

STEVENS SQUARE COMMUNITY ORGANIZATION

AGREED UPON PROCEDURES

DECEMBER 2012

PREPARED BY:

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CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To: The Board of Directors, Stevens Square Community Organization,

We have performed the procedures enumerated below, which were agreed to by the Stevens Square Community Organization, solely to assist the specified parties in evaluating management's assertion that Stevens Square complied with City of Minneapolis requirements during the year ended December 31, 2012. Management is responsible for Stevens Square Community Organization's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. 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.

Our procedures were designed to assess the internal control environment related to the Neighborhood and Community Relations (NCR) awards. We have performed the procedures enumerated within this report which were agreed to by Stevens Square Community Organization. The procedures we applied and our findings are described within this report.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. 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 Stevens Square Community Organization and the City of Minneapolis and is not intended to be and should not be used by anyone other than these specified parties.

Michael S. Wilson, CPA

Minneapolis, Minnesota

February 7, 2013

Agreed Upon Procedures

1. Identify the major program accomplishments for the year.

The Stevens Square Community Organization (SSCO) was established in 1976 to provide a respectful forum for community involvement and leadership that builds on neighborhood strengths to promote and improve Stevens Square-Loring Heights as a fun place to live, work, and play.

SSCO works to strengthen Stevens Square-Loring Heights by initiating, integrating, and implementing key priorities such as

- Economic development (housing and development)
- Community safety
- Clean green environment
- Building community through the arts
- Community involvement

Program Highlights

SSCO accomplishes its work through three standing committees: Safety, Neighborhood Development, and Community Engagement. These programs impacted over 2000 residents during the fiscal year.

2. Describe the Corporate Governance Structure.

The SSCO Board of Directors is elected bi-annually and consists of 10 members. The Executive Board consists of 4 members, and additional appointments are made for committee purposes. Board meetings are held monthly and approved board minutes are posted on the website.

The board of directors is aware of their fiduciary responsibilities. An annual budget is reviewed by the finance committee and approved by the Board of Directors. The Board of Directors also reviews the finance committee presentations and accepts these reports.

During board training, each board member reads a conflict of interest statement. A bid process has been used and voted on by the board without the vote of the conflicted parties.

Management

SSCO staff includes a full-time executive director (responsible for housing and commercial development and arts programs, in addition to administrative/executive responsibilities), and a full-time safety coordinator (responsible for community safety and outreach activities). SSCO brings on part-time organizers and interns during the spring/summer season to assist in the implementation of arts and gardening activities.

3. Determine if the internal controls over financial reporting are adequate.

Stevens Square prepares accrual based financial statements. The accounting records are prepared by a skilled accountant with experience working with government contracts and public contributions.

SSCO does have a comprehensive cost allocation plan to allocate overhead costs and management expenses to program, administration, and fundraising functions. These costs were allocated for regular reporting purposes.

Salaries, benefits and other overhead costs are allocated to the functional (program) areas. Periodically, NPO should have employees keep actual time sheets by program area for short periods of time to test and document the estimate of hours spent on various functions. We will institute this policy of once a quarter all salary employees will keep a time sheet in order to ensure our quality of reporting.

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

The SSCO has established internal controls associated with cash receipts, disbursements, and payroll for an organization of its size.

Cash Receipts

The primary sources of cash receipts are donations and grants. Donations and city grants are received in check form. Checks are opened by staff, and recorded in the accounting program when received. The Executive Director often controls all phases of the transactions including opening the mail, making the deposit, recording in the accounting system, and making copies. The SSCO could reduce the dependency on one person by separating duties related to processing cash receipts. One staff could open the the mail restrictively endorse all checks, and list checks in a cash receipt log, and complete a deposit slip. Another staff record the transaction, make the deposit, and file the deposit slip and copies of checks. Thank you notes could be sent by board members. The executive director opens the mail, gives the checks to the safety coordinator whom records the donation/check/cash on a separate database. The safety coordinator then endorses the check for deposit only and returns to the Executive Director for deposit. SSCO uses all available staff to reduce dependency on one person.

Cash Disbursements

The Organization has procedures to authorize and record the disbursement of funds. Cash disbursements are approved based on supporting invoices, or a check request form. All disbursements are approved by the Executive Director who prepares the checks in the accounting system. Dual signatures are required on all checks. Most checks are signed by

board members except for occasions when the Executive Director signs checks due to scheduling conflicts. After board signatures are obtained, the Executive Director distributes and files supporting documentation.

Bank statements are received unopened by the Treasurer and Executive Director separately. The bank reconciliation is performed by the outside accountant.

Payroll

SSCO requires staff to prepare timesheets. The Executive Director and the Safety Coordinator are salaried employees. They use timesheets to track hours, record paid time off, and determine the functions where they work. Timesheets for part-time employees are used to document and determine pay. SSCO uses an outside service provider to process their payroll. Timesheets are approved by the Executive Director before they are submitted for processing. It appears salaries are allocated to programs based on budgeted time.

Independent contract work is supported by the use of time sheets that itemize dates and activities in a reasonable format to provide an audit trail. SSCO files 1099s with the IRS for contract workers.

SSCO maintains personal files with relevant employment records. Files include employment offer letters with salary updates and reprimands maintained by the Executive Director. A human resource policy manual provides guidelines for employee management interactions.

5. Determine if the Neighborhood is current with proper filings with the Secretary of State, IRS and Attorney General's office.

It was determined that SSCO was current with their filings for the Secretary of State, the IRS, and the Minnesota Attorney General. In prior years, payroll withholdings were not properly prepared and submitted to the IRS. However this issue has been resolved.

6. Determine that minutes are prepared and approved for proceedings of the Board.

Board minutes are prepared and approved at the following board meetings. Board minutes are available to the public in through the SSCO website.

7. Determine that the proper quarterly reports on salary withholdings have been filed in a timely manner with the state and federal governments.

Payroll processing is properly prepared. An outstanding issue with the IRS has been settled and a new accountant has helped to ensure payroll processing is current.

8. Determine if vendor invoices are on hand to support disbursements.

A review of office files indicated an organized filing system was used and staff were able to retrieve vendor invoices with one exception

9. Determine if assets are safeguarded and records are kept on equipment, donations, or long-term obligations, and that any equipment purchased with NRP funds is specifically identified as such.

Assets are safeguarded and kept under lock and key.

The SSCO has a fixed asset listing that includes office equipment and tents.

10. Determine if accounting records support the NRP amounts requested for reimbursement.

A review of the contract # was performed in December 2012. Disbursements submitted on draw request #26 and #27 were subject to compliance testing to ensure that expenses were supported by supporting documentation, the expenses were approved and authorized by the Organization, and the expenses appeared to be consistent with contract terms. Based on the sample selected for testing, there were no exceptions to the amounts submitted for reimbursement to the City of Minneapolis.