ST. LOUIS OFFICE FOR DEVELOPMENTAL DISABILITY RESOURCES

MANAGEMENT LETTER

DECEMBER 31, 2016

RubinBrown LLP
Certified Public Accountants
& Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

Board of Directors
St. Louis Office for Developmental
Disability Resources

In planning and performing our audit of the financial statements of St. Louis Office for Developmental Disability Resources (the Organization), as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We consider the following deficiencies in the Organization's internal control to be material weaknesses:

Establish, Document and Implement Accounting Policies and Procedures

We recommend that the Organization consider developing an accounting policies and procedures manual. A formal understanding and documentation of the Organization's policies and procedures would be most beneficial as the Organization undergoes transition and change. A manual could be developed as accounting policies and procedures are established and formalized. This manual would standardize the Organization's accounting processes and would be used to inform all employees of the Organization's required operating procedures and policies. Such a manual could greatly minimize the time required to train any new staff members with accounting responsibilities. The Organization's internal controls would also be documented in the manual for ongoing review and evaluation. The manual should include:

- An organizational chart;
- Job descriptions, outlining duties and responsibilities;
- Descriptions of methods, procedures, and accounting principles to be followed, including explanations and examples of principle transactions;
- A chart of accounts with detailed explanation of the items to be included therein; and
- Any other documents or forms for which uniformity of use is desired.

In the process of developing the manual, we recommend a comprehensive review of the existing accounting system and general ledger accounting structure, offering management the opportunity to eliminate or improve procedures and thereby create a more efficient and effective system. Employees should be cross-trained on their co-workers' duties, functions, and tasks in order to maintain consistent operations when during an employee's leave of absence.

It is imperative that the Organization's accounting policies and procedures include review and reconciliation policies and procedures for all significant financial statement categories and all review procedures should be clearly documented by the reviewer. Misstatements can be avoided or brought to the attention of management much earlier if the records are routinely reviewed and reconciled on a timely basis by appropriate personnel.

Organizational Structure

A significant amount of institutional knowledge and responsibility, including reconciliation and reporting functions, and responsibilities for critical day-to-day operations, were vested with the Organization's CFO during the year ended June 30, 2016 and prior years. We noted that the CFO had complete control of many responsibilities essential to the financial reporting function of the Organization. Executive skill and knowledge of critical areas should not be centralized in any single employee because this substantially increases the potential risk of loss in the event of that employee's incapacity or leaving the employment of the organization, which is what the Organization has experienced with the departure of the CFO subsequent to year end.

As the Organization evaluates its organization structure, we strongly recommend that the Organization ensure continuity of its operations through a better segregation of duties in these critical areas. Providing a mechanism that allows for other employees to back up one another can be an effective means of accomplishing this objective. We suggest that a redistribution of responsibilities to appropriate employees and otherwise ensuring that there is sufficient cross training with all employees, especially those in the area of accounting and finance, will greatly benefit the Organization in the event of the absence of an employee for any amount of time.

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. We consider the following deficiency in the Organization's internal control to be a significant deficiency:

Segregation of Duties: Preparing and Mailing Checks

The employee responsible for preparing checks is also responsible for mailing the checks. The limited size of the accounting department makes it impracticable to achieve an optimum segregation of duties. However, the internal accounting controls would be significantly strengthened if checks were mailed by someone other than their preparer, in order to provide control over whether the checks as written and approved by the signer are in fact sent out without alteration.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated April 4, 2017 on the financial statements of the Organization. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Review and Oversight by the Finance Committee

For all organizations, the Finance Committee provides a valuable resource for monitoring the organizations' financial operations, as well as providing oversight of internal controls and financial matters. During 2016, the Organization's Finance Committee did not meet or perform oversight activities of the Organization's financial and accounting matters, and no actions were documented by the Finance Committee. We suggest that the Organization's Finance Committee's role and responsibilities be established to include the following:

- review monthly financial information which includes a balance sheet, comparative statement of revenues and expenditures, and budget vs. actual statement of revenues and expenditures;
- approve and review the annual budget;
- provide oversight of the annual audit of the Organization's financial statements;
- review the Organization's annual Form 990;
- understand the Organization's fraud risks and management's responses to such risks;
- review and understand the Organization's key internal controls and whether such controls are operating as they were designed.

Record Retention Policy

The availability of records can be critical to an organization in the event of an audit by a regulatory agency (or other federal or state agency) or a number of other circumstances. A clear, written record retention policy can help ensure that the appropriate records are available when they are needed. The record retention policy should cover both electronic and paper records. However, different retention periods may apply depending on the specific facts and circumstances and on the history and attributes of a particular organization. Consult a professional for assistance in designing a record-retention policy for the Organization.

Cash in Excess of Federally Insured Limit

While conducting the audit procedures of the Organization's cash balances, we noted the Organization had cash on deposit in excess of the federally insured limit in a financial institution. This presents a potential for losses to the Organization in the event of bank or institutional failure. In addition, the Governmental Accounting Standards Board (GASB) has issued a standard (GASB Statement No. 40) that defines custodial risk and stipulates that governmental entities must disclose the extent to which deposits exceed federal deposit insurance corporation (FDIC) limits. We strongly suggest that management closely monitor cash balances and manage its deposits to remain within federally insured limits per financial institution, or obtain proper collateralization of deposits in excess of FDIC limits.

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

RubinBrown LLP

April 5, 2017