Audit of Advisory Neighborhood Commission 7E
for Fiscal Years 2000 Through 2003
as of March 31, 2003

June 11, 2003
Commissioner Naomi Robinson
Chairperson
Advisory Neighborhood Commission 7E
1131 - 46th Place, SE
Washington, D.C. 20019


Dear Commissioner Robinson:

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) 7E.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether ANC 7E’s:

1. disbursements and financial activities complied with the Advisory Neighborhood Commissions Act of 1975, as amended (ANC Law), legal opinions of 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, 1999 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 7E’s bylaws, and other financial-related 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 7E’s chairperson, treasurer, former chairperson, former treasurer and office manager were interviewed to obtain additional insight and information on the ANC’s financial transactions, procedures, and practices.

**STATEMENT OF CHANGES IN ANC 7E’S ACCOUNT BALANCE**

Table I presents a summary of changes in ANC 7E’s checking account balance during the audit period. ANC 7E does not maintain a savings account.

### TABLE I
Statement of Changes in ANC 7E’s Checking Account Balance
For the Period October 1, 1999 through March 31, 2003

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>(A) Beginning Balance</th>
<th>(B) Receipts</th>
<th>(C) Total Funds Available (A+B)</th>
<th>(D) Disbursements</th>
<th>(E) Ending Balance (C-D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$7,812.68</td>
<td>$12,165.42*</td>
<td>$19,978.10</td>
<td>$18,257.85</td>
<td>$1,720.25</td>
</tr>
<tr>
<td>2001</td>
<td>$1,720.25</td>
<td>$21,362.06**</td>
<td>$23,082.31</td>
<td>$15,419.77</td>
<td>$7,662.54</td>
</tr>
<tr>
<td>2002</td>
<td>$7,662.54</td>
<td>$11,437.82</td>
<td>$19,100.36</td>
<td>$15,450.58</td>
<td>$3,649.78</td>
</tr>
<tr>
<td>2003 through March 31, 2003</td>
<td>$3,649.78</td>
<td>$0-</td>
<td>$3,649.78</td>
<td>$3,450.57</td>
<td>$199.21</td>
</tr>
</tbody>
</table>

Source: ANC 7E bank statements

* Represents allotments received for the first three quarters of FY 2000 from the Office of Financial Operations and Systems. The fourth quarter FY 2000 allotment was disbursed in fiscal year 2001 on October 20, 2000.

** Includes: fourth quarter FY 2000 allotment of $4,055.14 which was disbursed on October 20, 2000.
FINDINGS

ANC 7E DID NOT COMPLY WITH SPENDING AND BOOKKEEPING REQUIREMENTS OF THE ANC LAW AND FINANCIAL MANAGEMENT GUIDELINES

The Auditor found that:

1. available minutes of ANC 7E meetings did not show that a majority of Commissioners in a public meeting at which a quorum was present authorized the disbursement of $52,083.49 during the audit period;

2. the former treasurer signed blank checks;

3. ANC 7E did not follow petty cash procedures and failed to account for $514.46 of petty cash funds;

4. payments for the use of a church’s meeting room were inadequately documented or shown as donations on available receipts; and

5. cash balances reported in quarterly financial reports did not reconcile to bank statements.

Available Minutes of ANC 7E Meetings Did Not Show That a Majority of Commissioners in a Public Meeting At Which a Quorum Was Present Authorized the Disbursement of $52,083.49 During the Audit Period

D.C. Code, Section 1-309.13(f) states, in relevant part, that: “...No expenditure of any amount shall be made without the specific authorization of the Commission.” [Auditor’s Emphasis]

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

Commissioners must ensure that all expenditures are first authorized by the Commission, and ensure that minutes are maintained to document the approval of all expenditures. All expenditures must be approved by the Commission at a public meeting.
The Auditor found that ANC 7E’s files did not contain minutes that indicated the Commission authorized the disbursement of $52,083.49 during the audit period. Further, the available minutes of ANC 7E meetings did not show that Commissioners authorized expenditures for ongoing routine operating expenses by adopting fiscal year spending plans. Instead, the minutes indicated that the Commission approved the majority of the quarterly financial reports submitted to the Office of the District of Columbia Auditor in which disbursements were listed and, by doing so, the former chairperson and former treasurer attempted to obtain the Commissioners’ retroactive approval of expenditures listed in the reports. The minutes noting the approval of each quarterly financial report simply stated that “the financial report was presented, voted on and approved.” The minutes did not include a record of the Commissioners’ vote adopting the reports or discussions or reviews of individual disbursements. Further, it was not clear how long Commissioners were given to review the quarterly financial reports before they were asked to approve them.

The Auditor has long held that the approval of quarterly financial reports does not translate into the approval of expenditures not specifically approved prior to disbursement or specifically ratified after disbursement as required by the ANC Law. Expenditures must be based on the specific prior review, and authorization by a majority of Commissioners in a public meeting at which a quorum is present. The exception is ongoing routine operating expenses which must be included in a fiscal year spending plan properly approved by the Commission.

According to the former treasurer, ANC 7E Commissioners did discuss the spending of funds at meetings. He indicated that Commissioners decided not to award grants but to pay bills. The available minutes of Commission meetings did not corroborate this assertion. However, the minutes of all meetings held during the audit period were not available for the Auditor’s review. The missing minutes may have indicated that spending plans were discussed and adopted by the Commission or that specific expenditures were approved. Nevertheless, in the absence of minutes there is no evidence available to the Auditor and others that Commissioners specifically authorized the disbursement of $52,083.49.

As a consequence of the Commission’s failure to maintain minutes of all meetings, the officers of ANC 7E also violated D.C. Code, Sections 1-309.11(e)(1) and 1-309.13(e) which state, in relevant part, the following:

The secretary shall ensure that appropriate minutes of Commission meetings are kept...
Each Commission shall, by resolution, designate the location at which the Commission's books and records shall be maintained which shall, if the Commission has a regular office, be the Commission office... [Auditor’s Emphasis]

Table II presents a summary of disbursements by check that were unsupported by minutes reflecting the Commissioners’ approval during the audit period.

### Table II
ANC 7E Check Disbursements During the Audit Period:
October 1, 1999 through March 31, 2003

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>FY 2000</th>
<th>FY 2001</th>
<th>FY 2002</th>
<th>FY 2003 through 03/31/2003</th>
<th>Total Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Rent</td>
<td>$ 4,260.00</td>
<td>$ 3,905.00</td>
<td>$ 4,360.00</td>
<td>$ 1,140.00</td>
<td>$ 13,665.00</td>
</tr>
<tr>
<td>Net Salary and Wages</td>
<td>6,141.32</td>
<td>6,387.68</td>
<td>6,142.00</td>
<td>1,228.40</td>
<td>19,899.40</td>
</tr>
<tr>
<td>Federal Wage Taxes</td>
<td>4,265.35</td>
<td>1,531.70</td>
<td>1,283.03</td>
<td>0.00</td>
<td>7,080.08</td>
</tr>
<tr>
<td>Taxes penalties</td>
<td>56.00</td>
<td>188.84</td>
<td>19.39</td>
<td>0.00</td>
<td>264.23</td>
</tr>
<tr>
<td>Office Equipment Purchase</td>
<td>369.90</td>
<td>437.00</td>
<td>362.00</td>
<td>0.00</td>
<td>1,168.90</td>
</tr>
<tr>
<td>Office Equipment Rental</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>115.00</td>
<td>115.00</td>
</tr>
<tr>
<td>Other operating costs *</td>
<td>2,297.85</td>
<td>2,470.57</td>
<td>2,458.26</td>
<td>854.20**</td>
<td>8,080.88</td>
</tr>
<tr>
<td>Purchase of Services</td>
<td>660.00</td>
<td>250.00</td>
<td>100.00</td>
<td>50.00</td>
<td>1,060.00</td>
</tr>
<tr>
<td>Petty Cash Reimbursement</td>
<td>50.00</td>
<td>300.00</td>
<td>400.00</td>
<td>0.00</td>
<td>750.00</td>
</tr>
<tr>
<td>**Total ***</td>
<td><strong>$18,100.42</strong></td>
<td><strong>$15,470.79</strong></td>
<td><strong>$15,124.68</strong></td>
<td>$ 3,387.60</td>
<td>$52,083.49</td>
</tr>
</tbody>
</table>

Source: ANC 7E Quarterly Financial Reports and bank statements for months in the second quarter of fiscal year 2003.

* Includes expenditures for telephone services, postage and delivery, utilities, printing and duplicating, office supplies, and “other” costs as reported in ANC 7E quarterly financial reports.

** Includes costs incurred in the second quarter of fiscal year 2003 (from canceled checks) that were not yet reported to the Office of the District of Columbia Auditor at the time of the audit fieldwork.

*** Bank charges totaling $445.28 are not included. With bank charges included, totals would not match disbursements from ANC 7E’s bank account (shown in Table I) because of outstanding checks.
Table II shows that the majority of ANC 7E’s disbursements were ongoing routine operating expenses that included office rent, net salary and wages (for an office manager who was employed by the ANC for over 9 years), federal wage taxes, and other operating costs. As previously noted, the Commission could have authorized disbursements for ongoing operating expenses by adopting fiscal year spending plans or budgets. Non-routine expenditures should have been specifically approved by a majority of Commissioners and recorded in the minutes of the meeting in which the vote was taken.

The Auditor found that the ANC’s former chairperson, former vice-chairperson, and former treasurer paid for contractual services provided by three bookkeepers who prepared tax forms during the audit period. These are considered personal service expenditures and are non-routine. Thus, the Commission should have specifically approved the hiring of each bookkeeper. D.C. Code, Section 1-309.13(g) states:

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. [Auditor’s Emphasis]

As previously noted, available minutes of ANC 7E meetings did not indicate that a majority of Commissioners authorized these expenditures. The minutes reviewed by the Auditor also did not indicate that the Commission subsequently ratified the expenditures. Thus, the expenditures must be considered the personal expense of the Commissioners who signed the checks unless the Commission approves the expenditures within 90 days of the date of this report. Absent this subsequent approval, the former chairperson and former treasurer must repay the Commission $725 in expenditures for these services within 30 days. If these individuals refuse to repay these funds, the Auditor will refer this matter to the Office of the Corporation Counsel to take the appropriate legal action to recover the funds.
Table III presents the details of payments for purchases of bookkeeping services. The Auditor found that $475 of the total $725 paid for bookkeeping services were only supported by canceled checks. In other words, these payments were not supported by an invoice setting forth the work performed, date performed, rate of pay, and number of hours worked. For the remaining $250, the Auditor reviewed receipts showing the date, amount of payment and signature of the bookkeepers. However, the receipts did not detail the work performed or rate of compensation. Further, the Auditor could not match the dates of all the payments to the dates that taxes were paid by the Commission. The Auditor also found that the ANC owed outstanding payroll taxes and routinely paid these taxes late which required the payment of penalties and interest.

Table III
Payments for Bookkeeping Services by ANC 7E
During the Period October 1, 1999 through March 31, 2003

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Date on Check</th>
<th>Payee</th>
<th>Amount of check</th>
<th>Purpose</th>
<th>Check Signatories</th>
<th>Supported by receipts?</th>
</tr>
</thead>
<tbody>
<tr>
<td>3213</td>
<td>10/05/99</td>
<td>K. Lombre</td>
<td>$50</td>
<td>Bookkeeping services</td>
<td>Then-chairperson &amp; Then-treasurer</td>
<td>No</td>
</tr>
<tr>
<td>3223</td>
<td>10/29/99</td>
<td>K. Lombre</td>
<td>$50</td>
<td>Bookkeeping services</td>
<td>Then-chairperson &amp; Then-treasurer</td>
<td>No</td>
</tr>
<tr>
<td>3253</td>
<td>02/21/00</td>
<td>K. Lombre</td>
<td>$75</td>
<td>Bookkeeping services</td>
<td>Then-chairperson &amp; Then-treasurer</td>
<td>No</td>
</tr>
<tr>
<td>3287</td>
<td>08/02/00</td>
<td>J. Nash</td>
<td>$150*</td>
<td>Bookkeeping services</td>
<td>Then-chairperson &amp; Then-treasurer</td>
<td>No</td>
</tr>
<tr>
<td>3327</td>
<td>11/27/00</td>
<td>J. Nash</td>
<td>$100</td>
<td>Bookkeeping services</td>
<td>Then-chairperson &amp; Then-treasurer</td>
<td>No</td>
</tr>
<tr>
<td>3345</td>
<td>03/05/01</td>
<td>J. Nash</td>
<td>$50</td>
<td>Bookkeeping services</td>
<td>Then-chairperson &amp; Then-treasurer</td>
<td>No</td>
</tr>
<tr>
<td>3383</td>
<td>08/02/01</td>
<td>J. Nash</td>
<td>$100</td>
<td>Bookkeeping services</td>
<td>Then-chairperson &amp; Then-treasurer</td>
<td>Yes</td>
</tr>
<tr>
<td>3429</td>
<td>02/25/02</td>
<td>J. Nash</td>
<td>$100</td>
<td>Bookkeeping services</td>
<td>Then vice-chairperson &amp; Then-treasurer</td>
<td>Yes</td>
</tr>
<tr>
<td>3491</td>
<td>12/02/02</td>
<td>C. Boyd</td>
<td>$50</td>
<td>Bookkeeping services</td>
<td>Then-chairperson &amp; Then-treasurer</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$725</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ANC 7E canceled checks and accounting records.

* This payment was disallowed by the Office of the District of Columbia Auditor after a review of the applicable quarterly financial report.
The Former Treasurer Signed Blank Checks

The Auditor found that voided check numbers 3498, 3499 and 3500 were blank except for the signature of the former treasurer. The date, payee, and amount of payment were not filled in. The Auditor has often noted that the signing of blank ANC checks increases the risk of fraud, waste, and misuse of ANC funds and it violates the ANC law. 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 check shall, prior to signature, contain the date of payment, the name of the payee, and the amount of the payment... [Auditor’s Emphasis]

Financial Management Guidelines issued by the Office of the District of Columbia Auditor also specify that the “signing or counter-signing of blank checks is prohibited.”

The office manager indicated that she voided the checks because the former treasurer’s signature could no longer be used. At that time, there was a new treasurer. This was confirmed by the Auditor’s review of the dates of checks that were written before and after the voided checks. Check number 3497, the check preceding the first voided check, was dated December 12, 2002 and was the last check used in the first quarter of fiscal year 2003. No checks were written in January 2003. On January 14, 2003, the new treasurer was elected. Evidence reviewed by the Auditor suggested that the former treasurer signed a significant number of checks left in the checkbook that were used through December 12, 2002. The former treasurer stated that he signed the blank checks because he was going out of town.

The Auditor found that ANC 7E’s bylaws require the treasurer’s signature on all checks and does not address absences by the treasurer. The ANC Law, however, does not require the treasurer’s signature on all checks. The ANC Law requires the signature of the treasurer or chairperson on all checks. The ANC’s bylaws appear to require more than is intended under the ANC Law and thus may be an impermissible and onerous restriction.
ANC 7E Did Not Follow Petty Cash Procedures and Failed to Account For $514.46 of Petty Cash Funds

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

Each Commission may establish a petty cash fund ... in accordance with procedures established for imprest funds by the (Office of the Chief Financial Officer). The fund shall be reimbursed by the treasurer upon presentation of appropriate supporting documents. ... A record of disbursements from the petty cash fund shall be kept by the treasurer in a manner consistent with other accounts of the Commission.

Imprest fund procedures issued by the Office of the Chief Financial Officer (CFO) state, in relevant part, the following:

All employees who use the fund shall:

1. Submit a petty cash request, stating the purpose of the expenditure.

2. Signed by the employee’s supervisor or other authorized supervisor, attach a receipt to support the request.

3. In the event that prior purchase by the employee is not possible, an interim receipt should be signed acknowledging responsibility for the funds. A receipt and any unused funds must be returned prior to the close-of-business on the next working day.

4. Sign Form SF 1165 (a pre-numbered receipt or similar record of cash disbursement).

5. In those instances when it is not possible to obtain a receipt, provide an adequate written explanation in support of the transaction and sign to certify receipt of the goods or services covered by the disbursement.

The Custodian shall:

1. Sign Form SF 1165 (or similar receipts) to record every fund disbursement; it will be used as an interim receipt in the event an advance is necessary.

2. Assure that receipts are obtained in support of all disbursements and are marked “Paid” to prevent re-use.
3. Agencies must assure safekeeping of the fund and related cash receipts. The absolute minimum security requires that the custodian be provided a metal box (lockable) for safekeeping of the funds and that the box be secured in a locked file cabinet or desk overnight.

4. Agencies must, at all times, account for the established balance of the fund through cash on hand, receipts for purchases, interim receipts for cash advances, and unpaid reimbursement vouchers.

5. Retain copies of the signed cash disbursement receipts...

Additionally, ANC Financial Management Guidelines issued by the Office of the District of Columbia Auditor state the following:

“All payments out of the [petty cash] fund should be supported by signed petty cash vouchers and receipts from vendors. The vouchers should list the voucher number, date, payee, description of the purchase, amount, the signature of the payee and the signature of the ANC authorized representative.”

The Auditor found that ANC 7E did not comply with these procedures and guidelines. As a result, petty cash funds were exposed to misuse and possible misappropriation. The petty cash count performed by the Auditor revealed that all petty cash funds were not accounted for through receipts for purchases and/or interim receipts for cash advances. Table IV shows that there were no receipts to support the use of $514.46 and fail to indicate why the funds were not in the petty cash box. In violation of the ANC Law, the treasurer repeatedly reimbursed the petty cash fund even though receipts were missing.

In addition, there were no vouchers indicating that purchases supported by receipts were approved. The office manager, who was the petty cash custodian, presented the Auditor with final receipts totaling $214.59, but there was no evidence that the disbursements were approved by an authorized ANC officer prior to or after the purchases were made. The signature of a Commissioner authorized to approve petty cash disbursements was not on any of the available receipts. Receipts were also not marked “paid” as required by procedures issued by the CFO.

Two interim receipts, totaling $60, that recorded cash advances provided on March 18, 2002 and April 15, 2002, were still in the petty cash box in April 2003, approximately one year after the funds were advanced. Imprest fund procedures issued by the CFO require that interim
receipts be replaced with final receipts and any unused funds prior to close-of-business on the next working day after receipt of a cash advance. The interim receipts in the ANC’s petty cash box read ‘I owe the petty cash $40’ and ‘I owe the petty cash $20’ and were signed by the former treasurer. When asked about the interim receipts, the former treasurer stated, “I used the funds to get film and misplaced the receipts. I have no problem paying it back.”

Table IV

Analysis of ANC 7E’s Petty Cash Account
During the Period October 1, 1999 through March 31, 2003

<table>
<thead>
<tr>
<th>Check #</th>
<th>Date of Check</th>
<th>Payee</th>
<th>Amount of reimbursement to the petty cash fund</th>
<th>Disbursements supported by receipts</th>
<th>Cash still in petty cash box</th>
<th>Disbursements not supported by receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>3248</td>
<td>2/7/2000</td>
<td>Office manager</td>
<td>$50.00</td>
<td>$0.00</td>
<td>$50.00</td>
<td></td>
</tr>
<tr>
<td>3271</td>
<td>6/7/2000</td>
<td>Office manager</td>
<td>50.00*</td>
<td>0.00</td>
<td>50.00</td>
<td></td>
</tr>
<tr>
<td>3323</td>
<td>11/3/2000</td>
<td>Office manager</td>
<td>100.00</td>
<td>41.15</td>
<td>58.85</td>
<td></td>
</tr>
<tr>
<td>3385</td>
<td>8/10/2001</td>
<td>Former Chairperson</td>
<td>200.00**</td>
<td>0.00</td>
<td>200.00</td>
<td></td>
</tr>
<tr>
<td>3419</td>
<td>1/25/2002</td>
<td>Office manager</td>
<td>200.00</td>
<td>136.27***</td>
<td>63.27</td>
<td></td>
</tr>
<tr>
<td>3467</td>
<td>8/23/2002</td>
<td>Office manager</td>
<td>200.00</td>
<td>97.17</td>
<td>$10.95</td>
<td>91.88</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>$800.00</td>
<td>$274.59</td>
<td>$10.95</td>
<td>$514.46</td>
</tr>
</tbody>
</table>

Source: ANC 7E records and Office of the District of Columbia Auditor

* This petty cash reimbursement was incorrectly reported by ANC 7E in the third quarter FY 2000 report. As a result, Table II shows that $50 was the total petty cash reimbursement in FY 2000. The correct total is $100.

** This petty cash reimbursement was disallowed by the Office of the District of Columbia Auditor after a review of the applicable quarterly financial report.

*** Includes: receipts totaling $76.27 and notes showing that $60 is owed to the petty cash.

Payments for the Use of a Church’s Meeting Room Were Inadequately Documented or Shown as Donations on Available Receipts

The Auditor found that only canceled checks were available to support $450 of the total $775 paid to Jones Memorial Methodist Church during the audit period. The remaining $325 were supported by receipts that indicated the disbursements were donations, which are not permitted by the ANC Law.
The former chairperson indicated that at first the ANC was not aware that receipts were needed. After being informed of this requirement by the Office of the District of Columbia Auditor, the chairperson and treasurer made an effort to obtain receipts from that point forward.

The Auditor questions the $325 in disbursements because the term "donation" suggests that there was no agreement between ANC 7E and the church and they may not have been related to the use of the church's facilities. Also, ANC 7E’s files did not contain a letter from the church requesting a grant or stating the amount charged for using the church’s facilities. As previously noted, the ANC Law does not permit ANCs to make donations. D.C. Code, Section 1-309.13(l)(1) states, in relevant part, that:

A Commission shall expend funds received through the annual allocation received pursuant to subsection (a) of this section, or other donated funds, for public purposes within the Commission area or for the functioning of the Commission office, including staff salaries, Commissioner training, property liability insurance, and nominal refreshments at Commission meetings. Expenditures may be in the form of grants by the Commission for public purposes within the Commission area pursuant to subsection (m) of this section. A Commission may expend its funds for Commissioner training on subjects pertaining to their official duties when such training is not available from government sources. A Commission may expend its funds to purchase insurance or obtain indemnification against any loss in connection with the assets of the Commission or any liability in connection with the activities of the Commission, such insurance or indemnification to be purchased or obtained in such amounts and from such sources as the Commission deems to be appropriate. Funds may be used to pay the local transportation expenses of a Commissioner if the Commissioner is officially representing the Commission or a committee of the Commission at public hearings or meetings or is engaged in official Commission business.

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

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 ...
ANC Financial Management Guidelines issued by the Office of 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.

Bank reconciliation statements prepared for each month in the audit period did not accurately reconcile the amounts shown in accounting records to bank statements. In addition, bank reconciliations and bank statements were not initialed by the Chairperson or Vice-Chairperson indicating that the documents were reviewed.

ANC 7E’s current treasurer was aware of, and also tried to explain, unreconciled differences between amounts reported in quarterly reports and bank statements. In a letter to the Office of the District of Columbia Auditor dated February 24, 2003, the current treasurer stated,

Please note that for each quarterly report and bank statement, there was a difference of $76.00. I was able to find $50.00 of this difference... Unfortunately, after reviewing the approved prior reports, I was unable to pinpoint the $26.00; this problem may have occurred prior to the 2001 fiscal year.

The Auditor determined that the true unreconciled difference was $39.90 and that $29.85, 75% of the difference, dates back to fiscal year 1996. In the second, third and fourth quarter 1996 financial reports, disbursements were understated by a total of $29.85 because bank service charges were not included in the disbursement totals. It follows that cash balances reported in later reports were overstated by $29.85.
RECOMMENDATIONS

1. ANC 7E’s secretary must prepare and maintain sufficiently detailed minutes of all ANC 7E meetings. Minutes represent the official record of Commission actions and decisions so it is important that they are complete, accurate and available.

2. The Deputy Chief Financial Officer for Financial Operations and Systems deduct $325 from ANC 7E’s next quarterly allotment. This represents the total unauthorized and unsupported disbursements for bookkeeping services ($475) less the amount previously disallowed by the Office of the District of Columbia Auditor ($150).

3. The Commission must specifically approve the disbursement of $725 for bookkeeping services within 90 days of the date of this report. If the ANC fails to approve these disbursements, the ANC’s former chairperson, vice-chairperson and treasurers who signed checks authorizing the disbursement of ANC funds for bookkeeping services without approval must reimburse ANC 7E a total of $725. Failure of any of these individuals to reimburse the ANC within 120 days of this report, if the ANC fails or refuses to approve the disbursements, will result in the Auditor referring this matter to the Office of the Corporation Counsel to initiate the appropriate legal action to recover the funds.

4. The $52,083.49 in disbursements must be specifically ratified by ANC 7E Commissioners in a public meeting and the approval recorded in the ANC meeting minutes. The ANC’s Treasurer and Chairperson must present the expenditures to the Commission in a public meeting at which a quorum is present for ratification within 90 days of the date of this report. Failure to ratify the disbursements will result in the disallowance of the entire $52,083.49 (less costs previously disallowed) from the ANC’s future allotments.

5. Commission chairpersons and treasurers must not sign blank checks. ANC 7E should also seek clarification from the Office of the Corporation Counsel as to whether its bylaws can require the treasurer’s signature on all ANC checks. The Auditor is of the opinion that this requirement is not consistent with the letter and intent of the ANC Law.
6. The Deputy Chief Financial Officer for Financial Operations and Systems deduct $314.46 from ANC 7E’s next quarterly allotment. This represents the amount of undocumented petty cash disbursements less petty cash reimbursements previously disallowed by the Office of the District of Columbia Auditor.

7. The former treasurer must reimburse the petty cash fund $60. Further, the office manager and former chairperson must reimburse the ANC the remaining unsupported disbursements from petty cash totaling $514.46 as follows: office manager $314.46, former chairperson $200. Failure of any of these individuals to reimburse the ANC within 90 days of the date of this report will result in the Auditor referring this matter to the Office of the Corporation Counsel to initiate the appropriate legal action to recover the funds.

8. ANC 7E must follow petty cash procedures in that funds should be disbursed upon presentation of adequate documentation and the approval of expenses by an authorized Commission officer should be properly documented.

9. ANC 7E’s Chairperson and Vice-Chairperson should review bank statements and reconciliations, and initial these documents to show that they have been reviewed.

ANC 7E DID NOT FULLY COMPLY WITH FINANCIAL REPORTING REQUIREMENTS OF THE ANC LAW

D.C. 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 Auditor found that financial reports for most quarters in the audit period were not submitted in a timely manner. Thirteen (13) reports were required to be filed during the audit period. Only two were filed by the required deadline. One report was filed within 7 days after the applicable due date. The remaining 10 reports were filed an average of 50 days after the due date. Table V shows the date the Commission approved each financial report, the date the Office of the District of Columbia Auditor received the financial report, and the due date of the report, as established by the ANC Law in effect at the time the reports were filed.
As shown in Table V, the Commission was late in approving many of the financial reports. As a result, reports were submitted to the Office of the District of Columbia Auditor late. The former Chairperson indicated that at many meetings business could not be conducted because of the lack of a quorum.

Late reports and the failure to include required supporting documentation with reports resulted in substantial delays in the payment of quarterly allotments to the ANC. ANC 7E experienced a financial hardship because of this. In several months during the audit period, the ANC did not have sufficient funds to meet its financial obligations. At the end of March 2003, ANC 7E had only $199.21 in its checking account.

### Table V

Due Dates, Approval Dates and Receipt Dates of ANC 7E’s Quarterly Financial Reports for Quarters in the Audit Period

<table>
<thead>
<tr>
<th>Fiscal Year 2000</th>
<th>Report Period</th>
<th>Report Due Date (A)</th>
<th>Date report was approved by Commission</th>
<th>Date received in Office of the DC Auditor (B)</th>
<th>Number of days late (B-A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>10/01/99 - 12/31/99</td>
<td>03/14/00</td>
<td>02/08/00</td>
<td>02/22/00</td>
<td>6</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>01/01/00 - 03/31/00</td>
<td>06/13/00</td>
<td>06/13/00</td>
<td>06/19/00</td>
<td>6</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>04/01/00 - 06/30/00</td>
<td>09/12/00</td>
<td>10/10/00</td>
<td>10/17/00</td>
<td>35</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>07/01/00 - 09/30/00</td>
<td>12/12/00</td>
<td>n/a</td>
<td>03/01/01</td>
<td>78</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Fiscal Year 2001</th>
<th>Report Period</th>
<th>Report Due Date (A)</th>
<th>Date report was approved by Commission</th>
<th>Date received in Office of the DC Auditor (B)</th>
<th>Number of days late (B-A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>10/01/00 - 12/31/00</td>
<td>03/01/01</td>
<td>04/10/01</td>
<td>04/25/01</td>
<td>55</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>01/01/01 - 03/31/01</td>
<td>05/30/01</td>
<td>n/a</td>
<td>05/14/01</td>
<td>-</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>04/01/01 - 06/30/01</td>
<td>08/29/01</td>
<td>n/a</td>
<td>09/26/01</td>
<td>28</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>07/01/01 - 09/30/01</td>
<td>11/29/01</td>
<td>12/11/01</td>
<td>01/02/02</td>
<td>34</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year 2002</th>
<th>Report Period</th>
<th>Report Due Date (A)</th>
<th>Date report was approved by Commission</th>
<th>Date received in Office of the DC Auditor (B)</th>
<th>Number of days late (B-A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>10/01/01 - 12/31/01</td>
<td>03/01/02</td>
<td>03/12/02</td>
<td>03/27/02</td>
<td>26</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>01/01/02 - 03/31/02</td>
<td>05/30/02</td>
<td>09/11/02</td>
<td>09/25/02</td>
<td>118</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>04/01/02 - 06/30/02</td>
<td>08/29/02</td>
<td>10/08/02</td>
<td>10/29/02</td>
<td>61</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>07/01/02 - 09/30/02</td>
<td>11/29/02</td>
<td>n/a</td>
<td>01/13/03</td>
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<table>
<thead>
<tr>
<th>Fiscal Year 2003</th>
<th>Report Period</th>
<th>Report Due Date (A)</th>
<th>Date report was approved by Commission</th>
<th>Date received in Office of the DC Auditor (B)</th>
<th>Number of days late (B-A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>10/01/02 - 12/31/02</td>
<td>03/03/03</td>
<td>n/a</td>
<td>03/21/03</td>
<td>18</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>01/01/03 - 03/31/03</td>
<td>05/30/03*</td>
<td>n/a</td>
<td>03/21/03</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: Minutes of ANC 7E meetings and the Office of the District of Columbia Auditor

n/a - not available

* At the time of the audit fieldwork, the report was not yet due to the Office of the District of Columbia Auditor.
RECOMMENDATIONS

1. ANC 7E should take appropriate actions against Commissioners who are habitually absent from public meetings. After proper notice to the Commissioners, ANC 7E should petition the District of Columbia Board of Elections and Ethics to declare vacancies in the single member districts represented by Commissioners who habitually fail or refuse to attend ANC meetings, if necessary.

2. ANC 7E officers must file quarterly financial reports with the Office of the District of Columbia Auditor by the due date established under the ANC Law. The reports must be submitted with the required documentation and signatures.

ANC 7E DID NOT PROPERLY ESTABLISH THE COMMISSION’S CHECKING ACCOUNT UNTIL MAY 2001

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

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

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

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

In January 2001, in an effort to enforce the law, the District of Columbia Auditor instructed ANCs to change their bank accounts and checks to reflect the required phrase by March 1, 2001, or disbursements issued after March 31, 2001, would be disallowed from future quarterly allotments.

ANC 7E did not meet the deadline. The account name was changed in May 2001 and checks with the phrase “District of Columbia Government” imprinted on them were first used in July 2001. The District of Columbia Auditor disallowed $2,260.68 in expenditures from the third quarter 2001 report for this violation.
ANC 7E’S INTERNAL CONTROLS NEED IMPROVEMENT

The Auditor found that ANC 7E did not keep track of equipment loans and uses; timesheets were not signed; and the ANC’s bank assessed fees for checks returned because of insufficient funds.

ANC 7E Did Not Keep Track of Equipment Loans and Uses

One ANC 7E asset, a camera, was not on the most recent list of ANC equipment and items at the ANC office. The current chairperson informed the Auditor that the camera was lost.

When asked about the camera, the former chairperson told the Auditor that the camera was not lost. The camera was in her possession, but not in working condition because it fell into water.

ANC 7E’s officers did not effectively track equipment loans and usage during the audit period. The camera was in the possession of the former Chairperson, but the office manager and new Chairperson (who was an ANC 7E Commissioner for 6 years) did not know this. There was also no documentation of the loan at the ANC office.

The Auditor also noted that, in violation of the ANC Law, procedures for the use of the Commission’s office and supplies are not part of the ANC’s bylaws. D.C. Code, Section 1-309.11(d) states that:

Each Commission shall establish bylaws governing its operation and internal structure.

(1) These bylaws shall include the following:

(A) The geographic boundaries of the Commission area;
(B) A statement of Commission responsibilities;
(C) Voting procedures;
(D) The establishment of standing and special committees;
(E) The manner of selection of chairpersons and other officers;
(F) Presiding officers;
(G) Procedures for prompt review and action on committee recommendations;
(H) The use of the Commission office and supplies;
(I) Procedures for receipt of, and action upon constituent recommendations at both the single-member district and Commission levels; and

(J) Pursuant to § 1-309.13(c), the procedures for the filling of a vacancy in the office of treasurer. [Auditor’s Emphasis]

In August 2001, the Office of Corporation Counsel stated the following on the loan of an ANC’s computer that the Auditor believes applies to the loan of all ANC equipment:

“There are no general applicable procedures that govern the use of ANC property or equipment...[The Office] would advise that the procedures include:

1) a vote of the ANC to approve the loan to the Commissioner (or in the alternative, the ANC could authorize the Chair, a designated Commissioner, or a staff member to approve such loans upon written request); and

2) an agreement approved and signed by the ANC and the Commissioner that: identifies the equipment loaned; requires the equipment to be used only for ANC business (and specifically prohibits use for partisan political purposes); and specifies the duration of the agreement (for example, equipment to be returned at the end of the Commissioner’s term, upon vote of the ANC, or upon notice or demand).

[The ANC] may also want to include provisions: requiring reasonable access to the equipment for maintenance, to review compliance with the agreement, or for use by other Commissioners under certain circumstances...If [the] property is insured, [the ANC] should also contact [its] insurance carrier to determine if additional steps need to be taken. If the ANC has no insurance, the agreement should require the Commissioner either to have insurance to cover the computer while it is in her home or to be responsible for any damage or loss.”

Timesheets Were Not Signed

The Auditor found that timesheets submitted with quarterly financial reports were usually not signed indicating that they were not reviewed by a designated ANC officer. The Auditor is thus less assured that the office manager worked the hours noted on the timesheets. Even though the office manager is a part-time, salaried employee and is paid a fixed amount every two weeks, an authorized ANC Commissioner should review timesheets for accuracy to prevent abuse.
The former Chairperson indicated that she called the office every day to ensure that the office manager was there. However, the former Chairperson also told the Auditor that on August 10, 2001 she needed to cash a check for the petty cash fund because the office manager was away. The Auditor noted that the timesheet for that pay period indicated that the office manager worked at the office on that day.

ANC 7E’s bank assessed fees for checks returned because of insufficient funds

During the audit period, bank penalties totaling $50 were paid from ANC 7E’s bank account for checks returned due to insufficient funds. Two checks were written without ensuring that there were sufficient funds in the account to cover the payments. The first check, in the amount of $355 (for rent), was written in May 2000. The second check was a payroll check in the amount of $245.68 that was written in January 2001, shortly after the former treasurer was elected.

This inefficient use of funds was also brought about by the failure of the ANC’s leadership to comply with the financial reporting requirements of the ANC Law.

RECOMMENDATIONS

1. ANC 7E must establish procedures for the use of the ANC’s property or equipment using the opinion of the Office of the Corporation Counsel as a guideline.

2. The former chairperson must reimburse ANC 7E the cost of the camera that “fell into water” while in her possession. The Auditor must be provided with proof of the payment of these funds within 60 days of the date of this report.

3. ANC 7E must keep an accurate record of equipment purchases, loans and uses.

4. Timesheets must be reviewed for accuracy by a Commission officer authorized to review and sign timesheets.

5. ANC 7E’s treasurer must keep track of the balance in the ANC’s checking account and never write a check for more than the amount in the account.
CONCLUSION

ANC 7E substantially failed to comply 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. The ANC’s funds were exposed to misuse and possible misappropriation, and tangible assets were also not adequately safeguarded.

The Auditor’s examination revealed that, in violation of the ANC Law, the former Treasurer signed blank checks, and the ANC’s secretary did not maintain minutes of meetings necessary to document the Commissioners’ authorization of $52,083.49 in disbursements by the Commission’s former Chairperson and former Treasurer. The ANC also could not account for $514.46 of petty cash funds and $775 in payments for the use of a church’s facilities were inadequately documented or shown as donations which is not permitted by the ANC Law.

The Auditor also found that cash balances reported in ANC 7E’s quarterly financial reports have been overstated by $29.85 since fiscal year 1996 because accounting records were not properly reconciled to bank statements.

The ANC’s operations were adversely affected because the Commission’s former Chairperson and Treasurer did not submit fully supported quarterly financial reports in a timely manner which resulted in delays in the payment of quarterly allotments. The Commission also forfeited $2,260.68 in allotments because it failed to establish its checking account consistent with the requirements of D.C. Code, Section 1-309.13(b)(2) in a timely manner.

ANC 7E did not keep track of equipment loans and uses; timesheets were not signed; and the ANC’s bank returned checks because of insufficient funds.

Pursuant to D.C. Code, Section 1-309.13(d)(3), ANC 7E must respond in writing to each of the violations 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,

[Signature]
Deborah K. Nichols
District of Columbia Auditor