

# STATE OF MINNESOTA

## Office of the State Auditor



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

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MANAGEMENT AND COMPLIANCE REPORT  
**MINNEAPOLIS YOUTH COORDINATING BOARD**  
**MINNEAPOLIS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2017

## **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 150 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 650 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

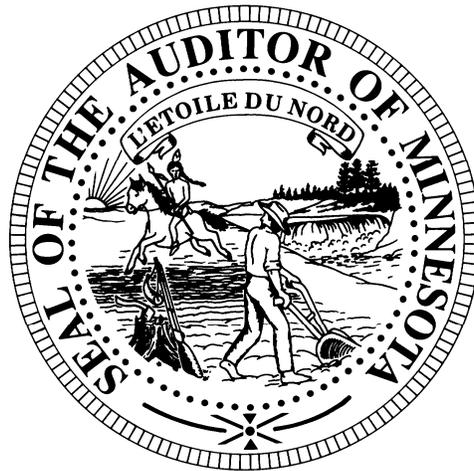
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

**Year Ended December 31, 2017**



**Management and Compliance Report**

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

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**MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

### Independent Auditor's Report

Board Members  
Minneapolis Youth Coordinating Board  
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Minneapolis Youth Coordinating Board as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Minneapolis Youth Coordinating Board's basic financial statements, and have issued our report thereon dated November 7, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Minneapolis Youth Coordinating Board's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Minneapolis Youth Coordinating Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Minneapolis Youth Coordinating Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Minneapolis Youth Coordinating Board's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2017-001 to be a material weakness and item 2004-001 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Minneapolis Youth Coordinating Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the Minneapolis Youth Coordinating Board's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding because the contracts entered into by the Minneapolis Youth Coordinating Board are for services, and the legal compliance guide does not pertain to this type of contracting; deposits and investments was not tested because the City of Minneapolis has custody of the Minneapolis Youth Coordinating Board's deposits and is responsible for compliance; public indebtedness was not tested because the Minneapolis Youth Coordinating Board does not have the authority to issue debt; and tax increment financing was not tested because the Minneapolis Youth Coordinating Board does not administer any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the Minneapolis Youth Coordinating Board failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Minneapolis Youth Coordinating Board's noncompliance with the above referenced provisions.

## **Minneapolis Youth Coordinating Board's Response to Findings**

The Minneapolis Youth Coordinating Board's responses to the internal control findings identified in our audit are described in the Corrective Action Plan. The Minneapolis Youth Coordinating Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on the effectiveness of the Minneapolis Youth Coordinating Board's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Minneapolis Youth Coordinating Board's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 7, 2018

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**MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2004-001

Segregation of Duties

**Criteria:** Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the Minneapolis Youth Coordinating Board's assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

**Condition:** Due to the limited number of personnel performing the business functions of the Minneapolis Youth Coordinating Board, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. Generally, segregation of duties can be attained with the hiring of additional personnel; however, this becomes a significant cost consideration to entities such as the Minneapolis Youth Coordinating Board.

**Context:** This situation is not unusual in operations the size of the Minneapolis Youth Coordinating Board, but 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 internal control point of view.

**Effect:** Inadequate segregation of duties could adversely affect the Minneapolis Youth Coordinating Board's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The size of the Minneapolis Youth Coordinating Board and its staffing limits the internal control that management can design and implement into the organization.

**Recommendation:** We recommend the Minneapolis Youth Coordinating Board's officials and management be mindful that limited staffing increases the risks in safeguarding the Minneapolis Youth Coordinating Board's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed.

**View of Responsible Official:** Concur

#### ITEM ARISING THIS YEAR

Finding Number 2017-001

#### Audit Adjustment

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** A material audit adjustment was identified that resulted in significant changes to the Minneapolis Youth Coordinating Board's financial statements.

**Context:** The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the Minneapolis Youth Coordinating Board's internal control.

**Effect:** The following audit adjustment was reviewed and approved by the appropriate staff and is reflected in the financial statements: in the General Fund, deferred inflows of resources - unavailable revenue was increased and intergovernmental revenue was decreased by \$58,235 to record a transaction invoiced in 2017 but not received within 60 days after year-end.

**Cause:** Oversight.

**Recommendation:** We recommend the Minneapolis Youth Coordinating Board review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

**View of Responsible Official:** Concur

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**REPRESENTATION OF THE  
MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

**Phillipe Cunningham**  
Minneapolis City Council

**Kerryjo Felder**  
Minneapolis Public School Board

**Mike Freeman**  
Hennepin County Attorney

**Londel French\***  
Minneapolis Park and Recreation Board

**Jacob Frey\***  
Mayor, City of Minneapolis

**Cam Gordon\***  
Minneapolis City Council

**Ed Graff\*\***  
Superintendent Minneapolis  
Public Schools

**Marion Greene\***  
Hennepin County  
Commissioner

**Peter McLaughlin**  
Hennepin County  
Commissioner

**Judge David Piper**  
Hennepin County Juvenile  
Court

**Don Samuels\***  
Minneapolis Public School  
Board

**Lois Langer Thompson\*\***  
Director, Hennepin County  
Library

**Executive Director Ann Marie  
DeGroot**

\* Executive Committee  
Members

\*\*Ex-Officio Members

**Minneapolis Youth  
Coordinating Board**  
[www.ycb.org](http://www.ycb.org)

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding Number: 2004-001**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Ann DeGroot, Executive Director

Corrective Action Planned:

While understanding that strict segregation of accounting duties is optimum, it is difficult to achieve in an organization with only 7 employees. We will continue to rely on the City of Minneapolis to oversee all bank transactions and maintain all vendor information while ensuring that management and the YCB Board members are aware of the finding.

Anticipated Completion Date:

Ongoing

**Finding Number: 2017-001**

**Finding Title: Audit Adjustment**

Name of Contact Person Responsible for Corrective Action:

Ann DeGroot, Executive Director

Corrective Action Planned:

We will review transactions on a quarterly basis to ensure that all financial data is properly recorded, and review all receivables to ensure their classifications are correct in the financial statements.

Anticipated Completion Date:

Ongoing

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**Phillipe Cunningham**  
Minneapolis City Council

**Kerryjo Felder**  
Minneapolis Public School Board

**Mike Freeman**  
Hennepin County Attorney

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Minneapolis Park and Recreation Board

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Court

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DeGroot**

\* Executive Committee  
Members

\*\*Ex-Officio Members

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**REPRESENTATION OF THE  
MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding Number: 2004-001**

**Finding Title: Segregation of Duties**

**Summary of Condition:** The Minneapolis Youth Coordinating Board has one person who is responsible for performing the business functions.

**Summary of Corrective Action Previously Reported:** The Minneapolis Youth Coordinating Board understands the importance of segregation of duties and will continue to rely on the City of Minneapolis to oversee all bank transactions and maintain all vendor information while ensuring that management and the YCB Board members are aware of the finding.

**Status:** Not Corrected. The Minneapolis Youth Coordinating Board management will continue to review processes and strengthen procedures where they can with their limited financial staff.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No  X