

BRYN MAWR NEIGHBORHOOD ASSOCIATION

AGREED UPON PROCEDURES

MAY, 2014

PREPARED BY:

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

To: The Board of Directors, Bryn Mawr Neighborhood Association,

We have performed the procedures enumerated below, which were agreed to by the Bryn Mawr Neighborhood Association, solely to assist the specified parties in evaluating management's assertion that Bryn Mawr Neighborhood Association complied with City of Minneapolis requirements for the year ending December 31, 2014. The Bryn Mawr Board of Directors are responsible for 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 Bryn Mawr Neighborhood Association. 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 Bryn Mawr Neighborhood Association and the City of Minneapolis' Neighborhood and Community Relations staff and is not intended to be and should not be used by anyone other than these specified parties.

Michael S. Wilson, CPA

Minneapolis, Minnesota

May 8, 2014

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

I. Mission Statement

The Bryn Mawr Neighborhood Association (BMNA) was established in 1976 to improve the social, economic, and general livability standards of the neighborhood.

Program Highlights

The majority of Bryn Mawr's programs were designed to encourage community engagement. During 2013, BMNA accomplished the following activities.

- Developed and implemented a business façade program intended to strengthen our small business community, providing street-view improvements to 16 businesses within the neighborhood.
- Managed ongoing communications and education to all residents on issues of importance for the neighborhood via neighborhood meetings and presentations, the Bugle newspaper with a readership of 1,400 households, BMNA web site and neighborhood emails. Currently the neighborhood email list serve has about 650 members.
- Worked actively to improve the quality of life in Bryn Mawr through programs aimed at improving our schools and green space, as well as events like the Harvest Dinner, Saturnalia, Ice Cream Social, National Night Out, Sip and Stroll and the annual garage sale. We estimate nearly half of our residents have attended at least one of these events.

Findings

Bryn Mawr provides programs that are consistent with their mission and also meets the contractual obligations of their relationship with the Department of Neighborhood and Community Relations.

II. Corporate Governance

The Bryn Mawr Neighborhood Organization is a membership organization. Membership is available to all residents and property owners in the neighborhood. The Board of Directors is elected to serve by members. There are 16 directors and 4 officers on the Board. Board representation is divided into 7 areas. Each area has 1 to 4 representatives. The four officers are elected by board members. Elections are held at an annual meeting. The board terms are staggered with 2 year terms.

Monthly board meetings are usually held on the 2nd Wednesday of each month. Monthly meeting minutes are publicly available via posting on the organization's web site along with the bylaws

The board of directors is aware of their fiduciary responsibilities. An annual budget is reviewed by and approved by the Board of Directors. The Board of Directors also reviews financial statements on a quarterly basis.

BMNA recently adopted the following policies :

EEO policy
Grievance policy
ADA disability accessible locations

Findings

In addition to the policies adopted, BMNA could also adopt additional policies regarding:

- Conflict of Interest
- Document retention
- Competitive bids

Client Response

The new Board, after election in May, will review the need for these policies, obtain drafts and discuss and adopt as needed.

III. Management

The BMNA has contracted individuals to perform staff functions. The staff includes the following positions:

1. Neighborhood Coordinator (Jan – Dec)
2. Newspaper Editor (Jan – Dec)
3. Garden Tour Coordinator (Mar – Jul only)

Each position is paid as an independent contractor at a fixed monthly stipend.

Findings

The current staffing arrangement should be modified for the following:

Each contractor position should have a description that identifies their contractual responsibilities. The BMNA should evaluate each position to determine if the position should be considered a contractor or employee. The BMNA should recognize that the IRS position leans towards describing staff as employees. Each position should be required to prepare an invoice to document the work performed.

Client Response

Status of contracted staff, their relationships to the organization and their contractual terms will be reviewed by the officers to determine what changes are needed and presented to the Board for recommendation of action

IV. Financial Reporting

The BMNA relies on a volunteer board member, the Treasurer, to prepare financial statements. The accounting responsibilities and financial statements have been maintained by the board without an outside accountant. Over the years, BMNA Treasurers have had different skill levels but all have fulfilled their fiduciary responsibilities by preparing financial reports on a timely basis that are reviewed regularly at board meetings.

During the past few years, there have been improvements in financial reporting. The accounting records are now maintained in Quickbooks Online. The BMNA moved to Quickbooks Online in 2009 to allow access to records from different sites. More recently the chart of accounts was simplified to improve financial reporting. In addition, the BMNA recently converted their financial statements from a cash to a modified accrual basis. The change was done to recognize government awards in the period that they are earned.

Findings

The BMNA should recognize that as the complexity of financial reporting increases it may become beyond the scope of a volunteer board to maintain. The current board members have the skills to maintain financial reports. However a new board may not have these skills and the hiring of an outside accountant may be required in the future.

Client Response

The addition of the accrual accounts was done to give a more accurate annual picture of the organization's financial status. This was necessary because of the delays in reporting activities to the City and receiving funds for those activities as an advance in a previous year or as a reimbursement in a subsequent year. Processes will be tightened up so that the level of accrual accounts and need for it will diminish, moving the books back to a more cash-only basis as much as possible.

V. Internal Controls

A summary of the internal controls over cash receipts, cash disbursements and payroll are as follows

A. Cash Receipts

The BMNA has the following funding sources.

- City of Minneapolis
- Member or other donations
- Bugle advertising and subscriptions
- Program & Project fees, admissions or sales

Government grants are collected with a draw request. BMNA provides financial records that are used to support a payment. An officer or member of the board is responsible for preparing these

requests and providing support. The BMNA receives ACH deposits from the City of Minneapolis. These deposits are filed with supporting documentation to minimize delays and errors in the depositing of funds.

Newspaper ads are charged based on a published rate for ads. The Editor sells the ads with most of them recurring. An Excel spreadsheet form is used to document the ad receipts and checks received. It is also used to prepare supporting documentation for the deposit form, and calculate commissions due to the Editor. Afterwards, the Editor emails the workbook and US mails the checks to Treasurer. When the checks arrive, the Treasurer endorses the checks and enters the sales receipts into the books, reconciling the information on the spreadsheet and the checks received. The Treasurer makes the deposits, and accounting records are updated.

The membership income goes through a similar process. The Coordinator retrieves membership checks from the post office box. The Coordinator records membership donations into the sales receipts feature of Quickbooks Online. The checks are mailed to the Treasurer. The Treasurer endorses the checks, assembles the sales receipts into a deposit, writes the deposit slip and makes the deposit.

Program and project revenue are limited sources of funding but do include cash collections

Findings

I recommend BMNA consider three ways to improve the control environment.

1. Maintain a cash receipts log. The Excel spreadsheet is an example of a cash receipts log because it serves the purpose of recording checks immediately when they are received, and minimizes the potential for lost or missing checks.
2. Require all checks should be restrictively endorsed as payable to BMNA when received.
3. Require two people to collect, handle and count the cash when events include cash collections.

B. Cash Disbursements

The BMNA has procedures to authorize and record the disbursement of funds. The BMNA board of directors has a history of approving an annual budget that is an important and effective form of control. These procedures have been improved recently. During prior years, the BMNA purchased items like tools and office equipment that were funded by reimbursing individuals. It is unclear if these purchases were approved by the board.

The BMNA has now moved from individual reimbursement by requiring a payment request form and better advanced planning for disbursements. Payment request forms are now used to document payments to vendors who do not provide invoices. The payment request forms must be approved by an officer before payment is made. Payments are also made after supporting invoices are provided. The change has reduced the number of items in the check register filled with checks to individuals for expense reimbursements. Authorized signers for check requests are individuals known by the Treasurer.

When a check is prepared by the Treasurer, the Treasurer, Vice Chair, or Chair are authorized to sign checks. The Treasurer maintains the check stock. Blank checks are not signed, and no checks are made to cash.

More recently, the Treasurer has also moved to more online transactions. The BMNA has the ability to push payments from their account by informing the bank and using bank paper stock. When the bank sends the check out, the bank provides information that can be automatically downloaded into Quickbooks Online. The Treasurer can elect to match bank info with Quickbooks Online entries to reconcile accounts more readily.

Bank reconciliations were not prepared for two years. The current Treasurer and President went back to 2011 bank reconciliation and reconciled monthly bank statements for two years. The BMNA is currently preparing monthly bank statements. Bank statements are mailed to Treasurer. Treasurer reconciles the bank statement. The President performed an internal audit recently and found that entries were made to wrong accounts. So some clean up work has been ongoing to ensure accurate accounting records are maintained.

The Treasurer maintains the check stock. No blank checks or checks payable to cash are signed. Blank checks are kept in the Treasurer's residence. Employees and contractors are covered by an employee dishonesty policy.

Findings

The changes in process made by the current Treasurer are an important step in the right direction. Additional improvements can be made with the following recommendations.

1. Identify the individuals that are authorized to approve check requests.
2. Recognize the Treasurer has control over all phases of a transaction since the Treasurer can approve a transaction, prepare a check, record the transaction, maintain the check stock and perform a bank reconciliation. I recommend that another board member receive the unopened bank statement and also review the bank reconciliation.
3. Require all disbursements to be authorized and approved with the check request form that was recently adopted.
4. Require that all equipment purchased be recognized as property of BMNA

C. Staffing Costs

BMNA uses contracted individuals to provide staff functions. These contractors are automatically paid a monthly stipend without being required to prepare a timesheet or invoice. The BMNA should recognize that monthly stipends support the idea of a salaried employee and not an independent contractor. Instead of mailing checks, monthly stipend contract payments are done by direct deposit.

Also there is no evidence that the allocation of contractor costs to funding sources is accurate without an invoice. Staff time should be allocated to programs based on time spent. Contractor invoices that itemize dates and activities is a good format to provide an audit trail

BMNA files 1099s with the IRS for contract workers.

Findings

All contractors should be required to prepare invoices to document hours worked. BMNA should be aware of IRS requirements to determine if staff is employment vs. contractor. A signed agreement with contractors is a good tool for managing work responsibilities.

Client Response

With a small operation, we recognize that not all recommended accounting and bookkeeping practices are implemented. Separation of duties and strict documentation and authorization of all expenditures are an area we are struggling with and looking to improve as much as possible. Progress has been made in expenditure documentation. Additional formal processes must be established for authorization. To the extent possible, we will do the best we can with separation of duties, but with a small volunteer force and no physical office space yet, we will have to make accommodations and depend upon creating and maintaining as many audit trail records as possible.

D. Contract Status

Based on a contract evaluation from the Fall 2013, the following is the status of contracts with the City of Minneapolis. The BMNA has started to make timely draw requests.

Contract		Amount	Advance	City Payment	Balance	Comments
4376	First Step Implementation	30,000.00	5,000.00	30,000.00	-	\$1,111.12 of advance not accounted for
14262	Action Plan Implementation	158,176.91	7,255.00	158,176.91	-	accounted for additional \$1,514.73; can offset #4376 advance
24560	Phase II Implementation	48,664.67	10,000.00	48,664.67	-	\$3,778.10 of advance accounted for; \$6,221.90 left to account for
27864	Community Solar Program	34,300.00	10,000.00	30,087.50	4,212.50	program complete; BMNA needs to return \$10,000
28513	Rain Garden Program	18,250.00	-	8,196.68	10,053.32	
31045	2011-12 CPP	21,765.31	3,620.00	3,620.00	18,145.31	contract expired 6/30/2012

Findings

I recommend BMNA officials review the status of outstanding contracts by working with Neighborhood and Community Relation staff to resolve differences perhaps through plan modifications, or resubmitting draw requests.

Client Response

The Treasurer will take on the responsibility to organize and draw upon as many people with historical knowledge who can assist in assuring the current status is up to date and accurate. In addition, the two contracts issues were been resolved based on efforts of the President and Treasurer recently.

1. The current balance of the 2011-12 CPP contract is zero. The balance of \$18,145.31 was received from the City of Minneapolis in March, 2014.
2. The solar advance has been returned to the City of Minneapolis. Check 4346 in the amount of \$10,000 was issued to the City of Minneapolis on 11/13/2013.