

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Minneapolis Youth Coordinating Board Minneapolis, Minnesota

Management and Compliance Report

Year Ended December 31, 2023

Minneapolis Youth Coordinating Board

Minneapolis, Minnesota

Table of Contents

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Schedule of Findings and Recommendations	3
Corrective Action Plan	6
Summary Schedule of Prior Audit Findings	8



**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, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 6, 2025.

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 opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting that we consider to be a material weakness and significant deficiencies.

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 2023-002 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 deficiencies described in the accompanying Schedule of Findings and Recommendations as items 2023-001 and 2023-003 to be significant deficiencies.

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 response to the findings identified in our audit and described in the accompanying Schedule of Findings and Recommendations and Corrective Action Plan. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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 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 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

March 6, 2025

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Minneapolis Youth Coordinating Board

Minneapolis, Minnesota

Schedule of Findings and Recommendations For the Year Ended December 31, 2023

Financial Statement Findings

2023-001 Segregation of Duties

Prior Year Finding Number: 2022-001

Year of Finding Origination: 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 control in preventing and detecting errors or irregularities. To protect the Minneapolis Youth Coordinating Board's assets, proper segregation of the recordkeeping, custody, and authorization functions should be in place. Where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: The Minneapolis Youth Coordinating Board lacks proper segregation of duties. Generally, one staff person is responsible for billing, collecting, recording, and depositing receipts.

Context: Due to the limited number of personnel within the Minneapolis Youth Coordinating Board, segregation of the accounting duties necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the Minneapolis Youth Coordinating Board; 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.

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

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.

Recommendation: We recommend the Minneapolis Youth Coordinating Board's officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that staff implement the internal control policies and procedures to the extent possible.

View of Responsible Official: Concur

2023-002 Audit Adjustments

Prior Year Finding Number: 2022-002

Year of Finding Origination: 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

Minneapolis Youth Coordinating Board

Minneapolis, Minnesota

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 in 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:

- Fund balance decreased by \$870,991, due from other governments decreased by \$400,816, accounts payable decreased by \$387, and expenditures decreased by \$24,272, revenue increased by \$446,818, and prepaid items increased by \$528 to correct beginning fund balance;
- Due from other governments and revenues both decreased by \$117,089 to reverse a receivable for amounts received before year end;
- Due to other governments decreased by \$212,147, expenditures decreased by \$36,419, and increased fund balance by \$175,728 to record reversals for prior year payables;
- Unearned revenue increased by \$467,471 and revenue decreased by \$467,471 to adjust for the current year activity relating to grant funding received, but not yet earned; and
- Revenue decreased by \$195,042 and deferred inflow of resources – unavailable revenue increased by \$195,042 to reflect revenue received after the revenue recognition period.

The first four adjustments also affected amounts reported for governmental activities.

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 Board's financial statements are complete, accurate, and fairly presented in accordance with generally accepted accounting principles in the United States of America.

View of Responsible Official: Concur

2023-003 Payroll Internal Controls

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Minneapolis Youth Coordinating Board

Minneapolis, Minnesota

Criteria: Management is responsible for establishing and maintaining internal controls over accounting processes, including payroll. The Minneapolis Youth Coordinating Board's procedures require summary reports to be generated from the time records submitted each pay period. The summary reports are accompanied by a Payroll Register Approval Form, which is required to be signed by the Director to indicate review and approval of payroll.

Condition: In the sample of 22 payroll transactions tested, two instances were noted where the Payroll Register Approval Form was not signed by the Director.

Context: Employees are compensated in accordance with a classification system established by the Board as well as the timesheet submitted by the employee. Timesheets and Payroll Approval forms must be approved by the Director.

Effect: Without proper review and approval of the Payroll Register Approval Form, there is an increased risk that errors or irregularities may not be detected in a timely manner.

Cause: The missing approvals were an oversight.

Recommendation: We recommend the Minneapolis Youth Coordinating Board review its payroll procedures and implement additional procedures to ensure all review and approval has occurred and is documented.

View of Responsible Official: Concur



**Representation of the
Minneapolis Youth Coordinating Board
Minneapolis, Minnesota**

Corrective Action Plan
For the Year Ended December 31, 2023

Finding Number: 2023-001

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 seven 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: 2023-002

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 audit team to develop better more intuitive workpapers that can be used in the preparation of the financial statements.

Anticipated Completion Date:

Ongoing

Finding Number: 2023-003

Finding Title: Payroll Internal Controls

Name of Contact Person Responsible for Corrective Action:

Ann DeGroot, Executive Director

Andrea Jenkins, Chair
Minneapolis City Council

Irene Fernando, Commissioner
Hennepin County Board

Joyner Emerick, Director
Minneapolis Public School Board

Jacob Frey, Mayor
City of Minneapolis

Charles Rucker, Director
Minneapolis Park and Recreation Board

Todd Fellman, Presiding Judge
Hennepin County Juvenile Court

Mary Moriarty
Hennepin County Attorney

Marion Greene, Commissioner
Hennepin County Board

Greta Callahan, Director
Minneapolis Public School Board

Emily Koski
Minneapolis City Council

Ann Marie DeGroot
Executive Director

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Corrective Action Planned:

The Minneapolis Youth Coordinating Board will review its payroll procedures in consultation with the City of Minneapolis Finance Department.

Anticipated Completion Date:

April 1, 2025



**Representation of the Minneapolis Youth Coordinating Board
Minneapolis, Minnesota**

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

Finding Number: 2022-001

Year of Finding Origination: 2004

Finding Title: Segregation of Duties

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: 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.

Status: Not Corrected. This will be an ongoing issue as staff size has not changed. We expect to see this finding in future audits.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2022-002

Year of Finding Origination: 2020

Finding Title: Audit Adjustments

Summary of Condition: Material audit adjustments were 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 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.

Corrective action taken was not significantly different than the action previously reported.