

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

---

**BANCROFT NEIGHBORHOOD ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**FEBRUARY 17, 2006**

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

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

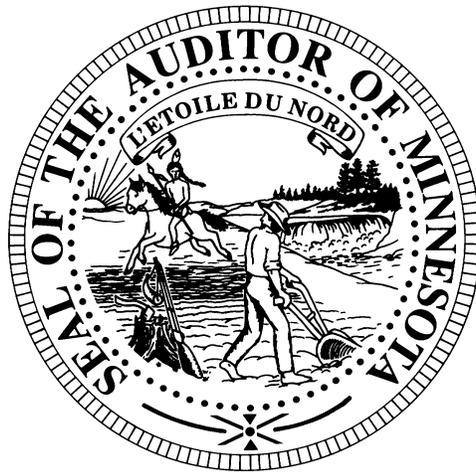
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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 State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**BANCROFT NEIGHBORHOOD  
ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**February 17, 2006**



**Agreed-Upon Procedures**

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

This page was left blank intentionally.



**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)

PATRICIA ANDERSON  
STATE AUDITOR

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

Board of Directors  
Bancroft Neighborhood Association

We have performed the procedures enumerated below, which were agreed to by the Bancroft Neighborhood Association (BNA) 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 BNA. These procedures were applied to the BNA's records as of February 17, 2006. 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 BNA 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 BNA 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.

2. Procedure

Determine if the BNA has written policies and procedures for financial operations (receipting, disbursing, purchasing, personnel, etc.).

Findings

Financial operations for the BNA consist primarily of receipting and disbursing funds. We found that the BNA had written procedures for the receipting and disbursing of funds.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

97-1 Segregation of Duties

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

*BNA has one paid employee who works 30 hours a week. However, BNA has a full Board of Directors, which includes an executive committee and a treasurer. The employee completes a payment authorization form for each check needed. The treasurer approves the check, fills out the check, and puts the entry into the check register. The executive committee members (authorized signers) sign the check.*

*BNA has a bookkeeper who comes in once a month to reconcile the books. The treasurer signs off on the reconciliation report. The treasurer gives a financial report at each monthly Board meeting that consists of the monthly Balance Sheet and Profit and Loss Statement.*

ITEMS ARISING THIS YEAR

05-1 Monitoring Leave Time

Vacation and sick leave of the BNA's Director does not appear to be regularly monitored. This should be done to ensure proper accounting for time earned and taken. Monitoring could be accomplished by having leave time earned, taken, and outstanding included on the Director's time sheets.

We recommend that leave time records be reviewed by a Board member at least monthly, when time sheets are reviewed.

Client's Response:

*Currently, the employee has the number of sick and vacation days available and used on her time sheet. However, the time sheet has a lot of information on it. She will make sure the numbers are clearer to the reader.*

*The Board vice president will review and sign off on her time sheets monthly.*

05-2 Capitalization Policy

The BNA does not have a policy in place that establishes a dollar threshold for recognizing certain items as fixed assets. Presently, the BNA's fixed assets appear to consist of two items.

We recommend that the Board adopt a policy for recognizing certain purchases as fixed assets.

Client's Response:

*BNA will create a policy for the computer and the canopy going back to their purchase (under five years).*

PREVIOUSLY REPORTED ITEM RESOLVED

**Authorization of Financial Institutions and Check Signers (03-1)**

Our previous report recommended that the Board authorize depositories and check signers on an annual basis and that such authorization be noted in the minutes.

**Resolution**

Our current review of this condition found sufficient progress was made to consider the matter resolved.

4. Procedure

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

Findings

The BNA presently has no financial activities in the areas of donations and long-term obligations. The BNA appeared to have two fixed asset items. See comment 05-2 above.

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 basis consistent with cash flow needs.

PREVIOUSLY REPORTED ITEM RESOLVED

**Timely Requests for Grant Reimbursements (01-7)**

Previous reports recommended that the BNA consider quarterly requests for reimbursement of NRP funding.

**Resolution**

The BNA has a process in place to request reimbursement of NRP funds on a basis consistent with cash flow needs.

6. Procedure

Follow up on previous year's report findings.

Findings

All follow up on previous findings is discussed above.

\* \* \* \* \*

We were not engaged to and did not perform an audit of the Bancroft Neighborhood Association'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 Bancroft 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/Pat Anderson*

*/s/Greg Hierlinger*

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

February 17, 2006