



Fiscal Year 2014 Annual Report on Advisory Neighborhood Commissions

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A Report by the Office of the District of Columbia Auditor
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In accordance with D.C. Code § 1-309.13 (d) (1), the Office of the District of Columbia Auditor (ODCA) hereby submits the fiscal year (FY) 2014 consolidated Annual Report on Advisory Neighborhood Commissions (ANCs).¹ Information presented in this report is a compilation of financial activity that was obtained from quarterly financial reports submitted by ANCs for FY 2014 and information from the District of Columbia Office of the Chief Financial Officer.

We did not prepare this report as an audit as defined by the Government Accountability Office’s Government Auditing Standards.

Explanation of Tables and Appendices

This report includes two tables and six appendices, which provide details on the FY 2014 financial activities of the District’s 40 ANCs. Tables I and II and Appendices I through VI present the following information:

Table I	Total Funds Maintained by all ANCs as of September 30, 2014
Table II	FY 2014 Categories of Increases and Decreases in Expenditures
Appendix I	Summary of Receipts and Disbursements: FYs 2005 - 2014
Appendix II	FY 2014 Disbursement Summary by Ward and Category
Appendix III	FY 2014 Percentage of Available Funds Spent
Appendix IV	ANC Savings Account Balances as of September 30, 2014
Appendix V	Allocation of the \$677,688.00 FY 2014 ANC Appropriation
Appendix VI	Summary of FY 2014 Quarterly Receipts and Disbursements

In Appendix IV, we present the savings account balances of the eight ANCs that maintain savings accounts. The remaining 32 ANCs only have checking accounts. In each ANC’s Summary of FY 2014 Quarterly Receipts and Disbursements presented in Appendix VI, the absence of financial data in a given category is due to the fact that the ANC reported no financial activity.

¹ See D.C. Code § 1-309.13 (d) (1) which states in part: “The Auditor shall produce and submit to the Council a consolidated annual report of the financial activity of all the Commissions.”

FY 2014 Appropriation to Advisory Neighborhood Commissions

For FY 2014, ANCs were appropriated \$677,688 which was identical to the amount appropriated for FY 2013. The \$677,688 was apportioned among the 40 ANCs as presented in Appendix V.²

District of Columbia Auditor Recommended Releasing a Total of \$646,569.13 of the \$677,688 FY 2014 ANC Appropriation

ODCA recommended releasing a total of \$646,569.13 of the \$677,688 FY 2014 ANC appropriation.³ ODCA recommended disallowing a total of \$31,118.87 for ANC expenditures that did not comply with the ANC rules and regulations and that were unauthorized or lacked proper supporting documentation.

Total Funds Maintained by All ANCs, as of September 30, 2014

Total funds maintained by all ANCs combined, as of September 30, 2014, totaled \$1,845,537.30. Funds released to ANCs do not revert to the District's general fund at the end of the fiscal year. Table I presents the total funds maintained by all ANCs combined, as of September 30, 2014.

Table I
Total Funds Maintained by All ANCs as of September 30, 2014

Bank Balance (as of Oct 1, 2013)	\$1,089,959.40
Deposited Allotments in FY 2014⁴	\$565,950.23
Other Deposits to ANC Checking Accounts	\$26,025.02
Saving Account Balances Maintained by ANCs	\$163,602.65 ⁵
Total	\$ 1,845,537.30

Source: ANC Quarterly Financial Reports

FY 2014 ANC Expenditures Decreased by 27.62 Percent from FY 2013 Overall

ODCA reviews quarterly reports of financial activity submitted by ANCs to determine whether all expenditures are allowable and in accordance with ANC rules and regulations. For example, expenditures for entertainment or services provided by another District agency are not permitted. ODCA also reviews reports to determine whether expenditures are supported with adequate documentation. ODCA does not control the amount that ANCs spend on the various categories of allowable expenditures. FY 2014 ANC expenditures totaled \$605,670, which was a decrease of \$231,117 or 27.62 percent, from FY 2013 expenditures of \$836,788. The largest percentage decreases occurred in the following categories: Insurance – Health, Other, Flyer Distribution, and Local Transportation. The largest percentage increases occurred in the following categories: Office Equipment-Purchase, Office Equipment – Rental, Telephone Service-Cellular, and Purchase of Service.

² D.C. Code § 1-207.38 (e) states, in relevant part, that: "The funding apportioned to each Advisory Neighborhood Commission shall bear the same ratio to the full sum allotted as the population of the neighborhood bears to the population of the District."

³ Some FY 2014 allotments were not disbursed until FY 2015.

⁴ Deposited allotments in FY 2014 include some FY 2013 allotments that were delayed.

⁵ See Appendix IV

The largest single dollar difference between the two fiscal years – a \$255,469 decrease in the “other” category – is a result of the reorganization of ANCs that occurred in FY 2013 following the 2010 census. ANCs 2C, 5A, 5B, 5C and 6C were required to submit all unfunded monies to the D.C. Treasurer to fund the newly formed ANCs 5D, 5E and 6E and the restructured ANCs 2C, 5A, 5B, 5C, and 6C.

Another significant dollar difference shown in Table II – an increase of \$39,049 in the “purchase of service” category – is due primarily to ANCs changing the way in which they compensated staff, changing what had been categorized as “net salaries and wages” into a purchase of service via contract. ANC 3D, for example, reported \$17,400 in expenditures under purchase of service, the majority of which was to compensate office staff.

Table II presents categories of increases and decreases in ANC expenditures:

Table II
Fiscal Year 2014 - Categories of Increases and Decreases in Expenditures

Expenditure Category	FY 2013	FY 2014	\$ Difference	% Difference
Office Equipment - Purchase	\$1,074.44	\$13,610.53	\$12,536.09	1167%
Office Equipment - Rental	\$21,851.52	\$38,379.54	\$16,528.02	76%
Telephone Service- Cellular	\$24,190.95	\$36,410.69	\$12,219.74	51%
Purchase of Service	\$80,167.53	\$119,213.97	\$39,046.44	49%
Telephone Service – Cable/Internet	\$4,983.27	\$6,975.93	\$1,992.66	40%
Local Income Taxes Paid	\$4,111.83	\$5,275.07	\$1,163.24	28%
Printing and Duplicating	\$18,720.50	\$21,128.41	\$2,407.91	13%
Bank Service Charges	\$3,718.51	\$4,175.01	\$456.50	12%
Unemployment Insurance Taxes	\$1,746.03	\$1,836.19	\$90.16	5%
Training	\$436.29	\$450.00	\$13.71	3%
Insurance-Casualty/Property	\$0.00	\$25.00	\$25.00	0%
Transfer to Savings Account	\$0.00	\$0.00	\$0.00	0%
Fed Wage Taxes Paid	\$23,682.36	\$22,752.40	(\$929.96)	-4%
Telephone Service-Landline	\$27,361.64	\$26,256.57	(\$1,105.07)	-4%
Grants	\$78,379.32	\$75,070.14	(\$3,309.18)	-4%
Website/Webhosting	\$15,475.04	\$13,854.57	(\$1,620.47)	-10%
Net Salaries and Wages	\$127,609.26	\$109,189.14	(\$18,420.12)	-14%
Utilities	\$6,446.17	\$5,155.38	(\$1,290.79)	-20%
Postage and Delivery	\$3,367.95	\$2,449.32	(\$918.63)	-27%
Office Rent	\$79,489.18	\$57,739.25	(\$21,749.93)	-27%
Office Supplies and Expenses	\$20,504.91	\$13,798.14	(\$6,706.77)	-33%
Petty Cash Reimbursement	\$1,271.34	\$831.23	(\$440.11)	-35%
Tax Penalties Paid	\$3,704.75	\$1,949.95	(\$1,754.80)	-47%
Local Transportation	\$1,212.02	\$430.35	(\$781.67)	-64%
Flyer Distribution	\$3,854.60	\$1,361.07	(\$2,493.53)	-65%

Other	\$282,846.57	\$27,352.57	(\$255,494.00)	-90%
Insurance-Health	\$581.67	\$0.00	(\$581.67)	-100%
Total	\$836,787.65	\$605,670.42	-\$231,117.23	-27.62%

Source: ANC Quarterly Financial Reports for FY 2013 and the FY 2014

Wide Variation in Individual Commission Expenditures

In FY 2014, individual Commissions reported wide differences in the decisions made in how allotments were spent. A total of 12 ANCs reported paying salaries, ranging up to \$19,000 paid in that category by ANC 6B. As mentioned above, several other ANCs hired and compensated staff, but paid as a purchase of service, and those totals are recorded in that budget line. Fourteen ANCs reported paying rent for office space, ranging from \$75 paid by ANC 1D to \$11,000 paid by ANC 6B.

Fourteen ANCs made grants in 2014, while the remaining 26 did not. ANC 1A awarded the largest amount of grant dollars, \$12,886 of their annual allotment. A majority of ANCs chose not to pay for cell phones, but seven ANCs did support this expenditure. ANC 8B reported paying just under \$10,000 and ANC 8E paid just over \$10,000 in cell phone costs.

Late Filing of Quarterly Financial Reports in FY 2014

ANCs are required to file quarterly financial reports with ODCA. During FY 2014, 78 reports were filed on or before the due dates and 82 were filed after the due dates. The following shows the number of days by which ANCs missed the report submission deadline.

Over 120 days	4
61 to 120 days	12
31 to 60 days	21
1 to 30 days	45

Total reports filed after the deadline in FY 2014.....82

ANC Chairpersons and Treasurers should continue to work with the Executive Director of the Office of Advisory Neighborhood Commissions to ensure that ANC quarterly financial reports are consistently filed in a timely manner. Late filing of quarterly reports results in ANCs not receiving allotments in a timely manner. Additionally, late filing of quarterly reports may also result in the forfeiture of an ANC quarterly allotment⁶.

⁶ D.C. Official Code § 1-309.13(j)(3) (2011 Supp.), states that: "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. [emphasis added]"

Some ANCs Lack Necessary Internal Controls

We found that some ANCs did not comply with internal control procedures recommended by ODCA. Internal controls are designed to ensure that ANCs operate in a manner that is consistent with ANC rules, regulations and laws, and serve to protect District assets from waste, fraud and abuse. In FY 2014, we found that some ANCs:

- Failed to provide appropriate or sufficient documentation to support expenditures;
- Lacked sufficient separation of duties related to ANC financial operations;
- Failed to ensure grantees submitted documentation to support grant expenditures;
- Failed to maintain minutes for all public ANC meetings memorializing approval of expenditures at a public meeting; and
- Lacked regular reconciliation of ANC checking accounts.

Each year, we continue to find a significant number of ANCs who are not properly reconciling their checking accounts and quarterly reports. As a result, ANCs often report incorrect ending and beginning balances on their quarterly reports. For purposes of this annual report, ODCA used each ANC's October 1, 2013 bank statement balance as the starting point for Appendix VI, the Summary of FY 2014 Quarterly Receipts and Disbursements.

We also note that ODCA disallowed \$31,118.87 of the \$677,688.00 appropriated to ANCs in FY 2014 due to the failure of ANCs to comply with rules, regulations and laws and a lack of authorization or proper supporting documentation. For ANCs to fully achieve their mission and to ensure that ANCs properly and effectively address the needs of residents, ANCs must develop and implement appropriate internal controls.

In FY 2014, ODCA continued to: attend ANC public meetings, meet face-to-face with Commissioners in our office and onsite at their offices, and communicate with ANCs through social media. Attending ANC public meetings is part of our effort to help ANCs effectively manage their finances. In addition, attending ANC meetings increases our understanding of the operations of the ANCs.

We will continue to work with ANCs to strengthen compliance with internal control procedures to protect ANC assets and District resources, and increase accountability and public trust.

Conclusion

Based on a review of FY 2014 quarterly financial reports and audits of several ANCs, most ANCs made a concerted effort to comply with ANC rules and regulations, Office of the Attorney General opinions, and ODCA's financial management guidelines. ODCA will continue to monitor the compliance of each ANC with rules, regulations, and laws through a review of quarterly financial reports and audits. ODCA remains committed to promoting and strengthening the financial accountability of each ANC.

Appendix I

Appendix II

Appendix III

Appendix IV

Appendix V

Appendix VI