

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

TOWN OF ATKINSON

AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2009

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.

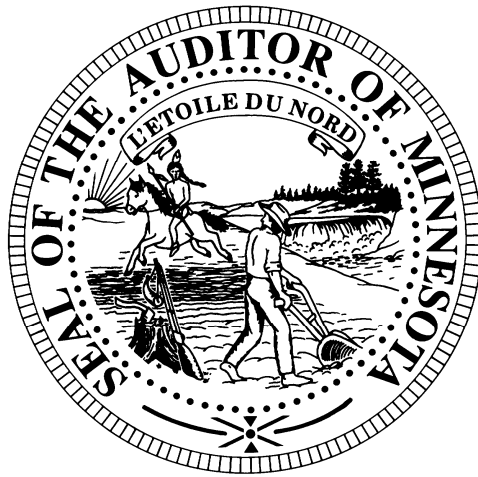
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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TOWN OF ATKINSON

For the Year Ended December 31, 2009



Agreed-Upon Procedures

**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 Supervisors
Town of Atkinson

We have performed the procedures enumerated below, which were agreed to by the Town of Atkinson, solely to assist you with respect to evaluating the accounting procedures, practices, and records related to the Town's disbursements. The Town of Atkinson's management is responsible for the accounting procedures, practices, and records related to disbursements. These procedures were applied to the Town's records for the year ended December 31, 2009. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Town of Atkinson. 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

Trace checks to supporting documentation (invoices, claims) to determine that disbursements are adequately documented and are valid claims against the Town of Atkinson.

Findings

We noted the following in performing this procedure:

A. Supporting Documentation

Three disbursements did not have adequate supporting documentation attached to the claim. Sufficient documentation should be attached to all claims to support their appropriateness and validity.

B. Board Members' Claims

The Board authorizes compensation to supervisors in the form of per meeting payments. "Meeting" is not defined, but presumably it relates to any meeting with other persons on town business. Per meeting and mileage claims by Board members were not adequately documented.

When a meeting payment is claimed by a board member, both the supervisor and the town are required by law to make and preserve the records necessary to support payment.

A building committee for the Town of Atkinson performed activities not formally approved by the Board. No documentation was provided that indicated the building committee kept minutes or formally reported to the Town Board. One Board member claimed meeting payments for building committee meetings, but there was no indication as to who attended the meetings or the purpose of the meetings.

Two Board members claimed meeting payments for meeting with an attorney. The Board did not take formal action to obtain the services of the attorney.

Board members also claimed meeting payments for meetings, the purpose of which was not noted on the claim. In addition, mileage claimed for meetings did not include the basis for the mileage (such as odometer readings).

We recommend the Board ensure that all Board member claims for meeting payments document who attended the meeting and the purpose of the meeting. Claims for mileage should include the basis for the claim. Town committees should be formally established by the Board. The committee should submit a report to the Board, which report should be preserved in the Town minutes. Goods and services provided to the Town should be authorized and approved by the Board.

C. Claim Declaration

The Town did not obtain declarations as required by Minn. Stat. §§ 471.38 and 471.391, subd. 2, for claims paid.

A signed declaration by the claimant is required by Minn. Stat. § 471.38 to the effect that the claim is just and correct and that no part of it has been paid. The declaration may be printed on the reverse side of the check, above the space for endorsement by the payee, in accordance with Minn. Stat. § 471.391, subd. 2. When the check is endorsed by the payee, the statement satisfies the declaration requirement. The declaration form is specified in Minn. Stat. § 471.391.

We recommend the Town comply with the statutes by having claimants sign declarations.

2. Procedure

Trace checks to Board action as recorded in the meeting minutes to verify that the expenditures were authorized by the Board.

Findings

We noted the following in performing this procedure:

A. Board Approval

One claim paid was approved in the Board minutes, but the claim did not include the Board members' signatures indicating approval. Three claims were paid prior to Board approval.

We recommend that claims be paid only upon approval by the Board.

B. Claims Audit

Vendor invoices and claims contained no indications or marks to indicate that they were being recalculated by the Town for mathematical accuracy.

We recommend all supporting documentation be reviewed and claims be recalculated to ensure that amounts to be paid are correct. The claims and invoices should be marked to indicate that the claim has been audited. Also, marking the invoice as "paid" or "canceled" helps prevent a second payment from being made for the same invoice.

C. Claims Approval

The Board minutes did not list the claimant or the amount of the claim being approved for payment. The minutes of the meeting should identify the claims approved. This can be accomplished by attaching a list of claims showing the claimant, purpose, and amount being claimed to the meeting minutes. The minutes should also reference the total amount of the claims list and identify how each member voted.

We recommend the Board require that claims being approved be listed individually in the minutes by claimant, claim number, and the amount of each claim.

D. Member Requested Services

Services were provided to the Town by some vendors based on the request for service by individual Board members rather than based on a formal request by the Board. Services should be contracted through formal Board action. In addition, no written agreements for these services were noted in the official Town records. The Office of the State Auditor encourages public entities to have written agreements with contractors whenever practicable. Even when small dollar amounts are involved, written agreements help both sides understand their obligations, clarify what is expected, and can minimize later disputes over what was agreed upon.

We recommend the Board obtain written agreements for services to be provided to the Town. An individual Board member should not contract on behalf of the Board.

E. Checking Account Reconciliation

We did not see evidence that the checking account was reconciled monthly. A timely reconciliation of bank statements and check images needs to be performed to detect problem checks. The bank statement and check images should be compared to the claim list approved for payment at the prior Board meeting(s). The reconciliation should be performed on a monthly basis by someone who is not involved in the writing of checks.

We recommend the Town develop procedures to ensure that the checking account is reconciled on a timely basis.

* * * * *

During the course of performing these agreed-upon procedures, we found evidence of possible malfeasance, misfeasance, or nonfeasance in office by a Town official. In compliance with Minn. Stat. § 6.51, a report was filed with the Carlton County Attorney to institute such proceedings as the law and the public interest require.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accounting procedures, practices, and records related to disbursements. 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 Board of Supervisors and the Town of Atkinson 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 9, 2010