

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**PHILLIPS WEST NEIGHBORHOOD ORGANIZATION**  
**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, 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.

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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**PHILLIPS WEST NEIGHBORHOOD  
ORGANIZATION  
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  
Phillips West Neighborhood Organization

We have performed the procedures enumerated below, which were agreed to by the Phillips West Neighborhood Organization (PWNO) 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 PWNO. These procedures were applied to the PWNO'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 PWNO 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 PWNO is current with required filings (Attorney General, Secretary of State, and Internal Revenue Service).

Findings

ITEM ARISING THIS YEAR

06-1 Annual Filings with the Secretary of State

Our review of the Secretary of State's website found that the PWNO was not current with its registration. Also, the PWNO had no other evidence to indicate it was current.

We recommend that the PWNO contact the Secretary of State to update its registration status. We also recommend that the PWNO maintain on file, evidence that its registration is current.

Client's Response:

*PW was unaware that they needed to register with the Secretary of State yearly. PW has submitted all needed materials to the Secretary of State to make registration current.*

2. Procedure

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

Findings

ITEMS ARISING THIS YEAR

06-2 Segregation of Duties

Due to the limited number of office personnel within the PWNO, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the PWNO; however, the PWNO's 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 Executive Director receives all mail/invoices and stamps the date received. The Executive Director then passes this information along to the Bookkeeper. The Bookkeeper then enters the data into financial reports and issues a check. The Board Chair and the Board Treasurer review financial reports and bank statements, and both sign each check issued.*

#### 06-3 Security for Check Stock

We found that the PWNO's check stock is not kept in a secured location. It appears the PWNO had acquired a safe, but it was too small to hold the check stock. Check stock should be secured to guard against theft and improper use.

We recommend that the PWNO's check stock be kept in a locked desk drawer or file cabinet.

#### Client's Response:

*PW followed recommendations and installed a lock in the bottom desk drawer after auditor's initial visit.*

#### 4. Procedure

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

#### Findings

#### ITEM ARISING THIS YEAR

#### 06-4 Fixed Asset Record and Capitalization Policy

The PWNO does not maintain a record of its fixed assets, nor does it have a policy in place that establishes a dollar threshold for recognizing certain items as fixed assets. Presently, the PWNO's fixed assets consist of computer equipment only.

We recommend that the PWNO develop a policy for recognizing certain purchases as fixed assets. This can be accomplished primarily by establishing a dollar threshold for items to be considered fixed assets. We also recommend that a record be kept of the PWNO's assets, including a brief description, serial number, purchase or donation date, cost or market value, and funding source used for the purchase.

#### Client's Response:

*PW will develop a policy in place that establishes a dollar threshold for recognizing certain items as fixed assets.*

*PW will keep a record of PW assets including brief description, serial number, purchase date, cost or market value, and funding source used for the purchase.*

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

This is the first review of the PWNO, so this procedure is not applicable.

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We were not engaged to and did not perform an audit of the PWNO'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 Phillips West 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/Rebecca Otto*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 14, 2006