

CORVEL CORP
Form 10-Q/A
April 09, 2010

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-Q/A
(Amendment No. 1)**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

**Commission File Number 0-19291
CorVel Corporation**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

33-0282651

(I.R.S. Employer Identification Number)

**2010 Main Street, Suite 600,
Irvine, California**

(Address of principal executive offices)

92614

(Zip Code)

**Registrant's telephone number, including area code:
(949) 851-1473**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Edgar Filing: CORVEL CORP - Form 10-Q/A

The number of shares outstanding of the registrant's Common Stock, \$0.0001 par value per share, as of October 31, 2009 was 12,278,071.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 4 Controls and Procedures.

PART II OTHER INFORMATION

Item 6 Exhibits

SIGNATURES

EX-31.1

EX-31.2

EX-32.1

EX-32.2

Table of Contents

EXPLANATORY NOTE

CorVel Corporation (the Company) is filing this Amendment No. 1 on Form 10-Q/A (the Amendment No. 1) to its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, as originally filed with the Securities and Exchange Commission on November 9, 2009 (the Original Form 10-Q), solely to revise Item 4 of Part I of the Original Form 10-Q.

In addition, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, this Amendment No. 1 includes currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, filed as Exhibits Nos. 31.1, 31.2, 32.1 and 32.2.

This Amendment No. 1 speaks only as of the original filing date of the Original Form 10-Q and reflects only the changes discussed above. This Amendment No. 1 does not reflect events occurring after the filing of the Original Form 10-Q or modify or update those disclosures affected by subsequent events. Except for the changes described above, no other modifications, amendments, revisions or updates have been made to any other items, disclosures, information or financial statements contained in the Original Form 10-Q.

Table of Contents**PART I FINANCIAL INFORMATION****Item 4 Controls and Procedures.**

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of September 30, 2009, our disclosure controls and procedures were not effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission and (ii) accumulated and communicated to our management, including our principal executive and principal accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined under the Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with U.S. generally accepted accounting principles; providing reasonable assurance that our receipts and expenditures are made in accordance with authorizations of our management and directors; and providing reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements would be prevented or detected on a timely basis.

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (COSO). Based on this assessment, management concluded that our internal control over financial reporting was not effective as of March 31, 2009 to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles due to the following material weakness.

Financial close and reporting. We did not maintain adequate controls to support: (i) timely and thorough reconciliation of significant accounts, (ii) effective utilization of disclosure checklists during the preparation of Company filings, (iii) use of Excel for enterprise consolidation and general ledger reporting in our Corporate office, (iv) review of data used to compute financial statement disclosures, and (v) regional accounting personnel not reporting directly to the corporate accounting function.

While we believe no single item listed above is a material weakness on its own, when the deficiencies are aggregated, we believe they represent a material weakness.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2009, there have been changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management implemented consolidation capabilities in our accounting system which will eliminate the use of the Excel consolidation. The accounting system consolidation was completed in parallel with the Excel process this quarter. Management also implemented new performance monitoring capabilities for tracking and reporting upon regional accounting personnel performance against key financial reporting requirements.

Table of Contents

Remediation Activities

During the fourth quarter of fiscal 2009, management made changes to the internal controls over financial close and reporting. These controls were implemented during the fourth quarter of fiscal 2009 and insufficient time has passed from the implementation of the controls through the completion of the annual audit for adequate evidence to be gathered that would enable us to conclude upon the effectiveness of these controls at the report date. In addition to continuing to use and rely upon the controls implemented in the fourth quarter of fiscal 2009, management will be implementing additional controls. What follows is a list of the deficiencies that we believe aggregated into a material weakness and the actions management has or is taking to remediate each deficiency.

(i) Timely and thorough reconciliation of significant accounts:

During the second quarter of fiscal 2010, management implemented, and will continue to implement, additional controls over the reconciliation process. These controls include additional review by senior accounting staff and the Chief Financial Officer. Management is also instituting internal audit procedures designed to ensure timely and thorough reconciliation of all significant accounts.

(ii) Effective utilization of disclosure checklists during the preparation of Company filings:

During the fourth quarter of fiscal 2009, management implemented the use of disclosure checklists for all annual and quarterly SEC filings. While this control was operating in the fourth quarter and disclosure checklists were used in the preparation of the Form 10-K there was insufficient time from the implementation of the control to the audit report date to gather sufficient evidence to determine the effectiveness of the control at the audit report date.

(iii) Use of Excel for enterprise consolidation and general ledger reporting in our Corporate office:

During the fourth quarter of fiscal 2009, management implemented a process and associated control that requires reperformance of the Excel consolidation. A comparison is made between the Excel consolidation and the reperfomed copy and discrepancies, if any, are researched and resolved. Additionally, the reperformance process includes a review and approval of each journal entry posted to the consolidation. While this control was operating in the fourth quarter, there was insufficient time from the implementation of the control to the audit report date to gather sufficient evidence to determine the effectiveness of the control at the audit report date.

Management has implemented consolidation capabilities in the accounting software used by the Company. The consolidation was produced in parallel with the Excel consolidation. Management expects to use the accounting system consolidation exclusively in the preparation and filing of the third fiscal quarter of 2010.

(iv) Review of data used to compute financial statement disclosures:

During the second quarter of fiscal 2010, management expanded the review process of the data needed to compute significant financial statement disclosures. The expansion of this control coverage includes reviews by senior accounting staff and the Chief Financial Officer.

(v) Regional accounting personnel not reporting directly to the corporate accounting function:

During the second quarter of fiscal 2010, management implemented a performance monitoring tool that enables tracking the performance of the regional accounting personal against key financial reporting related objectives.

Table of Contents

PART II OTHER INFORMATION

Item 6 Exhibits

3.1 Amended and Restated Certificate of Incorporation of the Company. Incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 filed on August 9, 2007.

3.2 Amended and Restated Bylaws of the Company. Incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006 filed on August 14, 2006.

3.3 Certification of Designation Increasing the Number of Shares of Series A Junior Participating Preferred Stock. Incorporated herein by reference to Exhibit 3.1 to the company's form 8-K filed on November 24, 2008.

10.1 Summary of Terms of Oral Agreement to Repurchase Shares of Common Stock held by V. Gordon Clemons. Previously filed.

31.1 Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

31.2 Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32.1 Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)

32.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Corvel Corporation

By: /s/ Daniel J. Starck
Daniel J. Starck, *President,*
Chief Executive Officer, and Chief
Operating Officer

By: /s/ Scott R. McCloud
Scott R. McCloud,
Chief Financial Officer

Date: April 9, 2010