

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2005

**PERFORMED AS SPECIAL ASSISTANT AUDITORS
FOR THE AUDITOR GENERAL
STATE OF ILLINOIS**

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
COMPLIANCE EXAMINATION**

FOR THE TWO YEARS ENDED JUNE 30, 2005

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**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FOR THE TWO YEARS ENDED JUNE 30, 2005**

AGENCY OFFICIALS

President

Mr. Gerald McIlvain

Chief Executive Officer,
Associate Vice President for Institutional
Advancement & Alumni Relations

Ms. Rosemary D. Hulett

Fiscal Officer (7/1/03 until 6/30/04)

Mr. Thomas Stepke

Fiscal Officer (7/1/04 until present)

Ms. Tammy Rust

Agency offices are located at:

Governors State University
University Park, IL 60466

Governors State University Alumni Association

One University Parkway, University Park, Illinois 60466-0975
708-534-4128 • FAX 708-534-8959

Board of Directors

Officers

Presidents

Gerald F. McIlvain
BOG '88

VP of Annual Fund

Rita L. Thompson
CE '96

VP of Alumni Clubs

Lorraine Fontana
CBPA '99

VP of Membership & Elections

Therese Henderson
BOG '94

VP of Programs

Nancy K. Weigel
CAS '93

Representatives

CAS

Lois Blume '98, '02
Nicholas J. Glorioso, '95, '99
Arness Krause, '02, '04

CBPA

Dennis R. Canalini, '94
Sharon Filkins Jenrich, '78, '98

CE

Jane P. Brown, '75, '76
Cheryl L. Cole, '93, '99
Linda Veal, '99

CHP

Robin Denise Banks, '92, '95
Linda Owens, '96
Fred L. Smith, Jr., '97

BOG

Richard K. Dudgeon, '74
Thomas Engblom, '88, '04

Members-at-Large

Kathy Abbott, CHP, '80
Saundra Brunson, CHP, '86
Jacques Slaiher, '05

Associate Vice President

for Institutional Advancement
and Alumni Relations
Rosemary D. Hulet

October 25, 2005

Nykiel, Carlin & Co., Ltd.
Certified Public Accountants
P.O. Box 429
Kankakee, IL 60901

Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of Governors State University Alumni Association. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of Governors State University Alumni Association's compliance with the following assertions during the two-year period ended June 30, 2005. Based on this evaluation, we assert that during the years ended June 30, 2005 and June 30, 2004, Governors State University Alumni Association has materially complied with the assertions below.

- A. Governors State University Alumni Association has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Governors State University Alumni Association has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. Governors State University Alumni Association has complied, in all



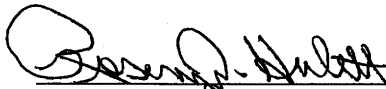
Nykiel, Carlin & Co., Ltd.
October 25, 2005
Page 2

material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

- D. The State revenues and receipts collected by Governors State University Alumni Association are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by Governors State University Alumni Association on behalf of the State or held in trust by Governors State University Alumni Association have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Governors State University Alumni Association



Rosemary D. Hulett, CEO, GSU Alumni Association



Tammy Rust, Director of Financial Services/Controller

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FOR THE TWO YEARS ENDED JUNE 30, 2005**

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	1	2
Repeated findings	1	0
Prior recommendations implemented or not repeated	1	0

Details of findings are presented in a separately tabbed report section.

SUMMARY OF FINDINGS

<u>Item No.</u>	<u>Page No.</u>	<u>Description</u>
<u>FINDINGS (STATE COMPLIANCE)</u>		
05-1	12	Inadequate Controls over Cash
<u>PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)</u>		
05-2	13	Employee Advances

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FOR THE TWO YEARS ENDED JUNE 30, 2005

COMPLIANCE REPORT

SUMMARY

EXIT CONFERENCE

The findings and recommendation appearing in this report were discussed with Agency personnel at an exit conference on December 2, 2005. Attending were:

Representing Governors State University Alumni Association

Chief Executive Officer	Ms. Rosemary Hulett
Fiscal Officer	Ms. Tammy Rust
GSU Foundation Chief Executive Officer	Dr. James Britt
GSU Vice President of Administration and Planning	Mr. John Tuohy

Representing Nykiel, Carlin & Co., Ltd.

Principal	Mr. Paul A. Pelletier, CPA
Manager	Mr. Robert J. Sikma, CPA

Representing the Office of the Auditor General

Audit Manager	Mr. Thomas L. Kizziah, CPA
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Responses to the recommendations were provided by Ms. Rosemary Hulett in a letter dated December 7, 2005.

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Governors State University Alumni Association's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2005. The management of Governors State University Alumni Association is responsible for compliance with these requirements. Our responsibility is to express an opinion on Governors State University Alumni Association's compliance based on our examination.

- A. Governors State University Alumni Association has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Governors State University Alumni Association has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. Governors State University Alumni Association has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by Governors State University Alumni Association are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by Governors State University Alumni Association on behalf of the State or held in trust by Governors State University Alumni Association have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about Governors State University Alumni Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Governors State University Alumni Association's compliance with specified requirements.

In our opinion, Governors State University Alumni Association complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings and questioned costs as finding 05-1. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of Governors State University Alumni Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered Governors State University Alumni Association's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings and questioned costs as finding 05-1. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Governors State University Alumni Association, a component unit of Governors State University and the State of Illinois, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 25, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Governors State University Alumni Association. The 2005 Supplementary Information for State Compliance Purposes, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Governors State University Alumni Association's basic financial statements for the year ended June 30, 2004. In our report dated October 15, 2004, we expressed an unqualified opinion on the basic financial statements. In our opinion, the 2004 Supplementary Information for State Compliance Purposes, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004, taken as a whole. The fiscal year 2003 comparative information has been derived from Governors State University Alumni Association's basic financial statements as of and for the year ended June 30, 2003, which was audited by other auditors who expressed an unqualified opinion on the basic financial statements in their report dated November 3, 2003.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Nykiel, Carlin & Co., Ltd.

NYKIEL, CARLIN & CO., LTD.
Kankakee, Illinois

October 25, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Governors State University Alumni Association as of and for the year ended June 30, 2005, and have issued our report thereon dated October 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Governors State University Alumni Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Governors State University Alumni Association in a separate letter dated October 25, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Governors State University Alumni Association's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other matters which we have reported to management of the Governors State University Alumni Association in a separate letter dated October 25, 2005.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and management of the Alumni Association and is not intended to be and should not be used by anyone other than these specified parties.

Nykiel, Carlin & Co., Ltd.

NYKIEL, CARLIN & CO., LTD.
Kankakee, Illinois

October 25, 2005

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FINDINGS AND RECOMMENDATIONS
CURRENT FINDINGS - STATE
FOR THE TWO YEARS ENDED JUNE 30, 2005**

05-1 FINDING: INADEQUATE CONTROLS OVER CASH

Governors State University Alumni Association (Association) did not have adequate controls over its cash deposits.

During our testing of 50 receipts, we noted that three (6%) were not deposited timely. The receipts, individually less than \$500, were deposited 20 to 31 days after the date of receipt.

Good internal controls and business management should require any deposits exceeding \$10,000 to be deposited on the same day of receipts and accumulations of \$500 to \$10,000 to be deposited within 48 hours of receipt. Amounts of less than \$500 or less can be held to the next 1st or 15th of the month before deposit.

According to Association management, the receipt of incoming funds involves multiple steps that must be performed in sequence by both the Association and the University's Business Office. Due to very large volumes at certain peak student periods, the recording time required at each step, and University minimum staffing days during the holidays, it is currently not possible to ensure that every individual check is deposited on the 1st or 15th. Funds are secured at all points in time.

A delay in the deposit of receipts increases the likelihood that receipts could be lost, destroyed or damaged. Additionally, less interest is earned on funds not timely deposited. (Finding Code No. 05-1, 03-1)

RECOMMENDATION

We recommend the Association develop policies and procedures to ensure that deposits are made timely.

ALUMNI ASSOCIATION RESPONSE

The Alumni Association and the University are in the process of reengineering the receipt process.

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
PRIOR YEAR FINDINGS NOT REPEATED
FOR THE TWO YEARS ENDED JUNE 30, 2005

PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE

05-2 **FINDING: EMPLOYEE ADVANCES**

The Alumni Association made advances to two employees. (Finding Code No. 03-2)

Status – *Not repeated*

No advances to employees were noted during the examination period.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

SUMMARY

Supplementary information for State Compliance Purposes presented in this section of the report includes the following:

- **Fiscal Schedules and Analysis**

- Analysis of Significant Variations in Revenues and Expenses
 - Analysis of Significant Account Balances

- **Analysis of Operations**

- Agency Functions and Planning Program
 - Average Number of Employees
 - Emergency Purchases
 - Illinois First Projects
 - Schedule of Services Provided by the University to the Alumni Association

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FISCAL SCHEDULES AND ANALYSIS
FOR THE TWO YEARS ENDED JUNE 30, 2005**

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES

A comparative analysis of revenues and expenses is provided below:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating Revenues:			
Budget allocation from GSU	\$ 5,101	\$ 6,892	\$ 11,263
Alumni membership and events	46,914	27,317	24,528
	<u>\$ 52,015</u>	<u>\$ 34,209</u>	<u>\$ 35,791</u>
Operating Expenses:			
Scholarships	\$ 12,747	\$ 35,062	\$ 35,963
General	30,298	47,824	63,932
Alumni Events	5,132	22,906	21,234
Budget allocation from GSU	5,101	6,892	11,263
University support	46,022	30,373	52,416
	<u>\$ 99,300</u>	<u>\$ 143,057</u>	<u>\$ 184,808</u>
Nonoperating Revenues:			
Contributions	\$ 9,595	\$ 81,285	\$ 89,405
Investment income	6,535	6,926	3,426
	<u>\$ 16,130</u>	<u>\$ 88,211</u>	<u>\$ 92,831</u>
Other Revenues:			
Additions to permanent endowments	<u>\$ 250</u>	<u>\$ 17,949</u>	<u>\$ 1,806</u>

Explanations of significant variations are as follows:

Alumni membership and events increased significantly during FY 2005 as the Alumni Association changed its focus to member activities.

Scholarship expense decreased during FY 2005 as scholarships development has shifted to the Governors State University Foundation.

General expenses consist primarily of personal service expense and general fundraising expenses. During FY 2005, general expenses reduced as fundraising activities were shifted to the Governors State University Foundation. During FY 2004, the general expense decreased due to reduced personal service costs.

University support varies significantly from year to year and is highly dependent upon restrictions placed on contributions by donors.

Alumni events decreased from prior years as the fundraising portion has shifted to the Governors State University Foundation. Expenses in this category are directly related to fundraising events.

Non operating contributions decreased significantly from prior years because these were fundraising revenues. During FY 2005, all fundraising activities were shifted to the Governors State University Foundation.

Additions to permanent endowments spiked in FY 2004 due to a large endowment contribution during that fiscal year.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FISCAL SCHEDULES AND ANALYSIS
FOR THE TWO YEARS ENDED JUNE 30, 2005**

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

Schedule of Cash and Investments

The Alumni Association's cash and investments consisted of the following as of June 30, 2005 and 2004:

<u>Account type</u>	<u>2005</u>	<u>2004</u>
Deposit type:		
Cash	\$ 766	\$ 752
Money market	576	3,236
Mutual funds	-	62,378
Certificates of deposit	67,843	-
Illinois funds	168,549	165,183
	<u>\$ 237,734</u>	<u>\$ 231,549</u>
Depositories used:		
Heritage Bank	\$ 766	\$ 752
Morgan Stanley	68,419	65,614
Illinois Funds	168,549	165,183
	<u>\$ 237,734</u>	<u>\$ 231,549</u>

In late FY 2005, the Alumni Association sold all of its mutual funds and purchased certificates of deposit in response to reprioritizing its mission.

The Alumni Association's liabilities consisted of the following as of June 30, 2005 and 2004:

<u>Account type</u>	<u>2005</u>	<u>2004</u>
Accounts payable	<u>\$ 86,494</u>	<u>\$ 49,404</u>

Accounts payable primarily represent amounts due to the University as a function of cash management. The Alumni Association's accounts are maintained as part of the University's accounting system and are reimbursed on a periodic basis.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
ANALYSIS OF OPERATIONS
FOR THE TWO YEARS ENDED JUNE 30, 2005**

AGENCY FUNCTIONS AND PLANNING PROGRAM

The Alumni Association was incorporated as a not-for-profit corporation on January 30, 1987, to aid in development of the University as an institution dedicated to providing higher education and to maintain beneficial relations between the University and its alumni. The University is a State University located in University Park, IL 60466.

The Board of Directors of the Alumni Association is comprised of not less than 5 nor more than 26 members. A member must be a permanent resident within the area served by the University. The Alumni Association's Chief Executive Officer and Associate Vice President for Institutional Advancement and Alumni Relations is Ms. Rosemary D. Hulett. Ms. Hulett has been given the responsibility for day-to-day operations by the Board, and is required to bring to the attention of the Alumni Association's Board President, all significant or unusual transactions.

Planning

Formal written goals of the Alumni Association are prepared by the Advancement Office and are approved by the Alumni Association's Board each year. Informal annual budgets are prepared by the Finance Committee and is used as one of the criteria for measuring the Alumni Association's achievement of planned goals.

Auditors' Assessment of Planning Program

In our opinion, the Alumni Association's planning program is adequate to meet its needs.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
ANALYSIS OF OPERATIONS
FOR THE TWO YEARS ENDED JUNE 30, 2005**

AVERAGE NUMBER OF EMPLOYEES

The Alumni Association had no employees during the audit period. University employees have been assigned a portion of their time to spend on Alumni Association activities.

EMERGENCY PURCHASES

The Alumni Association had no emergency purchases during the audit period.

ILLINOIS FIRST PROJECTS

The Alumni Association had no Illinois First Projects during the audit period.

SCHEDULE OF SERVICES PROVIDED BY THE UNIVERSITY TO THE ALUMNI ASSOCIATION

	<u>2005</u>	<u>2004</u>
Personal Services	\$ 3,093	\$ 4,294
Commodities	258	123
Contractual	1,742	2,471
Other	<u>8</u>	<u>4</u>
	<u>\$ 5,101</u>	<u>\$ 6,892</u>

Governors State University provided the Alumni Association with accounting and other clerical services at no cost. The value of these services for the year ended June 30, 2005 and 2004 were approximately \$5,101 and \$6,892 and included all direct payroll expense.