

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION**

**REPORT REQUIRED UNDER
GOVERNMENT AUDITING STANDARDS
Year Ended June 30, 2008**

**Performed as Special Assistant Auditors for
the Auditor General, State of Illinois**



**Clifton
Gunderson LLP**

Certified Public Accountants & Consultants

State of Illinois Northern Illinois University Alumni Association

Table of Contents

	Page
Agency Officials	1
Summary	2
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>	3-4
Schedule of Findings:	
Current Findings - <i>Government Auditing Standards</i>	5-6
Prior Findings Not Repeated	7

**State of Illinois
Northern Illinois University Alumni Association**

AGENCY OFFICIALS

John F. Tierney	President
Anthony Iosco	Vice President
Mariann Guyon Olivier	Vice President
Robert Kugel	Treasurer
Joseph Matty	Executive Director

Agency Office is located at:

Barsema Alumni & Visitors Center
DeKalb, Illinois 60115

State of Illinois Northern Illinois University Alumni Association

Government Auditing Standards Report Summary

The audit of the financial statements of the Northern Illinois University Alumni Association (Association) was performed by Clifton Gunderson LLP in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

Based on their audit, the auditors expressed an unqualified opinion on the Association's basic financial statements. The financial statement report was issued under a separate cover.

Summary of Findings

The auditors identified matters involving the Association's internal control over financial reporting that they consider to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings on page 5 of this report, as Finding 08-1, Fraud Prevention and Detection Program.

Exit Conference

The finding and recommendation appearing in this report was discussed with Association personnel at an exit conference on February 18, 2009. Attending were:

Northern Illinois University Alumni Association

Joseph Matty	Executive Director
Robert Ciszewski	Treasurer - Board of Directors
Jean Jagodzinski	Controller

Clifton Gunderson LLP

Jeffrey R. Bonick, CPA	Partner
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Office of the Auditor General

Jon A. Fox, CPA	Audit Manager
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The responses to the recommendations were provided by Jean Jagodzinski in correspondence dated March 2, 2009.

**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 *Government Auditing Standards***

Honorable William G. Holland
Auditor General
State of Illinois

and

Honorable President and
Members of the Board of Directors
Northern Illinois University Alumni Association

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Northern Illinois University Alumni Association (Association) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 13, 2009. 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 Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency described in finding 08-1 of the accompanying schedule of findings to be a significant deficiency in internal control over 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 or other matters that are required to be reported under *Government Auditing Standards*.

The Association's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Association's response and, accordingly, we express no opinion on it.

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

Clifton Gunderson LLP

Peoria, Illinois
March 13, 2009

State of Illinois Northern Illinois University Alumni Association

Current Findings - *Government Auditing Standards* For the Year Ended June 30, 2008

08-1 - Fraud Prevention and Detection Program

The Alumni Association does not have a formal fraud risk assessment program in place.

The Alumni Association relies on current internal controls that have been put in place as well as several other key policies and practices to prevent and detect fraud but has not established a formal program to assess the specific risks associated with fraud.

The Alumni Association is responsible for the development of internal controls and monitoring of their operating effectiveness. Additionally, it is management's responsibility to establish reasonable controls to prevent and detect fraud. Therefore, the Alumni Association should implement a formal policy regarding evaluation of fraud risk and a system of controls to help prevent and detect fraudulent activity within its organization. Preparing a written policy will serve to document the Alumni Association's awareness and responsibility for fraud prevention and detection. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls.

Management officials stated they believe the Association has adequate policies and procedures in place to address fraud risks.

Without a formal program to identify and address the specific risks associated with fraud, fraudulent activities may go undetected and could result in misstatements in financial reporting or misappropriation of Association assets. (Finding Code No. 08-1, 07-2)

Recommendation:

We recommend that management establish and clearly document a continuous fraud prevention, deterrence and detection program. This program should include evaluating whether appropriate internal controls have been implemented in any areas identified as posing a higher risk of fraudulent activity, as well as controls over the financial reporting process. In addition, the Board of Directors should evaluate management's identification of fraud risks, and implementation of anti-fraud measures.

Alumni Association Response:

The NIU Alumni Association Board of Directors, management, and all employees take seriously the responsibilities for prevention and the detection of fraud. A great deal of time, both at the staff level and at the Board level, has been invested in researching best practices and in creating and implementing policies and practices to prevent and detect fraud. The Association mandates that ethic statements and conflict of interest policy be signed and that internal controls be reviewed yearly. The Association will continue to research, evaluate, and assess a formalized fraud prevention program.

**State of Illinois
Northern Illinois University Alumni Association**

**Current Findings - *Government Auditing Standards*
For the Year Ended June 30, 2008**

08-1 - Fraud Prevention and Detection Program (Continued)

Auditor's Comment:

The Alumni Association was not able to provide any evidence during the course of our audit work that it had established a formal fraud risk assessment program. In today's business environment, fraud risk assessment is a necessary component of accepted business practices and serves as the basis of our recommendation. We acknowledge that the Alumni Association has adopted internal controls and policies that may work toward mitigating fraud risk but, without a formal fraud risk assessment program, it is unclear if the controls and policies in place fully address the risks associated with fraud for the Alumni Association.

**State of Illinois
Northern Illinois University Alumni Association**

**Prior Year Findings Not Repeated
For the Year Ended June 30, 2008**

A - Financial Statement Preparation

The Association did not provide the auditors with complete and accurate financial statements and disclosures presented in accordance with generally accepted accounting principles.

During the current fiscal year, the Association provided the auditors with a complete set of financial statements with disclosures. No material or significant adjustments by the auditors to the draft financial statements and disclosures as presented to them by the Association were necessary. (Finding Code No. 07-1)