



January 14, 2010

CONSULTING  
ACCOUNTING  
TECHNOLOGY

To Management and the Board of Directors of  
Student Veterans of America

In planning and performing our audit of the financial statements of Student Veterans of America (SVA) as of and for the period January 23, 2008 (inception) to December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered SVA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SVA's internal control. Accordingly, we do not express an opinion on the effectiveness of SVA's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, as discussed below, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

## **SIGNIFICANT DEFICIENCIES**

### **Cash Adjustment**

As of December 31, 2008, SVA had a reconciling difference of \$3,169 between the ending cash balance as reported on the bank reconciliation and the amount as recorded in the general ledger. SVA's management adjusted the cash balance recorded on the books for this difference. Although the difference is not material to the financial statements taken as a whole, the difference represents actual cash that is not accounted for, and should be investigated to determine what the difference represents.

In the future, management should timely investigate any significant reconciling differences between the bank and what is recorded on the books.

### **QuickBooks Should Be Kept Current**

SVA has not kept its QuickBooks accounting system current in the period from January 2009 through May 2009. As a result, the bank statements have not been reconciled to the general ledger, which might cause interim financial statements to be misstated. We recommend that the QuickBooks accounting system be kept current. All transactions should be recorded and all bank accounts should be reconciled to the accounting system. The bank reconciliations should be prepared immediately after they are received from the bank after month end. Further, the bank reconciliation should be reviewed by one of the check signers and initialed and dated when that review takes place. A hard copy of the original bank statement and the related reconciliation should be kept on file and available for review.

### **OTHER MATTERS**

During our audit, we became aware of other matters that are opportunities for strengthening internal controls and improving operating efficiency. The following comments summarize our suggestions concerning those matters.

- SVA does not have a formal conflict of interest policy, a code of ethics policy and a whistle-blower policy for its employees and its Board of Directors. We believe that it is in organization's best interest to establish formal, written policies covering unethical conduct or transactions and relationships that may involve potential conflicts of interests, and a whistle-blower policy for its employees. Also, SVA does not have a formal document retention and destruction policy. We have templates we can provide you to assist you to develop these policies.
- An expense report form should be developed to be used by any employee and member of the Board of Directors who uses the SVA credit card. The expense report should document the specific purpose for the charge, and the persons in attendance, among other things. The expense report should be signed by the employee who incurred the charge and by the member of the Board of Directors who signs checks and reviews the report. The expense report and the supporting receipts and other documentation should be kept on file. We have a template available to assist you to develop such a policy.
- As there is only one person is in charge of keeping the books of the organization, monthly financial statements should be generated by the system and reviewed by a member of the Board of Directors to ensure that the books and records are kept current and accurately reflect the activities of the organization.
- The Board of Directors should consider a dual signature policy for disbursements, on-line payments or wire transfers over a certain dollar amount, i.e., \$5,000.
- SVA should file a hard copy of the following documents and maintain each on file, in accordance with the document retention and destruction policy noted above.
  - Payments, requests for disbursement and vendor invoices, as well as check stubs to vendors filed by payee and date.
  - Deposit slips.
  - Bank reconciliations and related bank statements.

- SVA should develop an accounting policy and procedures manual that addresses cash receipt procedures, preparation and review of bank reconciliations, and review and approval procedures for cash disbursements, and a capitalization policy for property and equipment it purchases.

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

We appreciate the assistance extended to us by your staff during our audit and trust that the comments and suggestions contained herein will be received in the spirit of cooperation with which they are offered. We are available to assist you with the implementation of these suggestions at your request.

Sincerely,



**RAFFA, P.C.**