

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**FULTON NEIGHBORHOOD ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**DECEMBER 15, 2006**

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

The mission of the State Auditor's Office is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

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 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of 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 approximately 730 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 Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**FULTON NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**December 15, 2006**



**Agreed-Upon Procedures**

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

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of Directors  
Fulton Neighborhood Association

We have performed the procedures enumerated below, which were agreed to by the Fulton Neighborhood Association (FNA) 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 FNA. These procedures were applied to the FNA's records as of December 15, 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 FNA 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 FNA is current with required filings--Attorney General, Secretary of State, and Internal Revenue Service (IRS).

Findings

ITEM ARISING THIS YEAR

06-1 Annual Filing with the Secretary of State

The FNA staff person could not locate any evidence to indicate the neighborhood was current with its annual filing to the Secretary of State. In checking the Secretary of State's website, we found that the FNA was listed as inactive, indicating it was not current with its filing.

We recommend that the FNA take action to update its filing status as current. We also recommend that the FNA retain a copy of the filing form it submits to the Secretary of State.

Client's Response:

*FNA is current with our filing to the Secretary of State. Our filing was completed online on October 31, 2006. Since the filing has to be done online, FNA has added it to the list of duties to be completed annually.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Filings with the Attorney General's Office (04-1)**

Our previous report found that the FNA was not current with its filing form for the Attorney General's Office. We recommended that the FNA submit its annual form to the Attorney General's Office as soon as possible.

**Resolution**

Our review found that the FNA was current with its filing to the Attorney General's Office.

**Filing IRS 990 Forms (04-2)**

Our previous report noted that the FNA may have been required to file a 990 form for a recent fiscal year in which no filing was made. We recommended that the FNA contact its NRP specialist for further advice on filing IRS 990 forms.

**Resolution**

Our review found that the FNA was current with its filing of the IRS 990 form.

2. Procedure

Determine if the FNA has written policies and procedures for financial operations (receipting, disbursing, purchasing, personnel, conflict of interest policy, etc.).

Findings

None.

3. Procedure

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

## Findings

### PREVIOUSLY REPORTED ITEM NOT RESOLVED

#### 03-2 Segregation of Duties

Due to the limited number of office personnel within the FNA, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the FNA; however, the Board 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.

#### Client's Response:

*The FNA Board is aware of the segregation of accounting duties requirement and we will maintain as much separation as reasonable.*

### PREVIOUSLY REPORTED ITEM RESOLVED

#### **Approvals for Disbursements (04-3)**

Our previous report identified a disbursement that lacked the proper approvals according to the FNA's approval policy for disbursements. We recommended that the FNA adhere to its policy.

#### **Resolution**

Our current review of the disbursement process found that proper approvals were applied to cash disbursements.

#### 4. Procedure

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

#### Findings

None.

5. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM RESOLVED

**Double Billing to NRP Grants (04-4)**

Our previous report questioned the check amount of \$272.92 that was charged to two different NRP grants. We recommended that FNA officials discuss the double billing with their NRP specialist to determine an appropriate resolution.

**Resolution**

In our discussion with the NRP specialist for the FNA, we found that the questioned amount had been resolved recently.

6. Procedure

Follow up on previous year's report findings, if applicable.

Findings

Findings from the previous year's report are noted above.

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We were not engaged to and did not perform an audit of the FNA'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 Fulton Neighborhood Association 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/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 15, 2006