

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

SOUTHEAST COMO IMPROVMENT ASSOCIATION
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

DECEMBER 17, 2007

Description of the Office of the State Auditor

The mission of the Office of the State Auditor 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 - 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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**SOUTHEAST COMO IMPROVEMENT
ASSOCIATION
MINNEAPOLIS, MINNESOTA**

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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
Southeast Como Improvement Association

We have performed the procedures enumerated below, which were agreed to by the Southeast Como Improvement Association (SECIA) 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 SECIA. These procedures were applied to the SECIA's records as of December 17, 2007. 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 SECIA 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 SECIA is current with required filings (Attorney General, Secretary of State, and Internal Revenue Service (IRS)).

Findings

Filings for the above items were found to be current. We were informed by neighborhood staff that the IRS had notified them about the need to submit a Schedule B for the most recently filed Form 990. We recommend that this be completed as soon as possible.

2. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

06-1 Accounting Policies and Procedures

Our previous report noted that the SECIA does not have a current accounting policies and procedures manual. We recommended that a manual be developed for its financial activities and that it be adopted by the Board. Our current review found the SECIA did not yet have written policies and procedures.

We again recommend that the SECIA develop written policies and procedures for its financial activities and that they be approved by the Board.

Client's Response:

The SECIA staff and Executive Committee will update our existing written manual pertaining to the proper procedures required for current accounting tasks and objectives. This manual will then be approved at the next scheduled SECIA Board Meeting.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

99-2 Segregation of Duties

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

SECIA's board has an active treasurer, executive committee, and neighborhood coordinator whose charge is to meet and review SECIA's financial status. Currently our Vice President, who is not a designated check signer, is reconciling SECIA's bank statements. This change was made after the previous audit recommended a segregation of duties. To further the process, we will endeavor to have the treasurer initial the bank reconciliations after the VP has completed the documentation.

04-1 Bank Reconciliations

Previous reports have stated that bank reconciliations were not initialed and dated by the preparer. This is needed in order to create accountability for the reconciliation process. Our current review found some sign-offs on the reconciliations, but not in a consistent manner.

We again recommend that bank reconciliations be initialed and dated by the preparer.

Client's Response:

*The bank reconciliations are completed by the newly appointed Vice President. They will be reviewed by the Treasurer after they have been completed. SECIA's Neighborhood Coordinator will endeavor to inform the Vice President of the status of available and necessary paperwork as soon as it becomes appropriate. The SECIA Vice President and Treasurer **will sign and date** all bank reconciliations after they have been completed and reviewed.*

ITEM ARISING THIS YEAR

07-1 Conflict of Interest Policy

We found that the SECIA does not have a conflict of interest policy. The NRP highly recommends that neighborhoods adopt conflict of interest policies.

We recommend that the SECIA Board adopt a conflict of interest policy.

Client's Response:

The SECIA staff and Executive Committee will work with the NRP and NRP staff to establish an acceptable Conflict of Interest Policy. This policy will then be approved at a regularly scheduled SECIA Board meeting.

4. Procedure

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

Findings

Donations are accounted for through the SECIA's general ledger. Amounts viewed were not significant. The appropriate fixed asset information is maintained on a schedule, which we viewed. The SECIA had no long-term obligations.

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, if applicable.

Findings

Findings from the previous year's report are noted above.

* * * * *

We were not engaged to and did not perform an audit of the SECIA'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 Southeast Como Improvement 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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 17, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR