
June 10, 2009
Commissioner Pride Hiett
Chairperson
Advisory Neighborhood Commission 7A
3111 E Street, SE
Washington, D.C. 20019


Dear Commissioner Hiett:

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

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

1. ANC 7A’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

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 2008 (October 1, 2004 through March 31, 2008). 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 7A’S CHECKING, SAVINGS, AND PETTY CASH ACCOUNT BALANCES, AS OF MARCH 31, 2008**

Table I presents a statement of ANC 7A’s checking, savings, and petty cash account balances as of March 31, 2008.

<table>
<thead>
<tr>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petty Cash Account</td>
<td>$ 0.00</td>
</tr>
<tr>
<td>Checking Account</td>
<td>55,236.96</td>
</tr>
<tr>
<td>Savings Account</td>
<td>41,117.30</td>
</tr>
<tr>
<td><strong>Actual Cash Balance</strong></td>
<td><strong>$ 96,554.26</strong></td>
</tr>
</tbody>
</table>

Source: ANC 7A’s quarterly reports and bank statements for the period October 1, 2004 through March 31, 2008.

**SUMMARY OF ANC 7A’S DISBURSEMENTS DURING FISCAL YEARS 2005 THROUGH 2007, AS OF MARCH 31, 2008**

During the audit period, ANC 7A disbursed $30,477.75. Table II summarizes, by category, ANC 7A’s disbursements made during the audit period, including bank service charges.

---

3 ANC 7A maintained a petty cash account during the audit period; however, ANC 7A’s Treasurer informed the Auditor that petty cash and receipts for petty cash disbursed were stolen during a burglary at the ANC’s office which occurred between December 10, 2007 and January 22, 2008.
### Table II
Summary of ANC 7A’s Disbursements During Fiscal Years 2005 Through 2007, as of March 31, 2008

<table>
<thead>
<tr>
<th>Disbursement Category</th>
<th>Fiscal Year 2005</th>
<th>Fiscal Year 2006</th>
<th>Fiscal Year 2007</th>
<th>Fiscal Year 2008 as of March 31, 2008</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Salaries &amp; Wages</td>
<td>$ 0.00</td>
<td>$ 0.00</td>
<td>$ 0.00</td>
<td>$2,108.30</td>
<td>$2,108.30</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Federal Wage Taxes Paid</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Local Income Taxes Paid</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Unemployment Ins. Cont.</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Local Transportation</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Office Rent</td>
<td>0.00</td>
<td>0.00</td>
<td>3,785.00</td>
<td>4,575.00</td>
<td>8,360.00</td>
</tr>
<tr>
<td>Telephone Service</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1,243.13</td>
<td>1,243.13</td>
</tr>
<tr>
<td>Postage and Delivery</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>522.36</td>
<td>522.36</td>
</tr>
<tr>
<td>Printing &amp; Duplicating</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Flyer Distribution</td>
<td>0.00</td>
<td>0.00</td>
<td>1,155.00</td>
<td>770.00</td>
<td>1,925.00</td>
</tr>
<tr>
<td>Purchase of Service</td>
<td>0.00</td>
<td>0.00</td>
<td>450.00</td>
<td>525.00</td>
<td>975.00</td>
</tr>
<tr>
<td>Office Supplies &amp; Expenses*</td>
<td>0.00</td>
<td>0.00</td>
<td>2,042.29</td>
<td>2,105.40</td>
<td>4,147.69</td>
</tr>
<tr>
<td>Office Equip. - Rental</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Office Equip. - Purchase</td>
<td>0.00</td>
<td>0.00</td>
<td>8,821.00</td>
<td>0.00</td>
<td>8,821.00</td>
</tr>
<tr>
<td>Grants</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Petty Cash Reimbursement</td>
<td>0.00</td>
<td>0.00</td>
<td>837.24</td>
<td>0.00</td>
<td>837.24</td>
</tr>
<tr>
<td>Bank Service Charges</td>
<td>45.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>45.00</td>
</tr>
<tr>
<td>Other</td>
<td>125.00</td>
<td>75.00</td>
<td>281.51</td>
<td>1,011.52</td>
<td>1,493.03</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td><strong>$ 170.00</strong></td>
<td><strong>$ 75.00</strong></td>
<td><strong>$ 17,372.04</strong></td>
<td><strong>$ 12,860.71</strong></td>
<td><strong>$ 30,477.75</strong></td>
</tr>
</tbody>
</table>

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

---

* Fiscal year 2007 disbursements for office supplies and equipment purchases are estimates based, in part, on: (1) a January 22, 2008 police report of an alleged burglary of ANC 7A’s office which listed stolen office equipment valued by ANC 7A’s Treasurer at $8,821, and (2) a check for $10,000 cashed by the Treasurer at Industrial Bank on September 27, 2007. No invoices or receipts have been submitted by the ANC to the Auditor’s Office to substantiate purchases and enable the Auditor to determine the actual distribution of the $10,000 check, dated July 31, 2007, which was made payable to Wal-Mart/Cash and contained the stated purpose “Office Supplies.”
FINDINGS

ANC 7A’S TREASURER FAILED TO COMPLY 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.

The Auditor found that ANC 7A’s Treasurer maintained adequate documentation to support only $8,973.71, or 29.44%, of the $30,477.75 in disbursements made during the audit period. Since ANC 7A’s Treasurer failed to submit quarterly financial reports for the 4th quarter of fiscal year 2007 and the 1st and 2nd quarters of fiscal year 2008, the Auditor has no evidence that invoices, receipts, and employee time sheets were maintained by ANC 7A’s Treasurer to substantiate $21,504.04 in unsupported disbursements.

RECOMMENDATIONS

1. ANC 7A’s Treasurer submit past due quarterly reports, along with required supporting documentation within 30 days from the date of this report.

2. ANC 7A officers ensure that adequate documentation is maintained to support all current and future disbursements.
ANC 7A’S TREASURER FILED THE MAJORITY OF QUARTERLY FINANCIAL REPORTS LATE DURING THE AUDIT PERIOD RESULTING IN THE FORFEITURE OF $16,463.40 IN ALLOTMENTS

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 7A’s Treasurer filed 11 of the 14 reports required during the audit period more than 60 days late. The remaining 3 reports were filed early. Therefore, the Auditor found that ANC 7A failed to comply with D.C. Code, Section 1-309.13 (j) (1). As a result of ANC 7A’s failure to file the 4th quarter FY 2007, 1st quarter FY 2008, and 2nd quarter FY 2008 quarterly financial reports by September 30, 2008, ANC 7A forfeited allotments totaling $16,463.40. D.C. Code, Section 1-309.13 (j) (3) states:

If, on the last day of the fiscal year, a Commission has not received a quarterly allotment because it failed to file a quarterly report approved by the Auditor, the Commission shall forfeit the unclaimed allotment or allotments and the funds shall be returned to the District’s General Fund.
Table III
Advisory Neighborhood Commission 7A
Quarterly Financial Report Submission Record:
Fiscal Years 2005 Through 2007, As of March 31, 2007

<table>
<thead>
<tr>
<th>Year &amp; Quarter</th>
<th>Reported Months</th>
<th>Due Date</th>
<th>Date Received</th>
<th>Report Filed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 - 1st</td>
<td>10/01/04 through 12/31/04</td>
<td>03/01/05</td>
<td>08/05/05</td>
<td>157 Days Late</td>
</tr>
<tr>
<td>2005 - 2nd</td>
<td>01/01/05 through 03/31/05</td>
<td>05/30/05</td>
<td>08/05/05</td>
<td>67 Days Late</td>
</tr>
<tr>
<td>2005 - 4th</td>
<td>07/01/05 through 09/30/05</td>
<td>11/29/05</td>
<td>01/31/06</td>
<td>63 Days Late</td>
</tr>
<tr>
<td>2006 - 1st</td>
<td>10/01/05 through 12/31/05</td>
<td>03/01/06</td>
<td>08/11/06</td>
<td>163 Days Late</td>
</tr>
<tr>
<td>2006 - 2nd</td>
<td>01/01/06 through 03/31/06</td>
<td>05/30/06</td>
<td>08/11/06</td>
<td>73 Days Late</td>
</tr>
<tr>
<td>2006 - 4th</td>
<td>07/01/06 through 09/30/06</td>
<td>11/29/06</td>
<td>02/21/07</td>
<td>84 Days Late</td>
</tr>
<tr>
<td>2007 - 2nd</td>
<td>01/01/07 through 03/31/07</td>
<td>05/30/07</td>
<td>10/15/07</td>
<td>138 Days Late</td>
</tr>
<tr>
<td>2007 - 4th</td>
<td>07/01/07 through 09/30/07</td>
<td>11/29/07</td>
<td>09/30/08</td>
<td>306 Days Late</td>
</tr>
<tr>
<td>2008 - 1st</td>
<td>10/01/07 through 12/31/07</td>
<td>03/01/08</td>
<td>09/30/08</td>
<td>214 Days Late</td>
</tr>
<tr>
<td>2008 - 2nd</td>
<td>01/01/08 through 03/31/08</td>
<td>05/30/08</td>
<td>09/30/08</td>
<td>123 Days Late</td>
</tr>
</tbody>
</table>

Source: ANC 7A quarterly financial reports.

RECOMMENDATIONS

1. ANC 7A officers develop and implement a mechanism to ensure that all future quarterly financial reports are filed on time.

2. ANC 7A’s Treasurer prepare and file all future quarterly financial reports on time.

---


Page -6-
ANC 7A FAILED TO MAINTAIN MINUTES INDICATING 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 7A’s Secretary only provided and maintained minutes for 24 meetings held during the 42-month audit period. As a result, ANC 7A could not fully substantiate: (1) the total number of meetings held during the audit period; (2) the approval of all expenditures by a majority of Commissioners at a public meeting in which a quorum was present; (3) the adoption of annual fiscal year spending plan budgets; or (4) the Commission’s approval of quarterly financial reports.

RECOMMENDATION

ANC 7A’s Secretary ensure that minutes are prepared and maintained for all public ANC 7A meetings. Further, before approving the quarterly financial report, ANC 7A’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 7A DID NOT ESTABLISH ANNUAL FISCAL YEAR SPENDING PLAN BUDGETS FOR FISCAL YEARS 2005, 2006 or 2008

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

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.

---

6 Minutes of an executive meeting held September 27, 2006 indicated that “Minutes from the last two years are not recoverable because we didn’t have an office and staff.”
The Auditor’s review of ANC 7A’s records revealed that an annual fiscal year spending plan budget was established for fiscal year 2007, but not for fiscal years 2005, 2006, or 2008. Therefore, ANC 7A did not comply with D.C. Code, Section 1-309.10 (n).

RECOMMENDATIONS

1. ANC 7A officers develop, present, and adopt an annual fiscal year spending plan budget for fiscal year 2009 within 60 days of notification of the amount of the Commission’s annual allotment.

2. ANC 7A officers develop and implement a mechanism to ensure that an annual fiscal year spending plan budget is developed, presented to and adopted by the Commissioners for each forthcoming fiscal year at the appropriate time.

ANC 7A 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.


---

7 Minutes of an executive meeting held September 27, 2006 contained the statement: “[To] create an annual budget is not [feasible] because we don’t have an office and staff.” Minutes were not provided to support the approval of ANC 7A’s “Budget for 2007” which showed projected income of $25,000 per year, but budget figures for one month only.
ANC 7A’S CHAIRPERSON AND TREASURER FAILED TO FOLLOW PETTY CASH PROCEDURES

D.C. Code, Section 1-309.13 (h) states:

Each Commission may establish a petty cash fund not to exceed $200 at any one time in accordance with procedures established for imprest funds by the D.C. Controller. The fund shall be reimbursed by the treasurer upon presentation of appropriate supporting documents. The treasurer may disburse to another Commissioner or employee of the Commission an amount not in excess of $200 for authorized Commission expenditures through a Commission-established petty cash fund. 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.

Additionally, D.C. Code, Section 1-309.13 (f) states, in relevant part, that: “No check may be made payable to cash.” Checks issued to establish or replenish petty cash must be written to an officer or staff person of the Commission. The Auditor found that ANC 7A’s Chairperson and Treasurer issued four checks totaling $837.24 made payable to “cash” in violation of D.C. Code, Section 1-309.13 (f).

Further, ANC Financial Management Guidelines issued by the Office of the D.C. Auditor state that:

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.⁸

As presented in Table IV, four checks totaling $837.24 were issued to replenish petty cash during the audit period and no receipts were provided to support the replenishments.

⁸ See guideline 21 of the Auditor’s Suggested Advisory Neighborhood Commission Financial Management Guidelines.
Table IV
Advisory Neighborhood Commission 7A
Petty Cash Disbursements
For the Period October 1, 2004 Through March 31, 2008

<table>
<thead>
<tr>
<th>Check #</th>
<th>Date</th>
<th>Amount</th>
<th>Payee</th>
<th>Purpose of Expenditures</th>
<th>Supporting Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>127</td>
<td>03/20/07</td>
<td>$200.00</td>
<td>Cash</td>
<td>Petty Cash</td>
<td>No</td>
</tr>
<tr>
<td>137</td>
<td>07/20/07</td>
<td>237.24</td>
<td>Cash</td>
<td>Petty Cash</td>
<td>No</td>
</tr>
<tr>
<td>142</td>
<td>08/08/07</td>
<td>200.00</td>
<td>Cash</td>
<td>Petty Cash</td>
<td>No</td>
</tr>
<tr>
<td>144</td>
<td>09/03/07</td>
<td>200.00</td>
<td>Cash</td>
<td>Petty Cash</td>
<td>No</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$837.24</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ANC 7A Quarterly Financial Reports

It appears that the fund was also established without prior Commission approval. The Auditor’s review of available meeting minutes revealed only approval by the Commission of a petty cash replenishment on June 19, 2007, three months after the first petty cash check was written on March 20, 2007. The Auditor did not find the Commissioners approval for the establishment of a petty cash fund in records reviewed for this examination.

RECOMMENDATIONS

1. ANC 7A’s Treasurer ensure that no check is issued or made payable to “cash,” “bearer” or “petty cash.”

2. ANC 7A’s Treasurer ensure compliance with D.C. Code, Section 1-309.13 (h) by requiring the submission of proper supporting documentation for petty cash disbursements. The Treasurer should also ensure that all receipts or other supporting documentation are maintained in the ANC’s files for at least five years.

3. The Associate Chief Financial Officer for the Office of Finance and Resource Management deduct $837.24 from ANC 7A’s next quarterly allotment as a result of unsupported petty cash disbursements and checks written to “cash.”

4. ANC 7A’s officers approve the establishment of a petty cash fund if the Secretary is unable to produce minutes that show this approval was already provided by a vote of a majority of Commissioners in a public meeting at which a quorum was present.
THREE CHECKS TOTALING $12,744.58 WERE MADE PAYABLE TO ANC 7A’S TREASURER AND/OR CASH

As stated in the previous finding, D.C. Code, Section 1-309.13 (f) states, in relevant part, that: “No check may be made payable to cash.” As presented in Table V, three checks totaling $12,744.58 were written in a manner that not only violated this prohibition, but gives the appearance of an attempted misappropriation of ANC funds in that checks made payable to the vendor were subsequently altered to include the Treasurer’s name or the word “cash” after the vendor’s name allowing the Treasurer to cash the checks. It is not clear whether the Chairperson, the second signer of these checks, approved the alteration of the checks or was aware that the checks had been altered in this manner.

The endorsement on the $10,000 check indicated that the Treasurer cashed the check at a branch of the ANC’s bank. This action showed poor judgement on the Treasurer’s part in that she put ANC 7A’s funds at risk of being stolen, lost, or misappropriated. Further, the failure of the Treasurer to file quarterly financial reports, and supporting documentation, for the quarters in which the checks were disbursed suggests an effort to misappropriate ANC funds and to conceal the theft by failing to file required quarterly financial reports.  

Table V
Advisory Neighborhood Commission 7A
Additional Checks Which Violated the ANC Act and Auditor’s Guidelines
For the Period October 1, 2004 Through March 31, 2008

<table>
<thead>
<tr>
<th>Check #</th>
<th>Date</th>
<th>Amount</th>
<th>Payee</th>
<th>Purpose of Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>138</td>
<td>07/22/07</td>
<td>$744.58</td>
<td>Target/Treasurer’s Name</td>
<td>Office Supplies</td>
</tr>
<tr>
<td>140</td>
<td>07/31/07</td>
<td>10,000.00</td>
<td>Wal-Mart/Cash</td>
<td>Office Supplies</td>
</tr>
<tr>
<td>159</td>
<td>12/03/07</td>
<td>2,000.00</td>
<td>Wal-Mart/Treasurer’s Name</td>
<td>Office Supplies</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,744.58</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ANC 7A Check book and canceled checks

---

9 ANC 7A’s Treasurer stated that most of the receipts were kept in a petty cash “strong box” which was stolen during a burglary of the ANC’s office.

10 Payee indicated on check was Target/Charlene Exum; however, payee indicated on check stub was Target/Cash.

11 Payee indicated on check was Wal-Mart/Cash; however, payee entered on check stub was Wal-Mart/Staples. The purpose indicated on check stub was: Office PC, printer, DVD players and Hardware.
RECOMMENDATIONS

1. ANC 7A’s Treasurer submit copies of invoices and receipts to support the expenditure of the $12,744.58 to this office within 30 days from the date of this report. If the Treasurer fails to provide original supporting documentation, the Treasurer must promptly repay the ANC the $12,744.58 or the Auditor will refer the matter to the Office of the Attorney General for assistance in recovering from the Treasurer any portion of the $12,744.58 which is not supported by required legitimate documentation.

2. ANC 7A officers ensure in the future that no checks are made payable to a combined payee such as Vendor/(Commissioner’s Name) or Vendor/Cash.

3. ANC 7A’s Treasurer ensure that receipts and invoices are kept in a locked file cabinet to prevent the theft or loss of documentation required to support ANC expenditures.

4. The current Treasurer of ANC 7A should be promptly removed as treasurer.

ANC 7A’S CHECKING AND SAVINGS ACCOUNTS WERE FROZEN AND ITS CHECK BOOK SURRENDERED TO THE AUDITOR

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

If a Commission fails to file 3 consecutive quarterly reports . . . , it shall relinquish its checkbook to the Auditor, whose permission will be needed for any expenditure made by check until the Commission files the required financial reports. The Mayor, upon the request of the Auditor, may issue official instructions to any pertinent banking institution to freeze accounts held by a Commission that has not complied with this paragraph.

On May 29, 2008, the Auditor issued a subpoena to ANC 7A’s Treasurer ordering her to produce ANC 7A’s checkbook and all financial documents related to checking and savings account transactions of the Commission which occurred during the period October 1, 2007 through March 31, 2008. The Auditor also requested copies of documentation to support all disbursements made by the Commission during the same period. The process server was unable to deliver the subpoena.
The subpoena was also sent by certified mail to ANC 7A’s Treasurer; however, the United States Postal Service returned the certified mail on June 20, 2008, after several delivery attempts. It was not until June 27, 2008 that ANC 7A’s Treasurer surrendered the check book to the Auditor’s staff during a scheduled audit visit to the ANC’s office. The Treasurer, however, did not produce any of the financial documents listed in the subpoena including documentation to support expenditures. At the Auditor’s request, the Office of the Chief Financial Officer placed a freeze on ANC 7A’s bank accounts on May 30, 2008 as a result of the failure to file 3 consecutive quarterly financial reports.

THE AUDITOR REQUESTED THE OFFICE OF THE INSPECTOR GENERAL TO INVESTIGATE ANC 7A’S FINANCIAL PRACTICES, PURCHASING ACTIVITIES, AND AN ALLEGED BURGLARY OF THE COMMISSION’S OFFICE

Pursuant to D.C. Code, Section 1-309 (d) (2), the Auditor has the responsibility to audit the financial accounts of an Advisory Neighborhood Commission and must forward to the District of Columbia Office of the Inspector General (OIG) the finding of any alleged improper conduct.\(^{12}\) Based on: (1) the Auditor’s review of ANC 7A’s financial practices and purchasing activities during fiscal year 2007; (2) an alleged burglary of the ANC’s office;\(^ {13}\) (3) the Treasurer’s failure to file three (3) consecutive quarterly financial reports; and (4) the Treasurer’s failure to respond to the Auditor’s requests for financial documents and to surrender the ANC’s checkbook, it appeared that ANC 7A’s funds may have been misappropriated. Therefore, on August 20, 2008, the Auditor referred the matter to the OIG for investigation. The OIG was still investigating this matter as of the issuance date of this final audit report.

\(^{12}\) Under 1 DCMR 901.1, the Auditor must comply with the standards and procedures contained in the Standards for Audit of Governmental Organizations, Program, Activities, and Functions (known as the “Yellow Book”). Sections 5.17 through 5.25, Reporting Standards for Financial Audits of the Yellow Book. Auditors are required to report significant violations, fraud, illegal acts, violations of provisions of contracts of grant agreements, and abuse directly to parties outside the audited entity.

\(^{13}\) According to the police report dated January 22, 2008, the alleged burglary could have occurred between December 10, 2007 and January 22, 2008. Some of the stolen property listed on the police report included 2 flat screen televisions, 2 printers, 7 desktop computers, and a digital camera.
ANC 7A’S TREASURER FILED AN INSURANCE CLAIM FOR STOLEN COMPUTERS AND PRINTERS BUT FAILED TO PROVIDE DOCUMENTATION TO SUPPORT THE CLAIM

On August 11, 2008, the Auditor’s Office contacted Safeware Insurance Agency which issued a $10,000 policy to ANC 7A on October 22, 2007, and was told that ANC 7A’s Treasurer had filed a claim on March 11, 2008 for seven (7) desktop computers and two (2) printers. As of August 11, 2008, the Treasurer had failed to provide a copy of the police report, proof of ownership of the equipment, the make, model, or serial numbers of the stolen equipment, and a written statement of events in the claimant’s own words as required by the insurance agency. Therefore, according to an agency representative, the claim was closed.

ANC 7A OFFICERS FAILED TO ESTABLISH A JOB DESCRIPTION AND/OR CONTRACT FOR ITS STAFF PERSON AND MONITOR JOB PERFORMANCE TO ENSURE THAT NEEDED ADMINISTRATIVE SUPPORT WAS PROVIDED TO THE COMMISSION

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

A Commission may employ any person necessary to provide administrative support to the Commission. A Commission shall establish position descriptions for employees that shall, at a minimum, broadly identify the qualification and duties of the employees. A Commission employee shall serve at the pleasure of the Commission.

After the Auditor took possession of ANC 7A’s checkbook, the Chairperson and Vice-Chair were permitted to write checks for overdue bills only, including the staff person’s salary. It was during a visit to the Auditor’s Office to write checks that the Chairperson and Vice-Chairperson stated that the Commission had not seen the employee’s resume or approved a job description or contract for the employee. The Vice-Chairperson stated that the employee’s performance was to be reviewed after 90 days of employment to determine if she would be retained by the Commission. Meeting minutes, however, were not provided to substantiate the Vice-Chairperson’s statement. The only document available to the Auditor regarding the employee’s duties and responsibilities was

\[\text{14 Minutes were not provided to the Auditor which support the Commission’s approval of the purchase of 7 desktop computers. In fact, minutes of a public meeting held on 4/17/07 indicated the approval of $12,000 to “establish office with kitchen and office supplies, furniture, and computer.”}\]
a copy of the job announcement, which the employee provided during a visit to the Auditor’s Office to bring in time sheets and past-due utility bills for the Commission’s office. The employee stated that she did not have a copy of her job description nor an employment contract and assumed that the Treasurer had these documents. Therefore, it appears that ANC 7A has not fully complied with D.C. Code, Section 1-309.13 (o).

The only written reference to the staff person’s employment was in the June 19, 2007 meeting minutes, which stated that: “[Commissioner] Johnson made a motion to hire [an] office worker. Second carried by [Commissioner] Carr and motion passed.” The Auditor did not see any documents which substantiated the employee’s tour of duty, rate of pay, or withholdings from gross salary. The only document available to the Auditor, which made reference to an employee’s salary was the Commission’s “Budget for 2007” which showed a monthly figure of $240 for “Employee.” The Chairperson and Vice-Chairperson stated that they did not know what the duties and responsibilities of the staff person were and that they were not aware of any of the employees work assignments or work products. It appears that the Commission is wasting its financial resources by paying a person whose work products seemed to be known only to the Commission’s Treasurer who signs and retains the employee’s time sheets.

The Auditor’s review of canceled checks revealed that between January 25, 2008 and March 21, 2008, ANC 7A’s Treasurer issued 10 weekly pay checks totaling $2,108.30 to the Commission’s employee. However, no checks were written during the same time period to cover federal and local taxes withheld from the employee’s pay. This means that at the end of the year, the Commission will have tax liabilities related to all salary checks issued to the Commission’s employee during calendar year 2008.

**RECOMMENDATIONS**

1. ANC 7A’s Treasurer provide copies of all documents in her possession regarding the employee’s hiring, duties, responsibilities, work products, salary and withholdings to the Commission and to the Auditor’s Office within 30 days from the date of this report.

2. ANC 7A’s officers review the above documents and determine whether the employee should be retained or terminated. If retained, the Commission must ensure that the duties and responsibilities of the employee clearly serve the Commission’s needs and goals.
3. ANC 7A’s officers review all salary payments to the staff person and determine both federal and local tax liabilities incurred by the Commission during calendar year 2008 and ensure that the required taxes are paid as soon as possible to minimize late fees and interest penalties.

**INTERNAL CONTROLS WERE NOT ADEQUATE TO PRODUCE RELIABLE FINANCIAL INFORMATION AND ENSURE THAT ANC 7A’S ASSETS WERE PROPERLY SAFEGUARDED**

In significant part, ANC 7A’s internal controls were found to be inadequate because of lack of documentation to support disbursements made during fiscal year 2007 through fiscal year 2008 as of March 31, 2008. Only one annual spending plan budget (fiscal year 2007) was approved by the Commission during the audit period.

D.C. Code, Section 1-309.13 (f) (1) states, in relevant part, that: “No expenditure of any amount shall be made without the specific authorization of the Commission.” [Auditor’s Emphasis] A review of available minutes indicated that a majority of ANC 7A’s funds disbursed during the audit period were not approved in sufficient detail at public meetings to prevent overspending or unauthorized purchases such as 2 flat screen televisions and 7 desktop computers. For example, when the ANC voted to approve furnishing the ANC’s new office, the minutes indicated that: “A Motion was made to establish an office . . . to do the following: Establish an office with kitchen supply, office supplies, [furniture] . . . computer, . . . office supplies with a [maximum] ceiling of $12,000.” As a result of the lack of detail regarding specific items to be purchased and their costs, the Treasurer, in effect, assumed a blanket authorization to purchase items she deemed necessary. When some of the Commissioners learned of the items that were included in the police report as having been stolen, they stated that the Commission did not approve such purchases. This represents a major internal control failure that exposed the ANC’s assets and financial resources to an unreasonable risk of loss, theft, and misuse.

ANC 7A’s checking and savings account balances totaled $96,554.26 as of March 31, 2008. However, there exists the potential risk of loss of those funds if the Commission continues its poor financial practices.
CONCLUSION


During fiscal years 2005 through 2008, as of March 31, 2008, ANC 7A’s Treasurer and Chairperson disbursed $30,477.75. The Auditor found, however, that ANC 7A’s Treasurer maintained adequate documentation to justify and support only $8,973.71, or 29.44%, in disbursements made during the audit period. Therefore, adequate documentation was not maintained to support $21,504.04, or 70.56%, of total disbursements made during the audit period. Additionally, 11 of the 14 quarterly financial reports due to the Auditor’s Office during the audit period were filed more than 60 days late.

The Auditor further found that ANC 7A’s Secretary failed to maintain minutes for all public meetings held during the audit period and as a consequence of this deficiency, ANC 7A could not provide evidence that the ANC held the number of public meetings required by the ANC Act. Additionally, annual fiscal year spending plan budgets were not established for 3 of 4 fiscal years of the audit period.

The Auditor also found that ANC 7A’s Treasurer issued 4 petty cash checks made payable to “cash” totaling $837.58 and an additional 3 checks totaling $12,744.58 which appeared to be altered to include the Treasurer’s name or the word “cash.” As a result of ANC 7A’s questionable purchases and financial practices, the Auditor placed a freeze on the Commission’s bank accounts, took possession of the Commission’s checkbook, and requested the OIG to investigate ANC 7A’s financial activities and an alleged burglary of ANC 7A’s office. Further, the Auditor found that ANC 7A officers failed to establish a job description and/or contract for its staff person or to monitor and supervise job performance to ensure that needed administrative support was provided to the Commission.

ANC 7A officers must correct the noted deficiencies and strengthen its internal controls and compliance with the controls to ensure that ANC 7A’s assets are properly safeguarded and its financial transactions comply with the ANC Act.
Pursuant to D.C. Code Section 1-309.13 (d) (3), ANC 7A 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 7A’s next schedule quarterly allotment until a response is filed.

Respectfully submitted,

[Signature]

Deborah K. Nichols
District of Columbia Auditor