

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

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### **Minneapolis Youth Coordinating Board Minneapolis, Minnesota**

Management and Compliance Report

Year Ended December 31, 2021

## Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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[www.osa.state.mn.us](http://www.osa.state.mn.us)

# **Minneapolis Youth Coordinating Board Minneapolis, Minnesota**

Year Ended December 31, 2021



**Office of the State Auditor**

Management and Compliance Report

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

**MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Board Members  
Minneapolis Youth Coordinating Board  
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Minneapolis Youth Coordinating Board as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Minneapolis Youth Coordinating Board's basic financial statements, and have issued our report thereon dated April 12, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Minneapolis Youth Coordinating Board's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Minneapolis Youth Coordinating Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Minneapolis Youth Coordinating Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2021-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2021-001 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Minneapolis Youth Coordinating Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that the Minneapolis Youth Coordinating Board failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Minneapolis Youth Coordinating Board's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **Minneapolis Youth Coordinating Board's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Minneapolis Youth Coordinating Board's responses to the internal control findings identified in our audit and described in the accompanying Corrective Action Plan. The Minneapolis Youth Coordinating Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Minneapolis Youth Coordinating Board's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Minneapolis Youth Coordinating Board's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

April 12, 2023

**MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**2021-001      Segregation of Duties**

**Prior Year Finding Number:** 2020-001

**Repeat Finding Since:** 2004

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the Minneapolis Youth Coordinating Board's assets, proper segregation of the record-keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

**Condition:** Due to the limited number of personnel performing the business functions of the Minneapolis Youth Coordinating Board, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. Generally, segregation of duties can be attained with the hiring of additional personnel; however, this becomes a significant cost consideration to entities such as the Minneapolis Youth Coordinating Board.

**Context:** This situation is not unusual in operations the size of the Minneapolis Youth Coordinating Board, but 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 internal control point of view.

**Effect:** Inadequate segregation of duties could adversely affect the Minneapolis Youth Coordinating Board's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The size of the Minneapolis Youth Coordinating Board and its staffing limits the internal control that management can design and implement into the organization.



**MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Recommendation:** We recommend the Minneapolis Youth Coordinating Board's officials and management be mindful that limited staffing increases the risks in safeguarding the Minneapolis Youth Coordinating Board's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed.

**View of Responsible Official:** Concur

**2021-002      Audit Adjustments**

**Prior Year Finding Number:** 2020-002

**Repeat Finding Since:** 2020

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Material Weakness

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** Material audit adjustments were identified that resulted in significant changes to the Minneapolis Youth Coordinating Board's financial statements.

**Context:** The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments were found during the audit; however, independent external auditors cannot be considered part of the Minneapolis Youth Coordinating Board's internal control.

**Effect:** The following audit adjustments to the General Fund were reviewed and approved by the appropriate staff and are reflected in the financial statements. These adjustments also affected amounts and accounts reported for governmental activities.

- Decreased cash and revenues by \$181,100 to correct transactions recorded as both receipts in the current year and receivables;
- Decreased cash and increased expenditures by \$138,278 to correct a reversing entry;

**MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2021**

- Increased due from other governments and revenue by \$74,523 to correct a reversing entry recorded in both the general ledger and in the trial balance file;
- Increased due to other governments and expenditures by \$104,959 to record an additional payable;
- Increased unearned revenue and decreased revenue by \$156,292 to adjust for the current year activity relating to grant funding received, but not yet earned;
- Increased deferred inflows of resources – unavailable revenue and decreased revenue by \$110,582 to adjust for receivables recorded, but not collected within the period of availability; and
- Decreased unassigned fund balance and increased revenue by \$261,251 to correct beginning balances and current year activity.

**Cause:** This activity was overlooked or incorrectly recorded when the financial statement information was prepared.

**Recommendation:** We recommend the Minneapolis Youth Coordinating Board implement additional procedures over financial reporting that include a comprehensive review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate so the Minneapolis Youth Coordinating Board's financial statements are fairly presented in accordance with generally accepted accounting principles.

**View of Responsible Official:** Concur



**REPRESENTATION OF THE  
MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Jenny Arneson**  
Minneapolis Public School Board

**Jacob Frey**  
Mayor, City of Minneapolis

**Marion Greene**  
Hennepin County Board of  
Commissioners

**Angela Conley**  
Hennepin County Board of  
Commissioners

**Sharon El-Amin**  
Board of Education, Minneapolis Public  
Schools

**Phillipe Cunningham**  
Minneapolis City Council

**Cam Gordon**  
Minneapolis City Council

**Judge Juan Hoyos**  
Hennepin County Juvenile Court

**Mike Freeman**  
Hennepin County Attorney

**Latrisha Vetaw**  
Minneapolis Park and Recreation Board

**Executive Director Ann Marie DeGroot**

**Minneapolis Youth  
Coordinating Board**  
[www.ycb.org](http://www.ycb.org)

**Finding Number: 2021-001**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Ann DeGroot, Executive Director

Corrective Action Planned:

While understanding that strict segregation of accounting duties is optimum, it is difficult to achieve in an organization with only six employees. We will continue to rely on the City of Minneapolis to oversee all bank transactions and maintain all vendor information while ensuring that management and the YCB Board members are aware of the finding.

Anticipated Completion Date:

Ongoing

**Finding Number: 2021-002**

**Finding Title: Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Jeremy Theis, Senior Accountant

Corrective Action Planned:

When the prior accountant left, a lot of specialized knowledge left the building in the preparation of the financial statements. The YCB will work with the audit team to develop better more intuitive workpapers that can be used in the preparation of the financial statements.

Anticipated Completion Date:

Ongoing

**REPRESENTATION OF THE  
MINNEAPOLIS YOUTH COORDINATING BOARD  
MINNEAPOLIS, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Finding Number: 2020-001**

**Year of Finding Origination: 2004**

**Finding Title: Segregation of Duties**

**Jenny Arneson**  
Minneapolis Public School Board

**Jacob Frey**  
Mayor, City of Minneapolis

**Marion Greene**  
Hennepin County Board of  
Commissioners

**Angela Conley**  
Hennepin County Board of  
Commissioners

**Sharon El-Amin**  
Board of Education, Minneapolis Public  
Schools

**Phillipe Cunningham**  
Minneapolis City Council

**Cam Gordon**  
Minneapolis City Council

**Judge Juan Hoyos**  
Hennepin County Juvenile Court

**Mike Freeman**  
Hennepin County Attorney

**Latrisha Vetaw**  
Minneapolis Park and Recreation Board

**Executive Director Ann Marie DeGroot**

**Summary of Condition:** The Minneapolis Youth Coordinating Board has one person who is responsible for performing the business functions.

**Summary of Corrective Action Previously Reported:** The Minneapolis Youth Coordinating Board understands the importance of segregation of duties and will continue to rely on the City of Minneapolis to oversee all bank transactions and maintain all vendor information while ensuring that management and the YCB Board members are aware of the finding.

**Status:** Not Corrected. The Minneapolis Youth Coordinating Board management will continue to review processes and strengthen procedures where they can with their limited financial staff.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   X  

**Finding Number: 2020-002**

**Year of Finding Origination: 2020**

**Finding Title: Audit Adjustment**

**Summary of Condition:** A material audit adjustment was identified that resulted in significant changes to the Minneapolis Youth Coordinating Board's financial statements.

**Summary of Corrective Action Previously Reported:** When the prior accountant left, a lot of specialized knowledge left the building in the preparation of the financial statements. The YCB will work with the audit team to develop better more intuitive workpapers that can be used in the preparation of the financial statements.

**Status:** Not Corrected. The Minneapolis Youth Coordinating Board management will continue to review the financial statement preparation process to ensure that all activity is properly recorded.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No  X

**Finding Number: 2020-003**

**Year of Finding Origination: 2019**

**Finding Title: Retiree Insurance Continuation**

**Summary of Condition:** The Minneapolis Youth Coordinating Board is only offering retirees insurance through the Consolidated Omnibus Budget Reconciliation Act (COBRA), which does not meet the requirements of Minn. Stat. § 471.61, subd. 2b, for retiree insurance continuation.

**Summary of Corrective Action Previously Reported:** Effective January 1, 2021, the Minneapolis Youth Coordinating Board will offer all retirees access to Medicare Plan options through the Public Employees Insurance Program, administered by Innovo Benefits Administration.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No  X