

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CORCORAN NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

DECEMBER 12, 2006

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, Investment and Finance - 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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**CORCORAN NEIGHBORHOOD
ORGANIZATION
MINNEAPOLIS, MINNESOTA**

December 12, 2006



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**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
Corcoran Neighborhood Organization

We have performed the procedures enumerated below, which were agreed to by the Corcoran Neighborhood Organization (CNO) 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 CNO. These procedures were applied to the CNO's records as of December 12, 2006. 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 CNO 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 CNO is current with required filings (Attorney General, Secretary of State, and Internal Revenue Service).

Findings

None.

2. Procedure

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

Findings

None.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

97-2 Segregation of Duties

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

CNO continually works to ensure sound financial practices and is aware of the limitations of our internal control. We work hard to segregate accounting functions as much as possible and have not experienced any problems related to our accounting procedures.

ITEM ARISING THIS YEAR

06-1 Approval of Time Sheets

Many of the time sheets we reviewed did not contain a supervisor's approval. Time sheets should indicate they have been reviewed and approved prior to payment.

We recommend that all time sheets contain a supervisor's approval prior to payment being made.

Client's Response:

Time sheets are turned in to the Executive Director for review bi-monthly and then called in to the payroll service. The Treasurer reviews the Executive Director's timesheet. Our procedure is to approve timesheets prior to payment. If signatures were forgotten, it does not mean that they were not approved prior to payment, but rather that signatures were missed.

4. Procedure

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

Findings

None.

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

The finding from the previous year's report is noted above.

* * * * *

We were not engaged to and did not perform an audit of the CNO'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 Corcoran 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

December 12, 2006

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR