

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**MARCY-HOLMES NEIGHBORHOOD ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**FEBRUARY 14, 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.

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**MARCY-HOLMES NEIGHBORHOOD  
ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**February 14, 2006**



**Agreed-Upon Procedures**

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

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**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of Directors  
Marcy-Holmes Neighborhood Association

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

Findings

Filings for the above items were found to be current.

2. Procedure

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

Findings

We found that the MHNA had written procedures for its financial operations.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

98-1 Segregation of Duties

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

*We are aware of this comment but due to the size of our staff it continues to be inevitable.*

ITEM ARISING THIS YEAR

05-1 Reporting Leave Time

Formalized records did not appear to be kept for employee leave time earned and taken. We also found that leave time taken by one employee was not in accordance with the MHNA's policy.

We recommend that information on leave time earned, taken, and outstanding be included on employee time sheets. Leave balances should be reviewed by a Board member on a regular basis to ensure compliance with the MHNA's policy.

Client's Response:

*The NRP staff coordinator prepared a written procedure of how staff time sheets are kept, tallied and reviewed by the NRP Committee Chair.*

*It was found that the NRP staff coordinator took 16 hours excess paid vacation time in 05-06 because of her misreading of the personnel policy of total hours allowed, based on number of years of employment. To correct this, the coordinator worked a total of 16 unpaid hours on February 20, 21, and 27, 2006, and marked those on the weekly work logs with note that they were unpaid, make-up hours. She reread the personnel policy to determine the correct paid leave time.*

4. Procedure

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

Findings

The MHNA presently has no long-term obligations. The MHNA has one fixed asset item; procedures to account for this item seemed adequate.

ITEM ARISING THIS YEAR

05-2 Accounting for Donations

The MHNA is provided office space at no charge. It has no procedure or record in place to account for this donation. If annual financial statements are prepared, donated items are required to be included in the statements.

We recommend the MHNA maintain a listing of all items donated during the year. Monetary values for these items should be obtained from the parties making the donations. This information should be included in annual financial statements, if prepared.

Client's Response:

*MHNA already keeps a log of in-kind donations each year.*

5. Procedure

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

Findings

The accounting records appeared to support amounts requested for reimbursement. A process was in place to request reimbursement of NRP funding on a regular basis.

6. Procedure

Follow up on previous year's report findings.

Findings

Follow-up on the previous finding is discussed above.

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We were not engaged to and did not perform an audit of the Marcy-Holmes Neighborhood Association'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 Marcy-Holmes 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/Pat Anderson*

*/s/Greg Hierlinger*

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

February 14, 2006