



MATSON
& ISOM

REDWOOD COAST DEVELOPMENTAL
SERVICES CORPORATION

Ukiah, California

MANAGEMENT
COMMENTS LETTER

June 30, 2013



MATSON
& ISOM

To the Board of Directors
Redwood Coast Developmental
Services Corporation
Ukiah, California

In planning and performing our audit of the basic financial statements of Redwood Coast Developmental Services Corporation (the Center), a California nonprofit corporation, as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following information summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 22, 2014.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

FOLLOW UP TO PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2012-1 – INTERNAL CONTROLS (PAYROLL)

Finding

During the prior year audit, for one of the 40 payroll transactions tested for control compliance, we noted the hours worked per the employee timecard did not agree to the amount paid on the payroll register. The issue arose as the employee amended the timecard after the initial payroll had been run to modify the estimated hours worked with the actual hours worked.

Recommendation

We recommended that the payroll department review all timecards after employees have made modifications but before supervisors have reviewed and approved the modifications. This way the payroll department could easily identify any timecards which were changed. After the revised timecards were identified and the changes determined, the payroll department could email supervisors to request that they reauthorize the amended timecard.

Status

During our audit of the current year, in all transactions tested, the timecard agreed with the hours indicated on the paycheck.

2012-2 – INTERNAL CONTROLS (FIXED ASSETS)

Finding

During our prior year audit, we noted that one of the 12 fixed assets tested for control compliance was missing an identification tag.

Recommendation

We recommended that the Regional Center implement procedures to ensure that each asset is properly tagged and recorded.

Status

During our audit of the current year, we noted no assets in our testing that were not properly tagged.

2012-3 – INTERNAL CONTROLS (PAYROLL SEGREGATION OF DUTIES)

Finding

During our testing of internal controls over payroll in the prior year, we noted that both the Human Resources Department and the Payroll Department had access in the ADP payroll system to add new employees and delete current employees. This created a lack of segregation of duties between the two departments. The payroll department should not have the ability to add or delete employees nor change employee setup information.

Recommendation

We recommended that the Center limit the ability to add and delete employees to the Human Resources Department through IT controls. In order to maintain a backup for the Human Resources Department, we recommended that backup access only be given to the Director of Administration.

Status

During our audit of the current year, we noted that management had implemented a mitigating control whereby the Administrative Director receives a Personnel Change Report from the payroll department each pay period and reviews the report to ensure payroll changes are as expected.

2012-4 – INTERNAL CONTROLS (OPS DISBURSEMENTS – VENDOR MAINTENANCE)

Finding

During our testing of internal controls of the prior year, we noted that the ability to add and delete vendors was given to both the OPS fiscal assistant (who enters the invoices into the accounting software) as well as the Senior Fiscal Clerk (who is responsible for printing the disbursements). As such, the ability to add vendors and print checks was not segregated.

Recommendation

We recommended that the Organization limit the ability to add and delete vendors to the employee responsible for the data entry through strengthening the IT controls of the accounting software. The employee responsible for the printing of the checks should not have access to create new vendors. As the Fiscal Assistant was the current backup for OPS data entry, the need for the Senior Fiscal Clerk to have access to create vendors was not necessary.

Status

During our audit of the current year, we noted review procedures were implemented as a mitigating control for lack of segregation of duties in this specific area. Additionally, the Director of Administration reviews and signs off on the check run and journal entries.

2012-5 – INTERNAL CONTROLS (COMPUTER ACCESS)

Finding

During our internal control testing of the prior year, we observed that the control environment around technology and computer program access lacked adequate segregation of duties. We noted that four to five people with varying financial reporting responsibilities had full read/write access to all financial modules within the Center's database. Additionally, we noted payroll and human resource personnel were the back up for one another and each could perform the duties of the other.

Recommendation

We recommended that access to specific financial reporting database modules be limited to the needs of the position held by those with financial reporting responsibilities. We also recommended that management review the needs of those positions within the financial department and limit read/write access where possible.

Status

During our audit of the current year, we noted this finding has not been resolved. As such, we continue our recommendation.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

February 22, 2014
Redding, California