M

MATSON
& ISOM

REDWOOD COAST DEVELOPMENTAL
SERVICES CORPORATION

Ukiah, California

MANAGEMENT
COMMENTS LETTER

June 30, 2012

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, 2012, 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 May 10, 2013.

FINDINGS AND RECOMMENDATIONS

2012-1 – INTERNAL CONTROLS (PAYROLL)

Finding

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

It is our understanding that when employees update timecards that had been previously issued and approved by a supervisor, the supervisor's signature is automatically removed. We recommend 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 can easily identify any timecards which have changed. After the revised timecards have been identified and the changes determined, the payroll department could email supervisors to request that they reauthorize the amended timecard.

2012-2 – INTERNAL CONTROLS (FIXED ASSETS)

Finding

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

Recommendation

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

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

Finding

During our testing of internal controls over payroll, we noted that both the Human Resources Department and the Payroll Department have access in the ADP payroll system to add new employees and delete current employees. This creates 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 recommend 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 recommend that backup access only be given to the Director of Administration.

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

Finding

During our testing of internal controls, we noted that the ability to add and delete vendors is 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 is not segregated.

Recommendation

We recommend 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 is the current backup for OPS data entry, the need for the Senior Fiscal Clerk to have access to create vendors is not necessary.

2012-5 – INTERNAL CONTROLS (COMPUTER ACCESS)

Finding

During our internal control testing, 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 recommend that access to specific financial reporting database modules be limited to the needs of the position held by those with financial reporting responsibilities. We recommend that management review the needs of those positions within the financial department and limit read/write access where possible. This process and strengthening of computer controls will protect the employee and the Center.

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

May 10, 2013
Redding, California