Audit of
Advisory Neighborhood Commission 3G
for Fiscal Years 1999 Through the Second Quarter
of Fiscal Year 2002

May 29, 2002
Ms. Anne M. Renshaw, Chairperson
Advisory Neighborhood Commission 3G
Chevy Chase Community Center
P.O. Box 6252
Washington, D.C. 20015


Dear Commissioner Renshaw:

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 (ANC) 3G.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to determine whether ANC 3G’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 District of Columbia 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 second quarter of fiscal year 2002 (October 1, 1998 through March 31, 2002). In conducting the audit, the Auditor examined ANC 3G’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 3G’s treasurer, who also serves as its secretary and volunteers as its unpaid staff person, was interviewed to obtain additional information and insight regarding the ANC’s financial activities.
STATEMENT OF ANC 3G'S CASH POSITION AS OF MARCH 31, 2002

Table I presents ANC 3G’s cash position as of March 31, 2002.

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petty Cash Fund</td>
<td>$ 50.00</td>
</tr>
<tr>
<td>Cash in Savings Account</td>
<td>31,275.03*</td>
</tr>
<tr>
<td>Cash in Checking Account</td>
<td>13,191.23*</td>
</tr>
<tr>
<td>Total Available Cash</td>
<td>$ 44,516.26</td>
</tr>
</tbody>
</table>

*Source: ANC 3G’s reconciled checking and savings account balances as of March 31, 2002
FINDINGS

ANC 3G’s DISBURSEMENTS AND FINANCIAL OPERATIONS SUBSTANTIALLY COMPLIED WITH RELEVANT PROVISIONS OF THE ANC LAW, AS AMENDED, ANC FINANCIAL MANAGEMENT GUIDELINES, AND CORPORATION COUNSEL OPINIONS

A review of ANC 3G’s disbursements and financial operations for the audit period substantially complied with applicable laws, guidelines, and standards in that:

1. checks were signed by at least two officers of the ANC, one of whom was the treasurer or chairperson;

2. the ANC met in public sessions at least nine times each fiscal year, which complied with the ANC law’s meeting requirement;

3. all ANC 3G disbursements were supported by receipts, invoices, or other appropriate documentation;

4. ANC 3G Commissioners approved expenditures in a public meeting as required by the ANC law;

5. Quarterly financial reports were filed with the Office of the D.C. Auditor before the filing deadline established by the ANC law; and

6. Spending plan budgets for each of the fiscal years under review were approved in public meetings.

ANC 3G Commissioners Approved All Expenditures in a Public Meeting as Required by the ANC Law

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 . . .

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The audit team found that ANC 3G complied with the above stated provisions of the ANC law. The audit team’s review of minutes of meetings held during the audit period indicated that ANC 3G Commissioners approved all expenditures in a public meeting with a majority of Commissioners present. Also, ANC 3G Commissioners approved a spending plan budget for each fiscal year under review. In addition to approving a spending plan budget, ANC 3G Commissioners often approved disbursements for ongoing operating expenses individually as they became due and payable.

**All Disbursements Made During the Audit Period Were Supported by Receipts, Invoices or Other Appropriate Documentation**

During the audit period, ANC 3G Commissioners issued 232 checks totaling approximately $51,276. The Auditor found that ANC 3G’s officers maintained a voucher package with receipts, invoices and other appropriate documentation that supported all of the disbursements authorized by ANC 3G Commissioners during the audit period. Further, the date and number of the check used for payment was written on the appropriate invoice or receipt. The documentation was organized and properly filed in the ANC’s records along with a copy of the check, by check number sequence. The records were organized and were maintained in an exemplary manner which made them easily accessible for review.

According to the Financial Management Guidelines issued by the Office of the D.C. Auditor, the following statement should be attached to or written on each receipt or invoice included in the ANC’s voucher package.

> I certify that the goods or services described on the attached invoice have been received and represent bona fide expenses of the ANC.

The audit team found that this statement was not included on voucher packages maintained by ANC 3G officers. However, the treasurer of ANC 3G stated that he ensures that all purchases made with ANC funds are bona fide expenses of the ANC.

**RECOMMENDATION**

ANC 3G Commissioners 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.
Bank Statements Were Reconciled Monthly but Were Not Initialed as Having Been Reviewed

The Financial Management Guidelines issued by the Office of the District of Columbia Auditor state in relevant part 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 statement.

The Auditor found that ANC 3G’s treasurer properly reconciled bank statements to the ANC’s check book balance on a monthly basis. However, only 11, or 26%, of the 42 reconciliations were initialed by the ANC’s Chairperson or Vice-Chairperson indicating their review. The audit team was unable to determine whether the remaining 31, or 74%, of reconciliations were reviewed by the appropriate ANC officer. The Chairperson or Vice-Chairperson should review and initial each bank statement and reconciliation as part of the ANC’s internal control procedures. A review of the monthly bank statement and monthly reconciliation by an ANC officer who did not perform the reconciliation provides an independent review and analysis of the records and is necessary to minimize the risk of errors or omissions.

RECOMMENDATION

The Chairperson or the Vice-Chairperson of ANC 3G should review each monthly bank statement and related reconciliation and initial both documents to indicate their review.

ANC 3G Officers Included the Phrase “District of Columbia Government” in the ANC’s Checking and Savings Account Name but Did Not Include it on the ANC’s Checks until December 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. The audit team found that ANC 3G officers included the phrase “District of Columbia Government” in the ANC’s checking and savings account names effective with the ANC’s January 2001 bank statements.
D.C. Code, Section 1-309.13(f), states, in relevant part, that any ANC check shall bear the phrase “District of Columbia Government” on its face. By letter to all ANCs, dated February 27, 2001, the D.C. Auditor reiterated this requirement. The Auditor’s letter indicated that, “it is essential that all ANCs close existing accounts, destroy unused checks for such accounts, open new accounts, and acquire new checks.” The audit team found that ANC 3G officers did not comply with D.C. Code, Section 1-309.13(f) by including “District of Columbia Government” on the face of its checks until December 2001, approximately 15 months after the deadline established by the ANC law. During this 15-month period, approximately $5,597 was disbursed from ANC 3G’s checking account on checks that did not comply with the ANC law.

ANC 3G Grant Disbursements Substantially Complied with the ANC Law

According to D.C. Code, Section 1-309.13(m)(1) and (2):

(1) A grant may not be awarded unless the grant is awarded pursuant to a vote of the Commission at a public meeting following the public presentation of the grant request. A Commission may approve grants only to organizations that are public in nature and benefit persons who reside or work within the Commission area. The services provided by the grantee organization must not be duplicative of any that are already performed by the District government.

(2) An applicant for a grant must submit an application in writing to the Commission. The application shall contain:

(A) A description of the proposed project for which the grant is requested;

(B) A statement of expected public benefits; and

(C) The total cost of the proposed project, including other sources of funding, if any.

(3) Within 60 days following the issuance of a grant, the grant recipient shall forward to the Commission a statement as to the use of the funds consistent with the grant application, complete with receipts which support the expenditures.

(4) Grant disbursements shall be included in quarterly financial reports submitted to the Auditor.
The audit team found that ANC 3G awarded five grants totaling approximately $2,094. Table II presents information regarding the grants awarded.

TABLE II  
Grants Awarded by ANC 3G  
October 1, 1998 Through March 31, 2002

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Date</th>
<th>Amount</th>
<th>Payee</th>
</tr>
</thead>
<tbody>
<tr>
<td>439</td>
<td>06/27/01</td>
<td>500.00</td>
<td>Historic Chevy Chase</td>
</tr>
<tr>
<td>440</td>
<td>06/27/01</td>
<td>500.00</td>
<td>Friends of Chevy Chase Library</td>
</tr>
<tr>
<td>441</td>
<td>06/27/01</td>
<td>500.00</td>
<td>Friends of Lafayette Park</td>
</tr>
<tr>
<td>442</td>
<td>06/27/01</td>
<td>394.80</td>
<td>Chevy Chase Citizens Association</td>
</tr>
<tr>
<td>443</td>
<td>06/27/01</td>
<td>198.73</td>
<td>Lakeshore</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$2,093.53</td>
<td></td>
</tr>
</tbody>
</table>

Source ANC 3G records

The Auditor found that ANC 3G Commissioners substantially complied with the grant provisions of the ANC law. The grantee organizations submitted letters to ANC 3G describing the projects for which the request was made and how grant funds would be used. Also, according to the audit team’s review of ANC 3G minutes, representatives from each of the grantee organizations made a presentation at an ANC 3G public meeting. The grants awarded were public in nature and were approved by a majority of ANC 3G Commissioners in a public meeting. The Auditor further found, however, that for three of the five grant disbursements, ANC 3G did not obtain receipts and a statement as to the use of the funds from grant recipients, as required by the ANC law, to ensure that funds were used for the grant purpose approved by the Commission. For one of the grants awarded, the ANC wrote the check directly to the vendor rather than to the grantee organization. Therefore, receipts were not obtained from that grantee. Another grantee submitted a letter indicating how funds were disbursed but did not include originals or copies of receipts. For the third grantee, ANC 3G’s treasurer indicated that he and other Commissioners were able to personally observe the items purchased and were therefore assured that funds had been expended as stipulated by the ANC. Nevertheless, the ANC law requires that the ANC must obtain a statement as to the use of the funds and receipts from grantees documenting the expenditure of grant funds awarded by ANC.
RECOMMENDATION

ANC 3G Commissioners must ensure that within 60 days following the issuance of a grant, the grant recipient forwards a statement to the ANC as to the use of the funds consistent with the grant application, complete with receipts which support the expenditures. ANC 3G must provide the Auditor with a statement from grantees as to the use of grant funds along with supporting documentation including invoices and receipts for all grants awarded during the audit period or grants lacking statements and supporting financial documentation will be deducted from ANC 3G’s next quarterly allotment.

CONCLUSION

ANC 3G’s disbursements and financial operations complied substantially with the Advisory Neighborhood Commissions Act of 1975, as amended, Advisory Neighborhood Commission Financial Management Guidelines issued by the Office of the District of Columbia Auditor, and legal opinions issued by the District of Columbia Corporation Counsel. Additionally, ANC 3G established a substantial number of additional internal control procedures which were designed to further strengthen the ANC’s ability to produce reliable financial information and ensure that its assets were properly safeguarded.

The audit team found that ANC 3G’s records were well organized and maintained in an exemplary manner. Receipts, invoices, and other documents which supported disbursements were easily accessible. The ANC met or exceeded the required number of public meetings to be held each year. Disbursements were approved by a majority of Commissioners at a public meeting and were supported by invoices or receipts. Checks were signed by at least two officers, one of which was the chairperson or treasurer. Bank statements were reconciled to the checkbook balance on a monthly basis. Additionally, quarterly financial reports were submitted to the Office of the D.C. Auditor before the filing deadline. These areas of ANC 3G’s financial operation were conducted in an outstanding manner that serves as an excellent model for other ANCs.

The audit team, however, did find some areas of the ANC’s financial operations that did not fully comply with relevant provisions of ANC law. For example, ANC 3G officers did not include the phrase “District of Columbia Government” on the face of its checks until 15 months after the deadline established by the ANC law, however, and most importantly, it did include the phrase in its savings and checking account names. Finally, all grant recipients did not submit a statement as to the use of grant funds complete with receipts indicating that grant funds were used as stipulated by the ANC.
Pursuant to D.C. Code, Section 1-309.13(d)(3), ANC 3G 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 3G’s next scheduled quarterly allotment until a response is filed.

Respectfully submitted,

[Signature]

Deborah K. Nichols
District of Columbia Auditor