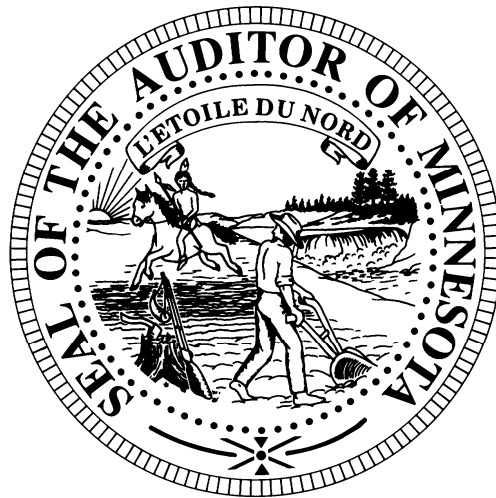


# STATE OF MINNESOTA

## Office of the State Auditor



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

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**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
FOR THE  
CITY OF MINNEAPOLIS  
MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**MARCH 30, 2012**

## **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:

**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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REVITALIZATION PROGRAM POLICY BOARD  
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MINNEAPOLIS, MINNESOTA**

**March 30, 2012**



**Agreed-Upon Procedures**

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

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REVITALIZATION PROGRAM POLICY BOARD  
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MINNEAPOLIS, MINNESOTA**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Mr. Kevin D. Carpenter, Chief Financial Officer  
Ms. Connie Griffith, Controller  
City of Minneapolis

We have performed the procedures enumerated below, which were agreed to by the City of Minneapolis, solely to assist you in reviewing the financial and operational transactions of the Minneapolis Neighborhood Revitalization Program Policy Board (NRP) which ceased to exist as a separate entity effective December 31, 2011. These procedures were applied to the NRP's records for the period January 1, 2011, through February 29, 2012. The former NRP and the City of Minneapolis management are responsible for these records. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the City of Minneapolis. 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

Review the 2011 minutes of the NRP Policy Board meetings. Identify any significant decisions made and actions taken by the Board. Specify any agreements entered into or obligations incurred which may remain outstanding. As applicable, determine whether the NRP Policy Board complied with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* related to conflicts of interest and contracting and bid laws.

## Findings

The 2011 minutes of the NRP Policy Board meetings were obtained on the web at nrp.org. A review of these meeting minutes identified three actions that may remain outstanding:

- On August 22, 2011, the Board passed a resolution to sponsor the 2012 Minneapolis and Saint Paul Home Tour.
- On December 19, 2011, the Board passed a resolution that offered the neighborhood organizations the opportunity to take any equipment and furnishings they could use from the NRP office.
- On December 19, 2011, the Board passed a resolution stating its unrestricted Administrative Fund balance at the end of 2011 could be used by neighborhood organizations to implement their approved Neighborhood Action Plans and/or fund part of their operating expenses with \$50,000 held back as a contingency.

No instances of noncompliance were noted relating to conflicts of interest or contracting and bid laws.

## 2. Procedure

Starting with the December 31, 2010, audited amounts, prepare reconciliations of beginning to ending balances as of both December 31, 2011, and February 29, 2012, for cash, receivable, and liability accounts related to the NRP. Note cash inflows and outflows, additions and deductions, and any other adjustments as appropriate. Identify how the cash activity reconciles between the general ledger and bank records.

## Findings

The balances of the asset and liability accounts at December 31, 2011, and February 29, 2012, are found on Schedule 1. The following accounts were reviewed:

- Cash - The cash accounts for the NRP were controlled by the Treasury Department of the City of Minneapolis. Deposits were brought to the Treasury Department where they were deposited and recorded into COMPASS, the accounting system, by City staff. Disbursements, once approved, were entered into COMPASS by the Accountant at the NRP and were processed by staff at the City. The NRP cash was pooled with the cash of the City of Minneapolis. There was not a separate bank account for NRP cash. The City reconciled the bank statements monthly. Inflows to the cash accounts related to transfers of funds from the City of Minneapolis for NRP operations and receipts from the 2011 Home Tour. Outflows from the cash accounts were for payroll, contractual services, and other operating costs.



- Accrued Interest Receivable - This amount was calculated by the City Treasury Department and an entry made for 2011 financial statement purposes. The reversing entry to clear out this balance has not been made.
- Due From Other Governments - The City of Minneapolis managed the cash of the NRP and provided services such as processing deposits and disbursements. Related to these activities, funds were passed between the City and the NRP for interest revenue and fees for services. The balance in this account is the net amount of the transactions owed to the other party.
- Prepaid Items - Prepaid items were calculated by the City's NRP Accountant for financial statement reporting purposes. These items relate to prepaid insurance. This account was not recorded in COMPASS.
- Capital Assets - The capital assets and accumulated depreciation schedule was maintained on an Excel spreadsheet by an NRP staff person. The asset list was updated as additions or deletions were made. The depreciation calculation was made at year-end. This was done for financial statement reporting purposes only and was not recorded in COMPASS. At the end of 2011, neighborhood organizations were given the opportunity to take assets they could use for their organizations. These were the only dispositions since 2010, and the items were already fully depreciated. There was one asset addition during 2011. While many assets still remain and will need to be disposed of, there are only three assets not fully depreciated.
- Accounts Payable - All disbursements were set up as accounts payable when the invoices were received and were reduced from accounts payable when the City issued the check. The balances at December 31, 2011, and February 29, 2012, are expenditures unpaid as of those dates.
- Salaries Payable - The salaries payable balance at December 31, 2011, represents the regular amount owed to the NRP employees for work in December. This entire balance was paid out between December 31, 2011, and February 29, 2012. Due to the pay out of the severance package, the salaries payable balance at February 29, 2012, represents the first quarter tax and benefit payments to be made.
- Deferred Interest Revenue - This amount relates to the accrued interest receivable and is the amount that would be received more than 60 days past the year-end. This amount will be reversed when the interest receivable entry is reversed.

3. Procedure

On a sample basis, review the supporting documentation for significant cash inflows and outflows from January 1, 2011, through February 29, 2012. Determine that:

- the activity was coded and posted correctly to the COMPASS general ledger;
- the NRP received amounts that it was owed; and
- the amounts paid by the NRP were for appropriate business purposes.

Findings

Samples of cash inflows and cash outflows were selected and tested for the above items. No findings were identified.

\* \* \* \* \*

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the asset and liability accounts related to the Minneapolis Neighborhood Revitalization Program Policy Board for the period January 1, 2011, through February 29, 2012. 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 City of Minneapolis and is not intended to be, and should not be, used by anyone other than the specified party.

*/s/Rebecca Otto*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

March 30, 2012

**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
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MINNEAPOLIS, MINNESOTA**

**Schedule 1**

**SCHEDULE OF ASSETS AND LIABILITIES  
DECEMBER 31, 2011, AND FEBRUARY 29, 2012**

	<u>December 31, 2011</u>	<u>February 29, 2012</u>
<b>Assets</b>		
Cash	\$ 740,394	\$ 525,487
Accrued interest receivable	1,172	1,172
Due from other governments	4,081	4,081
Prepaid items*	9,165	3,437
Capital assets (net)*	<u>1,897</u>	<u>1,897</u>
<b>Total Assets</b>	<b><u>\$ 756,709</u></b>	<b><u>\$ 536,074</u></b>
<b>Liabilities</b>		
Accounts payable	\$ 78,892	\$ 1,784
Salaries payable	33,284	77,779
Deferred interest revenue	<u>444</u>	<u>444</u>
<b>Total Liabilities</b>	<b><u>\$ 112,620</u></b>	<b><u>\$ 80,007</u></b>

\*These accounts are calculated and reported for financial statement purposes only. They are not recorded in COMPASS.