

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**CORCORAN NEIGHBORHOOD ORGANIZATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**SEPTEMBER 13, 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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**CORCORAN NEIGHBORHOOD  
ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

**September 13, 2007**



**Agreed-Upon Procedures**

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

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REBECCA OTTO  
STATE AUDITOR

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

Board of Directors  
Corcoran Neighborhood Organization

We have performed the procedures enumerated below, which were agreed to by the Corcoran Neighborhood Organization (CNO) 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 CNO. These procedures were applied to the CNO's records as of September 13, 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 CNO 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 CNO 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 CNO has written policies and procedures for financial operations (receiving, disbursing, purchasing, personnel, conflict of interest policy, etc.).

Findings

ITEM ARISING THIS YEAR

07-1 Accounting Policies

During 2007, the CNO's accounting practices changed, causing the written accounting policies and procedures to be outdated. The primary change resulted from 2007 accounting activities being performed in-house, and the use of a private contractor for accounting services discontinued.

We recommend that the CNO's accounting policies and procedures be updated and approved by the Board to reflect current practices.

Client's Response:

*CNO approved an updated accounting policies and procedures document on October 3, 2007. We brought our accounting activities in house on June 1, 2007, and wanted to go through a few cycles before we approved an updated policy. This allowed us to work out the kinks in the system and produce a stronger document.*

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

97-2 Segregation of Duties

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

*CNO continually works to ensure sound financial practices and is aware of the limitations on our internal control. We work hard to segregate accounting functions as much as possible and have a record of good audits.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Approval of Time Sheets (06-1)**

Our previous report noted that many of the time sheets we reviewed did not contain a supervisor's approval. We recommended that all time sheets contain a supervisor's approval prior to payment being made.

**Resolution**

Our current review found that time sheets were signed by the employee and supervisor.

4. Procedure

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

Findings

Donations are accounted for through the CNO's receipting and general ledger process. We traced donated amounts from receipts into bank deposits and the general ledger. The appropriate fixed asset information is maintained on a schedule, which we viewed. The CNO had no long-term obligations.

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

The 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 CNO'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 Corcoran Neighborhood Organization 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*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 13, 2007