

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

AUDUBON NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

DECEMBER 12, 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.

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**AUDUBON NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

December 12, 2007



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**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 December 12, 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

07-1 Attorney General Registration

We found that the ANA sent the payment for registration to the Attorney General's Office, but did not include a completed registration form. The form must be sent to be considered as current with its registration.

We recommend that the ANA send its registration to the Attorney General's Office as soon as possible. We also recommend that the ANA maintain on file evidence that its registration is current.

Client's Response:

This has been completed. Our office calendar is now marked when this is due to be done each year.

PREVIOUSLY REPORTED ITEM RESOLVED

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

Our previous report noted that the ANA's registration with the Secretary of State was not current. We recommended that the ANA contact the Secretary of State to update its registration status.

Resolution

We found that the ANA was current with its Secretary of State registration.

2. Procedure

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

Findings

The ANA maintains written policies and procedures for its financial operations.

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, 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:

We continue to look for a bookkeeper to assist with our accounting.

06-4 Disbursement Process

Our previous report identified the following conditions related to the ANA's disbursement process:

- Approvals for payment were not indicated on the invoices.

Our current review found that invoices are now initialed and dated as approved for payment. So, this finding is resolved.

- Invoices were not canceled to avoid a second payment from occurring.

Our current review found that check numbers are now written on the invoices, so this item is resolved.

- Some disbursements lacked supporting documentation.

Our examination of the ANA's supporting documentation found some disbursements which did not contain any support.

We again recommend that the ANA maintain supporting documentation for all disbursements.

Client's Response:

ANA has focused on developing a process to obtain supporting documentation for approved expenses by improved filing procedures.

PREVIOUSLY REPORTED ITEMS RESOLVED

Signing and Approval of Time Sheets (01-7)

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

Resolution

Our current review found that the one employee is signing the time sheets, and they are being approved by the Board's Treasurer. Also, the ANA determined that all of the employee's time would be charged to the NRP's administrative contract.

Bank Reconciliation Records (06-2)

Our previous report recommended that bank reconciliations be initialed and dated by the preparer and that they be filed with other financial records.

Resolution

We found that reconciliations are now signed and dated by the Board's Treasurer, and they are filed with other records of the ANA.

Receipting Process (06-3)

Our previous report recommended that a receipt log be maintained to record all collections and that support for the collections be maintained in a secure location.

Resolution

The ANA is now writing receipts for its collections, and the records are being kept in a locked filing cabinet.

4. Procedure

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

Findings

Donations are accounted for through the ANA's general ledger. Amounts viewed were not significant. The ANA had no long-term obligations.

PREVIOUSLY REPORTED ITEM RESOLVED

Fixed Asset Record (06-5)

Our previous report recommended that a record be established to record the ANA's fixed assets.

Resolution

We found that the ANA now has a fixed asset list.

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. We also recommended that the ANA prepare its reimbursement requests instead of having them completed by an NRP specialist. Our current review found that the ANA is now completing its reimbursement requests. However no record is presently kept that classifies revenues and expenses by contract.

We again recommend that the ANA maintain a spreadsheet of its revenues and expenses by contract.

Client's Response:

ANA is reviewing its financial software for categorizing capabilities to include contract expenses.

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 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

December 12, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR