

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**STEVENS SQUARE COMMUNITY
ORGANIZATION, INC.**

MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

SEPTEMBER 6, 2007

Description of the Office of the State Auditor

The mission of the State Auditor's Office 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.

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.

**STEVENS SQUARE COMMUNITY
ORGANIZATION, INC.
MINNEAPOLIS, MINNESOTA**

September 6, 2007



Agreed-Upon Procedures

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

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

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)

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Stevens Square Community Organization, Inc.

We have performed the procedures enumerated below, which were agreed to by the Stevens Square Community Organization, Inc., (SSCO) 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 SSCO. These procedures were applied to the SSCO's records as of September 6, 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 SSCO 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 SSCO is current with required filings (Attorney General, Secretary of State, and Internal Revenue Service).

Finding

Filings for the above items were found to be current.

2. Procedure

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

Finding

We found that the SSCO has written procedures for its financial operations.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Segregation of Duties

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

Due to our limited number of personnel within SSCO, segregation of the accounting functions necessary under some accounting methods are not possible. We operate as efficiently and accountable as possible.

04-1 Preparation of Bank Reconciliations

Our previous reports have noted that bank statements did not reconcile with the SSCO's book balance. Our current review found no differences with the SSCO's bank reconciliations, so this item is resolved. The previous report also recommended that the reconciliations be initialed and dated by the individual reviewing the forms. Initials and dates help create accountability over the SSCO's banking activities. Our current review found this recommendation had not been implemented.

We again recommend that the reviewer of bank reconciliations initial and date the forms.

Client's Response:

SSCO has initiated a "sign-off" form and policy for the treasurer's review of the bank statement, as well as all financial records.

05-1 Preparation of Time Sheets

Our previous report noted an absence of a consistent process for signing time sheets and having them approved. Documentation to support expenses is fundamental to a sound accounting system. The absence of properly prepared time sheets can reduce the reliance placed on payroll expenses as recorded in the general ledger. Our current review found that time sheets were now being signed by employees and approved by supervisors. However, we found that the Executive Director's timesheet was not being approved by anyone. We recommend that the Executive Director's time sheets be reviewed and approved with a sign-off by a member of the Board.

Client's Response:

Since the Executive Director is a salary position, a time sheet is not necessary; however, since we currently use time sheets for tracking purposes, the time sheets will be included with the monthly financial statements given to the treasurer.

4. Procedure

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

Finding

At the time of our fieldwork, the SSCO did not have any donations or long-term obligations. We found that the SSCO 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.

Finding

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 discussed above.

* * * * *

We were not engaged to and did not perform an audit of the Stevens Square Community Organization, Inc.'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 Stevens Square Community Organization, Inc., 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

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 6, 2007