

**Minneapolis Police Relief Association  
Listing of Oral Comments  
1996 Audit**

**1. Bank Account Reconciliations**

The Expense fund checking account at BNC National Bank had check #2575 for \$50 listed as outstanding as of December 31, 1996, when actually that check had been voided. Bank account reconciliations should exactly reconcile the bank balance to the book balance every time. We recommend the Association investigate the above discrepancy and make adjustments if necessary.

**2. No Bank Reconciliation for the Norwest Bank checking account**

During 1996, the Association moved its main operating checking account for the Pension fund from Norwest Bank to Union Bank and Trust. When we sent a year end account confirmation request to Norwest Bank, they reported an account balance of \$149.43. However, the general ledger book balance for this account was zero and no bank account reconciliation was prepared. We recommend the Association identify proper ownership of these funds and close the checking account, if it is not being used.

**3. Lack of Supporting Documentation for Travel Expense**

Two of the travel expense claims paid from the Expense fund we examined had only a post-it note attached with the name of director and the word "travel." Without further information, we were unable to determine location of the travel, the purpose of the trip and how the dollar amount was arrived at. We recommend the Association include more information on the claim when paying a travel per diem including the name of the traveller, dates of travel, destination, purpose of the trip and a calculation of the per diem or other amounts paid.

**4. Expense Documentation (Receipts) did not Indicate the Purpose of the Expense**

For one of the Expense fund claims examined, only a sales receipt was attached to the claim, but there was no indication as to the purpose or the Association function being performed. The expense paid was for buying children's toys just before Christmas, however the sales receipt by itself does not indicate the Association's purpose for buying the toys. We recommend the Association ensure that the purpose of the expense is indicated on all similar claims paid.

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		by	Kathy	
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Fax #				

**EXHIBIT 4**

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**5. Invalid Receivable Recorded in the General Ledger**

An account receivable has been recorded in the Association's general ledger system for \$3,248.80 for several years. According to Sharyn North, the amount has been "stuck" in the DACEASY receivables module and she hasn't been able to remove it. This receivable, although invalid, has been included in the Association's assets on the audited financial statements for the last couple of years. We recommend the Association make an effort to remove this receivable from the general ledger system, including consulting with the software manufacturer if necessary.

**6. Recording Limited Partnership Investment Income and Year End Values**

Most of the Association's limited partnership investments are held and recorded by Union Bank and Trust in account #61-2025-01. The Association records income transactions for the limited partnership investments by reviewing the Union Bank and Trust monthly statements throughout the year. In past audits, we have recommended that the Association rely on the statements received directly from the partnership rather than the custodian's statements, because the partnership's statements are more current and contain more information. Because the Association records income transactions for all the limited partnership accounts in one journal entry, we were unable to determine how much and what type of income was earned for each individual limited partnership investment. This caused us to spend additional audit time testing investment income recorded for limited partnerships, because we were unable to determine how much income was recorded for each investment.

Also, during our audit, we noted that a non-current value was used as the year end value on the general ledger for many of the limited partnership accounts. Often, the ending value recorded by Union Bank and Trust was even less current. Proper financial presentation of the Association's assets requires that the December 31 value of all investments be reported, whenever that is possible. We realize that all the year end reports are not received before the Association is required to submit their financial information to the actuary, but we believe that in those instances, the asset manager could be contacted directly to get the year end figures.

We recommend the Association begin using the statements received directly from the limited partnerships to record investment income. In addition, we recommend the Association annually prepare a reconciliation of each individual limited partnership investment reconciling from the beginning market value to the ending market value, showing all transactions during the year. If desired, the statements received from the limited partnerships could be forwarded to Union Bank and Trust so that their information is more current. Union Bank and Trust could be given specific instructions on how to record limited partnership investment transactions.

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7. **Use of the Limited Partnership Income Account**

The general ledger Limited Partnership Income account #4503 had a 1996 ending balance of \$78,809.56. There were four transactions recorded in the account with the latest being in June of 1996. We are unable to identify from which limited partnership investment this income was derived and there doesn't seem to be any consistent use of this account. We recommend the Association define a consistent use for this account and what it is supposed to be measuring.

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**Other Notes and Comments**

- While reviewing the 1996 economic interest statements, I also skimmed through the 1997 economic interest statements and noticed that a statement was not included for Jerry Bridgeman. Minnesota Statute §356A.06 requires each board member and the chief administrative officer of the plan to annually file a statement of economic interest. As the Executive Director for the Minneapolis Police Relief Association, I would consider Jerry to be the chief administrative officer of the plan. We suggest that Jerry complete an economic interest statement or consult with legal council to determine the economic interest statement requirement for the executive director.
- Minnesota Statute §356A.06 subdivision 7 is the Association's authorized list of investments including category (e) of Other Investments. Other Investments include venture capital, limited partnerships, real estate ownership interests, regional or mutual fund, and international securities, among others. The statute limits the Association's value of Other Investments to 35% of the total value of the fund's investments. Based on my calculation of the year end asset allocation of the Association's investments, the Association has 33.1% of its assets fitting the category of Other Investments. We suggest the Association monitor the asset allocation of its funds in relation to the statutory requirements so that the total value of Other Investments does not exceed 35% of the total value of the fund.



As Jerry and I discussed, we recommend the Association sell its investments in Technimar debt and equity securities (not including the limited partnership). Although these investments are probably legal, there are several reasons to not hold these investments:

- These investments do not seem to fit the nature and purpose of these investment accounts. One is supposed to consist mainly of investments short term in nature and used to pay benefits to the members. The other is investing

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and tracking contributions of the over 25 year members and it seems that venture capital investments are higher risk than is appropriate for such an account. The Association's Board of Director's has an fiduciary responsibility to manage the hospitalization escrow account in a conservative manner, as the investment results directly affect the amount of benefits available to certain members upon their retirement.

- The Association's participation in the Rothschild limited partnership and Jerry Bridgeman's and Al Berryman's participation on the Technimar Board creates an ownership interest in Technimar for the Association. By purchasing debt securities in Technimar, the Association is lending money to a company of which it owns a significant portion. This creates the appearance of a potential conflict of interest.

- The Association is aware that David Welliver, president of Rothschild Investment Advisors, Inc., is receiving a commission for raising capital for Technimar. Since Rothschild Investment Advisors has a discretionary investment management agreement with the Association, this gives the appearance that Mr. Welliver has a conflict of interest and that he may be personally profiting from Association assets beyond the investment management fee arrangement.

- Investments in venture capital are probably more appropriately entered into through participation in a limited partnership, to limit any potential liability to the Association.

It is our understanding that the Association already plans to sell these investments, so hopefully this will not be an issue in future audits.

Sample Relief Association  
Anytown, Minnesota

Sample Travel Per Diem Claim Form

Name and \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Travel per diem \_\_\_\_\_ Expense Fund \_\_\_\_\_ Pension Fund \_\_\_\_\_  
to be paid from: Political Fund \_\_\_\_\_

Dates of Travel: From \_\_\_\_\_ To \_\_\_\_\_

Location of Travel: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Relief Association \_\_\_\_\_  
Purpose for Travel: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Amount of Claim: \_\_\_\_\_ X \$ 50.00 = \$ \_\_\_\_\_  
# of days per diem total per diem

Signature of Claimant: \_\_\_\_\_

Date: \_\_\_\_\_

*I declare under penalties of perjury that this claim that this claim is just and correct and that no part of it has been paid.*

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*For Association staff use only*

Amount Paid: \$ \_\_\_\_\_

Check Date: \_\_\_\_\_

Check Number: \_\_\_\_\_

Authorizing Signature \_\_\_\_\_

*Approved based on knowledge necessary for travel and expenses and on the basis of compliance with applicable travel regulations.*

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MPRA  
General File  
Investment Asset Allocation  
Y.E. 12-31-96

	Total Per Audit	Less: Expense Fund	Adjustment: Foreign Stocks	Adjustment: Technimar Investments	Total Pension Fund	Asset Allocation Percentage
U.S. Government Bonds and Notes	93,341,455.84	(200,772.73)			93,140,683.11	27.5%
Corporate Bonds and Notes	36,111,611.22				36,111,611.22	10.7%
Common Stock	123,547,027.57		(38,256,964.93)	(40,000.00)	85,250,062.64	25.2%
Temporary Cash Equivalents	11,405,424.90	(20,987.25)			11,384,437.65	3.4%
Mortgage Notes	2,655,621.97			(1,620,000.00)	1,035,621.97	0.3%
<i>Other Investments:</i>						
Limited Partnerships	19,196,908.78				19,196,908.78	
Foreign Currency Investment in mutual funds	2,530,285.91				2,530,285.91	
Foreign stock	50,390,814.67				50,390,814.67	
Technimar venture investments			38,256,964.93		38,256,964.93	
			1,660,000.00		1,660,000.00	
<i>Subtotal Other Investments</i>	<i>72,118,009.36</i>				<i>112,034,974.29</i>	<i>33.1%</i>
<b>TOTAL INVESTMENTS:</b>	<b>339,179,150.86</b>	<b>(221,759.98)</b>	<b>0.00</b>	<b>0.00</b>	<b>338,957,390.88</b>	<b>100.0%</b>

Conclusion:  
Asset allocation percentages appears to be lawful under MN Stat 356.06 subd. 7.