

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

TOWN OF BARNETT
ROSEAU COUNTY, MINNESOTA

AGREED-UPON PROCEDURES

MARCH 17, 2005

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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ROSEAU COUNTY, MINNESOTA**

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

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STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Supervisors
Town of Barnett

We have performed the procedures enumerated below, which were agreed to by the Town of Barnett, solely to assist you with respect to ensuring adequate accounting procedures and other practices are being followed to account for and report on the financial activities of the Town. These procedures were applied to the Town's records as of March 17, 2005. 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 these procedures is solely the responsibility of the Town. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

1. Procedure

Determine that minutes are prepared and approved for proceedings of the Town.

Findings

04-1 Minutes of Monthly Town Board Meetings

We reviewed the minutes to the proceedings of the Town Board meetings for the year and noted the following:

- No approval of the minutes was noted at subsequent Town Board meetings.
- The minutes are not signed.

Various statutes that refer to taking or publishing minutes use the term “proceedings” or “official proceedings.” The Minnesota Attorney General has used the definition of “proceedings” found at Minn. Stat. § 331A.01, subd. 6, in analyzing the clerk’s duties to take minutes. This statute states, in part:

“Proceedings” means the substance of all official actions taken by the governing body of a local public corporation at any regular or special meeting, and at minimum includes the subject matter of a motion, the persons making and seconding a motion, the roll call vote on a motion, the character of resolutions or ordinances offered, including a brief description of their subject matter, and whether defeated or adopted.

At a minimum, the minutes must include the information required by Minn. Stat. § 13D.01, subd. 4, (Open Meeting Law). This provision requires that the individual votes of each member of the governing body on “an action taken in a meeting required by this section to be open to the public” be specifically recorded except for votes on “payments of judgments, claims and amounts fixed by statute.”

If having satisfied minimum requirements, the question of how elaborate and extensive the minutes should be is largely a policy matter for determination by the particular body in the exercise of reasonable judgment and discretion. The Attorney General has explained:

. . . there may be circumstances in which it would be advisable for the town board to provide for the minutes to include information over and above what is necessary to satisfy minimum statutory requirements for a record of its official actions. Op. Atty. Gen. 851-C (March 5, 1992).

Such circumstances may include meetings where the Board is acting in a judicial capacity, such as when it reviews requests for variances or special use permits. At such times, the minutes may include the Board’s reasons for reaching a particular decision. Such minutes could be crucial in defending a court challenge to the decision.

While the following is not an exhaustive list, some specific items that should be included in the minutes to the proceedings of Town Board meetings are:

- type of meeting (regular, special, adjourned regular, adjourned special, recessed, and emergency);
- whether the meeting is a Town Board or Commission meeting;
- date and place the meeting was held;
- time the meeting was called to order;

- list of Town Board members present and absent;
- approval of minutes of the previous meeting, with any corrections noted;
- identity of parties to whom contracts were awarded;
- abstentions from voting due to a conflict and the Board member's name and reason for abstention;
- reasons the Town Board determines to award a particular contract to a bidder other than the lowest bidder;
- granting of variances or special use permits;
- approval of hourly rates paid for services provided, mileage rates, meal reimbursement amounts, and per diem amounts;
- listing of all bills (including per diems) allowed or approved for payment, noting the warrant number, claimant, purpose, and amount;
- transfers of funds; and
- reason the meeting was concluded and the time the meeting concluded.

The minutes should be signed by the town clerk when prepared, and then signed by a board member, preferably the chair, at the time the minutes are adopted by the board, usually at the next meeting. We believe that by following the above guidance, the Town will provide a more adequate history of its meetings.

2. Procedure

Review procedures and records used to account for the receipt and disbursement of funds, and determine if such procedures and records appear adequate for reporting on activities of the Town.

Findings

04-2 Segregation of Duties

Due to the limited number of Town of Barnett officials, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in smaller entities; however, the Town Board of Supervisors 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.

Generally, segregation of duties can be attained with the hiring of additional personnel; however, this becomes a significant cost consideration to local governments such as the Town of Barnett. Under the above conditions, the most effective system of control lies in the knowledge of the Board and the Town's officers regarding the Town's operations and the periodic review of those operations.

3. Procedure

Review practices followed to deposit funds in the bank.

Findings

None.

4. Procedure

Determine if bank statements are reconciled in a timely manner.

Findings

04-3 Bank Reconciliations

From the information provided, it appears the Town does not formally reconcile the cash balance on the monthly bank statements to the book balance. Bank reconciliations are essential in maintaining an accurate cash position of the Town.

We recommend that bank reconciliations be completed and documented on a monthly basis.

5. Procedure

Determine if the process for approving disbursements is adequate.

Findings

None.

6. Procedure

Determine if vendor invoices are on hand to support disbursements.

Findings

None.

7. Procedure

Determine if sufficient records are on hand to document the wages paid to employees.

Findings

None.

8. Procedure

Determine if quarterly reports on salary withholdings have been filed in a timely manner with the state and federal governments.

Findings

None.

9. Procedure

Determine if records are kept on land, buildings, and equipment of the Town.

Findings

None.

10. Procedure

Determine if the Town is in compliance with the *Minnesota Legal Compliance Audit Guide for Local Government*.

Findings

04-4 Declaration Form

Minn. Stat. § 471.38, subd. 1, requires each person claiming payment to reduce the claim to writing or an electronic transaction record and to sign a declaration stating that the account, claim, or demand is just and correct and that no part of it has been paid. The Town does not always use claim forms containing this statement.

Minn. Stat. § 471.391, subd. 2, allows the Town to print the following statement on the back of its checks:

“The undersigned payee, in endorsing this check (or order-check) declares that the same is received in payment of a just and correct claim against the town, and that no part of it has heretofore been paid.”

When endorsed by the payee named on the check, this statement operates as and sufficiently satisfies the declaration requirement. The Town's checks do not contain this statement.

To ensure compliance with Minn. Stat. §§ 471.38.-391, we recommend the declaration provided for in Minn. Stat. 471.391, subd. 2, be placed on the back of the Town's blank checks.

11. Procedure

Determine if the Town is current with filing its annual reporting forms to the Office of the State Auditor and that the amounts reported reflect the amounts recorded in the Town's records.

Findings

04-5 Reporting Form

We reviewed a copy of the reporting form submitted to the Office of the State Auditor as prepared by the Town. Transactions between the checking account and the savings account were not reported properly. Section I on Receipts and Section II on Disbursements should report only the amounts deposited and disbursed from the checking account. Interest reported in Section I included interest from the savings account and some certificates of deposit. Also, payments between the checking and savings accounts were reported net rather than reporting them gross. The amount reported as the total receipts in Section I was not the sum of line items 3 to 21. We assisted in correcting the reporting form.

We recommend more care be taken in the future to accurately prepare the reporting form. If there are any questions on completing the reporting form, please contact the Government Information Division of the Office of the State Auditor at (651) 297-3162.

We were not engaged to, and did not, perform an audit of the Town of Barnett'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 Town of Barnett and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 17, 2005