

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

KINGFIELD NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

JULY 14, 2011

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.

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**KINGFIELD NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

July 14, 2011



Agreed-Upon Procedures

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

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**KINGFIELD NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Kingfield Neighborhood Association

We have performed the procedures enumerated below, which were agreed to by the Kingfield Neighborhood Association (KFNA) 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 KFNA. These procedures were applied to the KFNA's records as of July 14, 2011. 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 KFNA 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 KFNA is current with required filings (Attorney General, Secretary of State, Internal Revenue Service, and Minnesota Department of Revenue).

Findings

Filings for the above items were found to be current.

2. Procedure

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

Findings

The KFNA has written procedures for its financial operations.

3. Procedure

Determine if the procedures the KFNA 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 KFNA, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the KFNA; 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:

The KFNA Board understands the difficulty of having adequate segregation of duties with such a small staff, and furthermore understands their fiduciary responsibility to review Treasurer's Reports regularly and question any irregularities. The Board empowers the KFNA Executive Committee to review and modify financial reporting and tracking procedures, as necessary, to assure that clear segregation of duties and communication is maintained.

10-1 Disbursements

In our previous review of disbursements, we noted that the KFNA is not following its disbursement policy contained in the Kingfield Neighborhood Association Financial Policy. The policy states that prior to approval for payment, invoices from vendors and payment request vouchers, with receipts attached, submitted by employees requesting reimbursement for KFNA expenses, will be reviewed and coded with the proper account code by the Executive Director. Depending on the size of the invoice/expense, different levels of approval are required prior to payment. Of the 12 payments reviewed during our current review, we found one did not contain coding, two did not contain a signature of approval, one was missing supporting documentation (invoices or receipts), and two had supporting documentation that was not canceled after payment was made.

We recommend the KFNA follow the policies approved by its Board to ensure that payments made are for proper and approved expenses of the KFNA.

Client's Response:

KFNA's Financial Policy was amended following the previous years' audit to reflect the change in many billing procedures including electronic invoicing and automatic withdrawals, as well as memorized computer coding for many standardized bills. KFNA will review this coding with the bookkeeper to assure proper coding is occurring and noted on bills as well as in the computer general ledger. Additionally, KFNA will make a point to follow their policy regarding documentation of expenses and approval for expenses as outlined in the KFNA Financial Policy.

PREVIOUSLY REPORTED ITEMS RESOLVED

Bank Reconciliation Process (07-1)

The previous review found the bank reconciliations did not tie to the general ledger for 11 of the 12 months. We also found that the bank reconciliation for May 31, 2010, was not signed by the preparer and the approver.

Resolution

Our current review found bank reconciliations were tied to the general ledger and were signed by the preparer and the approver.

Receipt Log (07-2)

We found that a receipt log is not maintained for funds received at the KFNA office.

Resolution

The KFNA started using a receipts sheet that summarizes the cash and checks received, including the date the funds were received, the remitter of the funds, and the program to be credited. This form is completed by the Executive Director and is given to the Treasurer to review when preparing and making the deposit.

Safekeeping of Records (10-2)

The KFNA's bank statement for the month of February 2010, including the images of canceled checks, could not be located.

Resolution

The KFNA maintained all bank statements for the year and made them available for our review.

Preparation of Time Sheets (10-3)

The previous review noted an absence of a consistent process for having the Executive Director's time sheets approved.

Resolution

At the end of each pay period, the Executive Director electronically sends her time sheets to the KFNA's President. The President reviews the time sheet and sends back an electronic approval. A file is maintained of all of the electronic approvals.

4. Procedure

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

Findings

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

5. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

04-1 Timeliness of Reimbursement Requests

The previous reports have stated that the KFNA's requests for reimbursement of NRP expenses are not prepared in a timely manner. Timely requests for reimbursement help ensure adequate cash flows to fund current operations. Our current review found no change in this condition. For example, one reimbursement request covering a three-month time period was created five months after the reporting period ended.

We again recommend that requests for reimbursement be submitted to the NRP at least quarterly.

Client's Response:

KFNA's reimbursement process has not caused a shortfall of cash during the past year; KFNA will continue to submit NRP reimbursements in a timely manner to assure adequate cash flow for the organization.

6. Procedure

Tie the schedule of cash inflows and outflows to the accounting records.

Findings

The cash inflows and outflows tied to the accounting records.

7. Procedure

Tie the schedules of grants receivable, accounts payable, advances outstanding, and long-term obligations to the accounting records.

Findings

The schedules of grants receivable and advances outstanding tied to the accounting records. There were no accounts payable or long-term obligations at year-end.

8. Procedure

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

Findings

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

9. Procedure

Assist with preparation of the Internal Revenue Service Form 990.

Findings

The Internal Revenue Service Form 990 is complete.

10. Procedure

Assist with preparation of the Minnesota Charitable Registration Form.

Findings

The Minnesota Charitable Registration Form is complete.

* * * * *

We were not engaged to and did not perform an audit of the KFNA'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 Kingfield 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

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 14, 2011

**KINGFIELD NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Schedule I

**SCHEDULE OF CASH INFLOWS AND OUTFLOWS
FOR THE YEAR ENDED MAY 31, 2011**

Cash Inflows	
Public support and other	
Government grants	
City of Minneapolis	\$ 28,250
Minneapolis Community Planning and Economic Development	2,000
Neighborhood Revitalization Program	60,294
University of Minnesota	2,500
Minneapolis Foundation	5,000
Other donation	11,162
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Total public support	\$ 109,206
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Other	
Events	\$ 2,054
T-Shirt and book sales	1,399
Reimbursements	235
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Total other	\$ 3,688
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Total Cash Inflows	\$ 112,894
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Cash Outflows	
Payroll	\$ 62,051
Payroll service	735
Professional services	1,100
Accounting services	1,394
Insurance	1,504
Postage	2,052
Printing and copying	4,673
Mailing list	742
Labeling	653
Graphic design and photography	800
Advertising	1,994
Rent	3,360
Telephone and internet	901
Supplies	400
Bank charges	75
Parking	5
Childcare	125
Rebates	1,140
Food and beverage	337
Events	103
Artist compensation	1,016
Projects	6,574
Permits, fees and licenses	486
Computer, software and tech support	119
Grants	3,731
Contract advance repayment	300
Fundraising	350
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Total Cash Outflows	\$ 96,720
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Excess of Cash Inflows Over (Under) Cash Outflows	\$ 16,174
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**KINGFIELD NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Schedule 2

**SCHEDULE OF RECEIVABLES AND PAYABLES
MAY 31, 2011**

Grants Receivable

NRP Contract #25257	\$	30,398
NRP Contract #14923		4,583
NRP Contract #24718		1,825
City of Minneapolis - Community Participation Grant		<u>16,454</u>
Total Grants Receivable	\$	<u><u>53,260</u></u>

Advances Outstanding

NRP Contract #25257	\$	30,000
NRP Contract #14923		6,213
NRP Contract #24718		<u>3,750</u>
Total Advances Outstanding	\$	<u><u>39,963</u></u>

Accounts Payable

The Kingfield Neighborhood Association had no accounts payable at year-end.

Long-Term Debt

The Kingfield Neighborhood Association had no long-term debt outstanding at year-end.