

ILLINOIS SWIMMING INCORPORATED

MANAGEMENT LETTER

AUGUST 31, 2010

**PAUL W. ASHEIM, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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September 30, 2010

To the of Board of Directors  
Illinois Swimming Incorporated  
Des Plaines, Illinois

In planning and performing our audit of the financial statements of Illinois Swimming Incorporated (ISI – an Illinois not-for-profit corporation) as of and for the fiscal year ended August 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we consider ISI'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 ISI's internal control. Accordingly, we do not express an opinion on the effectiveness of ISI's internal control.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We have included in our report other recommendations for improvement in such areas as administrative or operational efficiency, as well as less than significant deficiencies or immaterial weaknesses that came to our attention as a result of our audit of the financial statements of ISI for the fiscal year ending August 31, 2010 so you may consider appropriate action during the current fiscal year.

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

We express our sincere appreciation for the courtesy and cooperation extended to us by Peter Kozura, the executive director, and Pam Lowenthal, office administrator. Both of them were very receptive to our recommendations. We will be pleased to discuss these recommendations at your convenience, and provide any assistance you may wish in their implementation.

Very truly yours,

Paul W. Asheim, Ltd.

Certified Public Accountants

#### OFFICE ADMINISTRATOR AND EXECUTIVE DIRECTOR ACCOUNTING DUTIES:

The office administrator is responsible for maintaining all aspects of the general ledger utilizing the QuickBooks accounting software program. At the end of each month, the treasurer of the board of directors works with the office administrator to “close” the books and provide him with the financial information he needs to report to the full board of directors (see subsequent recommendation concerning month-end closing procedures). We recommend that the office administrator perform all of these month-end procedures. These completed tasks via written reports would then be reviewed for reasonableness by the executive director on a timely basis. After this review has been performed, the board treasurer would make any final changes before preparing the actual financial statements submitted to the overall board of directors. We recommend that the office administrator and executive director as well as the board treasurer meet as soon as practicable to make this transition as smooth as possible.

#### OFFICE ADMINISTRATOR ACCOUNTING TRAINING:

Even though the office administrator was responsible for maintaining all aspects of the general ledger, we noted that her accounting training has been limited because it only entailed specific accounting functions and not necessarily training for all of the new duties required to be performed (see previous recommendation). We recommend that ISI provide training of a general accounting nature which will give her the ability to provide the treasurer with the information he will need for his reports to the board of directors on a timely basis.

#### SUPPORT OF DISBURSEMENTS:

We noted during our audit that there were a few charges on credit card statements and expense reports that did not have the corresponding support attached to it. We recommend that the office administrator obtain some type of support for all disbursements including credit card charges even if they had been approved in advance.

#### SPONSORSHIP AGREEMENT EXPENDITURES:

As more and more sponsorships are received, ISI needs to document the procedures required to satisfy any restrictions that may be a part of the sponsorship agreement and also to determine what expenditures, if any, that may be required to be incurred by ISI. We recommend that the executive director monitor all requirements in order to satisfy any restrictions noted.

#### CORPORATE WRITTEN POLICIES:

The Internal Revenue Service (IRS) has substantially revised its Form 990 which is the annual information return filed by tax-exempt entities. A section of the 990 requests information about policies not previously required by the IRS: conflict of interest, disclosure of interests that could give rise to conflicts, manner of monitoring and enforcing conflict policies, whistleblower policy, document retention and destruction policy, and approval of compensation. We recommend that these policies be updated on at least an annual basis and all employees and members of the board of directors sign new forms at that time.

PRIOR YEARS' RECOMMENDATIONS:

As a result of our study of ISI's system of internal accounting control for the fiscal year ending August 31, 2009, we offered recommendations for consideration in areas where we felt improvement could possibly be made. The following is a summary of the remaining recommendations, which as a result of our study of ISI's system of internal accounting controls for the current year, we noted were in the early stages of implementation or were not yet adopted by the Institute as of the end of the year. These recommendations are restated below as a means of conveying our continued concern in these areas.

APPROVAL OF DISBURSEMENTS:

It was noted during our audit that there were expense reimbursements during the fiscal year that were not approved by an authorized person. In addition, some expense reports were not signed by the respective individual. Even though the executive director or board treasurer manually signed the individual checks to pay expenses, it would assist the office administrator to perform her respective duties if this written approval would be obtained before any disbursements are processed. In addition, all expense reimbursements from board members and from employees should be submitted within the required thirty day period, signed by the respective person, and approved by an authorized individual.

MISCELLANEOUS ACCOUNTS RECEIVABLE:

Even though the majority of cash receipts are for athlete, club, and non-athlete dues, there are many other types of miscellaneous accounts receivable that requires ISI to bill various entities, including, but not limited to, meet fees, swimmer surcharges, and sanction fees. We are pleased during the fiscal year that the office administrator obtained independent lists of such events and reviewed the final revenue numbers by event for reasonableness to determine if all potential ISI revenues have in fact been billed and collected.

## MONTH-END ACCOUNTING PROCEDURES:

We are pleased that ISI has implemented formal procedures for performing month-end accounting and are documented in writing. We also recommend that ISI prepare a schedule listing when the individual procedure will be performed each month in order to ensure that they are done on a timely basis in order to be reviewed by an authorized individual (see first recommendation):

1. Preparation of month-end bank reconciliation
2. Record monthly accounts receivable for special events
3. Record monthly accounts payable, including expense reimbursements
4. Record of monthly payroll
5. Record monthly endowment activity
6. Preparation of other journal entries, as required
7. Review of QuickBooks Pro general ledger for reasonableness
8. Preparation of monthly financial statements including budget-actual comparison

## ACCOUNTING MANUAL:

We are pleased that ISI is in the process of utilizing an accounting manual that would set forth written procedures, instructions and assignments of duties and will have the following sections:

1. Revenue - Cash Receipts
  - a. Athlete, club and non- athlete registration
  - b. Reconciliation to USA records
2. Revenue – Accounts Receivable
  - a. Meet fees
  - b. Swimming surcharge
  - c. Sanctions
  - d. Miscellaneous Income
3. Cash Receipts
  - a. Process registration checks via remote
  - b. Accounts receivable
4. Purchasing
  - a. Vendor purchases
  - b. Reimbursement of expenses
5. Accounts Payable
  - a. Vendor invoices
  - b. Expense reimbursements
6. Cash Disbursements
  - a. Accounts payable checks
  - b. Manual checks
7. Payroll
  - a. Record keeping
  - b. Input for payroll service
8. Fixed Assets
9. Appendixes