

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

PHILLIPS WEST NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

DECEMBER 28, 2007

Description of the Office of the State Auditor

The mission of the Office of the State Auditor 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

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**PHILLIPS WEST NEIGHBORHOOD
ORGANIZATION
MINNEAPOLIS, MINNESOTA**

December 28, 2007



Agreed-Upon Procedures

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

This page was left blank intentionally.



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 28, 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 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

Filings for the above items were found to be current.

PREVIOUSLY REPORTED ITEM RESOLVED

Annual Filings with the Secretary of State (06-1)

Our previous review found that the PWNO's registration with the Secretary of State was not current.

Resolution

The PWNO's registration with the Secretary of State was found to be 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

The PWNO has written policies and procedures referred to as Fiscal Policies and Procedures.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

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, 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:

Phillips West believes that our Financial Procedures are as segregated as possibly allowed. The Phillips West Executive Coordinator receives all financial statements and bills. The Phillips West Bookkeeping Consultant reconciles all received financial statements. The Phillips West Board Treasurer reviews all financials. The Phillips West Board Chair and Treasurer sign all checks. The Phillips West Board reviews all Financials/Accounting functions. The Phillips West community then receives and reviews all Accounting of Phillips West monthly at the Phillips West Community Meeting.

To sum this up, all Phillips West Accounting is reviewed in this order every month.

- 1. Executive Coordinator*
- 2. Bookkeeping Consultant*
- 3. Phillips West Treasurer*
- 4. Phillips West Board Chair*
- 5. Phillips West Board*
- 6. Entire Phillips West Community at Monthly Membership Meeting*

PREVIOUSLY REPORTED ITEM RESOLVED

Security for Check Stock (06-3)

Our previous review found that the PWNO's check stock was not kept in a secured location. We recommended that the check stock be locked in a desk or file cabinet.

Resolution

The check stock is now kept in a locked drawer.

4. Procedure

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

Findings

Donations are accounted for through the PWNO's general ledger. Fixed asset information is maintained on a schedule, which we viewed. The PWNO had no long-term obligations.

PREVIOUSLY REPORTED ITEM NOT RESOLVED

06-4 Fixed Asset Record and Capitalization Policy

Our previous review noted that the PWNO did not maintain a record of its fixed assets, nor did it have a policy in place that established a dollar threshold for recognizing certain items as fixed assets. Our current review found that a fixed asset record is now maintained, so this finding is resolved. However, the PWNO has no policy that identifies the dollar level at which items should be capitalized.

We again recommend that the PWNO Board adopt a policy that recognizes certain purchases as fixed assets.

Client's Response:

Phillips West has a current record of fixed assets. Phillips West does keep track of all assets over \$100.00, and the Phillips West Neighborhood By-Laws currently state that if Phillips West was to close all assets will be surrendered to the Neighborhood Revitalization Program.

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, if applicable.

Findings

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

* * * * *

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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 28, 2007