

**Minneapolis Public Schools  
Special School District No. 1  
Minneapolis, Minnesota**

**Communications Letter of  
the Student Activity Accounts**

**June 30, 2017**



**Minneapolis Public Schools  
Special School District No. 1  
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Material Weakness	3
Significant Deficiencies	4
Required Communication	5

**Report on Matters Identified as a Result of  
the Audit of the Financial Statements**

To the School Board, Advisors,  
Students, and Management  
Minneapolis Public Schools  
Special School District No. 1  
Minneapolis, Minnesota

In planning and performing our audit of the Statement of Receipts and Disbursements of the student activity accounts of Minneapolis Public Schools, Special School District No. 1, Minneapolis, Minnesota, as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's student activity accounts internal control over financial reporting (internal control) as a basis for designing our auditing 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 an opinion on the effectiveness of the District's student activity accounts internal control. Accordingly, we do not express an opinion on the effectiveness of the District's student activity accounts internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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, such that there is a reasonable possibility that a material misstatement of the District's student activity accounts financial statements will not be prevented, or detected and corrected, on a timely basis. The material weakness identified is stated within this letter.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency is stated within this letter.



This communication is intended solely for the information and use of management, the School Board, students of the District and the Minnesota Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

*BerganKDV Ltd.*

Minneapolis, Minnesota  
November 30, 2017

**Minneapolis Public Schools  
Special School District No. 1  
Material Weakness**

**INADEQUATE DESIGN OF INTERNAL CONTROL**

The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. In addition, the District does not have adequate segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

**Cash Receipt Process**

The Finance Clerk at each location is responsible for collecting and writing receipts for all money received, depositing all monies in the bank, reconciliation of bank statements, and recordkeeping of transactions.

In addition, adequate controls to ensure the collection and recognition of the cash receipts are not in place for all activities.

**Cash Disbursement Process**

The Finance Secretary has the ability to prepare checks for disbursements as well as reconcile the student activity accounts.

Because of the limited number of personnel available to perform these duties, complete segregation of key accounting functions may not be feasible; however, we recommend Administration continually and thoroughly monitor these processes and provide further segregation where possible.

The lack of adequate segregation of accounting duties could adversely affect the ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

**Minneapolis Public Schools  
Special School District No. 1  
Significant Deficiency**

**BANK RECONCILIATIONS**

According to the *Manual for Activity Fund Accounting*, the student activity funds and the bank statement must be reconciled monthly and to the correct ledger balance.

During our audit, we noted that some bank reconciliations were not being reconciled to the correct general ledger balance.

The District not preparing bank reconciliations correctly could affect the recording and reporting of financial data.

**Minneapolis Public Schools  
Special School District No. 1  
Required Communication**

We have audited the financial statements of the of the student activity accounts of Minneapolis Public Schools Special School District No. 1, Minneapolis, Minnesota for the year ended June 30, 2017, and have issued our report dated November 30, 2017. Professional standards require that we provide you with the following information related to our audit.

**OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED  
IN THE UNITED STATES OF AMERICA**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Since the District's student activity accounts have not established procedures to provide assurance that cash collections are not recorded in the accounting records, it is not practical for us to extend our audit of such cash collections beyond the amounts recorded.

**PLANNED SCOPE AND TIMING OF THE AUDIT**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the District's student activity accounts and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District's student activity accounts or to acts by management or employees acting on behalf of the District's student activity accounts.

**QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the note to financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

**Minneapolis Public Schools  
Special School District No. 1  
Required Communication**

**QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES (CONTINUED)**

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

**DISAGREEMENTS WITH MANAGEMENT**

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**MANAGEMENT REPRESENTATIONS**

We requested certain representations from management which were provided to us in the management representation letter.

**MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**OTHER AUDIT FINDINGS OR ISSUES**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.