & Wages	\$ 6,556.42	\$ 9,634.10	\$ 3,880.02	\$20,070.54
Workers Compensation	0.00	0.00	0.00	0.00
Federal Wage Taxes Paid	1,223.62	760.34	100.64	2,084.60
Local Income Taxes Paid	165.00	1,099.28	0.00	1,264.28
Unemployment Insurance Contributions	240.06	313.75	83.52	637.33
Tax Penalties Paid	10.75	502.28	0.00	513.03
Local Transportation	0.00	0.00	0.00	0.00
Office Rent	3,060.00	3,060.00	1,815.00	7,935.00
Telephone Service	978.26	1,017.52	602.25	2,598.03
Postage and Delivery	82.01	55.50	0.00	137.51
Utilities	0.00	0.00	0.00	0.00
Printing & Duplicating	0.00	0.00	0.00	0.00
Purchase of Service	0.00	1,275.86	0.00	1,275.86
Office Supplies & Expenses	990.81	966.52	768.92	2,726.25
Office Equipment - Rental	0.00	0.00	0.00	0.00
Office Equipment - Purchase	2,907.00	2,252.98	0.00	5,159.98
Grants	0.00	0.00	0.00	0.00
Petty Cash Reimbursement	0.00	0.00	0.00	0.00
Bank Service Charges	57.15	0.00	0.00	57.15
Other	207.39	71.96	29.98	309.33
Total Disbursements	\$ 16,478.47	\$ 21,010.09	\$ 7,280.33	\$ 44,768.89

Source: ANC 7C's quarterly financial reports, check book, canceled checks, and bank statements.

FINDINGS

ANC 7C FULLY COMPLIED WITH D.C. CODE SECTION 1-309.13 (j) (1) BY MAINTAINING ADEQUATE DOCUMENTATION TO SUPPORT DISBURSEMENTS

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

Each quarterly [financial] report shall include copies of canceled checks, bank statements, grant request letters and grant disbursements, invoices and receipts, executed contracts, details about all contributions received during the time period covered by the quarterly report, and the minutes of all meetings indicating the Commission's approval of disbursements during the time period covered by the quarterly report, and certification of the Commission's approval of the quarterly report signed by the Commission's Secretary.

Overall, the Auditor found that ANC 7C maintained adequate documentation to support \$44,768.89, or 100%, of disbursements made during the audit period. The Auditor's examination of relevant documentation indicated that ANC 7C officers established adequate procedures to ensure that appropriate required financial documentation was obtained and maintained in the ANC's files to support disbursements.

ANC 7C FILED FIVE OF 10 QUARTERLY REPORTS DUE DURING THE AUDIT PERIOD OVER 30 DAYS LATE

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

The treasurer of a Commission shall prepare a quarterly financial report on a form provided by the Auditor. The financial report shall be presented to the Commission for its consideration at a Commission meeting within 45 days after the end of the quarter. A copy of the approved financial report . . . shall be filed . . . with the Auditor within 15 days of approval. Each quarterly report shall include copies of [supporting documents for the] disbursements during the time period covered by the quarterly report.

As presented in Table III, ANC 7C filed five of the 10 reports required during the audit period over 30 days late. Therefore, the Auditor found that ANC 7C did not sufficiently comply with D.C. Code, Section 1-309.13 (j) (1).

Table III
Advisory Neighborhood Commission 7C
Quarterly Financial Report Submission Record:
Fiscal Years 2005 Through 2007, As of March 31,2007

Year & Quarter	Reported Months	Due Date	Date Received	Report Filed
2006 - 1st	10/01/05 through 12/31/05	03/01/06	04/12/06	42 Days Late
2006 -2nd	01/01/06 through 03/31/06	05/30/06	08/11/06	73 Days Late
2006 - 3rd	04/01/06 through 06/30/06	08/29/06	11/15/06	78 days Late
2006 - 4th	07/01/06 through 09/30/06	11/29/06	01/08/07	40 Days Late
2007 - 1st	10/01/06 through 12/31/06	03/01/07	04/25/07	55 Days Late

Source: ANC 7C quarterly financial reports.

RECOMMENDATION

ANC 7C’s Treasurer prepare and file all future quarterly financial reports in a more timely manner.

ANC 7C FAILED TO MAINTAIN MINUTES TO INDICATE THAT THE ANC MET IN PUBLIC SESSION AT LEAST 9 TIMES PER YEAR AS REQUIRED BY THE ANC ACT

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

The Auditor found that ANC 7C's Secretary only provided and maintained minutes for five meetings held during the 30-month audit period. As a result, ANC 7C could not fully substantiate: (1) the number of meetings held; (2) the approval of all expenditures by a majority of the Commissioners at a public meeting in which a quorum was present; (3) the adoption of annual fiscal year spending plan budgets; or (4) the approval of quarterly financial reports.

RECOMMENDATION

ANC 7C's Secretary ensure that minutes are prepared and maintained for all public ANC 7C meetings. Further, before approving the quarterly financial report, ANC 7C's Secretary must ensure that each quarterly financial report filed with the Auditor is accompanied by copies of minutes for public meetings held during the reported quarter.

ANC 7 DID NOT ESTABLISH AN ANNUAL FISCAL YEAR SPENDING PLAN BUDGET FOR FISCAL YEAR 2007

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

Each Commission shall develop an annual fiscal year spending plan budget for the upcoming fiscal year within 60 days of notification of the amount of the Commission's annual allotment. Prior to adoption of the budget at a public meeting, the Commission shall present the budget at a public meeting of the Commission to elicit comments from the residents of the Commission area.

The Auditor's review of ANC 7C's records revealed that annual fiscal year spending plan budgets for 2005 and 2006 were developed during the audit period. ANC 7C, however had not established a fiscal year spending plan budget for 2007, as of March 31, 2007. Therefore, ANC 7C did not fully comply with D.C. Code Section 1-309.10 (n).

RECOMMENDATIONS

1. ANC 7C's Chairperson and Treasurer develop, present, and the Commission adopt an annual fiscal year spending plan budget for fiscal year 2008 within 60 days of notification of the amount of the Commission's annual allotment.

2. ANC 7C's Chairperson and Treasurer develop and implement a mechanism to ensure that an annual fiscal year spending plan budget is prepared for each forthcoming fiscal year at the appropriate time.

ANC 7C PARTICIPATED IN THE ANC SECURITY FUND

D.C. Code, Section 1-309.13 (c) states, in relevant part, the following:

The treasurer and Chairperson shall file with the Auditor and maintain in force during their occupancy of their respective offices, a cash or surety bond in an amount and on a form satisfactory to the Auditor. Participation by a Commission in the Advisory Neighborhood Commission Security Fund . . . shall satisfy the requirement of a cash or surety bond . . . No expenditure shall be made by a Commission . . . at any time when a current and accurate statement and a bond or its equivalent are not on file with the Auditor.

ANC 7C participated in the ANC Security Fund in calendar years 2005, 2006, and 2007. Therefore, ANC 7C fully complied with D.C. Code Section 1-309.13 (c).

ANC 7C'S TREASURER ISSUED TWO CHECKS TOTALING \$187.08 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 7C's Treasurer issued two checks with only one signature which violated the ANC law. The amount of the checks were \$75 and \$112.08.

RECOMMENDATIONS

1. ANC 7C officers comply with D.C. Code, Section 1-309.13 (f) by ensuring that all ANC checks contain two authorized signatures.
2. The Associate Chief Financial Officer for the Office of Finance and Resource Management deduct \$112.08 from ANC 7C's next quarterly allotment.³

³ The Auditor disallowed \$75 from ANC 7C's allotment during the quarterly review process.

INTERNAL CONTROLS WERE NOT ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION AND ENSURE THAT ANC 7C'S ASSETS WERE PROPERLY SAFEGUARDED

In part, ANC 7C's internal controls were found to be inadequate because of missing minutes. Minutes are required to substantiate the number of meetings held annually; the approval of expenditures by a majority of the Commissioners at a public meeting; the adoption of annual fiscal year spending plan budgets; and the approval of quarterly financial reports. Overall, the Auditor found that ANC 7C's internal controls were adequate in other areas as evidenced by, but not limited to, the following:

- ▶ All disbursements were supported by adequate documentation;
- ▶ Bank account reconciliations were regularly performed;
- ▶ The phrase ' District of Columbia Government' was included in the Commission's account name and on the face of its checks; and
- ▶ ANC 7C participated in the ANC Security Fund.

CONCLUSION

As a result of the examination of ANC 7C's books and records, the Auditor determined that ANC 7C was in substantial compliance with relevant provisions of the Advisory Neighborhood Commissions Act of 1975, as amended, the Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the Office of the Attorney General.

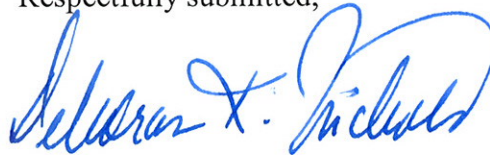
During fiscal year 2005 through 2007, as of March 31, 2007, ANC 7C maintained the required documentation to justify and support all expenditures. ANC 7C failed to maintain minutes for all public meetings held during the audit period and as a consequence of this deficiency, ANC 7C could not provide evidence that the ANC held the number of meetings required by the ANC Act. Further, the Auditor found that of the 10 quarterly financial reports due to the Auditor's Office during the audit period, five were filed more than 30 days after the due date.

The Auditor found that as of March 31, 2007, ANC 7C had not established an annual fiscal year spending plan budget for fiscal year 2007. The Auditor recommends that the Commission develop an annual spending plan budget for the upcoming fiscal year and put a process in place to ensure that this requirement is timely met each fiscal year.

ANC 7C's officers also failed to comply with D.C. Code, Section 1-309.13 (f) which requires any ANC expenditure made by check to be signed by at least two officers of the Commission, one of whom shall be the Treasurer or Chairperson. ANC 7C's Treasurer issued two checks totaling \$187.08 with only one signature. As a result, the Auditor recommended that the \$187.08 be deducted from ANC 7C's next quarterly allotment.

Pursuant to D.C. Code § 1-309.13 (d) (3), ANC 7C must respond in writing to violations detailed herein within 90 days. Failure to do so will result in the forfeiture of ANC 7C's next scheduled quarterly allotment until a response is filed.

Respectfully submitted,



Deborah K. Nichols

District of Columbia Auditor