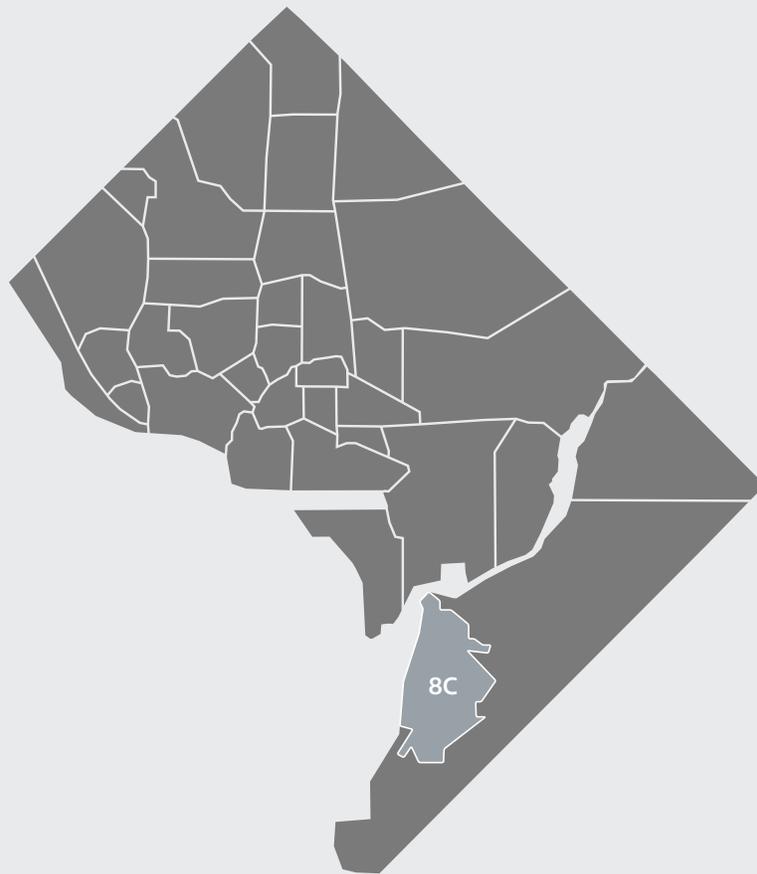


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# ANC 8C Misappropriated Funds

August 23, 2019

A report by the Office of the District of Columbia Auditor



**Audit Team**  
Julie Lebowitz, Deputy Auditor  
Ingrid Drake, Auditor-in-Charge  
Fredericka Shaw, Program Analyst

# Executive Summary

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## What ODCA Found

The former ANC 8C Treasurer and former Chairperson misappropriated funds resulting in \$15,688 in unauthorized spending and \$14,188 of what appears to be fraudulent spending.

Elected members of the ANC 8C Commission failed to carry out their fiduciary duties, resulting in the loss of allotments totaling \$16,466 for FY 2018 and \$8,233 for FY 2019.

## Why ODCA Did This Audit

Advisory Neighborhood Commissions (ANCs) are a unique product of the District's Home Rule Charter and have been operating since 1976. They are non-partisan and composed of locally-elected representatives called Advisory Neighborhood Commissioners. The review was requested by the current Chairperson of ANC 8C.

## What ODCA Recommends

1. The Office of the Inspector General (OIG) should investigate this matter and determine whether the Treasurer and former Chairperson committed fraud and should repay the Commission.
2. The D.C. Council should amend the law to require that any equipment (i.e. computers, cell phones, laptops, printers, tablets, iPads, etc.) not turned in by January 31, will be charged to the Commissioner holding such equipment, who should be held financially responsible for reimbursing the Commission.
3. The Office of Advisory Neighborhood Commissions (OANC) should review all 40 ANC bylaws to ensure compliance with D.C. Code.
4. The Council should amend the law to require additional financial controls, including requiring the OANC to freeze ANC bank accounts if an ANC does not comply with submission of two consecutive quarterly reports that meet the requirements of D.C. Code § 1-309.13(j)(1), including supporting documentation, bank statements, and minutes to ensure proper review. The bank account should remain frozen until the ANC has documented and the OANC has confirmed its adherence to the law.
5. The OANC should receive and review monthly bank statements from Office of Finance and Resource Management (OFRM) for all 40 ANCs to identify any suspicious or non-authorized activity and to ensure that ANCs that do not participate in the Security Fund or submit a cash surety bond do not have disbursements beyond bank fees.

# Table of Contents

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Background ..... 1

Objectives, Scope, and Methodology .....3

Audit Results ..... 4

Conclusion ..... 10

Agency Comments ..... 11

ODCA Response to Agency Comments..... 15

Summary of Report Recommendations ..... 16

# Background

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Advisory Neighborhood Commissions (ANCs) are a unique feature of the District's Home Rule Charter and have been operating since 1976. They are non-partisan and composed of locally elected representatives called Advisory Neighborhood Commissioners. There are currently 40 ANCs. Each ANC is comprised of smaller Single Member Districts, a geographic area that represents 2,000 people, each with an Advisory Neighborhood Commissioner, of which there are currently 296. The Commissioners serve two-year terms without pay. Their purpose is to bring government closer to the people, and to bring the people closer to government. Their primary job is to be their neighborhood's official voice in advising the District government (and federal agencies) on things that affect their neighborhoods. This is all according to the official District government ANC website.<sup>1</sup>

The District government appropriates funds each year to the ANCs. ANC allocations totaled \$677,688 in FY 2019. These annual allocations are distributed quarterly as allotments.<sup>2</sup> To receive these funds the ANCs need to establish no more than one checking account at a federally-insured commercial bank, savings and loan association, credit union, or any combination thereof.<sup>3</sup> Each Commission may also obtain one debit card associated with this account.<sup>4</sup> Details of these accounts are to be provided to ODCA.<sup>5</sup>

The D.C. Code spells out many requirements to ensure that the ANCs operate transparently and are accountable, especially controls over expenditures, such as what funds can be used for and approval of an annual spending plan. For example, each Commission shall:

- Meet in public session at regular intervals at least nine times per year.<sup>6</sup>
- Establish bylaws governing its operation and internal structure, i.e. a statement of Commission responsibilities and the manner of selection of Chairpersons and other officers.<sup>7</sup>
- Elect a Chairperson, Vice-Chairperson, Secretary, and Treasurer from among its members at a public meeting of the Commission in January of each year.<sup>8</sup>

In April 2017, ANC financial management and oversight was transferred from ODCA to the Office of the Advisory Neighborhood Commissions (OANC).<sup>9</sup> These responsibilities included reviewing quarterly reports, which included review of bank statements, minutes, and account records, recommending allotment releases, biennial financial management training, answering Commissioner questions on grants and supporting documentation, and review of monthly bank statements.

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1 Advisory Neighborhood Commissions, "About ANCs". See: <https://anc.dc.gov/page/about-ancs>

2 D.C. Code § 1-309.13(a)

3 D.C. Code § 1-309.13(b)(1)

4 D.C. Code § 1-309.13(b-1)(1)

5 D.C. Code § 1-309.13(c)

6 D.C. Code § 1-309.11(b)(1)

7 D.C. Code § 1-309.11(d)(1)

8 D.C. Code § 1-309.11(e)(1)

9 B21-0697, the "Advisory Neighborhood Commissions Omnibus Amendment Act of 2016", Law 21-269, effective April 7, 2017, and B22-162, the "Advisory Neighborhood Commission Transfer Authorization Emergency Act of 2017", effective March 28, 2017.

## **ANC Security Fund Exists to Protect the ANC and its Constituents**

The Advisory Neighborhood Commission Security Fund (Fund) was established to insure ANCs against unauthorized expenditures or loss of funds.<sup>10</sup> The Fund does not cover any loss as the result of an expenditure authorized by a vote of a Commission.<sup>11</sup> The Fund is held in the custody of a Board of Trustees (Trustees) composed of the Secretary of the District of Columbia, the General Counsel to the Council of the District of Columbia, and the Office of the District of Columbia Auditor (ODCA).<sup>12</sup>

An ANC is eligible to participate in the Fund if the Treasurer and the Chairperson of the ANC agree in writing to be personally liable to the Fund for any sum paid out by the Fund as a result of the Treasurer or Chairperson's wrongful misappropriation or loss of ANC monies.<sup>13</sup> An ANC becomes a participant of the Fund and is eligible to recover losses upon payment to the Fund of an annual contribution at the beginning of the fiscal year in an amount to be determined by the Trustees.<sup>14</sup>

The experience of ANC 5B almost a decade ago shows the value of the Security Fund. ANC 5B lost approximately \$30,000 due to unauthorized expenditures made by their elected Chairperson between August 2010 and April 2011. To recover the losses associated with the unauthorized expenditures, ANC 5B, a participant of the ANC Security Fund at the time, requested a reimbursement totaling \$15,467.67 from the ANC Security Fund Board of Trustees. On December 7, 2011, the Board approved the request and authorized the transfer of \$15,467.67 from the Fund to ANC 5B.<sup>15</sup>

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10 D.C. Code § 1-309.14(a)

11 Id.

12 Id.

13 D.C. Code § 1-309.14(b)

14 Id.

15 Related to this earlier action, on December 19, 2011, a settlement agreement between the District government and the former Chairperson of ANC 5B ordered the former Chairperson to make a payment sum of \$28,878.46 payable to the D.C. Treasurer. At a minimum, according to the agreement, \$15,467.67 was to be reimbursed to the Security Fund.

# Objective, Scope, and Methodology

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## Objective

The objective of this audit was to determine whether ANC 8C's expenditures complied with applicable laws, guidelines, policies, procedures, and legal opinions, and, specifically, whether all expenditures have been properly documented and supported.

The review was requested by the current Chairperson of ANC 8C.

## Scope

The scope of this review was fiscal year (FY) 2017 through March 31, 2019.

## Methodology

To conduct this review, we:

- Reviewed all expenditures and supporting documentation from ANC 8C.
- Attempted to interview the former ANC 8C Chairperson and Treasurer.
- Reviewed all ANC 8C meeting minutes.
- Reviewed all bank statements.
- Reconciled meeting minutes to bank statements.
- Interviewed the current ANC 8C Chairperson and Treasurer.
- Interviewed the Office of Advisory Neighborhood Commissions Executive Director.

This report was drafted, reviewed, and approved in accordance with the standards outlined in ODCA's Policy and Procedure Manual.

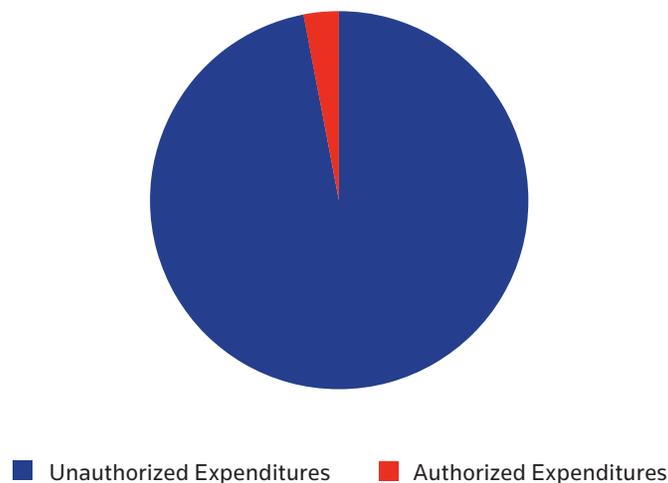
# Audit Results

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## The former ANC 8C Treasurer and former Chairperson misappropriated funds resulting in \$15,688 in unauthorized spending and \$14,188 of what appears to be fraudulent spending.

We reviewed 40 expenditures, totaling \$16,123, and found \$15,688 was not authorized and \$14,188 appears to be fraudulent. Figure 1 shows that unauthorized expenditures made up 97 percent of ANC 8C's FY 2017 through March 31, 2019, spending.

Figure 1: Authorized and Unauthorized ANC 8C Expenditures, FY 2017 Through March 31, 2019



Source: ODCA Analysis

Of the unauthorized expenditures, \$14,188 was comprised of checks **made out to the former Treasurer Rhonda Edwards-Hines** and signed by her and the former Chairperson Mary Cuthbert.<sup>16</sup> There was **no documentation provided** to support these checks. Additionally, there were two unauthorized checks made to a community organization, Project GiveBack, totaling \$1,500. The description per the check memos stated, "Community Grant" and "Grant." Project GiveBack's website states that its mission in part "is to provide a vehicle for corporate firms and professionals to give back to the communities where they work and live in by coordination programs that benefit less fortunate individuals and families, with a focus on children." Figure 2 on the following page details these expenditures, including the amount and the description noted on the check.

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<sup>16</sup> D.C. Code § 1-309.13(f)(2)(A) requires each check to be signed by at least 2 officers of the ANC, one of whom shall be the Treasurer or Chairperson.

Figure 2: Summary of ANC 8C Unauthorized Expenditures, FY 2017 Through March 31, 2019

Date on check	Payee	Check Signed By	Description per Check Memo	Check #	Amount
6/12/2017	Rhonda Edwards-Hines	Rhonda Edwards-Hines and Mary Cuthbert	Transportation reimbursement	1751	\$265
6/12/2017	Rhonda Edwards-Hines	Rhonda Edwards-Hines and Mary Cuthbert	Cell phones	1752	\$2,988
9/8/2017	Rhonda Edwards-Hines	Rhonda Edwards-Hines and Mary Cuthbert	Cell phone	1753	\$2,060
11/1/2017	Project GiveBack	Rhonda Edwards-Hines and Mary Cuthbert	Community Grant	1754	\$500
11/8/2017	Rhonda Edwards-Hines	Rhonda Edwards-Hines and Mary Cuthbert	Computer	1755	\$800
4/6/2018	Rhonda Edwards-Hines	Rhonda Edwards-Hines and Mary Cuthbert	Cell phone bills and supplies	1757	\$2,275
5/4/2018	Rhonda Edwards-Hines	Rhonda Edwards-Hines and Mary Cuthbert	For new phone/cover	1758	\$1,200
8/18/2018	Rhonda Edwards-Hines	Rhonda Edwards-Hines and Mary Cuthbert	Phone, laptop, printer, cell phone bill	1759	\$4,600
11/12/18	Project GiveBack	Rhonda Edwards-Hines and Mary Cuthbert	Grant	1760	\$1,000
<b>Total unauthorized checks to Rhonda Edwards-Hines</b>					<b>\$14,188</b>
<b>Total unauthorized checks for grants</b>					<b>\$1,500</b>
<b>Total unauthorized checks</b>					<b>\$15,688</b>

Source: ODCA Analysis

These expenditures were unauthorized because they were not in compliance with the following legal requirements:

- The expenditures were not authorized per the ANC’s budget (financial plans) or approved at a public meeting, as required by D.C. Code and the ANC 8C bylaws.<sup>17</sup>
- ANC 8C did not include any approval of a budget in its minutes, or in its quarterly financial reports submitted to the OANC.<sup>18</sup>

<sup>17</sup> D.C. Code § 1-309.13(f)(1)

<sup>18</sup> D.C. Code § 1-309.10(n) and § 1-309.13(j)(1)

- All grants are to be supported by a grant application and minutes showing approval of the request at a public meeting. Further, the applicant must provide a Statement of Use within 60 days.<sup>19</sup>

Additionally, if these expenditures were as described in the check description (laptop, printer, new phone, computer), D.C. Code requires that it shall remain in the ownership of the D.C. government.<sup>20</sup> According to the current Treasurer and current Chairperson none of the equipment referred to in the notes is currently in the possession of ANC 8C.

While these payments were clearly unauthorized, there are also indicators that they were potentially fraudulent. When we compared ANC 8C’s meeting minutes to the activity listed on the bank statements, we found two instances in which the former Treasurer provided false information to the ANC during the presentation of the Treasurer’s report, as detailed in Figure 3.

Figure 3: Dates, Notes, and Analysis of ANC 8C Bank Statements

Date of Meeting Minutes	Notes from Treasurer’s Report	ODCA Analysis of ANC 8C Bank Statements
<b>October 4, 2017</b>	No expenditures were made in September	<b>September 8, 2017:</b> Rhonda Edwards-Hines wrote herself a check (#1753) for \$2,060 with “Cell phone” written in the memo
<b>May 5, 2018</b>	No expenditures were made in April	<b>April 6, 2018:</b> Rhonda Edwards-Hines wrote herself a check (#1757) for \$2,275 with “Cell phone bills and supplies” written in the memo

Source: ODCA Analysis

We were able to obtain meeting minutes for only six monthly meetings during the two years of our scope when Mary Cuthbert and Rhonda Edwards-Hines were Chairperson and Treasurer, respectively. According to one of these documents, the former Treasurer was not present for the meeting. In another month, the former Treasurer did not provide a Treasurer’s report. In two out of the four months in which the former Treasurer provided a report, she provided inaccurate information.

It is not clear why the former Chairperson and former Treasurer made these expenditures and why the former Treasurer did not report them. Neither the former Treasurer nor the former Chairperson was willing to speak with us about these transactions prior to our issuing a draft report. Both attended the annual ANC training and were instructed about their fiduciary responsibilities. In addition, the former Chairperson has sufficient prior experience as a Commissioner and Chairperson to know the requirements on signing checks without proper support.

<sup>19</sup> D.C. Code § 1-309.13(m)

<sup>20</sup> D.C. Code § 1-309.13 (r) states that “[a]ny document created by requirement of [this part](#), and any equipment purchased by, or on behalf of, a Commission, is the property of the District, and not the property of any Commissioner or other individual.”

We found the Commission did not have sufficient internal controls related to equipment. The Commission’s bylaws, approved December 2, 2013, were out of compliance with D.C. Code, as they stated that Commissioners can keep the cell phone purchased by the Commission after serving two terms, as shown in Figure 4 on the following page.

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**Figure 4: ANC 8C Bylaws Showing Commissioners May Keep Cell Phones After Serving Two Terms**

**Section 3. After a commissioner has served two terms he or she may keep their cell phone.**

Source: ANC 8C Bylaws, Rules, Amended December 2, 2013

D.C. Code clearly states that the bylaws shall be consistent with the portion of the Code dealing with ANCs, as well as all other applicable laws.<sup>21</sup> The OANC is tasked with “creating, updating, and distributing” a template for bylaws<sup>22</sup> and all bylaws are to be filed with the D.C. Council and the OANC.<sup>23</sup> There is no explicit requirement that the OANC must review individual Commission bylaws for legal compliance.

ANC 8C and its constituents are harmed by the unauthorized use of more than \$15,688 in public funds. The monies could have been used for legitimate purposes, they could have been used to assist in the functioning of ANC 8C (i.e. supplies, rent) or to assist in meeting the needs of the community through grants to neighborhood groups. Additionally, unauthorized expenditures reflect poorly upon the reputation and morale of the ANC and detract from its purpose to bring government to the neighborhood and the neighborhood to the government.

## Recommendations

1. The Office of the Inspector General (OIG) should investigate this matter and determine whether the Treasurer and former Chairperson committed fraud and should repay the Commission.
2. The D.C. Council should amend the law to require that any equipment (i.e. computers, cell phones, laptops, printers, tablets, iPads, etc.) not turned in by January 31, will be charged to the Commissioner holding such equipment, who should be held financially responsible for reimbursing the Commission.
3. The OANC should review all 40 ANC bylaws to ensure compliance with D.C. Code.

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<sup>21</sup> D.C. Code § 1–309.11(d)(2)

<sup>22</sup> D.C. Code § 1–309.15(c)(6)

<sup>23</sup> D.C. Code § 1–309.11(d)(3)

## **Elected members of the 8C Commission failed to carry out their fiduciary duties, resulting in the loss of allotments totaling \$16,466 for FY 2018 and \$8,233 for FY 2019.**

As the unauthorized expenditures discussed above took place over several years, it is clear that ANC 8C was not conducting sufficient monitoring of its finances for an extended period of time. The ANC failed to comply with a number of the controls built into the law to ensure that ANC spending is appropriate, approved, and transparent.

Specifically:

- ANC 8C did not submit documentation to show that for both 2017 and 2018 it held the required nine meetings during which time the Treasurer was to have provided a report.<sup>24</sup>
- ANC 8C did not approve a budget in FY 2017 or in FY 2018, as required by law.<sup>25</sup>
- ANC 8C failed to submit quarterly reports with proper supporting documentation (bank statements, invoices for purchases/bills) for all quarterly reports in FY 2017 and FY 2018.<sup>26</sup>
- ANC 8C failed to provide the support needed to participate in the calendar years 2017 and 2018 Security Fund, which protects the ANC from the loss of funds.<sup>27</sup> For example, in 2017, it did not provide a copy of the bank signature card that shows the account name includes “D.C. Government,” as required,<sup>28</sup> or a copy of the bank survey that includes the signature of a bank representative.
- There was no support to substantiate the two grants it made totaling \$1,500. ANCs are required to show in their meeting minutes that the grant application was approved at a public meeting.<sup>29</sup>

There have been notable improvements in complying with the law in the last quarter of our scope when ANC 8C has had newly elected Commissioners. For example:

- For 2019, ANC 8C provided meeting minutes for all three months of our scope (January, February, and March) to show that meetings were held.<sup>30</sup>
- In May 2019, ANC 8C approved a FY 2019 budget.
- For FY 2019, ANC 8C provided support that it did not have any financial activity for the first two quarters but has not yet submitted quarterly financial reports.
- ANC 8C has been approved to participate in the 2019 Security Fund.

When ODCA had oversight of ANC financial management it noted that ANC 8C had major issues. The ANC had not responded to ODCA emails, reports had not been submitted for all of FY 2016, and the ANC did not participate in the ANC Security Fund or provide evidence of obtaining a cash surety bond for 2016. This lack of compliance resulted in the forfeiture of allotments and ODCA took possession of the ANC checkbook. These issues were brought

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24 D.C. Code § 1-309.13(c-1) The treasurer of each Commission shall maintain an up-to-date treasurer’s report that shall be available for any Commissioner or member of the public to review at each regular public Commission meeting.

25 D.C. Code § 1-309.10(n)

26 D.C. Code § 1-309.13 (j)(1) specifies the requirements for quarterly reports.

27 D.C. Code § 1-309.14

28 D.C. Code § 1-309.13(b)(2)

29 D.C. Code § 1-309.13 (m)(1) states that “[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.”

30 ANC 8C also provided meeting minutes from its April and May 2019 meetings, which are outside of our scope.

to the attention of the OANC during the transition of responsibilities and financial oversight in April 2017 as well as transferring ANC 8C's checkbook to the OANC. The OANC returned ANC 8C's checkbook to the former Chairperson on June 12, 2017, the same day the former Treasurer wrote herself two checks totaling \$3,253.

The failure of the previous ANC 8C Commissioners to carry out their fiduciary duties during our audit scope resulted in the loss of allotments totaling \$16,466 for FY 2018. These funds are lost to ANC 8C constituents as the Funds were transferred to the General Fund. Additionally, ANC 8C's lack of participation in the Security Fund in 2017 and 2018 prevents them from consideration for reimbursement by the Security Fund.

Pursuant to D.C. Code § 1-309.13(d)(3), ANC 8C must respond in writing to these violations detailed in this report within 90 days.

## **Recommendations**

4. The D.C. Council should amend the law to require additional financial controls, including requiring the OANC to freeze ANC bank accounts if an ANC does not comply with submission of two consecutive quarterly reports that meet the requirements of D.C. Code § 1-309.13(j)(1), including supporting documentation, bank statements and minutes to ensure proper review. The bank account should remain frozen until the ANC has documented and the OANC confirmed compliance with the law.
5. The OANC should receive and review monthly bank statements from the Office of Finance and Resource Management (OFRM) for all 40 ANCs to identify any suspicious or non-authorized activity and to ensure that ANCs that do not participate in the Security Fund or submit a cash surety bond do not have disbursements beyond bank fees.

# Conclusion

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Advisory Neighborhood Commissioners are elected and entrusted by their neighbors to be their neighborhood's official voice in advising the District government (and federal agencies) on things that affect their neighborhoods. The Commissions receive public funds to carry out this duty. There are several agencies, including ODCA, involved in oversight to ensure these duties are carried out and these funds are used appropriately.

The current ANC 8C leadership appropriately referred to us their concerns about the actions of the previous Chairperson and previous Treasurer. Unfortunately, our analysis suggests that public funds were misused, and potentially fraudulently. We referred this matter to the Office of the Inspector General to ensure that a thorough investigation is conducted and to determine if legal action is necessary.

After the completion of audit activity, and the submission of the draft report, the former Treasurer, Rhonda Edwards-Hines reached out to ODCA. She explained that she had been unaware of the rules and procedures for expenditures and that there was a theft at the location where the various tablets, printer, computers (laptop and desktop), and ANC documents (including receipts) had been stored. ODCA obtained a copy of the police report associated with this incident dated July 7, 2018. Ms. Edward-Hines also stated that there were additional stolen items (two laptops) not included on the police report.

The existence of the reported theft does not change ODCA's findings. Had ANC 8C filed complete quarterly financial reports and done so timely, the theft of receipts in July 2018 would be less relevant as many of the expenditures would have been properly recorded. Furthermore, there is one questionable expenditure that occurred after the theft (\$4,600 payable to Ms. Edward-Hines for various items). No receipts were provided for that expenditure.

The audit also indicated that ANC 8C had been failing to carry out its fiduciary duties for several years and the issues had been brought to the attention of the Office of Advisory Neighborhood Commission. Actions by the OANC and oversight by the D.C. Council are needed to ensure that the 39 other ANCs do not face similar breaches of the public trust.

# Agency Comments

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On July 19, 2019, we sent a draft copy of this report to the OANC for review and written comment. OANC responded with comments on August 2, 2019. Their comments are included here in their entirety, followed by ODCA's response.



Government of the District of Columbia  
Office of Advisory Neighborhood Commissions

August 2, 2019

Kathleen Patterson  
District of Columbia Auditor  
Suite 900  
717 14<sup>th</sup> Street NW  
Washington, DC 20004

Dear Ms. Patterson,

Thank you for inviting my comments on the Draft Report. More specifically, you requested that I respond to each of the Draft Report's recommendations that involve the Office of Advisory Neighborhood Commissions (OANC). There are three such recommendations, and I shall take them up in order beginning with number 3.

*#3. The OANC should review all 40 bylaws to ensure compliance with D.C. Code.*

**Comment:** As noted in the Draft "(t)here is no explicit requirement that the OANC must review individual Commission bylaws for legal compliance." The OANC does, nevertheless, provide guidance to ANCs regarding their bylaws from time to time. Although the Audit found a provision in the ANC 8C bylaws that is in conflict with District law, the Draft Report does not establish a nexus between the alleged misappropriation of funds and other wrongful behavior and the ANC 8C bylaws. In any case, any provision of an ANC's bylaws that are counter to or in violation of District law, according to District law, as well as Robert's Rules of Order, would be null and void. Nevertheless, we would agree that it would be a salutary undertaking to review all Commission bylaws and advise the Commissions of any inconsistencies with the D.C. Official Code. Accordingly, we shall endeavor to include that activity in our 2020 work plan.

*#4. The Council should amend the law to require additional financial controls, including requiring the OANC to freeze ANC bank accounts if an ANC does not comply with submission of two consecutive quarterly reports including supporting documentation, bank statements and minutes to ensure proper review. The bank account should remain frozen until the ANC has documented and the OANC has approved its financial internal controls.*

**Comment:** Currently the law [DCOC 1-309.13(j)(2)] provides that the Mayor may instruct a bank to freeze a Commission’s bank account when the ANC is not in compliance with the quarterly report filing requirements. Is the intent of this recommendation to authorize the OANC to freeze the account without going through the Mayor? Or is it to change the threshold for action from three consecutive delinquent reports to two consecutive reports? We would support either change provided it maintained the OANC’s discretion in requesting the freeze. Moreover, we would support the freeze remaining in effect until we determined that the ANC reestablished its compliance with the law.

*#5. The OANC should receive and review monthly bank statements from Office of Finance and Resource Management (OFRM) for all 40 ANCs to identify any suspicious or non-authorized activity and to ensure that ANCs that do not participate in the Security Fund or submit a cash surety bond do not have disbursements beyond bank fees.*

**Comment:** At present we review monthly bank statements as part of the process of approving the ANCs’ quarterly financial reports. This recommendation would expand our responsibility to include examining the ANCs’ financial activity on a monthly rather than quarterly basis. This may be desirable, but it may also require additional resources. In any event, for the sake of clarity and accountability, it would be helpful to revise the recommendation slightly to say that “the Office of Finance and Resource Management (OFRM) should send the monthly bank statements for all 40 ANCs and the OANC should review them to identify . . . “

This recommendation also highlights the role of the ANC Security Fund<sup>1</sup> in ANC finances. The Fund may have originally been “established to insure ANCs against unauthorized expenditures of loss of funds,” as the Draft Report notes, but its actual function has since been changed by the Trustees. Rather than serve as an insurance policy to make defrauded ANCs whole again, it functions now as a monetary “life raft” to keep victimized ANCs financially afloat. Thus, the Fund does not reimburse an ANC for loss of funds, as such. Instead it provides a

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<sup>1</sup> The Report’s description of the Fund should note that the Executive Director of the OANC is also a Trustee along with the Secretary of the District of Columbia, the General Counsel to the Council, and the DC Auditor.

limited amount of funding to cover unpaid bills so the ANC can continue operating. This means that If there are no unpaid bills, or if the ANC has sufficient remaining funds to pay its outstanding bills, the Fund will not provide any payment<sup>2</sup> to the ANC. Thus, in the present case, if it is finally determined that ANC 8C has been defrauded of \$14,188, the Security Fund will actually not pay the ANC anything since it has no bills that it is presently unable to pay. (As of the end of June it had \$32,385.94 in its bank account.) This would be an appropriate time, therefore, for the Fund trustees, to reconsider the terms of the agreement that it has with the ANCs.

Sincerely yours,



Gottlieb Simon  
Executive Director

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<sup>2</sup> “The Fund shall secure the ANC against misappropriation and negligent losses of funds by the Chairperson and Treasurer of the ANC **for unpaid operating expenses** that do not exceed the amount of the loss or do not exceed 50 percent of the ANC’s Fiscal Year 2018 annual allocation, whichever is less. “ From the “Advisory Neighborhood Commission Security Fund Agreement for Calendar Year 2019,” emphasis added. This language referencing unpaid operating expenses replaced, “The Fund shall secure the ANC against unauthorized expenditures and losses of funds up to [an amount] by the Treasurer of the ANC.”

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# ODCA Response to Agency Comments

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We are pleased with the OANC's careful analysis of our findings and response to the recommendations. Specifically, we are encouraged that the OANC will add bylaw review to its workplan and supports additional actions to manage the freezing of bank accounts and monthly reviews of financial activity. As a result of the OANC's comments about the Security Fund, we adjusted language in the report body about its function and impact on the finances of the ANC 8C.

# Summary of Report Recommendations

The recommendations in this report can be implemented without any additional costs to the agency/entity. All help to advance the goals of the Office of the Inspector General, the D.C. Council, and the Office of the Advisory Neighborhood Commissions, as seen below.

Recommendation	Is There a Cost to the Agency/ Entity to Implement?	Potential to Generate Revenue or Savings to the District?	Specific Agency/ Entity or District-Wide Goal Advanced by Recommendation
<p>1. The Office of the Inspector General (OIG) should investigate this matter and determine whether the Treasurer and former Chairperson committed fraud and should repay the Commission.</p>	No	No	<p>OIG 2019 Operations - Reduce Misconduct: Forward to the appropriate authority any report, as a result of any audit, inspection or investigation conducted by the office, in order to reduce misconduct or unethical behavior.<sup>1</sup></p>
<p>2. The D.C. Council should amend the law to require that any equipment (i.e. computers, cell phones, laptops, printers, tablets, iPads, etc.) not turned in by January 31, will be charged to the Commissioner holding such equipment, who should be held financially responsible for reimbursing the Commission.</p>	No	Yes	<p>“The Council’s central role as a legislative body is to make laws. However, its responsibilities also include oversight of multiple agencies, commissions, boards and other instruments of District government.”<sup>2</sup></p>

1 Office of the Inspector General FY 2019 Performance Plan, See: <https://oca.dc.gov/sites/default/files/dc/sites/oca/publication/attachments/OIG19.pdf>  
 2 Council of the District of Columbia website, About the Council page, See: <https://dccouncil.us/about-the-council/>

Recommendation	Is There a Cost to the Agency/ Entity to Implement?	Potential to Generate Revenue or Savings to the District?	Specific Agency/ Entity or District-Wide Goal Advanced by Recommendation
<p><b>3.</b> The OANC should review all 40 ANC by-laws to ensure compliance with D.C. Code.</p>	No	No	<p>The OANC’s mission is directed primarily toward assisting ANCs. Providing on-going assistance to Commissions and individual Commissioners regarding ANC administrative processes and internal ANC operations.<sup>3</sup></p>
<p><b>4.</b> The Council should amend the law to require additional financial controls, including requiring the OANC to freeze ANC bank accounts if an ANC does not comply with submission of two consecutive quarterly reports that meet the requirements of D.C. Code § 1-309.13(j)(1), including supporting documentation, bank statements and minutes to ensure proper review. The bank account should remain frozen until the ANC has documented and the OANC has confirmed its adherence to the law.</p>	No	No	<p>“The Council’s central role as a legislative body is to make laws. However, its responsibilities also include oversight of multiple agencies, commissions, boards and other instruments of District government.”<sup>4</sup></p>

3 Office of the Advisory Neighborhood Commissions 2018 Performance Oversight Questions, See Pages 12 and 14, <http://dccouncil.us/wp-content/uploads/2018/10/anc.pdf>

4 Council of the District of Columbia website, About the Council page, See: <https://dccouncil.us/about-the-council/>

Recommendation	Is There a Cost to the Agency/ Entity to Implement?	Potential to Generate Revenue or Savings to the District?	Specific Agency/ Entity or District-Wide Goal Advanced by Recommendation
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5. The OANC should receive and review monthly bank statements from Office of Finance and Resource Management (OFRM) for all 40 ANCs to identify any suspicious or non-authorized activity and to ensure that ANCs that do not participate in the Security Fund or submit a cash surety bond do not have disbursements beyond bank fees.

No

No

The OANC’s mission is directed primarily toward assisting ANCs. Providing on-going assistance to Commissions and individual Commissioners regarding ANC administrative processes and internal ANC operations.<sup>5</sup>

5 Office of the Advisory Neighborhood Commissions 2018 Performance Oversight Questions, See Pages 12 and 14, <http://dccouncil.us/wp-content/uploads/2018/10/anc.pdf>

# About ODCA

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The mission of the Office of the District of Columbia Auditor (ODCA) is to support the Council of the District of Columbia by making sound recommendations that improve the effectiveness, efficiency, and accountability of the District government.

To fulfill our mission, we conduct performance audits, non-audit reviews, and revenue certifications. The residents of the District of Columbia are one of our primary customers and we strive to keep the residents of the District of Columbia informed on how their government is operating and how their tax money is being spent.

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