

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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**BRYANT NEIGHBORHOOD ORGANIZATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**FEBRUARY 17, 2006**

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@state.mn.us  
www.auditor.state.mn.us

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**BRYANT NEIGHBORHOOD  
ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

**February 17, 2006**



**Agreed-Upon Procedures**

**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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PATRICIA ANDERSON  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Bryant Neighborhood Organization

We have performed the procedures enumerated below, which were agreed to by the Bryant Neighborhood Organization (BNO) and the Minneapolis Neighborhood Revitalization Program Policy Board (NRP), solely to assist you with respect to ensuring adequate accounting procedures and other practices are being followed to account for and report on the use of NRP funding being provided to the BNO. These procedures were applied to the BNO's records as of February 17, 2006. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the BNO and the NRP. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### 1. Procedure

Determine if the BNO is current with required filings (Attorney General, Secretary of State, and Internal Revenue Service).

### Findings

Presently, the BNO's funding level does not necessitate filing with the Internal Revenue Service and the Attorney General's Office.

## ITEM ARISING THIS YEAR

### 05-1 Required Filing with the Secretary of State

We found that the BNO was not current in its filing with the Secretary of State. Minn. Stat. § 317A.823 requires registration with the Secretary of State on an annual basis. Failure to file could result in dissolution of the business.

We recommend that the BNO take steps to update its filing with the Secretary of State.

#### Client's Response:

*BNO filed the nonprofit renewal form with the Secretary of State on January 25, 2006.*

### 2. Procedure

Determine if the BNO has written policies and procedures for financial operations (receipting, disbursing, purchasing, personnel, etc.).

#### Findings

## ITEM ARISING THIS YEAR

### 05-2 Written Procedures for Financial Operations

The BNO's financial operations consist primarily of receipting and disbursing funds. The BNO has no employees so has no payroll records. There are no fixed assets records; it appears the only fixed asset consists of a fully depreciated computer.

Presently, the BNO has no written procedures for its financial operations. We recognize that financial transactions of the BNO are quite few in number at this time. However, written procedures for the receipt and disbursement of funds would provide a documented process for future members of the Board, and it would help measure accountability with intentions of the Board.

We recommend that the BNO establish written procedures for the receipt and disbursement of funds and that the procedures be adopted by the Board.

#### Client's Response:

*BNO developed policies and procedures based on the NRP's recommended practices in "Keeping Financial Records." Policies and procedures will be presented to the BNO Board at the July 2006 meeting for approval.*

3. Procedure

Determine if the procedures the BNO has in place over cash accounts, payroll, receipts, and disbursements are adequate for its operation.

Findings

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

00-6 Segregation of Duties

Due to the limited number of office personnel within the BNO, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the BNO; however, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

00-10 Check Signers

Our previous report recommended that two signatures be required on checks and that the signers be authorized annually. Our current review found that this recommendation had not been implemented.

We again recommend that check signers be authorized annually by the Board and that this action be noted in the Board minutes. Given the small amount of financial activity currently occurring within the BNO, we recommend the Board consider a policy to require two signatures on checks exceeding a specified dollar threshold.

Client's Response:

*As of February 2006, the BNO Board President and the Treasurer co-sign all checks. The Board President is to be present whenever anyone is added or removed from the check signing authorization list. Only current Board members are eligible to be added to the bank's record of authorized signers.*

ITEM ARISING THIS YEAR

05-3 Bank Reconciliations

We found that bank reconciliations were not prepared. Reconciliations should be prepared to assure the BNO's cash balance is accurately stated in the checkbook.

We recommend that reconciliations be prepared monthly, within two weeks of receiving the bank statements.

Client's Response:

*BNO maintains an electronic register using Quicken. Bank statements are reconciled monthly. The Board Treasurer presents an income and expense summary to the BNO Board at monthly meetings. The Treasurer presents a more detailed income and expense report to the BNO Board every four months. As of February 2006, financial reports are signed by the Treasurer after content of the report is approved by the Board.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Receipts Journal (00-7)**

Our previous report recommended that the BNO Board implement a receipts journal.

**Resolution**

We found that the BNO presently uses a handwritten ledger to record receipts and disbursements. Given the current level of financial activity occurring, this record appears to be sufficient.

**Documentation for Expenses to Vendors (00-8)**

Our previous report recommended that procedures be implemented to ensure payments to vendors are properly supported. We also recommended that the Board provide adequate filing and security for the payment documents.

**Resolution**

Our current review found sufficient progress had occurred to consider this condition resolved.

**Processing of Vendor Bills (00-9)**

Our previous report recommended that the Board establish procedures for approving and coding vendor invoices. Also, invoices should be canceled with the check number and date paid.

**Resolution**

Our current review found sufficient progress had occurred to consider this condition resolved.

**Payroll Expense - Time Sheets (00-11)**

Our previous report noted that the BNO did not maintain employee time sheets, and we recommended that the Board establish procedures to require the use of time sheets for employees.

**Resolution**

Presently, the BNO has no employees so we consider this condition resolved. For the future, our recommendation should be implemented if employees are hired.



4. Procedure

Determine if the BNO has procedures in place to account for donations, fixed assets, and long-term obligations.

Findings

The BNO presently has no financial activities in these areas.

5. Procedure

Determine if accounting records support the NRP amounts requested for reimbursement.

Findings

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

00-1 Questioned Costs for Expenses Charged to More Than One Grant

Our previous report questioned costs totaling \$3,085.26 because they were charged both to grants of the NRP and Minneapolis Community Planning and Economic Development Department (CPED). In our discussions with the CPED official and NRP specialist, it seemed unclear to us if a resolution had been determined.

We recommend that the BNO discuss these costs with the CPED and NRP staff to determine if a resolution still needs to be determined.

00-13 Timely Requests for Grant Reimbursements

Our previous report recommended that the BNO prepare reimbursement requests on a timely basis, either monthly or quarterly. Our current review found that the most recent reimbursements covered the month of June 2004. As of November 2005, expenses totaling \$11,234 under NRP grant #13872 had not been submitted to the NRP Policy Board for reimbursement. We recognize that financial operations of the BNO are presently small in number, but expenses continue to occur. Timely requests will help ensure cash flows are adequate.

We again recommend that the BNO prepare request reimbursements on a regular basis. Given the current level of financial activity, we recommend either quarterly or semi-annually.

## PREVIOUSLY REPORTED ITEMS RESOLVED

### **Double Billing to the Same Grant (00-2)**

Our previous report noted that costs totaling \$1,596.80 were charged on three different reimbursement requests to NRP contract #C95-4377.

### **Resolution**

Through discussions with the NRP specialist for the BNO, we were informed that the questioned cost amounts were reduced from a subsequent reimbursement.

### **Questioned Costs for Undocumented Expenses (00-3)**

Our previous report questioned costs totaling \$17,591.76 under NRP contract #C95-4377 due to the absence of documentation to support the expenses.

### **Resolution**

Through discussions with the NRP specialist, the questioned amounts were reviewed by the specialist and, where needed, adjustments were made to a subsequent reimbursement.

### **Questioned Costs in Neighborhood Initiatives Program (00-4)**

Our previous report questioned costs totaling \$2,430 due to a lack of documentation.

### **Resolution**

Our current review found these costs had been accepted.

## 6. Procedure

Follow up on previous year's report findings.

### Findings

All follow-up on previous findings is discussed above, except for the following items.

## PREVIOUSLY REPORTED ITEM NOT RESOLVED

### 00-12 Maintenance of Board Minutes

Our previous report noted that no official Board meetings were held for seven months of the year because a quorum could not be obtained, minutes for two months were not signed by anyone, and minutes for two other months were not signed timely.

Our current review found similar conditions present with the Board minutes. None of the minutes we reviewed contained signatures. Some of the minutes reviewed did not contain approvals of previous meeting minutes. Minutes were not present for two months; it appears, however, that sufficient members were present to hold meetings for the months we reviewed, so we consider this condition resolved.

We again recommend that the Board make a stronger effort to maintain minutes for all its meetings. Also, minutes should be signed and dated by the preparer and by a delegated member of the Board upon adoption of the minutes by the Board.

PREVIOUSLY REPORTED ITEM RESOLVED

**No Insurance (00-5)**

Our previous report noted that the BNO did not have insurance in force for general liability and directors and officers.

**Resolution**

We found that the BNO had insurance in force for general liability and directors and officers.

\* \* \* \* \*

We were not engaged to and did not perform an audit of the Bryant Neighborhood Organization's financial statements, the objective of which would be the expression of an opinion on those financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Bryant Neighborhood Organization and the Minneapolis Neighborhood Revitalization Program Policy Board and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

*/s/Greg Hierlinger*

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

February 17, 2006