

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**MARCY-HOLMES NEIGHBORHOOD ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**DECEMBER 10, 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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**MARCY-HOLMES NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**December 10, 2007**



**Agreed-Upon Procedures**

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

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of Directors  
Marcy-Holmes Neighborhood Association

We have performed the procedures enumerated below, which were agreed to by the Marcy-Holmes Neighborhood Association (MHNA) 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 MHNA. These procedures were applied to the MHNA's records as of December 10, 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 MHNA 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 MHNA 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 MHNA has written policies and procedures for financial operations (receipting, disbursing, purchasing, personnel, conflict of interest policy, etc.).

Findings

The MHNA maintains written policies and procedures for its financial operations, except for the matter noted below as item 07-1.

ITEM ARISING THIS YEAR

07-1 Payroll Policies

We found that the MHNA does not have policies and procedures over payroll activities. Payroll expenses are significant to the MHNA's overall costs of the organization. As such, there should be policies and procedures to control those activities.

We recommend that policies and procedures for the MHNA's payroll activities be developed and approved by the Board.

Client's Response:

*We will look into using a payroll service or an accountant to take on payroll duties. A policy for that will be developed.*

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

98-1 Segregation of Duties

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

*Unless we grow as an organization and hire more staff, this comment will stay with us.*

05-1 Reporting Leave Time

We previously recommended that information on leave time earned, taken, and outstanding be included on employee time sheets. We found that employees maintain their own leave time in a record separate from the time sheets. A Board member reviews the leave time record when employees take time off and at their anniversary dates. We believe a more frequent review of leave time should occur. Maintaining this information on time sheets would make it available for review on a regular basis.

We again recommend that leave time information be included on employee time sheets.

Client's Response:

*We plan to implement this change.*

ITEM ARISING THIS YEAR

07-2 Security Over Collections

We found that collections are kept in an envelope on an employee's desk until deposited. This condition does not provide sufficient security over the collections.

We recommend that collections be kept in a locked area until deposits are made.

Client's Response:

*We plan to implement this change.*

4. Procedure

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

Findings

Regarding long-term obligations, the MHNA had none.

## PREVIOUSLY REPORTED ITEM NOT RESOLVED

### 05-2 Accounting for Donations

We previously recommended that a listing of all in-kind items donated during the year, including their monetary value, be maintained. Such information should be included on IRS 990 forms and financial statements, if prepared. Our current review found that a record of in-kind donations was not being maintained. The MHNA is provided office space at no charge.

We again recommend the MHNA maintain a listing of all in-kind items donated during the year. Monetary values for these items should be obtained from the parties making the donations.

#### Client's Response:

*We currently record donations and values in a file. We plan to add these numbers to our accounting records.*

## ITEM ARISING THIS YEAR

### 07-3 Fixed Asset Record

The MHNA does not maintain a formal record for its fixed assets. Presently, the MHNA's fixed assets consist of a computer. However, we believe a record should be kept that describes the asset including a brief description of the asset, date of purchase, serial number (if applicable), and estimated useful life. Such a record may also be useful for insurance purposes.

We recommend that a formal record be kept of the MHNA's fixed assets.

#### Client's Response:

*We have a fixed assets file with one item listed - our computer. The serial number is recorded in our insurance policy, also on file.*

### 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.



6. Procedure

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

Findings

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

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We were not engaged to and did not perform an audit of the MHNA'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 Marcy-Holmes 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*

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STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 10, 2007