



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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**Audit of Advisory Neighborhood Commission 6B
for Fiscal Years 1999 Through 2002, as of June 30th
(10/01/98 Through 06/30/02)**

September 30, 2002



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Mr. Kenan P. Jarboe, Chairperson
Advisory Neighborhood Commission 6B
711 - 10th Street, S. E.
Washington, D.C. 20003

Letter Report: Audit of Advisory Neighborhood Commission (ANC) 6B for Fiscal Years 1999 Through 2002, as of June 30th (10/01/98 Through 06/30/02)

Dear Commissioner Jarboe:

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 6B.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to determine whether ANC 6B's:

- 1 disbursements and financial operations 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 its assets were properly safeguarded.

The audit covered fiscal years 1999 through the third quarter of fiscal year 2002 (October 1, 1998 through June 30, 2002). In conducting the audit, the Auditor examined ANC 6B's canceled checks, bank statements, receipts, invoices, quarterly financial reports, minutes of meetings, and other documents that supported disbursements and related financial activities for the audit period. ANC 6B's treasurer and then-executive director were interviewed to obtain additional information and insight regarding the ANC's financial activities.

STATEMENT OF ANC 6B'S CASH POSITION AS OF JUNE 30, 2002

Table I presents ANC 6B's cash position as of June 30, 2002.

TABLE I
ANC 6B's Statement of Cash Balances
as of June 30, 2002

Petty Cash Fund	\$ -0-
Certificate of Deposit	6,747.22
Checking Account Balance	<u>42,138.70</u>
Total Available Cash	<u>\$ 48,885.92</u>

Source: Checking account balance was obtained from the bank statement for June 2002.
Certificate of deposit balance obtained from ANC records.

FINDINGS

APPROXIMATELY 45% OF ANC 6B's DISBURSEMENTS WERE MADE PRIOR TO APPROVAL BY THE ANC

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

No expenditure of any amount shall be made without the specific authorization of the Commission.

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

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 . . .

ANC 6B's officers complied with D.C. Code, Section 1-309.10(n) and prepared an annual fiscal year spending plan budget.

Also, the audit team found that all of ANC 6B's disbursements were approved by the ANC, either specifically in a public meeting of the ANC or as part of a fiscal year spending plan budget. However, approximately \$39,134, or 45%, of the \$86,911 disbursed during the audit period were disbursed before they were approved by ANC 6B Commissioners. In other words, the disbursements were made and the Commissioners' approval was sought after the fact.

ANC 6B Commissioners approved some disbursements by voting on them specifically in a public meeting of the ANC. However, the majority of disbursements were included and approved in the ANC's fiscal year spending plan budgets. The audit team found that for each of the fiscal years included in the audit, the fiscal year spending plan budgets were not approved prior to the beginning of the fiscal year but were approved well after the applicable fiscal year began. The date of approval for each fiscal year spending plan budget is presented in Table II.

TABLE II
Approval Dates for ANC 6B
Annual Fiscal Year Spending Plan Budgets
Fiscal Years 1999 through 2002

Fiscal Year	Approval Date	Number of months after the beginning of the fiscal year
1999	April 13, 1999	6.5
2000	January 11, 2000	3.5
2001	March 13, 2001	5.5
2002	March 12, 2002	5.5

Source: Minutes of ANC 6B meetings

ANC 6B officers began disbursing funds at the beginning of each fiscal year, although the spending plan budget for the applicable fiscal year had not been approved by ANC 6B Commissioners and the disbursements had not been specifically approved in a public meeting. As a result, approximately \$39,134 were disbursed before approval by ANC 6B Commissioners.

RECOMMENDATION

ANC 6B officers must ensure that all disbursements of ANC 6B funds are approved by a majority of ANC 6B Commissioners prior to disbursement. Disbursements must be approved either specifically by a majority of Commissioners in a public meeting or, for ongoing operating expenses, in an approved annual spending plan budget. If a fiscal year spending plan budget has not been approved at the start of the fiscal year, all disbursements must be specifically approved, prior to disbursement, by a majority of Commissioners at a public ANC meeting where a quorum exists.

\$8,047 IN DISBURSEMENTS FOR PERSONAL SERVICES WERE NOT APPROVED IN COMPLIANCE WITH THE ANC LAW

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

Disbursements of Commission funds exceeding \$50 for personal service expenditures shall be specifically approved by the Commission at a public meeting prior to the disbursement. The approval shall be recorded in the minutes of the Commission meeting. Any personal services payment shall name the person who is to receive the payments, the rate of compensation, and the maximum hours of service, if less than full-time compensation. If

an expenditure is made without the required authorization of the Commission, the expenditure shall be deemed to be a personal expense of the Commissioner who authorized the payment, unless the Commission subsequently approves the expenditure within 90 days. If the Commission fails to approve the expense within 90 days, the Corporation Counsel, upon notification by the Auditor, shall institute any actions necessary to recover Commission funds.

The audit team found that approximately \$8,047 were disbursed from ANC 6B's account from November 2001 through June 2002 for the services of an executive director, although minutes of ANC 6B meetings do not reflect that ANC 6B Commissioners specifically approved the award of a contract for these services or the hiring of an executive director. The Auditor notes that ANC 6B's spending plan budget for fiscal year 2002, which was approved in March 2002, included a category for salaries and wages. However, a review of ANC 6B minutes reflects that ANC 6B Commissioners did not approve the hiring of the executive director by name, the rate of compensation, or the number of hours to be worked. Additionally, the ANC's files did not contain time sheets reporting the days and hours worked or reflecting the time sheet's review and approval by any ANC 6B Commissioner.

RECOMMENDATIONS

1. Within 90 days of the date of this report, ANC 6B Commissioners must ratify the disbursements made to the individual serving as the ANC's executive director. If the ANC fails to ratify the disbursements, they will be deemed to be the personal expense of the Commissioner(s) who authorized the payment and the Auditor will notify the Corporation Counsel to initiate the actions necessary to recover the Commission's funds.
2. Within 90 days of the date of this report, ANC 6B Commissioners should retroactively approve the employment of the individual who is to serve as the ANC's executive director, naming the person who is to receive the payments, the rate of compensation, and the maximum hours of service, if less than full-time compensation. The approval shall be recorded in the minutes of the Commission meeting.
3. If the ANC approves the hiring of an individual to serve as the executive director, it must ensure that time sheets are prepared, and that a payroll register and other relevant information is maintained to document and support payments made to the executive director.

THIRTEEN OF THE 15 QUARTERLY FINANCIAL REPORTS WERE FILED LATE

District of Columbia Code, Section 1-309.13(j)(l) states in relevant part the following:

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 . . .

The audit team found that 13, or approximately 87%, of the 15 quarterly financial reports required to be filed by ANC 6B officers during the audit period were filed after the filing deadline established by the ANC law. Table III presents the date each report was received in the Office of the District of Columbia Auditor and the due date of the report, as established by the ANC law, in effect at the time the reports were filed.

TABLE III
ANC 6B's Financial Report Filing Pattern
For Reports Due October 1, 1998 Thru June 30, 2002

Report Period	Filing Deadline per ANC law	Date Received in Office of D.C. Auditor	Number of days late
10/01/98-12/31/01	02/22/99	02/23/99	1
01/01/99-03/31/99	05/24/99	05/26/99	2
04/01/99-06/30/99	08/23/99	11/04/99	72
07/01/99-09/30/99	11/22/99	12/02/99	9
10/01/99-12/31/99	03/14/99	08/15/00	153
01/10/00-03/31/00	06/13/00	09/19/00	97
04/01/00-06/30/00	09/12/00	11/28/00	76
07/01/00-09/30/00	12/12/00	01/29/01	47
10/01/00-12/31/00	03/01/01	04/30/01	59
01/10/01-03/31/01	05/30/01	05/24/01	-0-
04/01/01-06/30/01	08/29/01	10/10/01	41
07/01/01-09/30/01	11/29/01	03/05/02	95
10/01/01-12/31/01	03/01/02	04/11/02	41
01/01/02-03/31/02	05/30/02	04/25/02	-0-
04/01/02-06/30/02	08/29/02	09/30/02	31

Source: ANC 6B quarterly financial reports

Only two of the 15 reports were filed by the applicable due date. Another three of the 15 reports were filed within 10 days after the applicable due date. One report had not been received as of the issuance of this report. The remaining reports were filed an average of 75 days after the due date. As a result of the ANC's failure to file reports by the due dates, the Auditor was not able to timely assess the ANC's compliance with the ANC law, suggested financial management guidelines, and Corporation Counsel opinions.

RECOMMENDATION

ANC 6B officers must file ANC quarterly financial reports with the Office of the District of Columbia Auditor by the due date established under the ANC law.

ANC 6B OFFICERS DID NOT INCLUDE THE PHRASE "DISTRICT OF COLUMBIA GOVERNMENT" IN THE ANC'S CHECKING ACCOUNT NAME AND DID NOT HAVE A DISTRICT OF COLUMBIA TAX IDENTIFICATION NUMBER

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

Each Commission shall request a District of Columbia Tax Identification Number and include the phrase "District of Columbia Government" in each account name within 90 days after June 27, 2000.

The audit team found that ANC 6B officers had not complied with this provision of the ANC law and had not included the phrase "District of Columbia Government" in its checking account name as of June 30, 2002, the end of the audit period. ANC 6B officers also had not obtained a District of Columbia tax identification number.

The Auditor observed that ANC 6B officers did not comply with the ANC law even though the law provided that within 90 days after June 27, 2000, or by September 27, 2000, ANCs must 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. A representative of ANC 6B 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 the ANC’s 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 6B.

Between September 27, 2000, and the end of the audit period, ANC 6B’s treasurer issued checks from an account that failed to comply with D.C. Code, Section 1-309.13(b)(2). Seventy (70) checks totaling \$24,288.50 were issued by ANC 6B’s treasurer between March 31, 2001, and June 30, 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 6B’s bank account.

As a consequence of ANC 6B’s failure to comply with D.C. Code, Section 1-309.13(b)(2), the Auditor will recommend that all disbursements from the non-compliant checking account made after March 31, 2001, be disallowed from ANC 6B’s future quarterly allotments. Further, the Auditor will recommend that all checks written on a non-compliant account after June 2002 be disallowed from ANC 6B’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.

RECOMMENDATION

The Deputy Chief Financial Officer for Financial Operations and Systems deduct \$24,288.50 from ANC 6B’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).

APPROXIMATELY 38% OF DISBURSEMENTS MADE DURING THE AUDIT PERIOD WERE NOT SUPPORTED BY RECEIPTS, INVOICES OR OTHER APPROPRIATE DOCUMENTATION

Advisory Neighborhood Commission Financial Management Guidelines issued by the District of Columbia Auditor state the following:

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

- a. An original invoice from the supplier of goods or a signed and dated contract from a provider of services.
- b. A signed statement should be attached to the receipt/invoice or written on the receipt/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 and check number should be entered on the original invoice.
- d. All vouchers should be filed in check number sequence.

The audit team found that an original receipt or other appropriate documentation was not available to support \$33,102, or 38%, of the \$86,911 in disbursements made during the audit period. Approximately 98% of the \$33,102 disbursed lacked documentation to support salary and related payroll taxes for the ANC’s executive director. The ANC’s files did not contain any documentation of the number of hours worked by the employee or the calculation of amounts for the related payroll taxes. At a minimum, such documentation should have included time sheets reflecting days and hours worked. The time sheets should have been reviewed and approved by an appropriate ANC 6B officer. ANC 6B officers did not comply with the suggested ANC Financial Management Guidelines which state that “a payroll register should be maintained to record all paychecks issued to employees.”

The audit team found that a majority of available receipts and documentation were stamped “Paid” and included the check number. However, the audit team found that less than one percent of the receipts included a statement certifying that the disbursements represented bona fide expenses of ANC 6B.

The audit team also found ANC 6B’s records and documents were not filed in an organized and consistent manner. For example, some canceled checks were filed in folders while other documents were filed with the monthly bank statements. Also, invoices and receipts were not filed in a consistent manner. One reason for the lack of a consistent method could be the fact that the ANC had two executive directors during the audit period and each used a different method to maintain the ANC’s records.

RECOMMENDATIONS

1. ANC 6B officers should maintain a voucher package for all of its disbursements. This package must contain original receipts, invoices, contracts or appropriate documentation from the supplier of goods and services. ANC 6B officers should write directly on or attach a statement to each invoice, receipt, or the voucher package which certifies that the goods or services described on the invoice or receipt were received by the ANC and represented a bona fide expense of the ANC.
2. ANC 6B Commissioners must develop an organized method of maintaining its records so that records can be readily accessed and reviewed.

ANC 6B OFFICERS DID NOT DISPOSE OF UNUSED BLANK CHECKS

The audit team found that ANC 6B officers did not dispose of blank checks which were no longer used after the ANC obtained new check writing software. In March 2002, ANC 6B began using new software. The change in software resulted in the ANC having 141 checks that were not compatible with the new software and were no longer usable to the ANC. The checks, which contained the ANC's name, address and account number, were not destroyed or mutilated to preclude subsequent use. The checks were not maintained in a secure location and could have been wrongfully used to access the ANC's funds in its checking account.

RECOMMENDATION

ANC 6B's officers must immediately destroy the blank checks that are no longer used by the ANC.

ANC 6B OFFICERS DID NOT RECONCILE ALL OF ANC 6B'S MONTHLY BANK STATEMENTS TO ITS CHECKING ACCOUNT BALANCE

Advisory Neighborhood Commission Financial Management Guidelines issued by the District of Columbia Auditor state the following:

The Treasurer should reconcile the bank statement to the check book within 15 days of receipt of the bank statement.

The bank statement and bank reconciliation should be reviewed by the Chairperson or

Vice-Chairperson of the ANC, who should indicate their review by initialing the bank reconciliation and bank statement.

The ANC should use a commercial-type of checkbook which has check stubs with sufficient space for entering the amount of each check, name of the payee, and a brief explanation of the nature of the disbursement.

The audit team found that ANC 6B officers did not fully comply with these guidelines. A review of the ANC's records indicates that only eight, or approximately 18%, of the 45 bank statements for ANC 6B's checking account were reconciled to its monthly checking account balance.

Also, ANC 6B officers did not use a commercial-type checkbook with check stubs but instead used a computer generated document showing the check number, date, payee, amount, and the balance in the account. This document did provide an explanation of the nature of the disbursement. The pages were individually generated and were not bound together. ANC 6B officers could not provide the audit team with a record of all of the checks disbursed during the audit period or a running account balance. Therefore, the audit team did not have available for its review a coherent check register or any other documents from which it could be determined whether the reconciled bank balance agreed with the ANC's book balance. In March 2002, the ANC obtained new software to record its disbursements but this new system did not adequately reflect an explanation of the disbursements and did not provide a running balance of funds available in the ANC's checking account.

The Auditor also found that none of the eight reconciliations were initialed by the Chairperson or Vice-Chairperson of the ANC to indicate their review of the reconciliations. A review of the reconciliations by the Chairperson or Vice-Chairperson is necessary to provide an independent review and analysis and to minimize the risk of errors and omissions.

RECOMMENDATIONS

1. The Treasurer should reconcile the bank statement to the check book monthly.
2. The Chairperson or the Vice Chairperson of ANC 6B should review each monthly bank statement and related reconciliation and initial both documents to indicate their review.
3. ANC 6B officers should maintain a commercial-type checkbook which reflects the payee, amount and a brief explanation of the nature of the disbursement for all checks written. The checkbook should also reflect the balance available in the ANC's checking account. If

ANC 6B's officers do not maintain a commercial-type checkbook, they should ensure that all pages of the computer generated check register are maintained.

OTHER AREAS OF CONCERN

The Auditor found others areas of ANC 6B's financial operations that did not comply with the ANC law, Financial Management Guidelines, and Corporation Counsel opinions.

At least one check in the amount of \$15.85 was signed only by the ANC's chairperson. This violated D. C. Code, Section 1-309.13(f) which states 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".

At least one check payable to Office Depot in the amount of \$53.05 did not contain the name and address of the ANC, was not pre-numbered, and was not signed by any ANC 6B officer. This appeared to be a payment made by telephone using a bank check thus violating D.C. Code, Section 1-309.13(f) which states that any check shall be pre-numbered and should be signed by at least 2 officers of the Commission. The words "verbally authorized by your depositor" was included in the signature area of the check. It appears that a payment was authorized by the ANC for purchases from Office Depot, however, there was no documentation indicating which specific Commissioner(s) authorized the payment. A receipt from Office Depot in the amount of the purchases was available in the ANC's files. Verbally authorizing payments in this manner undermines internal controls over disbursements and does not provide adequate accountability over the use of ANC funds.

The Auditor also found that ANC 6B's chairperson used his personal funds to purchase goods and services totaling \$366.97. The Financial Management Guidelines issued by the Office of the District of Columbia Auditor state that: "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 Chairperson provided receipts for the purchases which included paper, postage, services for faxing and for placing an advertisement in a newspaper. The payment for these items 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.

RECOMMENDATIONS

1. ANC 6B officers must ensure that all checks are signed by at least two officers, one of whom shall be the chairperson or the treasurer.
2. ANC 6B officers must ensure that all checks are pre-numbered.
3. ANC 6B Commissioners must refrain from purchasing goods and services for the ANC with their personal funds and then requesting a reimbursement from the ANC. The ANC must pay vendors directly for all goods and services.

CONCLUSION

ANC 6B's disbursements and financial operations did comply with many provision of the ANC law as well as the Financial Management Guidelines issued by the Office of the District of Columbia Auditor. However, there were several areas in which there was noncompliance with applicable laws and guidelines and where improvements were needed.

The audit team found that for each of the fiscal years audited, ANC 6B complied with the ANC law requiring the ANC to develop an annual fiscal year spending plan budget for the upcoming fiscal year. However, the audit team found that approximately \$39,134, or 45%, of all disbursements made during the audit period were made prior to the ANC's approval of the fiscal year spending plan and the ANC did not specifically approve these expenditures in an ANC meeting. Additionally, \$8,047 of the \$39,134 was disbursed for personal services that had not been specifically approved by the ANC. ANC 6B's minutes did not reflect the approval of the hiring of the employee by name, the rate of compensation, or the hours to be worked.

ANC 6B's officers did not file 87% of the ANC's quarterly financial reports by the due date established by the ANC law. Only two of the 15 reports were filed prior to the deadline, and three reports were filed within 10 days after the deadline. One report, which was due on August 29, 2002, had not been filed as of September 30, 2002. The remaining nine reports were, on average, filed 75 days after the due date.

ANC 6B's officers complied with the ANC law and included the phrase "District of Columbia Government" on the face of its check. On the other hand, as of June 30, 2002, the end of the audit

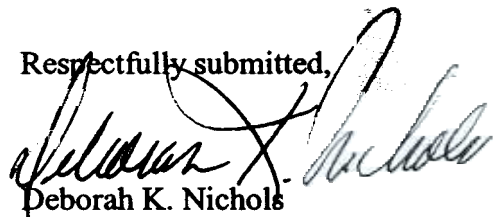
period, ANC 6B officers had not complied with the ANC law requiring that the ANC obtain a D.C. tax identification number and include the phrase “District of Columbia Government” in its checking account name. As a result of the ANC’s failure to comply with this provision of the ANC law, the District of Columbia Government is unable to access and control, as appropriate, District funds in ANC 6B’s bank account.

The audit team found that only eight, or approximately 18%, of the 45 bank statements for ANC 6B’s checking account were reconciled to its monthly checking account balance. Further, the ANC’s files did not contain the check register for four of the eight months reconciled. Therefore, the audit team was unable to determine if the reconciliations for these months agreed with the ANC’s checkbook balance.

ANC 6B’s files did not contain supporting documentation for approximately \$33,102, or 38%, of its disbursements made during the audit period. Approximately 98% of the \$33,102 disbursed without adequate documentation was for salary and related payroll taxes. The files did not contain documentation of hours worked or a calculation of payroll taxes. The audit team found that, overall, ANC 6B’s records were not organized or filed in a consistent manner that allowed easy access and review of all of its records.

Pursuant to D.C. Code, Section 1-309.13(d)(3), ANC 6B 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 6B’s next scheduled quarterly allotment until a response is filed.

Respectfully submitted,



Deborah K. Nichols

District of Columbia Auditor