

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**HALE, PAGE, DIAMOND LAKE**  
**COMMUNITY ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**DECEMBER 14, 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** - 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.

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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**HALE, PAGE, DIAMOND LAKE  
COMMUNITY ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**December 14, 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

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  
Hale, Page, Diamond Lake Community Association

We have performed the procedures enumerated below, which were agreed to by the Hale, Page, Diamond Lake Community Association (HPDL) 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 HPDL. These procedures were applied to the HPDL's records as of December 14, 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 HPDL 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 HPDL is current with required filings (Attorney General, Secretary of State, and Internal Revenue Service).

Findings

None.

2. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

00-1 Segregation of Duties

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

Client's Response:

*Though HPDL staff is limited, the segregation of duties is separated to the best of the organization's capabilities. Opening mail, income receipts, and review of invoices/bank statements are completed by one HPDL staff. A second HPDL staff completes check writing. HPDL's treasurer completes bank deposits and review of bank reconciliation and quarterly reports. An outside accountant prepares bank reconciliation and quarterly reports.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Coding of Invoices (02-1)**

Our previous report noted several instances in which vendor invoices were not marked with account codes for posting to the general ledger. The coding of invoices provides the basis for requesting reimbursements from the NRP for certain expenses. The absence of account codes can lead to questions regarding the eligibility of the expenses being requested for reimbursement.

## **Resolution**

Our current review found that invoices were marked with the account codes.

4. Procedure

Determine if the HPDL 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

None.

6. Procedure

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

Findings

### PREVIOUSLY REPORTED ITEM NOT RESOLVED

01-2 Authorization of Financial Institutions and Check Signers

Previous reports have recommended that the Board authorize its depositories and check signers on an annual basis and that such authorizations be noted in the minutes. Our current review found that the Board now authorizes its check signers through actions noted in the Board minutes. However, there was no indication that depositories are authorized annually.

We again recommend that the Board authorize its depositories annually and that such action be noted in the Board minutes.

Client's Response:

*The HPDL Board of Directors has documented the organization's current banking institution in the November 2006 board minutes. The HPDL Board will document check signers and the organization's banking institution in the minutes with the turn of all subsequent new Board of Directors.*

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We were not engaged to and did not perform an audit of the HPDL'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 Hale, Page, Diamond Lake Community 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

December 14, 2006

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR