

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WEST CALHOUN NEIGHBORHOOD COUNCIL
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

SEPTEMBER 4, 2007

Description of the Office of the State Auditor

The mission of the State Auditor's Office 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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**WEST CALHOUN NEIGHBORHOOD COUNCIL
MINNEAPOLIS, MINNESOTA**

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**Audit Practice Division
Office of the State Auditor
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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
West Calhoun Neighborhood Council

We have performed the procedures enumerated below, which were agreed to by the West Calhoun Neighborhood Council (WCNC) 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 WCNC. These procedures were applied to the WCNC's records as of September 4, 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 WCNC 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 WCNC is current with required filings (Attorney General, Secretary of State, and Internal Revenue Service).

Findings

Filing with the Secretary of State was found to be current. For the Internal Revenue Service and Attorney General, no filings were necessary due to the level of funding received by the WCNC.

2. Procedure

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

Findings

ITEMS ARISING THIS YEAR

07-1 Accounting Policies and Procedures

The WCNC does not have written accounting policies and procedures. The written policies and procedures should exist to set forth requirements to account for such matters as the receipt and deposit of funds, purchase of goods and services, approval and payment of bills, general accounting practices, and requesting reimbursements from the NRP and other funding sources. This document would also serve as a guide for future staff and Board members.

We recommend that a policies and procedures manual be developed by the WCNC and that it be adopted by the Board.

Client's Response:

We are in the process of developing our Accounting Policies and Procedures and will present it to the Board for authorization once it is complete.

07-2 Conflict of Interest Policy

The NRP Policy Board encourages all neighborhood organizations to adopt a conflict of interest policy. The policy would apply to all Board members and staff of the neighborhood. Presently, the WCNC does not have a conflict of interest policy.

We recommend that the WCNC Board adopt a conflict of interest policy. The policy should be reviewed annually by the Board to reinforce its requirements and to make new Board members aware of it. If assistance is needed in developing the policy, the WCNC should contact its NRP representative.

Client's Response:

We are in the process of developing our Conflict of Interest Policy and will present it to the Board for authorization once it is complete.

3. Procedure

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

Findings

ITEMS ARISING THIS YEAR

07-3 Segregation of Duties

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

07-4 Bank Reconciliations

Bank statements are reviewed by the Board's Treasurer when received. Deposits and checks are verified with the checkbook. However, a formal reconciliation is not completed.

We recommend that a formal bank reconciliation be completed monthly. This could be accomplished by filling out the reconciliation form usually found on the back of the bank statements. We also recommend that the reconciliations be initialed and dated by the preparer.

Client's Response:

Our Board Treasurer will begin doing formal bank reconciliations monthly, effective immediately.

07-5 Coding of Invoices

We found that the WCNC does not mark invoices with account codes for posting expenses. Presently, the WCNC's expenses are few in number, and it was felt that coding was not necessary. However, we believe it is a good internal control practice to follow. It will also provide a trail for others to understand how expenses are to be reported.

We recommend that invoices be coded with the appropriate program and expense accounts.

Client's Response:

We will begin coding invoices with the appropriate program and expense accounts, effective immediately.

4. Procedure

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

Findings

Donations are accounted for through the WCNC's receipting and general ledger process. The WCNC has no fixed assets. Financial information is maintained on the Board Treasurer's home computer. The WCNC had no long-term obligations at the time of our review.

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 regular basis.

6. Procedure

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

Findings

As this was our first review of the WCNC, there were no previous findings.

* * * * *

We were not engaged to and did not perform an audit of the WCNC'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 West Calhoun Neighborhood Council 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

September 4, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR