

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

PHILLIPS WEST NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA

AGREED-UPON PROCEDURES

JULY 6, 2011

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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**PHILLIPS WEST NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

July 6, 2011



Agreed-Upon Procedures

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

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**PHILLIPS WEST NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

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REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Phillips West Neighborhood Organization

We have performed the procedures enumerated below, which were agreed to by the Phillips West Neighborhood Organization (PWNO) 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 PWNO. These procedures were applied to the PWNO's records as of July 6, 2011. 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 PWNO 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 PWNO is current with required filings (Attorney General, Secretary of State, Internal Revenue Service, and Minnesota Department of Revenue).

Findings

Filings for the above items were found to be current.

2. Procedure

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

Findings

The PWNO has written policies and procedures referred to as Fiscal Policies and Procedures.

3. Procedure

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

Findings

PREVIOUSLY REPORTED ITEM NOT RESOLVED

06-2 Segregation of Duties

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

Phillips West management has three levels of internal controls; the Executive Director, the Board, and the sub-contractor Bookkeeper; we have created a system of checks and balances that successfully worked since we have been in business.

ITEM ARISING THIS YEAR

11-1 Disbursement Policy

During our review of the disbursements, we noted three instances where the PWNO did not follow its disbursement policy. The policy states that a check request form will be completed and attached to the invoice or receipts. The Executive Director will code the check request form, a check signer will review the check request form and documentation and approve it, the bookkeeper will write the check number on the check request form, and the Executive Director will stamp the invoice "paid" when the checks are mailed. Of the 12 disbursements tested, 2 did not have the coding on the check request form, and 1 was not stamped "paid."

We recommend that the PWNO follow the policies approved by its Board to provide internal controls over payments and ensure the accuracy of its financial statements.

Client's Response:

Phillips West has taken steps to ensure that this never happens again by the Executive Director and the bookkeeper meeting weekly to review all transactions and that all policies are being followed.

PREVIOUSLY REPORTED ITEMS RESOLVED

Review of Bank Reconciliations (09-1)

Reviews of the bank reconciliations by the Treasurer were not documented.

Resolution

Our current review found the Treasurer is now signing and dating the bank reconciliations after his review.

Disbursement Support (09-2)

One of eight disbursements reviewed did not have supporting documentation.

Resolution

All of the disbursements reviewed for 2010 had supporting documentation.

4. Procedure

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

Findings

Donations are accounted for through the PWNO's general ledger. Fixed asset information is maintained on a schedule, which we viewed. The PWNO 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.

PREVIOUSLY REPORTED ITEMS RESOLVED

Differences in Reimbursed Items (09-3)

Two items totaling \$969.78 showed differences between what was recorded in the general ledger and what was included in the reimbursement request to the NRP.

Resolution

The items were originally coded to the wrong program in the general ledger. When the reimbursement request was completed, the error was caught and the reimbursement request was corrected. The change was not made in the general ledger. The reimbursement was correct, and no funds are owing between the NRP and the PWNO.

Unreimbursed Expenses (09-4)

Five expenses totaling \$632.11 coded on the general ledger to an NRP program had not been reimbursed.

Resolution

These expenses were re-coded and were paid using unrestricted (non-NRP) funds.

6. Procedure

Tie the schedule of cash inflows and outflows to the accounting records.

Findings

The schedule of cash inflows and outflows tied to the accounting records.

7. Procedure

Tie the schedules of grants receivable, accounts payable, advances outstanding, and long-term obligations to the accounting records.

Findings

The schedules of grants receivable, advances outstanding, and accounts payable tied to the accounting records. There were no long-term obligations at year-end.

8. Procedure

Assist with the preparation of the Internal Revenue Service Form 990.

Findings

The Internal Revenue Service Form 990 is complete.

9. Procedure

Assist with preparation of the Minnesota Charitable Registration Form.

Findings

The Minnesota Charitable Registration Form is complete.

10. 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 PWNO'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 Phillips West Neighborhood Organization 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

July 6, 2011

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**PHILLIPS WEST NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

Schedule 1

**SCHEDULE OF CASH INFLOWS AND OUTFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Cash Inflows

Public Support

Government grants		98,940
Neighborhood Revitalization Program	\$	98,940
Minneapolis Community Planning and Economic Development		8,071
Mississippi Watershed Management Organization		8,440
Donations - restricted		5,500
Donations - unrestricted		13,944
		13,944
Total Cash Inflows	\$	134,895

Cash Outflows

Functional

Payroll		
Wages	\$	47,200
Taxes		6,460
Benefits		5,000
Operating		
Bookkeeper		6,000
Rent		3,742
Software and equipment		253
Supplies		1,849
Website		3,150
Parking		27
Storage space		540
Postage		748
Insurance		498
Other		1,283
Events		
National Night Out		4,698
Winter Social		5,645
Annual Meeting		546
Spring Clean Up		171
Other		2,119
Programs		
Weed and Seed - Clean Sweep		4,517
Safety Initiative		17,500
Mississippi Watershed Management Organization		8,000
		8,000
Total Cash Outflows	\$	119,946

Excess of Cash Inflows Over (Under) Cash Outflows		14,949
		14,949

**PHILLIPS WEST NEIGHBORHOOD ORGANIZATION
MINNEAPOLIS, MINNESOTA**

Schedule 2

**SCHEDULE OF RECEIVABLES AND PAYABLES
DECEMBER 31, 2010**

Grants Receivable

NRP Contract #20460	\$ 1,362
CPED	4,071
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Total Grants Receivable	\$ 5,433
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Advances Outstanding

NRP Contract #20459	\$ 8,000
NRP Contract #20460	10,000
NRP Contract #28256	10,000
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Total Advances Outstanding	\$ 28,000
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Accounts Payable

United States Postal Service	\$ 220
Uline	189
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Total Accounts Payable	\$ 409
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Long-Term Debt

The Phillips West Neighborhood Organization had no long-term debt outstanding at year-end.