

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD**

**FINANCIAL AUDIT
FUND 129 – STATE GAMING FUND
For the Year Ended June 30, 2011**

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
FINANCIAL AUDIT- STATE GAMING FUND
For the Year Ended June 30, 2011

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BOARD OFFICIALS

ILLINOIS GAMING BOARD

Chairman	Judge Aaron Jaffe
Board member	Lee Gould (10/24/11 – present) Charles Gardner (7/1/10 – 10/23/11)
Board member	Michael Holewinski (10/24/11 – present) Rev. Eugene Winkler (7/1/10 – 10/23/11)
Board member	Zaldwaynaka Scott (10/24/11 – present) Joe Moore Jr. (7/1/10 – 10/23/11)
Board member	Marybeth Vander Weele (10/24/11 – present) Vacant (4/25/11 – 10/23/11) Judge James E. Sullivan (7/1/10 – 4/24/11)
Administrator	Mark Ostrowski
General Counsel	Lynn Carter (8/22/11 – present) Vacant (6/16/11 – 8/21/11) Michael Fries (7/1/10 – 12/15/10)
Acting General Counsel	Erin Alexander (12/16/10 – 6/15/11)
Deputy General Counsel	Erin Alexander (7/1/10 – 12/15/10)
Acting Deputy General Counsel	William Bogot (12/16/10 – present) Emily Mattison (12/16/10 – present)
Deputy Administrators:	
Enforcement	Patrick Kimes (10/1/11 – present) Bruce Banks (7/1/10 – 9/30/11)
Investigations	Scott Deubel
Audit and Financial Analysis	Douglas Bybee
Finance and Administration	Kathy Spain
Chief Fiscal Officer	Mark Lewis

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STATE OF ILLINOIS
ILLINOIS GAMING BOARD
FINANCIAL AUDIT – STATE GAMING FUND
For the Year Ended June 30, 2011

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Gaming Board's State Gaming Fund was performed by the Office of the Auditor General.

Based on their audit, the auditors expressed an unqualified opinion on the State Gaming Fund's financial statements.

SUMMARY OF FINDINGS

The auditors identified a matter involving the Board's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Finding listed in the table of contents as finding 11-1, *Inadequate Internal Control over Cash Receipts*.

EXIT CONFERENCE

The Illinois Gaming Board waived an exit conference in a letter dated February 16, 2012. Responses to the recommendation were provided by Douglas Bybee, Audit and Financial Analysis Deputy Administrator, in a letter dated March 1, 2012.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the accompanying financial statements of the State Gaming Fund of the State of Illinois, Illinois Gaming Board, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Illinois Gaming Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the State Gaming Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois and the Illinois Gaming Board as of June 30, 2011, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

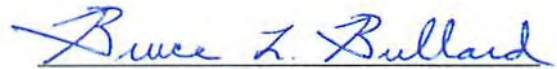
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Gaming Fund of the State of Illinois, Illinois Gaming Board, as of June 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 8, 2012 on our consideration of the State of Illinois, Illinois Gaming Board's internal control over financial reporting of the State Gaming Fund and on our tests of the State of Illinois, Illinois

Gaming Board's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The State of Illinois, Illinois Gaming Board has not presented a management's discussion and analysis for the State Gaming Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

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



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

March 8, 2012

**State of Illinois
 Illinois Gaming Board - State Gaming Fund
 Individual Nonshared Fund**

Balance Sheet

June 30, 2011 (Expressed in Thousands)

	<u>State Gaming Fund</u>
ASSETS	
Cash equity with State Treasurer	\$ 38,113
Taxes receivable, net	2,807
Other receivables, net	2
Total assets	<u>\$ 38,922</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 720
Intergovernmental payables	8,915
Due to other State fiduciary funds	141
Due to other State funds	29,148
Total liabilities	<u>38,922</u>
FUND BALANCE	
Committed	-
Total fund balance	-
Total liabilities and fund balance	<u>\$ 38,922</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois
 Illinois Gaming Board - State Gaming Fund
 Individual Nonshared Fund**

**Statement of Revenues, Expenditures
 and Changes in Fund Balance**

For the Year Ended June 30, 2011 (Expressed in Thousands)

	<u>State Gaming Fund</u>
Revenues:	
Riverboat taxes	\$ 457,865
Licenses and fees	1,263
Other	1
Total revenues	<u>459,129</u>
Expenditures:	
Health and social services	838
Public protection and justice	29,930
Capital outlays	-
Intergovernmental	80,987
Total expenditures	<u>111,755</u>
Excess of revenues over expenditures	<u>347,374</u>
Other sources (uses) of financial resources:	
Transfers-out	<u>(347,374)</u>
Net other sources (uses) of financial resources	<u>(347,374)</u>
Net change in fund balance	-
Fund balance, July 1, 2010	<u>-</u>
Fund balance, June 30, 2011	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2011

(1) Description of Fund

The State Gaming Fund (the Fund) is administered by the Illinois Gaming Board (the Board). The Board is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Board is subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State's Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly.

The purpose of the Fund is to receive and record taxes and fees obtained from owner's license applications for riverboat gambling operations. Pursuant to appropriation, monies in the Fund are used to defray the costs associated with background investigations conducted by the Board, including personnel costs, enforcement of the Riverboat Gambling Act, conducting background investigations, and revenue sharing with units of local government. Excess funds are transferred to the Education Assistance Fund. All funds appropriated to the Board and all other cash received are under the custody and control of the State Treasurer.

(2) Summary of Significant Accounting Policies

The financial statements of the Fund, an individual nonshared fund of the Board, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Fund has no component units and is not a component unit of any other entity. However, because the Fund is not legally separate from the State of Illinois, the financial statements of the Fund are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

The financial statements of the State Gaming Fund are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities of the State of

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2011

Illinois that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2011 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(b) *Basis of Presentation*

In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A balance sheet and statement of revenues, expenditures, and changes in fund balance have been presented for the individual nonshared governmental fund administered by the Board.

The nonshared governmental funds is a special revenue fund. Transactions related to resources obtained from specific revenue sources (other than for expendable trusts) that are legally restricted for specified purposes are accounted for in special revenue funds. The Special Revenue Fund, Fund 129, is held in the State Treasury. The funds are appropriated by the General Assembly.

(c) *Measurement Focus and Basis of Accounting*

The individual nonshared governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt obligations, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures. Proceeds of long-term debt obligations and acquisitions under capital leases are reported as other financing sources.

(d) *Cash and Cash Equivalents*

Cash and cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents consist of deposits held in the State Treasury.

(e) *Interfund Transactions*

The Fund has the following types of interfund transactions between funds of other State agencies:

Services provided and used—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2011

revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheets or the government-wide statements of net assets.

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

(f) Fund Balance

In the fund financial statements, governmental funds report commitments of fund balances for amounts with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Fund is comprised of a committed fund balance as of June 30, 2011. These funds are restricted through enabling legislation and are subjected to mandatory transfers to the Education Assistance Fund and therefore are classified as committed. These committed funds cannot be used for any other purpose unless the Illinois General Assembly removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

(g) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Adoption of GASB Statements

Effective for the year ending June 30, 2011 the State adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes fund balance classifications and clarifies the definitions of fund types.

(3) Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Board does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2011

(4) Interfund Balances and Activity

(a) Balances Due to Other Funds

The following balances (amounts expressed in thousands) at June 30, 2011 represent amounts due to other funds:

	<u>Due to</u>	
Other Department Funds	\$ 28,693	Due to other Department funds pursuant to statutory authority of the Riverboat Gambling Act.
Other State Funds	453	Due to other State Funds for administrative cost reimbursements and payment for services related to riverboat security.
Other State Fiduciary Funds	141	Due to other State fiduciary funds for payment of retirement benefits.
	<u>\$ 29,287</u>	

(b) Transfers to Other Funds

Interfund transfers out for the year ended June 30, 2011, totaled \$347.374 million, and represented transfers to the State's Educational Assistance Fund, an account of the General Fund, a major fund of the State, pursuant to statutory authority of the Riverboat Gambling Act.

(5) Taxes Receivable

Riverboat taxes receivable at June 30, 2011, totaled \$2.807 million, with no amounts reported as an allowance for uncollectible taxes.

(6) Pension Plan

Substantially all of the Board's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2011 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2011

The Board pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2011, the employer contribution rate was 27.988%.

(7) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expense by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

(8) Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks.

The Board's risk management activities are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Board; and accordingly, have not been reported in the Fund's financial statements for the year ended June 30, 2011.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2011

(9) Commitments and Contingencies

(a) *Litigation*

On January 26, 2011, the Illinois Appellate Court opinion in *Wirtz v. Quinn* indicated that Public Acts 96-34, 96-35, 96-37 and 96-38 violated provisions of the Illinois Constitution. On January 28, 2011, the State of Illinois filed a Petition for Appeal with the Illinois Supreme Court. The Supreme Court also approved the State's motion for a stay of enforcement of the Appellate Court's decision. On July 11, 2011, the Illinois Supreme Court reversed the judgment of the Appellate Court, and affirmed the judgment of the Circuit Court, deeming the Public Acts were indeed Constitutional. This has resulted in a delay of implementing Video Gaming. At this time, the financial impact on this fund is indeterminable.

The Board is routinely involved in a number of legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these matters is not expected to have any material adverse effect on the financial position or results of operations of the Fund.

(10) Subsequent Event

On July 15, 2011, the tenth riverboat casino license became operational. This event triggered a statutory change where 15% and 2% of the tenth riverboat's adjusted gross receipts were to be paid by the Board to the Illinois Racing Board for deposit into the Horse Racing Equity Fund and Chicago State University, respectively. The Fund is retaining these proceeds, as the Board does not currently have appropriation authority authorizing these distributions. The Board is currently seeking a legislative remedy to allow for these payments to be made to the Illinois Racing Board and Chicago State University.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' 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

We have audited the State Gaming Fund of the State of Illinois, Illinois Gaming Board, as of and for the year ended June 30, 2011, and have issued our report thereon dated March 8, 2012. 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

Management of the State of Illinois, Illinois Gaming Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Illinois, Illinois Gaming Board's internal control over financial reporting of the State Gaming Fund as a basis for designing our auditing 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 State of Illinois, Illinois Gaming Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Gaming Board's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in finding 11-1 in the accompanying schedule of finding that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Gaming Board'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*.

State of Illinois, Illinois Gaming Board's response to the finding identified in our audit is described in the accompanying schedule of finding. We did not audit State of Illinois, Illinois Gaming Board's response and, accordingly, we express no opinion on the response.

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



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

March 8, 2012

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
FINANCIAL AUDIT - STATE GAMING FUND
SCHEDULE OF FINDING
For the Year Ended June 30, 2011

11-1. **FINDING** (Inadequate Internal Control over Cash Receipts)

The Illinois Gaming Board (Board) did not perform reconciliations of its cash receipt journal to Board deposit records.

While reviewing the Board's manual cash receipt process, it was noted that the Board maintains a cash receipt journal to track the physical cash received at the Board's two main offices; however, at no point during FY11 was a reconciliation performed between the cash receipt journal and the Board's State Treasury deposit records. During FY11, the Board received \$668,149 in cash receipts that were deposited into the State Gaming Fund (Fund). The auditors performed the reconciliation for FY11 and no discrepancies were noted.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish a system of fiscal and administrative controls to provide assurance that "funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation."

Board personnel stated that cash receipt reconciliation procedures between the Board's cash receipt journal and the deposit records had never been developed and implemented.

Without an adequate cash receipt reconciliation process, the Board cannot ensure that all cash receipts received by the Board are deposited into the Fund in accordance with State statutory requirements thus increasing the likelihood that a loss from errors, theft, or other irregularities could occur and would not be found in the normal course of employees carrying out their assigned duties. (Finding Code No. 11-1)

RECOMMENDATION

We recommend the Board perform reconciliations of its cash receipt journal to Board deposit records to ensure accurate and timely deposits of its cash into the State Treasury.

BOARD RESPONSE

The Board agrees with this Recommendation. The Board has developed and implemented reconciliation procedures for cash receipts to comply with the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001). These procedures identify the series of events beginning with the Board's receipt of cash items, the immediate recording to a Remittance Ledger, the posting to a Receipts Journal, and subsequent reconciliation procedures between the Ledger and Journal prior to depositing the cash receipts into the State Gaming Fund.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
FINANCIAL AUDIT - STATE GAMING FUND
PRIOR FINDING NOT REPEATED
For the Year Ended June 30, 2011

A. **FINDING** (Lack of Controls Governing the Transfer Required by the Illinois Administrative Code)

During the prior period, the Board did not have formal written procedures and supporting documentation detailing the calculation for the transfers made to the Education Assistance Fund (EAF). In addition, the Board did not have adequate segregation of duties to approve the final amount transferred to the EAF. The Board was unable to support amounts transferred by a management employee that went on leave of absence.

In the current audit period, the Board implemented new procedures for calculating, recording, and approving the mandatory transfers. (Finding Code 10-1)