

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

CLEVELAND NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

FEBRUARY 1, 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.

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**CLEVELAND NEIGHBORHOOD
ASSOCIATION
MINNEAPOLIS, MINNESOTA**

February 1, 2006



Agreed-Upon Procedures

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

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STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Cleveland Neighborhood Association

We have performed the procedures enumerated below, which were agreed to by the Cleveland Neighborhood Association (CNA) 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 CNA. These procedures were applied to the CNA's records as of February 1, 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 CNA 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 CNA 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 CNA has written policies and procedures for financial operations (receipting, disbursing, purchasing, personnel, etc.).

Findings

Financial operations for the CNA consist primarily of receipting and disbursing funds. The CNA has no employees, so has no payroll records. There are no fixed assets records, as the CNA has no fixed assets. We found that the CNA had written procedures for the receipting and disbursing of funds.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Segregation of Duties

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

Because of the limited number of staff, accounting functions are overseen by staff and the Treasurer. All checks in excess of \$250 must have two authorized signatures and there are three board members who are so authorized. All board members are given a monthly budget report of expenditures for the previous month. Both the staff and treasurer reconcile the monthly bank statement and an additional board member serves as an internal auditor by reconciling bank statements with the general ledger and treasurer's report.

ITEMS ARISING THIS YEAR

05-1 General Ledger Coding of Invoices

We found that vendor invoices are not marked with the codes used for posting to the general ledger. Placing codes on the invoices helps verify the accuracy of general ledger postings.

We recommend that invoices be marked with the appropriate general ledger coding.

Client's Response:

Going forward we will mark all invoices with the appropriate general ledger coding.

05-2 Petty Cash Policy

The CNA has no written policy regarding the use of its petty cash. A policy should be established to ensure petty cash funds are used as intended and to provide accountability for the total amount of the fund.

We recommend a written policy be established to:

- identify the amount of the petty cash fund,
- identify the custodian of the fund,
- determine the types of expenditures allowed, including any dollar limits on the expenditures incurred, and
- provide the process to be followed for reimbursing the fund.

The policy should be adopted by the Board.

Client's Response

A written policy for petty cash will be drafted by staff and presented to the board for approval at their next Board meeting.

PREVIOUSLY REPORTED ITEMS RESOLVED

Lack of Approval for Vendor Disbursements (96-3)

Previous reports have noted that vendor invoices lacked an indication as to whether they had been properly approved for payment.

Resolution

We found that invoices are now marked “OK to pay,” signed, and dated by the Neighborhood Coordinator. Invoices are then given to the Treasurer to prepare checks.

Cancellation of Invoices (96-4)

Our previous reports indicated that invoices were not canceled when payment was made.

Resolution

We found that invoices are stamped “PAID” and marked with the check number and date paid.

Lack of Documentation for Vendor Disbursements (96-5)

Previous reports indicated that disbursements did not have adequate documentation.

Resolution

We found sufficient progress by the CNA in maintaining documentation to support disbursements, to the extent we consider this finding resolved.

General Ledger Accounts (01-5)

Previous reports noted that some accounts in the general ledger no longer pertained to the CNA’s financial activities and should be eliminated.

Resolution

According to the Neighborhood Coordinator, she is unable to eliminate these accounts. As it appears there are no plans to address this matter, and there is no significant impact to the accounting records, we are resolving the finding.

4. Procedure

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

Findings

At the time of our fieldwork, the CNA did not have any donations or long-term obligations. We found that the CNA maintains a schedule of its fixed assets. The schedule appeared to be in sufficient form.

5. Procedure

Determine if accounting records support the NRP amounts requested for reimbursement.

Findings

The accounting records appeared to support amounts requested for reimbursement.

PREVIOUSLY REPORTED ITEM RESOLVED

General Ledger Not in Agreement With NRP Reimbursement (03-1)

Our previous report noted that under NRP Contract C96-10289, the CNA was reimbursed \$75.45 more than the expenses listed in reimbursement request number 53.

Resolution

The overpayment was reduced from reimbursement request number 54.

6. Procedure

Follow up on previous year's report findings.

Findings

All follow up on previous findings is discussed above.

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We were not engaged to and did not perform an audit of the Cleveland 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 Cleveland 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 1, 2006