

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2007

**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, 2007

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The Association's financial statement report for the year ended June 30, 2007 which includes the independent auditor's report, management's discussion and analysis, basic financial statements, and the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> has been issued separately.	
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**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FOR THE TWO YEARS ENDED JUNE 30, 2007**

AGENCY OFFICIALS

President	Mr. Gerald McIlvain
Chief Executive Officer, Associate Vice President for Institutional Advancement & Alumni Relations	Ms. Rosemary D. Hulett
Fiscal Officer (7/1/05 until 4/7/06)	Ms. Tammy Rust
Fiscal Officer (4/10/06 until present)	Ms. Karen Kissel

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

December 12, 2007

Officers

President

Gerald F. McIlvain
BOG '88

VP of Finance

Rita L. Thompson
CE '96

VP of Alumni Clubs

Lorraine Fontana
CBPA '99

VP of Membership & Elections

Lisa Bly
CAS, '98, '00

VP of Programs

Cheryl L. Cole
CE '93, '99

Representatives

CAS

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

CBPA

Dennis Canalini, '94
Sharon Filkins Jenrich, '78, '98
George Hogan, '80

CE

Jane P. Brown, '75, '76
Barbara Donaldson, '73
Linda Veal, '99

CHP

Sandra Brunson, '86
Patricia Martin, '84, '89
Maggie Ozan-Rafferty, '87, '90

SIDL (formerly BOG)

YaVonna Barnes, '05
Howard Robinson, '06

Members-at-Large

Carol Alexander, CHP, '02
Elizabeth Green, CBPA, '06
Laura Majoch, BSAD, '97, '00
Erica Sidenstick, CHP, '05, '06
Tammara Winn, CAS '04, '06

Associate Vice President

Advancement and
Alumni Relations
Rosemary D. Hulett

Clifton Gunderson LLP
Certified Public Accountants
200 E. Court St., Suite 608
Kankakee, IL 60901

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements 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 years ended June 30, 2007. Based on this evaluation, we assert that during the two years ended June 30, 2007, Governors State University Alumni Association has materially complied with the assertions below.

A. Governors State University Alumni Association has obligated, expended, received and used funds 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 funds 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.

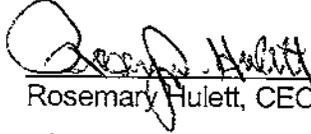
D. The revenues and receipts collected by Governors State University Alumni Association are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by Governors State University Alumni Association or held in trust by the agency 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

Handwritten signature of Rosemary Hulett in cursive script, positioned above a horizontal line.

Rosemary Hulett, CEO Alumni Association

Handwritten signature of Karen Kissel in cursive script, positioned above a horizontal line.

Karen Kissel, Associate VP of Financial Services and Comptroller

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FOR THE TWO YEARS ENDED JUNE 30, 2007**

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>Compliance</u>	<u>Financial</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>	<u>Compliance</u>
Findings	0	0	1
Repeated findings	0	0	1
Prior recommendations implemented or not repeated	1	0	1

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page No.</u>	<u>Description</u>
<u>PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)</u>		
07-1	10	Inadequate Controls over Cash

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FOR THE TWO YEARS ENDED JUNE 30, 2007**

COMPLIANCE REPORT

SUMMARY

EXIT CONFERENCE

The Alumni Association waived having an exit conference in a memo dated December 4, 2007, from the Governor State University Associate Vice President and Comptroller.



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, 2007. 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 funds 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 funds 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 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 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.

We conducted our examination 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, 2007. 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 listed in the first paragraph of this report. In planning and performing our examination, we considered Governors State University Alumni Association's internal control over compliance with the requirements listed in the first paragraph of this report 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, but not for the purpose of expressing an opinion on the effectiveness of the Governors State University Alumni Association's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Governors State University Alumni Association's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement 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 material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section 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 over compliance that we consider to be material weaknesses, as defined above.

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, 2007, and have issued our report thereon dated December 12, 2007. 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 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, 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, 2007, taken as a whole. The fiscal years 2006 and 2005 comparative information has been derived from Governors State University Alumni Association's basic financial statements as of and for the years ended June 30, 2006 and June 30, 2005, which were audited by other auditors who expressed unqualified opinions on the basic financial statements in their reports dated October 27, 2006 and 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, the Alumni Association's Board of Directors, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

CLIFTON GUNDERSON LLP
Kankakee, Illinois

December 12, 2007

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
PRIOR FINDINGS NOT REPEATED
FOR THE TWO YEARS ENDED JUNE 30, 2007**

07-1 FINDING: INADEQUATE CONTROLS OVER CASH

Governors State University Alumni Association (Association) did not have adequate controls over its cash deposits. (Finding Code No. 05-1, 03-1)

Status – Not repeated

Our sample testing identified 4 of 50 receipts tested, were not deposited timely. Each of these were early in fiscal year 2006. No untimely deposits were identified in our 2007 sample testing. This finding has been moved to the immaterial findings letter.

**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 (unaudited)
 - Schedule of Services Provided by the University to the Alumni Association

The accountants' 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 accountants' 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, 2007**

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES

A comparative analysis of revenues and expenses is provided below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues:			
Budget allocation from GSU	\$ 5,213	\$ 4,214	\$ 5,101
Alumni membership and events	50,876	52,488	46,914
	<u>\$ 56,089</u>	<u>\$ 56,702</u>	<u>\$ 52,015</u>
Operating Expenses:			
Scholarships	\$ 2,895	\$ 3,833	\$ 12,747
General	14,780	9,117	30,298
Alumni Events	28,129	26,628	5,132
Budget allocation from GSU	5,213	4,214	5,101
University support	-	4,369	46,022
	<u>\$ 51,017</u>	<u>\$ 48,161</u>	<u>\$ 99,300</u>
Nonoperating Revenues:			
Contributions	\$ 525	\$ 3,275	\$ 9,595
Investment income	8,456	9,167	6,535
	<u>\$ 8,981</u>	<u>\$ 12,442</u>	<u>\$ 16,130</u>
Other Revenues:			
Additions to permanent endowments	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 250</u>

Explanations of significant variations are as follows:

Scholarship expenses decreased as this function shifted to the GSU Foundation.

General expenses consisted of fundraising and administrative expenses in FY05. Beginning in FY06 when the Foundation became responsible for fundraising, all related fundraising expenses were transferred from the Alumni Association to the Foundation.

The increase in Alumni events expenses and the decrease in university support came about as the Alumni Association transferred fundraising, scholarships, and university support functions to the Foundation and dedicated itself solely to offering increased services and activities to Alumni.

Contribution revenue decreased beginning in FY06 as the Foundation became the sole entity responsible for fundraising for the University.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FISCAL SCHEDULES AND ANALYSIS
FOR THE TWO YEARS ENDED JUNE 30, 2007**

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, 2007 and 2006:

<u>Account type</u>	<u>2007</u>	<u>2006</u>
Deposit type:		
Cash	\$ 20,366	\$ 794
Money market	74,656	71,301
Illinois funds	99,851	103,755
	<u>\$ 194,873</u>	<u>\$ 175,850</u>
Depositories used:		
Heritage Bank	\$ 20,366	\$ 794
Morgan Stanley	74,656	71,301
Illinois Funds	99,851	103,755
	<u>\$ 194,873</u>	<u>\$ 175,850</u>

Total cash increased as memberships and net event revenues outpaced the cost of services provided.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
ANALYSIS OF OPERATIONS
FOR THE TWO YEARS ENDED JUNE 30, 2007**

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. 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 are used as one of the criteria for measuring the Alumni Association's achievement of planned goals.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
ANALYSIS OF OPERATIONS
FOR THE TWO YEARS ENDED JUNE 30, 2007**

AVERAGE NUMBER OF EMPLOYEES (unaudited)

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.

SCHEDULE OF SERVICES PROVIDED BY THE UNIVERSITY TO THE ALUMNI ASSOCIATION

	<u>2007</u>	<u>2006</u>
Personal Services	\$ 3,158	\$ 2,528
Commodities	153	7
Contractual	1,880	1,662
Other	<u>22</u>	<u>17</u>
	<u>\$ 5,213</u>	<u>\$ 4,214</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, 2007 and 2006 were approximately \$5,213 and \$4,214 and included all direct payroll expense.