



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**ILLINOIS RACING BOARD**

**COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**Release Date: August 6, 2013**

**Summary of Findings:**

<b>Total this audit:</b>	<b>16</b>
<b>Total last audit:</b>	<b>8</b>
<b>Repeated from last audit:</b>	<b>6</b>

**SYNOPSIS**

- The Board did not have adequate detailed procedures with the Administrative and Regulatory Shared Services Center at the Department of Revenue (Shared Services) detailing each entity's responsibilities for the daily operations of the Board.
- The Board had inadequate internal controls over collecting and reporting receipts and lacked adequate cash management for ensuring the timely and efficient deposit of cash into the State Treasury.
- The Board did not exercise adequate internal control over accounts receivable collection activities or preparing its Quarterly Summary of Accounts Receivable reports for the Office of the State Comptroller.
- The Board lacked adequate monitoring of grant funds provided to organization licensees (racetracks).
- The Board was unable to distribute all inter-track wagering location admission fees to the City of Chicago and Cook County.
- The Board did not comply with fingerprint fee requirements or properly cease the operation of the Illinois Racing Board Fingerprint Fund.
- The Board exercised inadequate internal control over Stewards' Rulings.
- The Board did not adequately secure and control confidential and personal information.

{Expenditures and Activity Measures are summarized on the reverse page.}

**ILLINOIS RACING BOARD  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

<b>EXPENDITURE STATISTICS</b>	<b>Fiscal Year 2012</b>	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2010</b>
<b>Total Expenditures.....</b>	<b>\$ 9,745,474</b>	<b>\$ 30,433,191</b>	<b>\$ 126,012,746</b>
OPERATIONS TOTAL.....	\$ 6,808,454	\$ 6,285,941	\$ 7,045,053
% of Total Expenditures.....	69.9%	20.7%	5.6%
General Office.....	1,849,397	1,743,659	1,823,241
Expenses Related to the Laboratory Program.....	1,728,957	1,682,602	1,818,407
Expenses Related to the Regulation of Racing.....	3,091,187	2,754,379	3,348,673
Expenses Related to Fingerprinting Licensees.....	58,135	48,094	54,732
Expenses Related to Shared Services.....	80,778	57,207	-
AWARDS AND GRANTS.....	\$ 2,937,020	\$ 24,147,250	\$ 118,967,693
% of Total Expenditures.....	30.1%	79.3%	94.4%
<b>Total Receipts (see note).....</b>	<b>\$ 2,836,335</b>	<b>\$ 27,150,710</b>	<b>\$ 28,366,614</b>
<b>Cost of Property and Equipment.....</b>	<b>\$ 475,127</b>	<b>\$ 468,687</b>	<b>\$ 447,385</b>
<b>Average Number of Employees.....</b>	<b>51</b>	<b>54</b>	<b>59</b>

Note: The auditors were not able to determine whether the Illinois Racing Board's cash receipt records at June 30, 2012, June 30, 2011, and June 30, 2010, were complete and appropriately reported (see Finding 12-2 and Finding 10-2).

<b>SELECTED ACTIVITY MEASURES (Not Examined)</b>	<b>Calendar Year 2011</b>	<b>Calendar Year 2010</b>	<b>Calendar Year 2009</b>
Total Handle, Combined Live Racing and Simulcasts	\$ 578,429,824	\$ 627,989,208	\$ 716,628,911
Total Handle, Advanced Deposit Wagering.....	109,470,066	97,803,750	20,111,582
Total Handle within the State of Illinois.....	<u>\$ 687,899,890</u>	<u>\$ 725,792,958</u>	<u>\$ 736,740,493</u>
Payout to the Public.....	\$ 533,744,072	\$ 562,772,095	\$ 570,551,890
Total Purses Distributed.....	\$ 63,254,477	\$ 54,391,463	\$ 72,807,538
Live Races Run.....	5,369	5,179	5,663
Racetrack Attendance.....	1,801,785	1,921,602	2,084,138
<b>SELECTED ACTIVITY MEASURES (continued) (Not Examined)</b>	<b>Fiscal Year 2012</b>	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2010</b>
Total Number of Stewards' Rulings Issued.....	601	522	600

**EXECUTIVE DIRECTOR**

During Examination Period: Mr. Marc Laino

Currently: Mr. Marc Laino

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**LACK OF FORMAL, WRITTEN POLICIES AND  
PROCEDURES OVER SHARED SERVICES**

The Illinois Racing Board (Board) did not have adequate detailed procedures with the Administrative and Regulatory Shared Services Center at the Department of Revenue (Shared Services) detailing each entity's responsibilities for the daily operations of the Board.

When the Board separated from the Department of Revenue on July 1, 2009, Executive Order 5 (2009) required the Board continue using Shared Services for any functions previously provided by Shared Services.

During fieldwork, the auditors reviewed the inter-agency agreement between the Board and Shared Services. The auditors noted the Board has not implemented the auditors' recommendation from the prior examination to "delineate and reduce to writing each entity's responsibilities in performing the daily operations of the Board."

Since our previous examination, the auditors noted improved communications between the Board and Shared Services. However, we continued to note problems arising from confusion regarding the Board and Shared Services' responsibilities for the Board's operations, including:

**Board did not determine which entity was responsible for each Board function**

**Inaccurate cash receipt reporting**

- The Board and Shared Services did not accurately report cash receipts in transit to the State Treasury.

**Inadequate process to ensure all invoices are paid**

- The Board and Shared Services do not have an adequate process to ensure all invoices submitted for payment by the Board are actually processed by Shared Services and presented as a proper voucher to the State Comptroller.

**Inadequate reconciliation process that does not monitor unusual trends or account balances**

- The Board and Shared Services do not have an adequate reconciliation and review process to monitor unusual trends or account balances within the Board's financial records to identify and correct errors.

**Inaccurate receipt deposits and improper error corrections**

- The Board and Shared Services did not ensure all receipts were deposited into the correct receipt account and did not properly document the correction of receipt deposit errors.

**Continued difficulty with timely processing vouchers for payment**

- The Board and Shared Services continued to have difficulty processing vouchers within the timeframes for the approval of vouchers.

**Board management unaware of multi-million dollar deposit process**

- The Board's upper management was unaware of and disputed that the Board had received, deposited, and ordered receipts of \$26,683,101 into the Horse Racing Equity Trust Fund within the State Treasury. These receipts arose from the 3% additional tax on casinos with adjusted gross receipts exceeding \$200 million in Calendar Year 2004, pursuant to the Riverboat Gambling Act. The auditors noted Shared Services was completely performing the entire receipt deposit process on behalf of the Board. (Finding 1, pages 12-14)

We recommended the Board work with the Administrative and Regulatory Shared Services Center at the Department of Revenue to delineate and reduce to writing each entity's responsibilities in performing the daily operations of the Board. Further, we recommended the Board should continuously monitor the activities that the Administrative and Regulatory Shared Services Center at the Department of Revenue performs on its behalf to identify and correct internal control deficiencies.

**Board officials agree**

Board officials stated they are working with Shared Services to understand what processes and tasks are being done by Shared Services and what portions need to be done by the Board.

**INADEQUATE CONTROLS OVER RECEIPTS**

The Board did not have adequate internal controls over collecting and reporting receipts and lacked adequate cash management for ensuring both the timely and efficient deposit of cash into the State Treasury.

During testing, the auditors noted the following:

- The Board lacked adequate cash management procedures designed to timely and efficiently expedite cash collections into the State Treasury.
  - Fourteen of 60 (23%) receipts tested, totaling \$1,228,231, were deposited into the State Treasury between one and 41 business days late following the Board exhausting any applicable receipt deposit extensions.
  - Four of 60 (7%) receipts tested, totaling \$68,498, did not have adequate supporting documentation detailing the date the receipts were received by the Board.

**Receipts deposited one to 41 business days late**

**Unable to determine the date receipts were received**

**Untimely processing of a receipt deposit transmittal form**

- One of 60 (2%) receipt deposit transmittals tested, totaling \$6,020, was not timely remitted to the State Comptroller for deposit into the State Treasury within a reasonable period of time. The receipts were remitted to the State Comptroller between 35 and 37 days after the Board received a State Treasurer's Draft.

**Deposits did not agree with the supporting documentation**

- The Board lacked adequate internal controls over the cash receipt process. During testing, the auditors noted the following:

- Four of 60 (7%) receipts tested, totaling \$37,909, did not agree with the receipt's amount reported within the Board's supporting documentation.

**Receipts recorded to the wrong receipt account**

- Three organization licensee fines, totaling \$31,850, which were incorrectly recorded to the organization licensee receipt account instead of the fines and penalties receipt account.

**Failure to properly correct and document a receipt deposit error**

- The auditors noted four unusual deposits of cash receipts in amounts other than whole dollars into the \$1 inter-track wagering location admission fee account. In following up on this matter with an official with the Administrative and Regulatory Shared Services Center at the Department of Revenue, the official indicated the amounts were not equal to whole dollars because they were correcting an earlier \$17,000 receipt deposit transmittal that was erroneously recorded to the wrong revenue receipt code.

- During walkthroughs at Balmoral Park, the auditors noted the following:

**Board employees taking receipts and licensee applications home**

- One Board employee routinely takes and transports receipt collections and licensee applications, including certain personal and confidential information, from Maywood Park to the employee's personal residence overnight to Balmoral Park the next day.

- Another Board employee routinely takes and transports receipt collections and licensee applications, including certain personal and confidential information, from Balmoral Park to the employee's home where the receipts and licensee applications are stored before they are delivered to the Board's Central Office in Chicago. These items are stored overnight in the employee's car in a garage.

**Board employees signing over checks to a third party**

- The Board is not processing licensee overpayments for cash refunds through the State Treasury. A Board employee receives mail sent to the Board at Balmoral Park from the racetrack and processes applications. In the event an application has an overpayment, the employee signs the check over to the Horseman's Guarantee Corporation of America and gets a new check for the correct amount of the application and then calls the licensee to explain the transaction.

**Licensee overpayments not refunded through the State Treasury**

- The Board does not have adequate internal control over receipts received in the mail. In the event of an underpayment, a Board employee checks with the Horseman's Guarantee Corporation of America to see if the licensee has available funds to make the payment in their account and will then call for permission to get the full amount paid. If the licensee agrees, the Horseman's Guarantee Corporation of America generates a new check for the proper amount and the old check was either mailed back to the licensee or shredded.

**Board does not generate accounts receivable for an underpayment**

**Fine payment stapled in a ledger**

- During walkthroughs at the Arlington International Racecourse, the auditors noted a \$1,000 fine payment from a Stewards' Ruling stapled in the Board's fine receipt ledger. In following up on this matter, Board staff members indicated the fine was being appealed through the Board's internal processes and the check was being held until the appeal's final disposition.

**Improperly reported cash on hand as an account receivable**

- The Board and the Administrative and Regulatory Shared Services Center at the Department of Revenue improperly considered cash-on-hand and in transit to the State Treasury from collections by the Board's staff at the racetracks to the Department of Revenue as accounts receivable. For the month ending June 30, 2012, the Administrative and Regulatory Shared Services Center at the Department of Revenue incorrectly reported, at least, \$8,819 as receivables that were actually cash in transit to the State Treasury. (Finding 2, pages 15-20)

**Cash receipts understated and accounts receivable overstated**

We recommended Board take action to establish and implement internal controls over the Board's receipt process. (Finding 2, pages 15-20)

**Board officials agree**

Board officials agreed, noting they are implementing new policies and procedures to correct these deficiencies.

## **INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE**

The Board did not exercise adequate internal control over accounts receivable collection activities or preparing its Quarterly Summary of Accounts Receivable reports (quarterly report) for the Office of the State Comptroller.

During testing, the auditors noted the following:

**Board does not make adequate attempt to collect past-due accounts receivable**

- The Board does not appear to make adequate attempts to collect past-due receivables, place debts owed to the State on the State Comptroller's Offset System, or refer delinquent debt to the Department of Revenue's Debt Collection Bureau.

**Board does not notify other State agencies of accounts receivable**

- The Board does not report receivables from returned non-sufficient funds checks.
- The Board did not notify the Department of Revenue or the Department of Agriculture of receivables for the Horse Racing Fund, Quarter Horse Purse Fund, or the Illinois Racing Quarter Horse Breeders Fund for pari-mutuel taxes earned during the last days of each quarter that have not been received by the Department of Revenue.

**Inadequate process for recording penalties from Stewards' Rulings**

- The Board has internal control weaknesses over accounts receivable, including:
  - The Board does not have an adequate process for ensuring all Stewards' Rulings with a financial penalty for an alleged violation of the Board's rules and regulations are recorded within the Board's Pari-Mutuel Information and Tracking System.

**Inadequate process for reporting accounts receivable data**

- The Board does not have an adequate process for reporting certain categories of accounts receivable data to the Office of the State Comptroller, such as the age of receivables upon collection and the number and amount of long-term accounts receivable.

**Computer system not properly programmed**

- The Board's PITS considers all imposed fines as past due, even though the Board allowed licensees thirty days to pay a fine following the date of the Steward's Ruling during the examination period.

**Unrecorded accounts receivable**

- The Board's quarterly report for March 31, 2012, did not report receivables arising from the \$1 inter-track wagering location admission fees earned on March 30 and March 31 that were not paid to the Board until the subsequent quarter.

**Need to review methodology for estimating uncollectible accounts**

- The Board and the Administrative and Regulatory Shared Services Center at the Department of Revenue improperly considered cash-on-hand and in transit to the State Treasury from collections by the Board's staff at the racetracks to the Department of Revenue as accounts receivable.
- The Board has not reviewed its accounts receivable process to determine whether its method of estimating uncollectible accounts is fair and reasonable. (Finding 3, pages 21-24)

We recommended Board take action to establish and implement internal controls over the Board's accounts receivable and collections process.

**Board officials agree**

Board officials agreed, noting they are working with Shared Services to properly report accounts receivable.

**NEED TO MONITOR AND VERIFY THE USE OF HORSE RACING EQUITY TRUST FUND MONEY**

The Board did not adequately monitor the expenditure of grant funds by organization licensees (racetracks) received from the Horse Racing Equity Trust Fund.

**Board required to monitor usage to ensure racetrack expenditures complied with State law**

Pursuant to the Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/54.75(b)), moneys deposited into the Horse Racing Equity Trust Fund remitted to the racetracks were to be split where 60% of the moneys were to supplement purses and 40% of the moneys were "to improve, maintain, market, and otherwise operate its racing facilities to conduct live racing, which shall include backstretch services and capital improvements." Further, the Act (230 ILCS 5/54.75(c)) required the Board monitor the racetracks to ensure moneys paid to the racetracks were distributed by the racetracks as provided by State law. In addition, the Board's adopted regulations (11 Ill. Admin. Code 452.10(b)) state "the Board shall verify that moneys distributed to the organization licensee are used to improve, maintain, market, and otherwise operate its racing facilities to conduct live racing, which shall include backstretch services and capital improvements."

**Board adopted regulations requiring the Board verify the racetracks' expenditures**

**\$141.8 million disbursed to the racetracks at June 30, 2012**

As of June 30, 2012, the racetracks had received approximately \$141.8 million from the Horse Racing Equity Trust Fund.

During a review of the Board's monitoring process for the 40% of Horse Racing Equity Trust Fund moneys due to the racetracks, the auditors noted the following:

**Racetracks required to file one report on their usage of moneys**

- During Fiscal Year 2012, each racetrack filed a single report with the Board reporting its usage of moneys from the Horse Racing Equity Trust Fund.

**One to two page reports with broad transaction classifications**

- The Board did not establish a reporting mechanism for racetrack expenditures to gather sufficient expenditure transaction information to allow for Board reviews. Three of the four racetracks (75%) each submitted a one to two page report with amounts reported in broad transaction categories, such as marketing, supplies, maintenance, and payables, without describing or providing any supporting documentation for the underlying transactions comprising the transaction category amounts reported to the Board.

**No descriptions of expenditures or supporting documentation provided to the Board**

- The Board did not require the racetracks to detail the disposition of all moneys received by the racetracks, including amounts paid into the purse accounts. Three of four racetracks (75%) did not report total cash received from the Horse Racing Equity Trust Fund that could be reconciled back to Board disbursements from the Horse Racing Equity Trust Fund recorded by the Office of the State Comptroller. One racetrack reported cash disbursements greatly in excess of its cash receipts and another racetrack's report appears to overstate funds received for the racetrack's use by \$79,942.

**Unable to reconcile racetrack reports to amounts disbursed by the Board**

- One of the four racetracks (25%) submitted one report to the Board which apparently included all expenditures made by the racetrack and did not segregate and separately report on distributions received by the racetrack from the Horse Racing Equity Trust Fund from the racetrack's private funds.

**One racetrack's report appeared to include all expenditures made by the racetrack**

- The Board did not engage in verifying any uses of Horse Racing Equity Trust Fund moneys reported by the racetracks. The extent of the Board's monitoring was receiving and filing the reports from the racetracks.

**Extent of Board's monitoring was receiving and filing the one to two page reports from the racetracks**

During a review of the Board's monitoring process for the 60% of Horse Racing Equity Trust Fund moneys due to the purse accounts, the auditors noted the following:

- The Board did not establish a reporting mechanism for racetrack expenditures to gather sufficient expenditure transaction information to allow for Board reviews. The auditors noted the various racetracks do not have a consistent methodology for reporting the addition and use of Horse Racing Equity Trust Fund moneys within their purse accounts.

- During a review of the racetracks' purse account reports submitted to the Board, the auditors noted the Board did not reconcile the amounts distributed to the racetracks back to the amounts reported by the racetracks as receipts. The auditors noted the following:

**Board did not follow up on an unreconciled difference of \$2,695,981**

- One of the four racetracks (25%) did not report a beginning balance that reconciled with the amounts distributed by the Board for purses, with an unreconciled difference of \$2,695,981. The Board did not follow up on this difference when the Board received the racetrack's report.

**Board followed up with the racetrack after auditor inquiry**

Following notification from the auditors, the Board contacted the racetrack to obtain an explanation for the difference. The racetrack provided a new calculation, which – while the beginning balance now agreed to amounts distributed by the Board – did not report an ending balance at the conclusion of the 2012 horse race meeting that agreed with amounts previously reported by the racetrack to the Board. The unreconciled difference totaled \$627,364.

**Racetrack reported estimates of remaining purse moneys to the Board**

Following further discussions with the racetrack, the racetrack reported it submitted estimated numbers to the Board and did not report actual data to the Board until auditor inquiry.

**Board did not follow up on an unreconciled difference of \$10,998,560**

- One of the four racetracks (25%) did not report a beginning balance that reconciled with the amounts distributed by the Board for purses, with an unreconciled difference of \$10,998,560. The Board did not follow up on this difference when the Board received the racetrack's report.

**Board followed up with the racetrack after auditor inquiry**

Following notification from the auditors, the Board contacted the racetrack to obtain an explanation for the difference. The racetrack explained it had entered into an agreement with the relevant horseman's group prior to the passage of Public Act 94-0804 to modify recapture amounts on purses with the ability for the racetrack to recover 50% of the modified recapture amounts when an "alternative revenue" source was identified in the future. (Finding 4, pages 25-29)

We recommended the Board establish a reporting mechanism for racetracks to report the use of Horse Racing Equity Trust Fund moneys apart from each racetrack's private resources and sufficient transaction information for the Board to perform detail reviews of all racetrack transactions involving

moneys from the Horse Racing Equity Trust Fund. Further, we recommended the Board should verify – at minimum, on a test basis – that moneys were used by the racetracks for eligible statutory purposes as required by the Illinois Administrative Code.

**Board officials disagree with the Auditors’ Recommendation**

Board officials disagreed with the finding, noting Board management “felt it was unnecessary to deploy its limited resources and personnel for the purpose of verifying cancelled checks and/or invoices for known reoccurring eligible expenses related to conducting live race meet operations.”

**Auditors’ Comment**

In an auditors’ comment, we noted that the General Assembly mandated the Board monitor organization licenses to ensure moneys distributed from, and used by, the racetracks from the Horse Racing Equity Trust Fund were used in compliance with the Illinois Horse Racing Act of 1975 (230 ILCS 5/54.75(b)). 230 ILCS 5/54.75(c). The Board’s response indicates, contrary to the mandatory direction of the General Assembly and its own rules at 11 Ill. Admin. Code 452.30(d), the Board chose not to monitor the expenditures in detail simply because the racetracks have certain “known racetrack operating expenses.”

Additionally, the State’s post audit program is not and should not be considered an internal control mechanism for any operational activity at a State agency. While the racetracks provided explanations for, at times, multi-million dollar discrepancies within the purse accounts, these discrepancies were not identified and no explanations were obtained by the Board until after auditor inquiry. Further, the \$627,364 discrepancy directly impacted the remaining balance of Horse Racing Equity Trust Fund moneys within the purse account of the racetrack in question.

**UNABLE TO PAY OBLIGATIONS DUE TO THE CITY OF CHICAGO AND COOK COUNTY**

The Board was unable to distribute all inter-track wagering location admission fees to the City of Chicago and Cook County.

**Board unable to pay the City of Chicago and Cook County**

During testing, the auditors noted the Board lacked sufficient cash after ceasing transactions within the Illinois Racing Board Grant Fund to pay remaining obligations to Cook County, totaling \$43,809, and the City of Chicago, totaling \$1,118. (Finding 5, page 30)

We recommended the Board work with the Governor and General Assembly to seek a legislative remedy to pay the outstanding obligations due to Cook County and the City of Chicago.

**Board officials agree**

Board officials concurred with our recommendation.

## **IMPROPER CHARGE FOR FINGERPRINT FEES AND EXCESS CASH WITHIN THE ILLINOIS RACING BOARD FINGERPRINT FUND**

The Board did not comply with fingerprint fee requirements or properly cease the operation of the Illinois Racing Board Fingerprint Fund.

During testing, the auditors noted the following:

### **Licensees overcharged for fingerprint background checks**

- The Board collected a \$45 fingerprinting fee, which exceeded the fingerprinting fee charged to the Board by the Department of State Police by \$13.50 for an electronic fingerprint check and \$8.50 for a fingerprint check on paper forms. Due to fingerprint fees exceeding actual costs, the Illinois Racing Board Fingerprint Fund has developed an excess cash balance of \$134,908 at June 30, 2012.

### **\$134,908 excess cash held within the ceased Illinois Racing Board Fingerprint Fund**

- The Board did not notify the Office of the State Comptroller that the Illinois Racing Board Fingerprint Fund, a State Trust Fund, was no longer needed in order to initiate the fund dissolution process and determine an appropriate disposition for the excess cash balance of \$134,908. (Finding 6, pages 31-32)

We recommended the Board conform its fingerprint operations to State law and initiate the fund dissolution process to determine an appropriate disposition for the excess cash balance within the Illinois Racing Board Fingerprint Fund, or seek a legislative remedy.

### **Board officials agree**

Board officials concurred with our recommendation, noting they will seek to dissolve the fund and work with the Department of State Police to charge the correct fee.

## **NEED TO ENHANCE INTERNAL CONTROLS OVER STEWARDS' RULINGS**

The Board did not exercise adequate internal control over Stewards' Rulings. The stewards – two Board employees and one racetrack employee – supervise each horse race meeting and enforce the rules and regulations of the Board by imposing civil penalties, including fines and suspensions, upon licensees.

### **Several weeks of Stewards' Rulings found on torn loose-leaf paper unsecured on a desk**

During walkthroughs at a thoroughbred racetrack, the auditors noted the Board had several weeks of torn loose-leaf sheets with handwritten Stewards' Rulings imposing penalties, including one noted five-day suspension, unsecured on a desk. A Stewards' Ruling is not effective until the penalty has been entered into the Board's Pari-Mutuel Information and

Tracking System (PITS), a formal typewritten Stewards' Ruling is generated and signed by the stewards, and notice is formally given to the licensee. The auditors noted the following internal control weaknesses:

**No audit trail to ensure all Stewards' Rulings entered into the Board's records**

- The stewards do not use pre-numbered forms for recording the handwritten Stewards' Rulings, which would create an audit trail to provide assurance all penalties imposed by the stewards have been recorded into PITS.

**Stewards' Rulings could have been lost or intentionally interfered with**

- The Board did not adequately protect the rulings, as they were left unsecured on a desk and could have been either lost by Board employees or intentionally interfered with by individuals from the racetrack entering the Board's offices after hours.

**Stewards' Rulings not timely recorded**

- The Board did not timely input handwritten Stewards' Rulings into the Board's computer system. (Finding 9, pages 36-37).

We recommended the Board implement controls to adequately document and safeguard Stewards' Rulings. Further, we recommended the Board should timely record all Stewards' Rulings into the Pari-Mutuel Information and Tracking System.

**Board officials agree**

Board officials agreed to adopt a procedure to document, safeguard, and timely record Stewards' Rulings.

### **NEED TO ENHANCE INTERNAL CONTROLS OVER CONFIDENTIAL INFORMATION**

The Board did not adequately secure and control confidential and personal information.

During testing, the auditors noted the following:

**Confidential information sent unencrypted**

- The Board sends confidential and personal information over the State's Intranet and the Internet without securing (encrypting) the information.

**Social security numbers were printed on license application receipts**

- The Board failed to utilize redaction when displaying confidential information within computer-based applications. Furthermore, social security numbers were printed on license application receipts.

**Licensing clerks were sharing a User ID and password**

- Licensing clerks at the racetracks share a User ID and password to the Photo Identification system. This system houses confidential and personal information including names, birthdates, social security numbers, and signatures.

**User IDs and passwords were found written down and attached to computers**

- During a walk-through at Balmoral Park, auditors noted User ID's and passwords were written down and attached to computers. These User ID's allowed access to critical Board systems. (Finding 16, pages 49-50)

We recommended the Board complete a formal risk assessment of its physical and computing environment to ensure adequate security controls are applied. We also recommended the Board should ensure all confidential information is properly secured (encrypted) and ensure the Board complies with the requirements of the Personal Information Protection Act. Furthermore, we recommended access to systems should be controlled through the use of unique identifiers. User ID's and passwords should not be shared.

**Board officials agree**

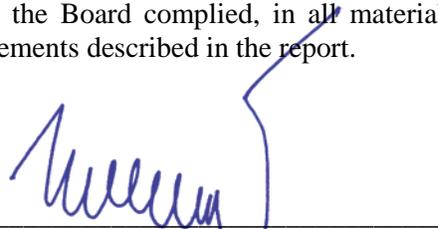
Board officials agreed, noting they have been working to address the issues noted within the finding.

**OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Board. We will review the Board's progress towards the implementation of our recommendations in our next engagement.

**AUDITOR'S OPINION**

The auditors conducted a compliance examination of the Board for the two years ended June 30, 2012, as required by the Illinois State Auditing Act. The auditors qualified their report on State Compliance for findings 12-1 through 12-6. Except for the noncompliance described in these findings, the auditors stated the Board complied, in all material respects, with the requirements described in the report.



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WILLIAM G. HOLLAND  
• • Auditor General

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**AUDITORS ASSIGNED:**

The compliance attestation examination was performed by the Office of the Auditor General's staff.