

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



The number of shares outstanding of the registrant's Common Stock, \$0.0001 par value per share, as of July 29, 2009 was 12,889,668.

---

**TABLE OF CONTENTS**

**PART I FINANCIAL INFORMATION**

**Item 4 Controls and Procedures.**

**PART II OTHER INFORMATION**

**Item 6 Exhibits**

**EX-31.1**

**EX-31.2**

**EX-32.1**

**EX-32.2**

**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 June 30, 2009, as originally filed with the Securities and Exchange Commission on August 7, 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 June 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 June 30, 2009, there have been no 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.

**Remediation Activities**

During the fourth quarter of fiscal 2010, management made changes to the internal controls over financial close and reporting. These controls were implemented during the fourth quarter of fiscal 2010 and insufficient time

**Table of Contents**

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 2010, 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 first quarter of fiscal 2010, management implemented, and will continue to implement, additional controls over the reconciliation process. These controls have included and will 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 and first quarter 10-Q 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.

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

During the first quarter of fiscal 2010 management identified additional controls that will be implemented to ensure adequate review of data used to compute financial statement disclosures.

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

During the first quarter of fiscal 2010 management identified additional controls that will be implemented to mitigate the risks associated with regional accounting personnel not reporting directly to the corporate accounting function.

**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 Certificate 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.

**Table of Contents**

10.1 Credit Agreement dated May 28, 2009 by and between CorVel Corporation and Wells Fargo Bank, National Association. Incorporated herein by reference to Exhibit 10.16 to the Company's Current Report on Form 8-K filed on June 4, 2009.

10.2 Revolving Line of Credit Note dated May 28, 2009 by CorVel Corporation in favor of Wells Fargo Bank, National Association. Incorporated herein by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K filed on June 4, 2009.

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