



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC  
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC  
Wealth Management

June 28, 2018

Board of Directors and Management  
Goodwill Industries of South Mississippi, Inc.  
and Mississippi Goodworks, Inc.  
Gulfport, Mississippi

In planning and performing our audit of the combined financial statements of Goodwill Industries of South Mississippi, Inc. and Mississippi Goodworks, Inc. (the Organization) as of and for the year ended December 31, 2017, 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 auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined 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. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 28, 2018, on the combined financial statements of Goodwill Industries of South Mississippi, Inc. and Mississippi Goodworks, Inc..

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Sincerely,

*Alexander, Van Loon, Sloan, Levens & Favre, PLLC*  
**ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC**  
**Certified Public Accountants**  
**Gulfport, Mississippi**

## **OTHER COMMENTS AND RECOMMENDATIONS**

### **Cash Transactions**

Certain vendor charges were not recorded because they were expected to be credited back to the Organization the next month. Therefore, the charges reflect as reconciling items on the bank reconciliation at the end of the month. The practice of not recording all activity on the bank statement presents a risk that other activity could be concealed in the same manner. As sound accounting practice, we recommend that all transactions be recorded on the books for management. Charges expected to be reimbursed could be posted as a receivable and then offset when the reimbursement is received. This would allow management to have complete information for decision making.

### **Undisclosed Cash Accounts**

During the year, the Organization became aware of a cash account that was setup using the Organization's Federal Employer Identification Number (EIN). This account had not been recorded in the Organization's general ledger and controls were not in place. The account is being used for the benefit of Goodwill Southeast Association and the cash transactions are being processed and managed by a former Goodwill employee. Upon discovery, management began the process of changing the EIN on the account. We understand that this account was set up under a previous administration and that the current administration has taken appropriate steps to correct the matter. We recommend the Organization to make sure all accounts owned by the Organization are on the books.

### **Voids**

Voids of sales present a unique risk to retail entities because cash can be pocketed and the transaction voided to cover the loss. During the year, the Organization implemented a point-of-sale system, along with controls over processing sales voids. However, there is no procedure in place to review voids on a periodic basis. The risk is that if controls are circumvented, management may not identify the situation. We recommend a listing of voids be reviewed by the Retail Manager or Regional Managers on a weekly or monthly basis. Any unusual transactions or fluctuations should be investigated as considered necessary.

### **Payment of Paid Time Off**

Testing of payroll revealed that Paid-Time-Off (PTO) was incorrectly excluded from an employee's paycheck. Under the old system of using timecards, there were no preventative or detective controls to ensure that PTO hours are properly posted. We recommend that management evaluate the controls within the new payroll tracking system to ensure employees are not able to be under or over paid.