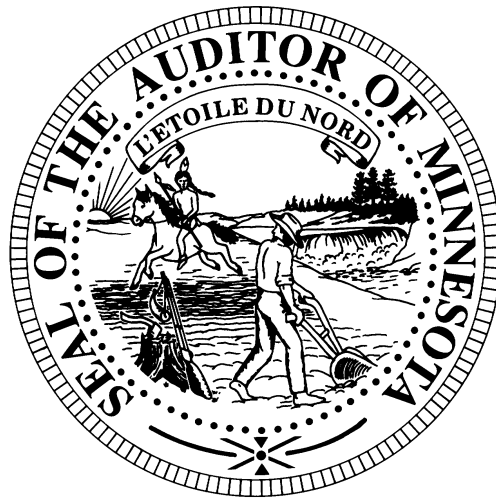


# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

---

**LOWRY HILL EAST NEIGHBORHOOD ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**FEBRUARY 13, 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.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**LOWRY HILL EAST NEIGHBORHOOD  
ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**February 13, 2006**



**Agreed-Upon Procedures**

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

This page was left blank intentionally.



# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON  
STATE AUDITOR

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Lowry Hill East Neighborhood Association

We have performed the procedures enumerated below, which were agreed to by the Lowry Hill East Neighborhood Association (LHENA) 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 LHENA. These procedures were applied to the LHENA's records as of February 13, 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 LHENA 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 LHENA 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.

## PREVIOUSLY REPORTED ITEM RESOLVED

### **Secretary of State Filing Not Current (03-1)**

Our previous report noted that the LHENA was not current with its Secretary of State filing.

### **Resolution**

As noted above, all filings were found to be current.

## 2. Procedure

Determine if the LHENA has written policies and procedures for financial operations (receipting, disbursing, purchasing, personnel, etc.).

### Findings

We found that the LHENA has written accounting processes and procedures that cover accounts payable and cash disbursements, accounts receivable and cash receipts, financial reporting, and drawdown procedures for NRP reimbursements.

## ITEM ARISING THIS YEAR

### 05-1 Additional Items to be Included in Processes and Procedures

The accounting processes and procedures set forth the majority of the LHENA's financial activities. We recommend the following additional areas be added to the procedures:

- The procedures should address personnel matters such as preparation and approval of time sheets, recordkeeping to account for leave time earned and taken, documentation for wage adjustments, observed holidays, and other employee benefits the LHENA may have. We recognize the LHENA has only one employee at this time, but since personnel costs are a major portion of the LHENA's costs, there should be written procedures in place to ensure an accurate accounting for those costs.
- A capitalization policy would address the determination of items to be recorded as fixed assets. The policy would include a dollar threshold for expense items to be capitalized. We recognize the LHENA's current fixed assets may be few in number, but a policy would provide guidance for the future. Our recommendation for a dollar threshold would be at least \$500.

We recommend that the above areas be included in the LHENA's accounting processes and procedures and that they be adopted by the Board.

Client's Response:

*LHENA will take steps to implement this recommendation and will add a formal personnel policy as well as a fixed asset policy to our accounting procedures.*

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

03-2 Segregation of Duties

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

*We are aware of the limited number of people involved in accounting functions and try to distribute the segregation of duties as much as possible among our staff, the Board treasurer, and our accountant.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Cash Accounts (00-2)**

Previous reports noted that bank reconciliations were not being performed.

**Resolution**

We found that bank reconciliations are now performed monthly.

**Designation of Depositories and Check Signers (03-3)**

Our previous reports indicated that the Board did not take actions to designate its depositories and check signers on an annual basis.

**Resolution**

We found that the Board had designated its depositories and check signers.

### **Processing Vendor Invoices (03-4)**

In our previous report, we noted that approvals for payment were sometimes marked on the attached check detail instead of the invoice. Also, some of the invoices lacked indication of being canceled.

### **Resolution**

Sufficient improvement to the above conditions was found to consider the matters resolved.

#### 4. Procedure

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

#### Findings

At the time of our fieldwork, the LHENA did not have any donations or long-term obligations.

### ITEM ARISING THIS YEAR

#### 05-2 Fixed Asset Records

At the time of our fieldwork, the LHENA staff was unable to provide us with a fixed asset record. The LHENA's fixed assets appear to be few in number; however, a record should be kept for those items determined to be fixed assets.

We recommend that the LHENA maintain a listing of its fixed assets, which would include a brief description, serial number, purchase date, cost, estimated useful life, and the funding source used for the purchase.

#### Client's Response:

*LHENA has kept records of our fixed assets in the past, and while we were not able to locate this record at the time of the audit, we will take steps to recreate the list and update it as needed.*

#### 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

All follow-up on previous findings is included above, except for the following item.

PREVIOUSLY REPORTED ITEM RESOLVED

**Minutes Not Signed (03-5)**

Our previous report noted that minutes of the Board and NRP Committee were not being signed. Rather, the secretaries' names were typed on the minutes.

**Resolution**

Our current review of minutes found that all were being properly signed.

\* \* \* \* \*

We were not engaged to and did not perform an audit of the Lowry Hill East Neighborhood 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 Lowry Hill East Neighborhood 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/Pat Anderson*

*/s/Greg Hierlinger*

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

February 13, 2006