



McDONALD JACOBS

## MANAGEMENT LETTER

*Jake Jacobs, CPA*  
*Shareholder*

*Susan J. Marks, CPA*  
*Shareholder*

*Mark A. Clift, CPA*  
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*Karin S. Wandtke, CPA*  
*Shareholder*

*Sang Ahn, CPA*  
*Shareholder*

*Gerard DeBlois Jr., CPA*  
*Shareholder*

*Mary Strasdin, CPA*  
*Shareholder*

*Jill Oswald*  
*Shareholder*

*Anthony Almer, CPA*  
*Principal*

*Tyee Carr, CPA*  
*Principal*

*Dennis C. Johnson, CPA*  
*of counsel*

To the Board of Directors and Management  
of Drupalcon, Inc. dba The Drupal Association

In planning and performing our audit of the financial statements of The Drupal Association (the Association) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered The Drupal Association's internal control over financial reporting (internal control) as a basis for designing audit 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 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, during the prior year, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

*Strength in Numbers*

ACCOUNTANTS & CONSULTANTS

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## SUMMARY OF PRIOR YEAR COMMENTS

### **Significant Deficiency**

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. During the prior year audit, we considered the following deficiency in The Drupal Association's internal control to be a significant deficiency:

#### Misstatements Resulting in Significant Audit Adjustments

Significant adjustments were necessary to present the financial statements in accordance with U.S. generally accepted accounting principles. These adjustments related to proper revenue recognition for conferences and related expenses and capitalizing certain website upgrade costs. While management properly recognized 2013 conference revenues as deferred revenue, an audit adjustment was necessary to correct prior year 2012 conference receipts to reflect as current year revenue. In addition, errors in account balances due to the conversion from QuickBooks to Xero at the beginning of 2012 resulted in additional audit adjustments.

We recognize these adjustments related primarily to establishing the records in accordance with U.S. generally accepted accounting principles. We recommended meeting and discussing the financial statement presentation with the auditors prior to the onset of next year's audit to ensure significant accounting issues have been properly addressed in the accounting records.

**Status:** The accounting issues noted above, with the exception of a few corrections, were addressed properly in the current accounting records.

### **Other Comments**

#### Maintaining Credit Card Receipts

Certain credit card invoices that were selected for testing could not be located or were not maintained. Documents and records, such as invoices and receipts, provide support for recorded transactions. The documents must be adequate to provide reasonable assurance that all assets are properly controlled and all transactions correctly recorded. We recommended that all invoices and receipts be retained to support transactions recorded.

In addition, we recommended that a formal review and approval process be implemented over credit card transactions to ensure that expenses incurred are proper business expenses and are supported by documentation.

**Status:** A more formal process over credit card transactions was implemented. Managers now approve employee charges and credit card statements are reviewed with support by the Operations Manager and Executive Director on a monthly basis.

#### Xero Features

Xero, the accounting software in use by the Association, provides for segregating duties over accounting functions to ensure internal control. For instance, for control over purchases, bills entered into the Xero by the accounting clerk can be approved by the appropriate personnel in the system. The same approval feature can be used for other transactions, such as issuing credit notes.

Also, frequently used financial reports can be customized in Xero to provide information to management and the board in a format that will facilitate review and analysis. We use Xero, too, and would be pleased to provide further guidance.

**Status:** Management believes they are now using Xero effectively after a full year of using the software.

#### Disaster Recovery Plan

The Association currently does not have a formal plan regarding disaster recovery. The Association should implement a comprehensive plan in the event of a disaster affecting operations and data processing capability. Areas that should be addressed include risk identification, operational security, processing priorities, insurance coverage, and alternative processing sites.

The internet is a great resource for sample plans and we can provide a sample document based on the plan we adopted.

**Status:** Procedures have been put into place, but are not formalized in writing at this time.

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

*McDonald Jacobz, P.C.*

April 11, 2014