

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

PHILLIPS WEST NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

SEPTEMBER 1, 2009

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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**PHILLIPS WEST NEIGHBORHOOD
ORGANIZATION
MINNEAPOLIS, MINNESOTA**

September 1, 2009



Agreed-Upon Procedures

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

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Phillips West Neighborhood Organization

We have performed the procedures enumerated below, which were agreed to by the Phillips West Neighborhood Organization (PWNO) 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 PWNO. These procedures were applied to the PWNO's records as of September 1, 2009. 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 PWNO 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 PWNO 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 PWNO has written policies and procedures for financial operations (receipting, disbursing, purchasing, personnel, conflict of interest policy, etc.).

Findings

The PWNO has written policies and procedures referred to as Fiscal Policies and Procedures.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

06-2 Segregation of Duties

Due to the limited number of office personnel within the PWNO, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the PWNO; 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 PWNO is aware of the inherent internal control risks associated with having a one-person staff. The PWNO procedures are consistent with practices recommended by the Minneapolis NRP. Additional changes to improve the internal controls will be carefully considered based on the related costs and benefits.

ITEMS ARISING THIS YEAR

09-1 Review of Bank Reconciliations

Our review of the bank reconciliation process found reconciliations are completed by the bookkeeper and approved by the Treasurer. However, the review by the Treasurer is not documented. This review should be documented to show that the reconciliations are complete and accurate. We recommend that the Treasurer sign and date the reconciliations after his or her review.

Client's Response:

The PWNO Treasurer will sign and date bank reconciliations after review.

09-2 Disbursement Support

Of the eight disbursements reviewed, one did not have any supporting documentation. This item was a payment to an individual for a service at a community event. No invoice was provided. We recommend the neighborhood develop a declaration form to be used when an invoice or receipt is not available. This form should include the date of the disbursement, the vendor, and a description of the disbursement. The form should be signed by the person receiving payment.

Client's Response:

PWNO will develop a declaration form to be used when an invoice or receipt is not available. This form will be signed by PW Staff, Treasurer and the person receiving payment.

4. Procedure

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

Findings

Donations are accounted for through the PWNO's general ledger. Fixed asset information is maintained on a schedule, which we viewed. The PWNO had no long-term obligations.

PREVIOUSLY REPORTED ITEM RESOLVED

Fixed Asset Record and Capitalization Policy (06-4)

Our previous review noted that the PWNO had no policy that identified the dollar level at which items should be capitalized.

Resolution

A capitalization policy was added to the PWNO's Fiscal Policies and Procedures.

5. Procedure

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

Findings

The accounting records appeared to support amounts requested for reimbursement, except as noted below. A process was in place to request reimbursement of NRP funding on a regular basis.

ITEMS ARISING THIS YEAR

09-3 Differences in Reimbursed Items

Two items that were reimbursed by NRP grant #20460 showed different amounts on the reimbursement requests and on the general ledger. On reimbursement request #18, a credit card charge was recorded as \$219.78, but on the general ledger, the amount was \$237.16. On reimbursement request #19, check 1469 showed \$750.00, but on the general ledger, the check was coded to a different funding source. We recommend that the PWNO review these items with the NRP to determine if adjustments need to be made to future reimbursements.

Client's Response:

1. *Item on NRP 20460 recorded as \$219.78 on general ledger \$237.16: This item was a credit card charge; adjustment was made after reimbursement report was completed.*
2. *Item on req. #19 \$750.00: This item was an allocation to show payment of \$750.00 contribution to Fall Clean Sweep.*

09-4 Unreimbursed Expenses

During our review, five items were found on the general ledger coded to NRP #20460 that were not found on a reimbursement request.

<u>Date</u>	<u>Check</u>	<u>Vendor</u>	<u>Amount</u>
03/11/2008	3129	Office Max	\$ 142.82
11/01/2008	-	Flowers	113.98
11/01/2008	-	In the Heart of the Beast	105.00
12/22/2008	Debit	Intuit	85.51
12/29/2008	-	USPS	184.80
Total			<u>\$ 632.11</u>

We recommend that the PWNO review these items with the NRP to determine if reimbursement can be requested.

Client's Response:

3/11/08 Office Max \$142.82, 12/22/08 Intuit \$85.51, 12/29/08 USPS \$184.80: When the report was run for the reimbursement request, these items had not been allocated to the NRP yet. They have not been requested for reimbursement

11/01/08 In the Heart of the Beast \$105.00: Cannot be reimbursed by NRP was paid by an individual.

11/01/08 Flowers \$113.98: Paid by unrestricted funds.

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 PWNO'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 Phillips West 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

REBECCA OTTO
STATE AUDITOR

September 1, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR