

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**WEBBER-CAMDEN NEIGHBORHOOD
ORGANIZATION
MINNEAPOLIS, MINNESOTA**

YEARS ENDED DECEMBER 31, 2006 AND 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:

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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

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**WEBBER-CAMDEN NEIGHBORHOOD
ORGANIZATION
MINNEAPOLIS, MINNESOTA**

Years Ended December 31, 2006 and 2007



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

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**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

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**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE
2006**

<u>Board Members</u>	<u>Term Expires</u>
Rev. Linda Koelman	October 2007
Patricia Suhrbier	October 2007
Stephanie Gruver	October 2007
James Wentzell	October 2007
Jon Marley	October 2007
Bruce Nolan	May 2008
Eric Fager	October 2008
<u>Executive Director</u>	
Roberta Englund	Indefinite

**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE
2007**

<u>Board Members</u>	<u>Term Expires</u>
Rev. Linda Koelman	October 2009
Patricia Suhrbier	October 2009
Stephanie Gruver	October 2009
James Wentzell	October 2009
Jon Marley	October 2009
Bruce Nolan	May 2008
Eric Fager	October 2008
Cyndy Gohdes	October 2009
<u>Executive Director</u>	
Roberta Englund	Indefinite

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STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Webber-Camden Neighborhood Organization

We have audited the statement of financial position of the Webber-Camden Neighborhood Organization (WCNO) (a nonprofit corporation) as of December 31, 2006 and 2007, and the related statements of activity, functional expenses, and cash flows for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the WCNO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the WCNO as of December 31, 2006 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of NRP Activity listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the WCNO. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 3, 2008

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FINANCIAL STATEMENTS

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**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2007**

	2006	2007
<u>Assets</u>		
Current assets		
Cash	\$ 5,521	\$ 665
Grants receivable	20,205	12,394
Prepaid items	78	78
Total Assets	\$ 25,804	\$ 13,137
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 5,232	\$ 1,050
Deferred revenue	990	990
Total Liabilities	\$ 6,222	\$ 2,040
Net Assets		
Unrestricted	19,582	11,097
Total Liabilities and Net Assets	\$ 25,804	\$ 13,137

**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 2-1

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Unrestricted	Temporarily Restricted	Total
Public Support and Other Revenue			
Public support			
Government grants			
Minneapolis Community Planning and Economic Development Department (CPED)	\$ 5,500	\$ -	\$ 5,500
Neighborhood Revitalization Program	99,129	-	99,129
Other contributions	45	-	45
Total public support	\$ 104,674	\$ -	\$ 104,674
Other revenue			
Miscellaneous	250	-	250
Total Public Support and Other Revenue	\$ 104,924	\$ -	\$ 104,924
Expenses			
Program services			
Neighborhood Revitalization Program	\$ 90,455	\$ -	\$ 90,455
Support services			
Management and general	4	-	4
Total Expenses	\$ 90,459	\$ -	\$ 90,459
Increase (Decrease) in Net Assets	\$ 14,465	\$ -	\$ 14,465
Net Assets - January 1	5,117	-	5,117
Net Assets - December 31	\$ 19,582	\$ -	\$ 19,582

**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 2-2

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Unrestricted	Temporarily Restricted	Total
Public Support and Other Revenue			
Public support			
Government grants			
Minneapolis Community Planning and Economic Development Department (CPED)	\$ 2,000	\$ -	\$ 2,000
Neighborhood Revitalization Program	121,892	-	121,892
Total public support	\$ 123,892	\$ -	\$ 123,892
Other revenue			
Miscellaneous	974	-	974
Total Public Support and Other Revenue	\$ 124,866	\$ -	\$ 124,866
Expenses			
Program services			
Neighborhood Revitalization Program	133,351	\$ -	133,351
Increase (Decrease) in Net Assets	\$ (8,485)	\$ -	\$ (8,485)
Net Assets - January 1	19,582	-	19,582
Net Assets - December 31	\$ 11,097	\$ -	\$ 11,097

**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 3-1

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Neighborhood Revitalization Program Contract #13872	Management and General	Total
<u>Expenses</u>			
Bank fees	\$ -	\$ 4	\$ 4
Contributions	650	-	650
Equipment repair	11	-	11
Implementation support	61,241	-	61,241
Insurance	131	-	131
Meetings	150	-	150
Newsletter	2,547	-	2,547
Office expenses	280	-	280
Program and event expenses			
Senior Chore Service	5,610	-	5,610
Crime and Public Safety	11,539	-	11,539
Victory Race	3,500	-	3,500
Camden Old House Club	1,991	-	1,991
Community Outreach	1,012	-	1,012
Holiday Lights	450	-	450
Other programs and events	913	-	913
Supplies and equipment	405	-	405
Taxes	25	-	25
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 90,455</u>	<u>\$ 4</u>	<u>\$ 90,459</u>

**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 3-2

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Expenses</u>	<u>Neighborhood Revitalization Program Contract #13872</u>
Accounting	\$ 813
Administration expense	25
Implementation support	108,764
Insurance	209
Meetings	300
Newsletter	1,050
Program and events expenses	
Senior Chore Service	4,499
Community Outreach	651
Other programs and events	17,040
Total Expenses	\$ 133,351

**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 4

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**

	2006	2007
Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ 14,465	\$ (8,485)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
(Increase) decrease in grants receivable	\$ 16,044	\$ 7,811
(Increase) decrease in prepaid items	(78)	-
Increase (decrease) in accounts payable	(15,811)	(4,182)
Increase (decrease) in deferred revenue	990	-
Total adjustments	\$ 1,145	\$ 3,629
Net cash provided by (used in) operating activities	\$ 15,610	\$ (4,856)
Cash - January 1	(10,089)	5,521
Cash - December 31	\$ 5,521	\$ 665

**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2007

1. Summary of Significant Accounting Policies

A. Organization

The Webber-Camden Neighborhood Organization (WCNO) is bounded by Webber Parkway on the north, Interstate 94 on the east, Penn Avenue and Newton Avenue on the west, and Dowling Avenue on the south. The WCNO was organized to promote neighborhood interests and the health, safety, and general welfare of all residents of Webber-Camden with specific programs for crime, safety, preschool, youth, and seniors.

B. Board of Directors and Officers

The WCNO's Board of Directors consists of at least six but no more than 12 members. Directors are elected at the annual meeting in November and serve two-year terms. The officers consist of, at minimum, a President, Secretary, and Treasurer. The officers are elected by the Board of Directors at the first meeting subsequent to the annual meeting of the voting membership's election of Directors.

C. Basis of Presentation

The provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, have been applied to the amounts presented in these financial statements. Under these provisions, net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the WCNO and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the WCNO has discretionary control.

Temporarily Restricted - Those resources subject to donor-imposed restrictions, which will be satisfied by actions of the WCNO or passage of time.

**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Basis of Presentation (Continued)

Permanently Restricted - Those resources subject to a donor-imposed restriction that they be maintained permanently by the WCNO. The donors of these resources permitted the WCNO to use all or part of the income earned, including capital appreciation or related investments, for unrestricted or temporarily restricted purposes.

D. Basis of Accounting

The WCNO is reported on the accrual method of accounting where revenues are recognized when they are earned and expenses are recognized when they are incurred.

E. Expense Allocation

Expenses are allocated based on job descriptions and the best estimates of management. Expenses which are not directly identifiable by program or supporting service are allocated based on the best estimates of management in relation to grant budgets. Fund raising expenses are considered to be minimal, and those costs are included in management and general expenses.

F. Income Taxes

The WCNO is a not-for-profit corporation that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and comparable state statutes.

G. Cash

Cash consists of deposits in one checking account.

H. Grants and Contracts

The WCNO's funding includes cost-reimbursement grants from the City of Minneapolis' Community Planning and Economic Development (CPED) Department and the Minneapolis Neighborhood Revitalization Program (NRP) Policy Board. Government grants and contracts recognize revenue as earned when eligible expenses, as defined in each grant or contract, are made. Funds advanced and received on the

**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies

H. Grants and Contracts (Continued)

above grants but not yet earned are shown as deferred revenue. Expenses under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenses allowed under these grants, the WCNO will record such disallowance at the time the final assessment is made.

I. Contributions

The following types of contributions are recorded as revenue at their fair value when they are received unconditionally: cash, promises to give, certain contributed services, and gifts of long-lived assets. Conditional contributions are recognized as restricted revenue when received.

J. Donated Services and Materials

The WCNO had no donated services during the years ended December 31, 2006 and 2007.

2. Deferred Revenue

Deferred revenue at December 31, 2006 and 2007, is as follows:

	<u>2006</u>	<u>2007</u>
NRP Contract #13872	<u>\$ 990</u>	<u>\$ 990</u>

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SCHEDULE OF NRP ACTIVITY

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**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

Schedule 1

**SCHEDULE OF NRP ACTIVITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**

	Contract #13872	
	2006	2007
Revenues	\$ 99,129	\$ 121,892
Expenses		
Accounting	\$ -	\$ 813
Administration expense	-	25
Contributions	650	-
Equipment repair	11	-
Implementation support	61,241	108,764
Insurance	131	209
Meetings	150	300
Newsletter	2,547	1,050
Office expenses	280	-
Program and event expenses		
Senior Chore Service	5,610	4,499
Crime and Public Safety	11,539	-
Victory Race	3,500	-
Camden Old House Club	1,991	-
Community Outreach	1,012	651
Holiday Lights	450	-
Other programs and events	913	17,040
Supplies and equipment	405	-
Taxes	25	-
Total Expenses	\$ 90,455	\$ 133,351
Revenues Over (Under) Expenses	\$ 8,674	\$ (11,459)

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**WEBBER-CAMDEN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

Schedule 2

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED DECEMBER 31, 2006 AND 2007**

I. COMPLIANCE

ITEMS ARISING THIS YEAR

07-1 Identification of Citizen Participation Program Expenses

In 2006, the Webber-Camden Neighborhood Organization (WCNO) received Citizen Participation Program funds from the Minneapolis Community Planning and Economic Development Department (CPED) in the amount of \$5,500. In 2007, the WCNO received \$2,000 from CPED of Citizen Participation funds. We found that the WCNO submitted reports to CPED to account for the use of these funds. For funds received in 2006, a listing of checks was provided that far exceeded \$5,500. As a result, we could not determine which expenses were actually charges against CPED funding. For funds received in 2007, the WCNO did not list any checks to account for the use of \$2,000. Instead, there was an explanation of how the funds were used, referring to "implementation support" as to how the funds were used. We also note that the general ledger we were originally provided showed expenses recorded for the Citizen Participation funding. However, the Executive Director determined that expenses in the general ledger were not coded correctly, so the new version of the ledger we were provided did not show any Citizen Participation expenses.

Based on our findings, we could not verify that the WCNO expended Citizen Participation funding appropriately. We recommend that the WCNO improve its efforts in accounting and reporting on expenses according to funding sources.

Client's Response:

Webber-Camden Chart of Accounts now has a CDBG (Citizens Participation) Line Item as an Income Account and a corresponding line item for related expenses.

07-2 Questioned Costs for Voided Check Expenses Charged to NRP Program

The following check numbers were voided in 2006, but the amounts from the voided checks were submitted to the NRP Policy Board for reimbursement. The amounts were paid by the Policy Board to the WCNO under contract number 13872, reimbursement #16.

<u>Check Number</u>	<u>Amount</u>
1709	\$ 500
1722	15
1723	15
Total	<u>\$ 530</u>

We recommend the WCNO officials discuss these questioned cost amounts with NRP officials to determine a resolution.

Client's Response:

The checks totaling \$530.00 were inappropriately requested and will be deducted from the next reimbursement request which should be in December 2008 in consultation with the NRP coordinator.

07-3 Service Agreement with Folwell Neighborhood Association

The WCNO has an agreement with the Folwell Neighborhood Association, which calls for the Folwell Neighborhood Association to provide administrative services and carry out program activities of the WCNO. The agreement states that the Folwell Neighborhood Association shall submit itemized billings each month for services performed. We found that in 2007, the Folwell Neighborhood Association began taking draws against the WCNO's bank accounts rather than submitting itemized accounts of expenses incurred. We are not aware of any subsequent accounting of expenses compared to the draws that were taken. This condition is not in compliance with the service agreement.

We recommend that the WCNO Board require the Folwell Neighborhood Association to prepare an itemized account of expenses incurred, in relation to the draws that were taken, and submit it to the WCNO Board. The Board should determine if the expenses submitted are allowable under terms of the service agreement. We further recommend that the WCNO Board prohibit the practice of allowing draws against the WCNO's bank account by the Folwell Neighborhood Association. The WCNO Board should only allow payments to the Folwell Neighborhood Association based on terms of the service agreement.

Client's Response:

Invoices were always prepared related to all Webber-Camden expenses and were submitted for approval and payment, first to WCNO and then to the NRP. There were times when the signatures required on vouchers postdated the payment as a result of availability of the approved signers. The President was always informed, in person or by phone, when a payment was about to occur.

We are working to prepare a more detailed invoice for the Webber-Camden expenses beyond what Quick Books provides in the invoicing and tracking system. Electronic transfers are clearly indicated on the vouchers that are approved by the officers. There have been no unsubstantiated draws.

II. INTERNAL CONTROL

ITEMS ARISING THIS YEAR

07-4 Segregation of Duties

For the period covered by this audit, we found that several staff of the Folwell Neighborhood Association were involved with the receipting of WCNO funds and recordings in the WCNO general ledger. This practice makes it very difficult to establish individual accountability over financial transactions. Separate functions of the accounting system should be limited to one individual, with a second person assigned as a backup. We recognize that current accounting practices have changed from the period covered by our audit.

We recommend that the Board maintain an active involvement in the accounting and reporting practices of the Neighborhood.

Client's Response:

The WCNO Board of Directors will review the written policies and procedures related to accounting practices at the same time that they consider approving account placement (bank) and authorized signers for the 2009 fiscal year. We believe that the policies and procedures are proper and that a stricter compliance is necessary.

07-5 Recordings in the General Ledger

Our review of the 2006 and 2007 general ledgers found the following:

- A reimbursement from the NRP Policy Board totaling \$22,788 in 2006 was recorded in the wrong account in the general ledger.
- In 2007, entries posted to accounts payable were never recorded as expenses. As a result, expenses were understated by \$66,000.
- A 2007 payment from the Folwell Neighborhood Association for contract services totaling \$10,000 was omitted from the general ledger.
- A 2007 reimbursement from the NRP Policy Board totaling \$18,059 was recorded twice in the general ledger.

When informed of these conditions, the Executive Director determined that the entire general ledger needed to be recoded for 2006 and 2007. The need to fully recode the general ledger creates a lack of confidence over the manner in which financial activities are being maintained. Financial information previously provided to Board members and other interested parties may no longer be reliable. Amounts previously reimbursed by granting authorities could now be affected. These conditions significantly weakened internal controls over accounting and reporting matters.

We recommend that procedures be established to strengthen the reliability of the general ledger information being presented. The coding of transactions should be performed by someone knowledgeable about the WCNO's operations and who possesses sufficient accounting skills to perform the tasks. We also recommend that the Board review monthly financial reports of the Neighborhood for accuracy and appropriateness.

Client's Response:

All Chart of Accounts and class designations have been reviewed and changed to accurately represent the nature of WCNO's operations and the accounting will now be done by one individual with a second person as backup. As discrepancies in the reports were noted, they were made known to the Board of Directors when reports were presented, and duly noted in the Minutes of the Meeting. All of the reports were accepted subject to audit. We believe that most of the errors in recording that resulted in errors in reporting have been remedied.

07-6 Bank Reconcilements

We found that the December 31, 2007, bank balance did not reconcile with the general ledger. No explanation could be provided for the difference. Auditors were subsequently able to reconcile the account.

We recommend that differences in bank reconcilements be examined and resolved. We also recommend that bank reconcilements be reviewed and signed by a member of the Board.

Client's Response:

Bank reconcilements will be done within ten days of receipt of the statement or prior to the next meeting of the Board and will be submitted for signature with the financial statements.

PREVIOUSLY REPORTED ITEM RESOLVED

Cash Receipts and Related Bank Deposits (05-3)

Our previous report noted deficiencies with timely bank deposits and collections recorded in the general ledger but not the receipts journal.

Resolution

In our current audit, no such instances were identified.

III. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

05-1 Required Filing with the Secretary of State

Our previous report noted that the WCNO was not current in its filing with the Secretary of State. Minn. Stat. § 317A.823 requires registration with the Secretary of State on an annual basis. Failure to file could result in dissolution of the business. Our current audit found that the WCNO was still not current with its registration.

We again recommend that the WCNO take steps to update its filing with the Secretary of State.

Client's Response:

Filing with the Secretary of State is now current and will be updated annually via the website.

ITEM ARISING THIS YEAR

07-7 Backup Site for Computer Records

Presently, the WCNO does not maintain an offsite backup of its computer records. Backup records are kept in the WCNO offices. Backup records should be secured in a location separate from that of the original records.

We recommend that the WCNO determine an offsite location for its computer records.

Client's Response:

Off-site backup data storage has been implemented.

PREVIOUSLY REPORTED ITEMS RESOLVED

Reimbursement for Eligible Program Expenses (02-3)

Previous reports have recommended that the WCNO request reimbursement for eligible expenses from the Minneapolis Community Planning Economic Development Department (CPED) in the amount of \$6,788.44.

Resolution

The WCNO indicated that the request was submitted and all payment requests related to CPED funding were current.

Timely Reimbursement Requests (05-4)

Our previous report recommended that requests for reimbursement be submitted to the NRP at least quarterly.

Resolution

Our current audit found that reimbursements were being submitted to the NRP within a reasonable period of time.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

Board of Directors
Webber-Camden Neighborhood Organization

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Webber-Camden Neighborhood Organization (WCNO) (a nonprofit corporation) as of and for the two years ended December 31, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the WCNO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the WCNO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the WCNO's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the WCNO's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

principles such that there is more than a remote likelihood that a misstatement of the WCNO's financial statements that is more than inconsequential will not be prevented or detected by the WCNO's internal control over financial reporting. We consider the deficiencies listed in the Schedule of Findings and Recommendations as items 07-4 through 07-6 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the WCNO's internal control over financial reporting. We believe that the deficiencies identified as items 07-4 and 07-5 in the Schedule of Findings and Recommendations constitute material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the WCNO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance which are described in the Schedule of Findings and Recommendations as items 07-1 through 07-3.

Also included in the Schedule of Findings and Recommendations is a management practices comment. We believe this recommendation to be of benefit to the WCNO, and it is reported for that purpose.

The WCNO's written responses to the significant deficiencies, material weaknesses, and management practices comment identified in our audit have been included in the Schedule of Findings and Recommendations. We did not audit the WCNO's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the WCNO's Board of Directors, its management, and the 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 3, 2008