Auditor’s Review of Unauthorized Disbursements From ANC 8B’s Checking Account

May 25, 2000
May 25, 2000

James E. Shelton, Treasurer
Advisory Neighborhood Commission 8B
P.O. Box 21133
Washington, D.C. 20020

Letter Report: Auditor's Review of Unauthorized Disbursements From ANC 8B's Checking Account

Dear Commissioner Shelton:

Pursuant to D.C. Code, Section 1-264(d), as amended, the District of Columbia Auditor examined disbursements totaling $2,500 from Advisory Neighborhood Commission (ANC) 8B's checking account.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this examination were to determine whether the $2,500 disbursements were:

1. adequately documented;
2. authorized by a majority of ANC 8B's commissioners; and
3. used for a public purpose related to the mission of the ANC.

This examination specifically focused on two disbursements totaling $2,500.

In conducting the audit, the Auditor interviewed ANC 8B's officers and commissioners and reviewed minutes of ANC 8B meetings. The Auditor also reviewed telephone directories and other publications in an attempt to locate the payee named on the checks.

BACKGROUND

Two checks totaling $2,500 were written on ANC 8B's checking account located at Riggs Bank N.A. One check, dated September 15, 1999, was written for $1,500. The second check, dated September 17, 1999, was written for $1,000. The checks cleared the ANC's checking account in September 1999. The Auditor could not determine the identity of the two signatories on the checks.
The names appeared to be those of ANC 8B's chairperson and treasurer. However, these officers indicated that the signatures appearing on the checks were forgeries, that they did not sign either of the checks, and were not aware that the checks had been written until the canceled checks were returned with ANC 8B's bank statement.

As indicated in Table I below, the purpose of the $1,500 disbursement, according to the "explanation section" of the check, was for a "consultant fee." The explanation section of the $1,000 check reflected that the disbursement was for "landscaping."

**Table I**
ANC 8B Questionable Disbursements

<table>
<thead>
<tr>
<th>Check #</th>
<th>Date</th>
<th>Amount</th>
<th>Payee</th>
<th>Purpose (Per Check)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3507</td>
<td>09/15/99</td>
<td>$1,500.00</td>
<td>Darnell Eaglin or Englin</td>
<td>Consultant Fee</td>
</tr>
<tr>
<td>3508</td>
<td>09/17/99</td>
<td>$1,000.00</td>
<td>Darnell Eaglin or Englin</td>
<td>Landscaping</td>
</tr>
</tbody>
</table>

Source: Copy of canceled checks obtained directly from ANC 8B's bank

The payee's name was not completely legible and the Auditor could not determine the exact spelling of the last name but the name appeared to be Darnell Eaglin or Darnell Englin. The endorsement on the back of both checks appeared to be the same as the name of the payee on the front of both checks. The Auditor was not able locate anyone by the payee's name.

**FINDINGS**

**ANC 8B MINUTES DID NOT REFLECT THAT ANC 8B COMMISSIONERS APPROVED EITHER DISBURSEMENT**

District of Columbia Code, Section 1-264(f) states, in relevant part, the following:

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

The Auditor did not find any documentary evidence that ANC 8B commissioners approved any disbursements for consulting or landscaping. The Auditor reviewed minutes of ANC 8B meetings held during the period June 1999 through October 1999. These minutes did not reflect any discussion of the procurement of landscaping services or the use of a consultant for any purpose. The minutes also did not reflect that the ANC approved any disbursements for these services.

The Auditor interviewed ANC officers and commissioners to determine whether they were aware of any landscaping or consulting services that may have been provided to the ANC. None of the commissioners interviewed were aware that such services had been approved or provided by the
payee or any other individual or business.

ANC 8B DID NOT HAVE DOCUMENTATION TO SUPPORT THE DISBURSEMENT

Financial Guidelines and Procedures issued by the Office of the District of Columbia Auditor state, in relevant part, the following:

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

1. An original invoice or receipt from the supplier of goods or a contract or agreement from a provider of services..."

The Auditor found that ANC 8B did not have any receipts, invoices, or other documentation to support the $2,500 disbursed from ANC 8B’s checking account. Because there was no documentation, the Auditor could not examine the purpose for which the funds were disbursed, and could not determine whether the disbursements were made for a public purpose.

QUESTIONABLE CHECKS WERE NOT WRITTEN IN CONSECUTIVE ORDER WITH OTHER CHECKS WRITTEN IN THE SAME TIME PERIOD

D. C. Code, Section, 1-264(f) states that checks must be issued in consecutive order. The two questionable checks written from ANC 8B’s account were not written in consecutive order with other ANC 8B checks written in the same time period. Other ANC 8B checks written during the months of September and October 1999 were numbered in the early 3000 series. For example, checks written during these two months included checks numbered 3036 and 3037. Check numbers for the questionable disbursements were written on checks numbered 3507 and 3508. The fact that these checks were written out of sequence may have been an attempt to prevent the ANC from immediately discovering that the checks had been removed from the checkbook and subsequently written.

The Auditor was not able to determine all of the individuals who may have had access to ANC 8B’s checkbook. According to ANC 8B’s treasurer, the ANC’s checkbook was maintained in a two-drawer file cabinet in the ANC 8B office. According to the treasurer, he and the former chairperson were the only commissioners who maintained a key to the file cabinet. However, the file cabinet was in the ANC office before the treasurer became a commissioner and he could not determine whether anyone else may have had a key before and after he became a commissioner and the treasurer. Further, the treasurer noted that the cabinet was not very secure in that it was possible to open the cabinet without a key if the top door was "jiggled" in a certain way.
RECOMMENDATIONS

1. The Office of the Inspector General investigate the events related to the improper disbursements of $2,500 from ANC 8B’s checking account.

2. The Commissioners of ANC 8B obtain a more secure location in which to maintain the ANC’s checkbook and accounting records. Access to unwritten checks should be restricted to the chairman and treasurer.

CONCLUSION

The disbursements from ANC 8B’s checking account totaling $2,500, written on checks numbered 3507 and 3508, were not approved by ANC 8B commissioners, and were not supported by documentation that reflected the purpose of the disbursements and whether they were for a public purpose. The Auditor’s review indicated that the funds were misappropriated. Consequently, this matter has been referred to the Office of the Inspector General for further investigation.

Respectfully submitted,

Deborah K. Nichols
District of Columbia Auditor