

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

SOUTHEAST COMO IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

SEPTEMBER 27, 2010

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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**SOUTHEAST COMO IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

September 27, 2010



Agreed-Upon Procedures

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

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**SOUTHEAST COMO IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Southeast Como Improvement Association

We have performed the procedures enumerated below, which were agreed to by the Southeast Como Improvement Association (SECIA) 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 SECIA. These procedures were applied to the SECIA's records as of September 27, 2010. 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 SECIA 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 SECIA 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 SECIA has written policies and procedures for financial operations (receipting, disbursing, purchasing, personnel, conflict of interest policy, etc.).

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

- 06-1 The SECIA has a current policies and procedures manual; however, it does not include policies or procedures related to payroll or bank reconciliations.

We recommend the SECIA develop written policies and procedures for its payroll and bank reconciliation processes and that they be approved by the Board.

Client's Response:

SECIA will draft a written policy to detail the steps used to properly conduct payroll and to document the methods used to conduct out account reconciliation process. The Treasurer and Neighborhood Director will draft these guidelines and the SECIA Board will officially approve the documents once they are satisfied.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

- 99-2 Segregation of Duties

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

SECIA's Board has an active Treasurer, Executive Committee, and Neighborhood Director whose charge is to meet and review SECIA's financial status. Currently our Vice President, who is not a designated check signor, is reconciling SECIA's bank statements. This change was made after a previous audit recommended a segregation of duties. To further the process, we will endeavor to have the Treasurer initial the bank reconciliations after the Vice President has completed the documentation.

ITEM ARISING THIS YEAR

10-1 Expense Coding

In our current review of the expenses, one item for supplies was coded as employee benefits. We recommend that the item be recoded into the proper account and that the Board designate a person to review the general ledger periodically to review the coding.

Client's Response:

The SECIA Treasurer will periodically check the general ledger to ascertain whether the correct coding for expenditures is being recorded. The Neighborhood Director will endeavor to break-out supply reimbursement and employee reimbursement items in a more detailed manner.

PREVIOUSLY REPORTED ITEMS RESOLVED

Bank Reconciliations (04-1)

The bank reconciliations were not initialed and dated by the preparer. This is needed in order to create accountability for the reconciliation process.

Resolution

Our current review found sign-offs were made consistently on the reconciliations. Sign-offs included both the initials of the individual performing the reconciliation and the individual reviewing it.

Conflict of Interest Policy (07-1)

The SECIA did not have a conflict of interest policy.

Resolution

The SECIA Board approved a conflict of interest policy on February 12, 2008.

4. Procedure

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

Findings

Donations are accounted for through the SECIA's general ledger. Amounts viewed were not significant. The appropriate fixed asset information is maintained on a schedule, which we viewed. The SECIA 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

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

Findings

The schedule of 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.

* * * * *

We were not engaged to and did not perform an audit of the SECIA'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 Southeast Como 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

September 27, 2010

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**SOUTHEAST COMO IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Schedule 1

**SCHEDULE OF CASH INFLOWS AND OUTFLOWS
FOR THE YEAR ENDED MARCH 31, 2010**

Cash Inflows

Public support and other

Public support

Government grants	\$	8,540
Minneapolis Community Planning and Economic Development (CPED)		124,190
Neighborhood Revitalization Program (NRP)		7,731
Minnesota Pollution Control Agency		21,520
University of Minnesota		1,627
Contributions		<u>1,627</u>

Total public support **\$ 163,608**

Other

Miscellaneous income	<u>967</u>
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Total Cash Inflows **\$ 164,575**

Cash Outflows

Program services

Grants and allocations	\$	9,240
Salaries and wages		74,263
Payroll taxes		3,454
Employee benefits		1,771
Supplies		4,987
Phone/internet		2,044
Postage and shipping		2,390
Equipment rental and maintenance		1,739
Printing and publications		8,735
Conferences, conventions, and meetings		<u>3,499</u>

Total program services **\$ 112,122**

Management and general

Salaries and wages	\$	42,848
Employee benefits		8,954
Payroll taxes		4,943
Accounting fees		162
Legal fees		25
Supplies		188
Phone/internet		43
Occupancy		13,381
Insurance		1,754
Miscellaneous		<u>14</u>

Total management and general **\$ 72,312**

Total Cash Outflows **\$ 184,434**

Excess of Cash Inflows Over (Under) Cash Outflows **\$ (19,859)**

**SOUTHEAST COMO IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Schedule 2

**SCHEDULE OF RECEIVABLES AND PAYABLES
MARCH 31, 2010**

Grants Receivable	
NRP Contract #15283	\$ 17,563
NRP Contract #24377	<u>2,141</u>
Total Grants Receivable	<u>\$ 19,704</u>
Advances Outstanding	
NRP Contract #15283	\$ 15,000
NRP Contract #24377	<u>15,000</u>
Total Advances Outstanding	<u>\$ 30,000</u>

Accounts Payable

The Southeast Como Improvement Association had no accounts payable at year-end.

Long-Term Debt

The Southeast Como Improvement Association had no long-term debt outstanding at year-end.