

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**AUDUBON NEIGHBORHOOD ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**JANUARY 9, 2007**

## **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.

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**AUDUBON NEIGHBORHOOD  
ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**January 9, 2007**



**Agreed-Upon Procedures**

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

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

Board of Directors  
Audubon Neighborhood Association

We have performed the procedures enumerated below, which were agreed to by the Audubon Neighborhood Association (ANA) 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 ANA. These procedures were applied to the ANA's records as of January 9, 2007. 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 ANA 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 ANA 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 ANA was not current with its registration. Also, the ANA had no other evidence to indicate it was current.

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

Client's Response:

*We have updated our registrations with the Secretary of State. We will create a file to maintain these records. This task will be added to our yearly task calendar.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Charitable Registration (01-1)**

Previous reports have noted that the ANA was not current with required filings to the Attorney General's Office. Failure to be current with its filings prohibits the ANA from soliciting funds and can also lead to penalties being assessed. We recommended that the ANA become current with its annual filings to the Attorney General's Office.

**Resolution**

We found evidence at the ANA to indicate its filing status with the Attorney General's Office was current.

2. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM RESOLVED

**Written Policies and Procedures (01-4)**

We previously recommended that the ANA Board adopt written policies and procedures for its financial activities.

**Resolution**

We found that the ANA now has written policies and procedures for its financial activities.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

01-3 Segregation of Duties

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

*Office staff will receive incoming financial documents, forward them to the Treasurer who will then disperse to a third party for filing, data entry, or banking as needed.*

01-7 Signing and Approval of Time Sheets

Previous reports have noted that time sheets were not signed by the employee or approved by a Board member. Our current review found that same condition existing. Signatures on time sheets are necessary to provide evidence that the employee agrees with the information as presented. Supervisory approvals, such as a Board member, document concurrence by management that payment for time worked, as shown in the time sheets, should be authorized and that the correct programs will be charged with the expenses.

We again recommend that time sheets be signed and dated by the employee and be approved by a designated Board member. We also recommend that time sheets be coded to indicate which programs should be charged with the expense incurred.

Client's Response:

*As of December 2006, the office staff signs and dates their time sheet and then forwards it to the ANA Treasurer for signature. Time sheets will then be returned to the staff person to be filed after the hours have been reported to our payroll company, Paychex. The staff person, Treasurer, and President will work to find existing codes that can be used to track the staff's time per the task performed.*

## ITEMS ARISING THIS YEAR

### 06-2 Bank Reconciliation Records

We found that bank reconciliation forms are not always kept on file after the reconciliation has been performed. Also the forms are not initialed and dated by the preparer. Bank reconciliations should be initialed and dated to create accountability in the event questions arise at a later date. The reconciliations should be maintained with other financial records of the neighborhood.

We recommend that bank reconciliations be initialed and dated by the preparer and that they be filed with other financial records of the ANA.

#### Client's Response:

*The Treasurer now initials and dates all financial records before they are filed.*

### 06-3 Receipting Process

We found that the ANA's process for receiving funds needs improvement. Some deposit records could not be located, copies of checks received were not maintained, and a receipt log was not maintained. These conditions weaken control over the ANA's receipting process and create skepticism over the reliability of revenues reported by the neighborhood.

We recommend that the ANA maintain a receipt log to record all collections by the neighborhood. We also recommend support for collections be maintained in a secure location.

#### Client's Response:

*We now have a receipt book to track incoming checks. We've also created a log to track donations to ANA.*

#### 06-4 Disbursement Process

In reviewing the ANA's process for disbursing funds, we found the following conditions present:

- Some disbursements lacked supporting documentation. All disbursements should be documented with either an invoice or written declaration form to validate the claim against the neighborhood.
- Approvals for payment were not indicated on the invoices. All invoices should contain the initials and date of the individual approving payment to be made.
- Invoices were not being canceled to avoid a second payment from occurring. We were informed that a copy of the check was attached to each claim for payment instead. However, we found that some disbursements did not have a copy of the check attached. Our recommendation would be to cancel the claims by marking them with the check number and date. This could be accomplished by the use of a "Paid" stamp.

We recommend that the ANA address the above conditions by taking actions as noted.

#### Client's Response:

*We now have a receipt book to track incoming funds. The Treasurer now initials and dates all invoices when paid. All invoices have a copy of the check attached before they are filed.*

#### PREVIOUSLY REPORTED ITEMS RESOLVED

##### **Personnel Policies (01-8)**

Previous reports have recommended that the ANA develop written personnel policies to address compensation, leave accruals, comp time, holidays, and benefits, as well as other rights and privileges of staff.

##### **Resolution**

We found that the ANA now has personnel policies in place dated January 2003.

### **Designation of Depositories and Check Signers (02-1)**

Our previous report indicated that the ANA authorizes its depositories and check signers during committee meetings, at which no minutes are taken. Therefore, no record existed for the actions taken. We recommended that designations of depositories and check signers be noted either in committee minutes or Board minutes.

### **Resolution**

We found that the designation of depositories and check signers had been noted in the Board minutes.

#### 4. Procedure

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

#### Findings

#### ITEM ARISING THIS YEAR

#### 06-5 Fixed Assets Record

We found that the ANA did not have a listing of its fixed assets. Presently, the fixed assets are few in number. However, as assets of the neighborhood, a record should be maintained for accountability purposes.

We recommend that a record be established that lists the ANA's fixed assets, including a brief description, serial number, purchase date, cost, and the funding source used for the purchase.

#### Client's Response:

*ANA will make a list of all fixed assets and keep it on file by February 28, 2007.*

5. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

01-10 Accounting for Individual Contracts

Previous reports have noted the absence of records to account for revenues and expenses by individual contract. We recommended that a spreadsheet be maintained to account for these transactions. Our current review found a spreadsheet has not yet been established. Presently, a copy of the ANA's expense report is submitted to a NRP specialist, who then determines eligible expenses from the report and prepares a reimbursement request for the neighborhood. Our understanding is that preparation of reimbursement request forms is the responsibility of the ANA.

We again recommend that the ANA maintain a spreadsheet of its revenues and expenses by contract. We also recommend that it begin preparing its own reimbursement forms based on information from the spreadsheet.

Client's Response:

*ANA has a new Treasurer. She will create a spreadsheet to track reimbursement requests as she sends them.*

6. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM RESOLVED

**Signing of Board Minutes (01-2)**

Previous reports have recommended that Board minutes include the proper signatures.

**Resolution**

Our current review found that this recommendation had been implemented.

\* \* \* \* \*

We were not engaged to and did not perform an audit of the ANA'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 Audubon 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

January 9, 2007