

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**HOLLAND NEIGHBORHOOD IMPROVEMENT
ASSOCIATION
MINNEAPOLIS, MINNESOTA**

AGREED-UPON PROCEDURES

JANUARY 16, 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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**HOLLAND NEIGHBORHOOD
IMPROVEMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA**

January 16, 2007



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
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 Holland Neighborhood Improvement Association. These procedures were applied to the HNIA's records as of January 16, 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 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, and Internal Revenue Service).

Findings

None.

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 RESOLVED

Accounting Policies and Procedures (05-1)

Our previous report noted that the HNIA did not have written accounting policies and procedures, and we recommended that such policies and procedures be developed.

Resolution

Our current review found that the HNIA now has financial policies and procedures.

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:

HNIA will remain alert to this situation and endeavor to create systems of accountability to the extent practicable.

02-1 Payroll Record Keeping

Previous reports have recommended improvements to payroll records including maintenance of the records, review and approval of timesheets, record keeping for vacation and sick leave accruals, and monitoring vacation and sick leave usage. Our current review found no improvements to the areas mentioned above. Payroll expenses are a major expense of the neighborhood, and they are a major reimbursement item for the NRP. As such, there should be sufficient records kept to document these expenses.

We strongly encourage the HNIA to take steps to improve its record keeping and monitoring of payroll related expenses.

Client's Response:

HNIA has instituted a revised system of tracking days off and timesheets: Hourly employees will maintain timesheets that also track earned/remaining time off, and an annual calendar of time off. Salaried employees will continue to track time off on an annual calendar, but will not be responsible for weekly timesheets. We are also currently up-to-date on timesheets and calendars and are confident we will continue in this regard. The Board personnel officer will be responsible for compliance.

04-1 Receipts Journal

Previous reports have noted that the HNIA did not maintain a receipts journal. A receipts journal serves as a source record for the recording of funds collected by the HNIA. Our current review found that a receipts journal was not being used. We recognize that the volume of HNIA collections in the office may not be significant. However, a formalized record should be established to account for those funds that are collected.

We again recommend that the HNIA implement a receipts journal. Information in the journal should include the date of collection, amount received, remitter of the funds, contract number (if available), program to be credited, and initials of the individual recording the entry.

Client's Response:

The journal went dormant as nearly all record keeping revolved around checks received via auto deposit. We will reinstitute manual record keeping of these checks as well as other miscellaneous deposits. The Board Treasurer will be responsible for compliance.

PREVIOUSLY REPORTED ITEMS RESOLVED

Cancellation of Vendor Bills (04-2)

Previous reports have noted that vendor bills were not canceled to prevent a possible second payment for the same bill. We recommended that all pages of vendor bills be marked with the check number and date to provide evidence of cancellation.

Resolution

We found that the HNIA is now using a "Paid" stamp to cancel vendor invoices.

Debit Card (05-2)

Our previous report indicated that the HNIA had acquired a debit card. We recommended that a policy be adopted to govern its use.

Resolution

We found that a policy had been established, and was contained in the HNIA's Financial Policies and Procedures document. We reviewed an expense item purchased with the debit card and found that the HNIA's policies were followed.

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

Previous reports have indicated that the HNIA's fixed asset records were not up to date. The records had not been updated since the fiscal year ended May 31, 2004. Our current review found no change in this condition.

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

Client's Response:

HNIA has obtained the most recent copy of asset/depreciation, and the Board has authorized our bookkeeper to update that record. The Board President will be responsible for compliance.

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

All 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 Holland Neighborhood Improvement Association'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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 16, 2007