

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**HOLLAND NEIGHBORHOOD
IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

AGREED-UPON PROCEDURES

NOVEMBER 29, 2011

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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**HOLLAND NEIGHBORHOOD
IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

November 29, 2011



Agreed-Upon Procedures

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

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**HOLLAND NEIGHBORHOOD IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Holland Neighborhood Improvement Association

We have performed the procedures enumerated below, which were agreed to by the Holland Neighborhood Improvement Association (HNIA) 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 HNIA. These procedures were applied to the HNIA's records as of November 29, 2011. 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 HNIA 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 HNIA is current with required filings (Attorney General, Secretary of State, Internal Revenue Service, and Minnesota Department of Revenue).

Findings

Filings for the above items were found to be current.

2. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

10-1 Policies and Procedures Manual

The policies and procedure manual being used by the HNIA is not up to date. The manual contains references to a finance committee, manual budget, check card, and petty cash. However, none of these items existed.

We recommend that the HNIA update its policies and procedures manual and have it approved by the HNIA Board of Directors.

Client's Response:

The Financial Policies manual is currently being updated.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

99-5 Segregation of Duties

Due to the limited number of office personnel within the HNIA, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the HNIA; 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 HNIA Board recognizes the importance of the segregation of duties and will continue to do what we can to facilitate this with our limited staff and Board members.

02-1 Payroll Record Keeping

We have recommended improvements be made to payroll records including maintenance of records documenting time worked and, if applicable, leave accrual and use. The HNIA typically has one part-time employee. That position was vacant for eight months in 2011. A new staff person was just hired. The HNIA is now in the process of developing a new time sheet and new payroll policies and procedures.

We recommend that time sheets be required for the employee and the time spent on each program be documented.

Client's Response:

Payroll record keeping policies will be included in the updated Financial Policies. Currently, staff is required to fill out a time card with comments on projects worked on, as well as be approved off by a Board Officer.

10-4 Disbursement Support

Our previous review found that 1 of the 15 disbursements reviewed was missing supporting documentation. In searching for the documentation missing for this disbursement, we found an additional 3 disbursements where supporting documentation was missing. Our current review also found 1 of 15 disbursements reviewed was missing supporting documentation. Invoices or receipts should be maintained for each disbursement. If these are not available, a declaration form should be used to document the disbursement.

We recommend that the HNIA require support for each disbursement and that this supporting documentation be kept on file at the HNIA office.

ITEMS ARISING THIS YEAR

11-1 Missing Bank Reconciliation

The bank reconciliation for the month of February 2011 could not be located. Bank reconciliations should be maintained to document that all transactions have been accounted for. These reconciliations should be initialed and dated by the preparer and the individual reviewing the document. Initials and dates help create accountability over the HNIA's banking activities.

We recommend the bank reconciliations be maintained for the HNIA's records and that the preparer and reviewer of bank reconciliations initial and date the forms.

11-2 Lapsed General Liability Insurance

The HNIA's general liability insurance policy lapsed in December 2010, and no documentation was found to indicate that a new policy was purchased. General liability insurance is a requirement of HNIA's primary funder and important in protecting the HNIA financially if anyone were to be injured on its property.

We recommend the HNIA purchase a general liability policy and monitor it to prevent a future lapse.

Client's Response:

HNIA is currently looking for a new insurance provider.

PREVIOUSLY REPORTED ITEMS RESOLVED

Coding of Invoices (07-3)

Invoices were coded by the accounting service. We believe this task is a management function and should be performed by staff at the HNIA.

Resolution

Our current review found that the HNIA's Treasurer is coding the invoices.

Check Signers (10-2)

Two of 15 disbursements reviewed had the same check signer as the individual to whom the check was issued.

Resolution

No similar instances were found in the current review.

Disbursement Approval (10-3)

Six of 15 disbursements reviewed were missing a signature of approval. The HNIA's policies and procedures manual noted that the invoices should be reviewed and signed off with approval to verify the accuracy of the financial information.

Resolution

All invoices reviewed were signed off with approval.

Fiscal Agent Activities (10-5)

The HNIA acted as a fiscal agent for several activities at Edison High School. No agreement between the two parties existed to explain why or what the expectations were for each party. The HNIA collected donations for events at the school. The donations were used for food and supplies at a barbeque and at the Summer Jam event. Donations were also used to purchase a 50-inch plasma television as a prize for a contest during half-time at the Edison High School basketball games. No one won the prize, and staff was told the television is being held at the high school. The HNIA did not have custody of the television.

Resolution

The HNIA is no longer the fiscal agent for activities at Edison High School. HNIA staff was informed that the television was awarded at an event, and information about the recipient was provided.

4. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

04-3 Fixed Asset Records

The HNIA's fixed asset records are not up to date. The records have not been updated since September 2007.

We again recommend that the HNIA Board take steps to ensure that its fixed asset information is kept current.

Client's Response:

HNIA does have an updated list from 2009 (dated 11/30/09). However, nothing new has been added since 2007. Nothing of significant value (\$500+) is missing from the list. This task will also be included in the updated Financial Policies for more consistent monitoring.

5. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM RESOLVED

Ineligible Charges (10-6)

One of 15 disbursements reviewed had late fees requested for reimbursement from the NRP. Late fees are not eligible for reimbursement by the NRP.

Resolution

No late fees were paid on the disbursements reviewed.

6. Procedure

Tie the schedule of cash inflows and outflows to the accounting records.

Findings

The cash inflows and outflows tied to the accounting records.

7. Procedure

Tie the schedules of grants receivable, accounts payable, advances outstanding, and long-term obligations to the accounting records.

Findings

The schedules of grants receivable and advances outstanding tied to the accounting records. There were no accounts payable or long-term obligations at year-end.

8. Procedure

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

Findings

Findings from the previous year's report are noted above.

9. Procedure

Assist with preparation of the Internal Revenue Service Form 990.

Findings

The Internal Revenue Service Form 990 is complete.

10. Procedure

Assist with preparation of the Minnesota Charitable Registration Form.

Findings

The Minnesota Charitable Registration Form is complete.

* * * * *

We were not engaged to and did not perform an audit of the HNIA'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 Holland Neighborhood Improvement 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/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 29, 2011

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**HOLLAND NEIGHBORHOOD IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Schedule 1

**SCHEDULE OF CASH INFLOWS AND OUTFLOWS
FOR THE YEAR ENDED MAY 31, 2011**

Cash Inflows

Public support and other

Public support

Government grants	\$ 4,421
City of Minneapolis	36,317
Neighborhood Revitalization Program (NRP)	440
Other contributions	440

Total public support **\$ 41,178**

Other

Events	\$ 4,205
Reimbursements	286

Total other **\$ 4,491**

Total Cash Inflows **\$ 45,669**

Cash Outflows

Functional

Payroll	
Salaries and wages	\$ 7,535
Taxes	671
Payroll services	1,069
Office rent	15,199
Telephone	1,522
Office supplies	377
Utilities	1,015
Insurance	798
Equipment rental	1,048
Incentives and awards	179
Printing and copying	6,088
Postage	1,961
Advertising	1,113
Accounting services	2,428
Purchased services	508
Program supplies	233
Special events	6,612
Volunteer recognition	168
Bank charges	20
Equipment	1,249

Total Cash Outflows **\$ 49,793**

Excess of Cash Inflows Over (Under) Cash Outflows **\$ (4,124)**

**HOLLAND NEIGHBORHOOD IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Schedule 2

**SCHEDULE OF RECEIVABLES AND PAYABLES
MAY 31, 2011**

Grants Receivable
NRP Contract #12839

\$ 1,380

Advances Outstanding
NRP Contract #12839

\$ 10,000

Accounts Payable

The Holland Neighborhood Improvement Association had no accounts payable at year-end.

Long-Term Debt

The Holland Neighborhood Improvement Association had no long-term debt outstanding at year-end.