Stayner Bates & Jensen P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

July 20, 2011

Management, and
Those charged with governance of
USA Team Handball
Salt Lake City, Utah

In planning and performing our audit of the financial statements of USA Team Handball as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered USA Team Handball's internal control over financial reporting (internal control) as a basis for designing our audit 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies, and other deficiencies that we consider to be material weaknesses.

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. We consider the following deficiencies to be control deficiencies or significant deficiencies in internal control:

- **Segregation of Duties – Design/ Operating Effectiveness:** Auditor standards outline effective internal control policies and procedures over financial reporting and state that control activities (i.e. policies or actions implemented to support the assertion that financial information is captured and recorded correctly in a company's records) should be selected and developed at various levels of a company to better achieve financial reporting objectives, and to reduce risks of mismanagement of assets and fraud.

  This segregation of duties becomes inherently more difficult for smaller companies to implement due to the limited size and resources of the company.

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The application and extent of segregation of duties in smaller companies should be examined through a cost to benefit analysis. Management must be aware, and acknowledge the assumption of additional risk over financial reporting due to a lack of segregation of incompatible duties.

Although the Organization has separated incompatible duties to the extent possible with its limited resources, we recommend that the Organization continue to look for ways to segregate incompatible duties, such as cash receipt and cash disbursement duties, so as to mitigate the associated control risks.

- **Preparing Financial Statements – Operating Effectiveness**: The framework for effective internal control over financial reporting states that control activities should be selected and developed to mitigate risks to the achievement of financial reporting objectives, which would include appropriate disclosures required by generally accepted accounting principles (GAAP). During the reporting of financial findings and preparation of financial information, it was unclear as to whether or not the Organization has employed an individual with adequate training/ knowledge of current GAAP disclosure requirements in order to accurately present the required financial statement disclosures. By so doing, management and those charged with governance acknowledge that there exists the risk of incorrect presentation related to financial reporting standards.

- **Financial Reporting Software – Design Deficiency**: As part of internal control over financial reporting, auditors are to assess controls over applications (software) used in the financial reporting, such as IT or general computer controls that govern authorization of transactions, and subsequent reporting. During the audit, an overall lack of controls over computer applications that the Organization utilizes for reporting functions (QuickBooks) was noted. The lack of controls creates the risk of management override of policies and procedures over financial information.

  The use of QuickBooks or the decision to switch to a computer software program with greater controls, however, should also be examined through a cost to benefit analysis. Management should be aware, and acknowledge the assumption of additional control risk, if QuickBooks continues to be used for the Organization's financial reporting.

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. We believe that the following deficiencies could be construed to be material weaknesses:

- **Adjustments to the Financial Statements – Operating Effectiveness:** During the audit, we made several adjustments, including entries to record accrued payroll at year-end, to record contributed rent income and expense for the year, to adjust cash to record additional outstanding checks, to record additional accounts payable, to record grant revenue and accounts receivable, to defer revenue and expenses related to special events, and to true up various other account balances. Due to these adjustments made, the control processes to record, review, and reconcile account balances are not designed to effectively prevent or detect misstatements in financial reporting. We recommend that the Organization perform routine procedures to verify the accuracy and completeness of financial information in QuickBooks. We also recommend that the Organization perform period-end procedures to ensure that all accounts are properly reconciled.

This written communication related to control deficiencies, significant deficiencies, and material weaknesses identified during this audit is intended solely for the information and use of management, board of directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We are available to answer any questions that you may have related to the control deficiencies we identified during your audit or discuss the benefits and associated costs of any options you have for remedying them if you would like to do so.

We appreciate the opportunity to conduct your Organization's audit.

Sincerely,

Stayner, Bates & Jensen, P.C.

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