

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

CALHOUN AREA RESIDENTS ACTION GROUP
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

FEBRUARY 14, 2006

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**CALHOUN AREA RESIDENTS ACTION
GROUP
MINNEAPOLIS, MINNESOTA**

February 14, 2006



Agreed-Upon Procedures

**Audit Practice Division
Office of the State Auditor
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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Calhoun Area Residents Action Group

We have performed the procedures enumerated below, which were agreed to by the Calhoun Area Residents Action Group (CARAG) 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 CARAG. These procedures were applied to the CARAG's records as of February 14, 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 CARAG 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 CARAG 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 CARAG has written policies and procedures for financial operations (receipting, disbursing, purchasing, personnel, etc.).

Findings

Financial operations for the CARAG consist primarily of receipting and disbursing funds. The CARAG has one employee. The CARAG owns two items classified as fixed assets. We found written policies for the receipting and disbursing of funds, as well as a personnel policy; a written policy also exists for the capitalization of certain items as fixed assets.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

99-3 Segregation of Duties

Due to the limited number of office personnel within the CARAG, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the CARAG; 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 CARAG Board of Directors will remain aware of the segregation of duties issue.

ITEMS ARISING THIS YEAR

05-1 Receipts Journal

For two of the three checking accounts used by the CARAG, a receipts journal is not maintained. A receipts journal serves as a source record for the recording of funds collected by the CARAG. We recognize that the volume of collections in the office may not be significant. However, a formalized record should exist to account for those funds that are collected.

We recommend that a receipts journal be implemented for the two checking accounts. Information in the journal should include the date of collection, remitter of the funds, contract number (if available), program to be credited, and initials of the individual recording the entry.

Client's Response:

CARAG will implement a receipts journal for all checking accounts.

05-2 Coding of Invoices

We found that vendor invoices of the Uptown Neighborhood News (UNN) are not marked with the codes used for posting to the general ledger. Placing codes on the invoices helps verify the accuracy of general ledger postings.

We recommend that invoices be marked with the appropriate general ledger coding.

Client's Response:

CARAG will code invoices for the UNN checking account.

4. Procedure

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

Findings

At the time of our fieldwork, the CARAG did not have any donations or long-term obligations. We found that the CARAG maintains a schedule of its fixed assets. The schedule appeared to be in sufficient form.

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

Follow up on previous year's report findings.

Findings

Our previous report contained only one finding, which is discussed above.

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We were not engaged to and did not perform an audit of the Calhoun Area Residents Action Group'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 Calhoun Area Residents Action Group 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/Pat Anderson

/s/Greg Hierlinger

PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

February 14, 2006