

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**KINGFIELD NEIGHBORHOOD ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**FEBRUARY 15, 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

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**KINGFIELD NEIGHBORHOOD  
ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**February 15, 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**

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  
Kingfield Neighborhood Association

We have performed the procedures enumerated below, which were agreed to by the Kingfield Neighborhood Association (KFNA) 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 KFNA. These procedures were applied to the KFNA's records as of February 15, 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 KFNA 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 KFNA is current with required filings (Attorney General, Secretary of State, and Internal Revenue Service).

Finding

ITEM ARISING THIS YEAR

05-1 Required Filing with the Secretary of State

We found that the KFNA 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.

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

Client's Response:

*KFNA has updated its filing and is now current.*

2. Procedure

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

Finding

ITEM ARISING THIS YEAR

05-2 Update Written Procedures

We were referred to a portion of a larger document titled Financial Management Policy. The portion to which we were referred primarily sets forth the KFNA's policies relative to financial operations. It does not include procedures to be followed in adhering to the policies. Also, we note that the document is dated February 1998, which may not reflect the KFNA's current policies over financial operations.

We recommend that the Board examine its policies relative to financial operations to determine if they should be updated to more accurately reflect current conditions. We also recommend that the policies be expanded to include more detailed procedures currently being practiced for the KFNA's financial operations.

Client's Response:

*The KFNA Board agrees to review the Financial Policy and Procedures before the end of the calendar year.*

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

01-3 Segregation of Duties

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

*The KFNA Board understands the difficulty of having adequate segregation of duties with such a small staff, and furthermore understands its fiduciary responsibility to review Treasurer's Reports regularly and question any irregularities. The Board empowers the KFNA Executive Committee to review and modify financial reporting and tracking procedures, as necessary, to assure that clear segregation of duties and communication is maintained.*

4. Procedure

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

Finding

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

5. Procedure

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

Findings

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

02-1 Questioned Costs for Double Billings to Grants

Previous reports questioned one NRP-related expense item of \$150 because it was charged to two NRP programs. The client's response to this comment stated that the expense was incorrectly charged to contract C00-14923 and would be repaid. Based on our discussion with the NRP Specialist, the questioned amount has not been repaid yet and should be repaid to contract C00-14891.

We again recommend that the KFNA work with the NRP to resolve this questioned amount.

Client's Response:

*A double billing for \$150 was found in the 2002 audit, contracts C00-14891 and C00-14923. KFNA has disagreed with NRP about which contract should be reimbursed. KFNA is now ready to comply with NRP's recommendation to repay C00-14891.*

04-1 Timeliness of Reimbursement Requests

Our previous report noted that the KFNA was not timely in requesting reimbursement for expenses incurred under its NRP programs. Our current review found the same condition present. Six months of expenses had been incurred by the KFNA without a reimbursement request being submitted to the NRP for those transactions. Timely requests for reimbursement help ensure adequate cash flows to fund current operations.

We again recommend that requests for reimbursement be submitted to the NRP at least quarterly.

Client's Response:

*KFNA has managed its cash flow responsibly, typically keeping between \$30,000 and \$50,000 in their account, despite bi-annual reimbursement requests. However, KFNA will adjust its reporting on NRP contracts to be submitted quarterly.*

6. Procedure

Follow up on previous year's report findings.

Finding

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 Kingfield 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 Kingfield 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 15, 2006