

**The Undergraduate Student Government
at Stony Brook University**

MANAGEMENT LETTER

June 30, 2005



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A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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August 19, 2005

To the Council of
The Undergraduate Student Government at Stony Brook University

We have audited the financial statements of the Undergraduate Student Government at Stony Brook University for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated February 10, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the Undergraduate Student Government's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

This letter does not affect our report dated August 19, 2005, on the financial statements of The Undergraduate Student Government at Stony Brook University.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Undergraduate Student Government at Stony Brook University are described in Note 3 to the financial statements. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions, for which there is a lack of authoritative guidance or consensus.

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated).

In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Organization, individually and in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. There were no disagreements with management that arose during the course of our audit.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those

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statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no consultations with other independent accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

We are pleased to report that Management has addressed most of the issues noted during our audit of The Undergraduate Student Government at Stony Brook University's June 30, 2004 financial statements. There were still items noted, during our audit that we wish to inform you of. Items notated with an asterisk (*) are comments noted in last years letter.

Fixed Assets

The Organization capitalizes property and equipment that are owned by the Organization and used for Organization program purposes. The Organization's policy is to capitalize fixed assets with a value of \$500 or greater, except for audiovisual equipment and printers, which are capitalized at \$100 or greater. We noted several additions that were under \$500 that were capitalized and do not fall into the categories of audiovisual equipment or printers. Upon further inquiry of management, it was determined that additions that are under \$500 are capitalized if management believes the item poses a high risk of loss. We recommend that the Organization's policy be formally revised to reflect this and that the Organization review fixed asset additions to ascertain that the policy is being followed.

During the prior year, a policy was placed into effect that depreciation on any new additions would be calculated using the half-year convention (half of the annual amount of depreciation taken in the year of acquisition). It was noted during the current year that the depreciation expense for assets added in the prior year was still the half-year amount, not a full year amount. Previously we had recommended that fixed asset inventory software be acquired and installed to avoid calculation errors that can arise from using Excel spreadsheets. Management disagreed with this recommendation. We recommend, that in the future, the Organization review the formulas for the current year depreciation, to ascertain that the half-year convention is being properly followed.

We also noted that in some instances shipping charges are being capitalized separate from the asset they relate to on the Excel spreadsheets. Although, the correct amount is being capitalized, we recommend that the shipping charges be included with the asset. This will provide for ease in proper identification upon reconciliation with physical inventories and also upon disposal of the assets.

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Management agrees that the fixed asset additions should be reviewed. The fixed asset policy will be revised to reflect the current capitalization policy.

Management agrees that the Excel spreadsheets should be reviewed to ascertain that the half-year convention is being properly followed and greater care will be exercised by the Organization when carrying forward the schedules from year to year.

Management also agrees that shipping charges should not be capitalized separately. Shipping charges will be added to an asset's acquisition cost on a go forward basis.

***Audit Committee**

As previously discussed, we recommended that an audit committee be formed. This committee would be formally designated with the oversight of the Organization's financial reporting. During the year, we met and discussed the formation and responsibilities of an audit committee. We also provided the Organization with copies of the "Guide to Forming and Running an Effective Audit Committee for a Not-for-Profit Organization". We believe this committee would be beneficial to the Organization and encourage its formation.

During the current year audit, it was noted in the Council and Senate meeting minutes that individuals were elected to the committee, but no meetings were held. Upon inquiry, we learned that the audit committee has not been formed.

It is our recommendation that the audit committee be formed for the upcoming fiscal year.

Management agrees. The issue was discussed with the Organization's Treasurer. The Organization's Administrative Director will work with the Treasurer to ensure that the audit committee is formed and functioning for the 2005 – 2006 school year.

Undergraduate Student Council and Senate Meeting Minutes

As part of our audit procedures, we review all minutes for the Undergraduate Student Council as well as the Senate meetings held throughout the audit year. We noted that the minutes did not contain enough details of all the meetings. For example there might be seven items on the agenda for a meeting, but the minutes might only discuss five of the items. We also noted instances that items were approved at the meetings but were not mentioned in the minutes. We recommend that sufficient detail be maintained in the minutes to document all items discussed and the final resolution. This would include budget changes, motions passed or denied, etc.

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Management agrees. Both the Council and Senate Presidents have been informed of the need to provide more detail in the meeting minutes. A professional Parliamentarian will be training the Council and Senate on proper procedures, which will include minute taking.

This information is intended solely for the use of the Council and Management of The Undergraduate Student Government at Stony Brook University and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

Sheehan & Company, C.P.A., P.C.

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