

# **STATE OF MINNESOTA**

## **Office of the State Auditor**



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

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**CALHOUN AREA RESIDENTS ACTION GROUP**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**JANUARY 11, 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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**CALHOUN AREA ACTION  
GROUP  
MINNEAPOLIS, MINNESOTA**

**January 11, 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  
Calhoun Area Residents Action Group

We have performed the procedures enumerated below, which were agreed to by the Calhoun Area Residents Action Group (CARAG) 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 CARAG. These procedures were applied to the CARAG's records as of January 11, 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 CARAG 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 CARAG is current with required filings (Attorney General, Secretary of State, and Internal Revenue Service).

### Findings

None.

2. Procedure

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

Findings

None.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

99-3 Segregation of Duties

Due to the limited number of office personnel within the CARAG, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the CARAG; 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 CARAG Board of Directors will remain aware of the Segregation of Duties issue.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Receipts Journal (05-1)**

Our previous report noted a receipts journal was not used for two of the three checking accounts. Though the number of transactions by the CARAG may not be significant, a formalized record should still exist to account for those funds collected.

**Resolution**

Our current review found that a receipts journal is now kept for all three checking accounts.

### **Coding of Invoices (05-2)**

Our previous report indicated that invoices of the Uptown Neighborhood News (UNN) were 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.

### **Resolution**

Our current review found that description codes are now placed on the invoices.

#### **4. Procedure**

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

#### **Findings**

None.

#### **5. Procedure**

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

#### **Findings**

None.

#### **6. Procedure**

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

#### **Findings**

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 Calhoun Area Residents Action Group'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 for the information and use of the Calhoun Area Residents Action Group 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

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

January 11, 2007