

State of Illinois
Illinois Gaming Board

Compliance Examination

For the Two Years Ended June 30, 2020
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

State of Illinois
Illinois Gaming Board
Compliance Examination
For the Two Years Ended June 30, 2020

Table of Contents

	Page(s)
Board Officials	1
Management Assertion Letter	2
Compliance Report	
Summary	3
Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	5
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>	8
Schedule of Findings	
Current Findings – State Compliance	10
Prior Findings Not Repeated	18

Schedule Page(s)

Supplementary Information for State Compliance Purposes

Fiscal Schedules and Analysis	
Schedule of Appropriations, Expenditures and Lapsed Balances:	
Fiscal Year 2020	19
Fiscal Year 2019	20
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	21
Comparative Schedule of Cash Receipts and Deposits into the State Treasury	23
Comparative Schedule of Net Expenditures by Major Activity	25
Schedule of Changes in Property	26

State of Illinois
Illinois Gaming Board
Compliance Examination
For the Two Years Ended June 30, 2020

	<u>Schedule</u>	<u>Page(s)</u>
Analysis of Operations (Not Examined)		
Analysis of Operations (Functions and Planning)		27
Analysis of Significant Variations in Expenditures		30
Analysis of Significant Variations in Receipts		32
Analysis of Significant Lapse Period Spending		34
Number of Employees		35
Analysis of Overtime		36

Other Report Issued under a Separate Cover

The Illinois Gaming Board – State Gaming Fund financial statements as of and for the year ended June 30, 2020, have been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under *Government Auditing Standards* for the year ended June 30, 2020, on our consideration of the Board’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely 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 effectiveness of the Agency’s 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 the audit.

State of Illinois
Illinois Gaming Board
Compliance Examination
For the Two Years Ended June 30, 2020

Board Officials

Administrator (5/16/19 - Present)	Mr. Marcus Fruchter
Acting Administrator (7/1/18 – 5/15/19)	Mr. Agostino Lorenzini
General Counsel	Mr. Agostino Lorenzini
Deputy Administrator for Enforcement	Mr. Sean Brannon
Deputy Administrator for Investigations	Mr. Scott Deubel
Acting Deputy Administrator for Audit and Financial Analysis	Ms. Tammy Compton
Chief Fiscal Officer	Mr. Kevin High
*Director of Policy and Special Projects (8/12/19 – Present)	Mr. Joe Miller
Deputy Administrator for Licensing	Mr. Robert Burke
*Chief of Staff (3/16/20 – Present)	Ms. Patricia Dominguez
* New position	

Board Officers

Chairman (7/29/19 – Present)	Mr. Charles Schmadeke
Chairman (7/1/19 – 7/28/19)	Vacant

Governing Board Members

Board member	Mr. Ruben Ramirez
Board member	Ms. Dionne Hayden
Board member (7/29/19 – Present)	Mr. Anthony Garcia
Board member (7/1/19 – 6/1/20)	Mr. Steve Dolins
Board member	Vacant

Office Locations

801 South 7 th Street, Ste. 400 South Springfield, Illinois 62703	9511 West Harrison Street Des Plaines, Illinois 60016
160 North LaSalle Street, Ste. 300 Chicago, Illinois 60601	8151 West 183 rd Street Tinley Park, Illinois 60487



ILLINOIS GAMING BOARD

JB Pritzker • Governor Charles Schmadeke • Chairman Marcus D. Fruchter • Administrator

160 North LaSalle ♦ Suite 300 ♦ Chicago, Illinois 60601 ♥ tel 312/814-4700 ♦ fax 312/814-4602

BKD, LLP

Certified Public Accountants
225 North Water Street, Suite 400
Decatur, IL 62523

March 16, 2021

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 the Illinois Gaming Board. 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 the Illinois Gaming Board's compliance with the following specified requirements during the two-year period ended June 30, 2020. Based on this evaluation, we assert that during the years ended June 30, 2020 and June 30, 2019 the Illinois Gaming Board has materially complied with the assertions below.

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

Yours very truly,

Illinois Gaming Board

SIGNED ORIGINAL ON FILE

Marcus Fruchter, Administrator

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Kevin High, Chief Fiscal Officer

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Agostino Lorenzini, General Counsel

Compliance Report

State of Illinois
Illinois Gaming Board
Compliance Examination
For the Two Years Ended June 30, 2020

Compliance Report

Summary

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

Accountant's Report

The Independent Accountant's 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

Number of	Current Report	Prior Report
Findings	5	6
Repeated findings	3	5
Prior recommendations implemented or not repeated	3	2

Schedule of Findings

Item No.	Page	Last/First Report	Description	Finding Type
Findings (Government Auditing Standards)				
No matters are reportable.				
Findings (State Compliance)				
2020-001	10	2018/2012	Inadequate Controls over Personal Services	Significant Deficiency Noncompliance
2020-002	12	New	Noncompliance with the Illinois Gambling Act	Significant Deficiency Noncompliance
2020-003	13	New	Failure to File Annual Reports	Significant Deficiency Noncompliance
2020-004	14	2018/2012	Lack of Formalized Change Management Standard	Significant Deficiency Noncompliance

**State of Illinois
Illinois Gaming Board
Compliance Examination
For the Two Years Ended June 30, 2020**

Schedule of Findings				
Item No.	Page	Last/First Report	Description	Finding Type
2020-005	16	2018/2014	Lack of Disaster Recovery Planning to Ensure Recovery of Computer Applications and Data	Significant Deficiency Noncompliance

Prior Findings Not Repeated

A.	18	2018/2018	Untimely Filing of the TA-2 Report
B.	18	2018/2014	Inconsistent Provisions of the Riverboat Gambling Act
C.	18	2018/2012	Weaknesses Regarding the Security and Control of Confidential Information

Exit Conference

The findings and recommendations appearing in this report were discussed with Illinois Gaming Board personnel at an exit conference on March 5, 2021.

Attending were:

Marcus Fruchter, Administrator – Illinois Gaming Board
Patricia Dominguez, Chief of Staff – Illinois Gaming Board
Kevin High, Chief Fiscal Officer – Illinois Gaming Board

Reddy Bommareddi, Audit Manager – Illinois Auditor General

Heather Powell, Managing Director – BKD

The responses to the recommendations were provided by Kevin High, Chief Fiscal Officer, in a correspondence dated March 16, 2021.

**Independent Accountant’s Report on State Compliance,
on Internal Control over Compliance, and on Supplementary
Information for State Compliance Purposes**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois
Illinois Gaming Board

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Illinois Gaming Board (Board) with the specified 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, 2020. Management of the Board is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Board’s compliance with the specified requirements based on our examination.

The specified requirements are:

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Board complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Board's compliance with the specified requirements.

In our opinion, the Board complied with the specified requirements during the two years ended June 30, 2020, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2020-001 through 2020-005.

The Board's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Board's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Board's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Board's compliance with the specified requirements and to test and report on the Board's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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, noncompliance with the specified requirements on a timely basis. *A material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control* 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we

consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2020-001 through 2020-005 that we consider to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter.

The Board's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Board's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on the Board's compliance with the specified requirements. The accompanying supplementary information for the years ended June 30, 2020 and June 30, 2019 in Schedules 1 through 6 and the Analysis of Operations Section are presented for purposes of additional analysis. Such information is the responsibility of the Board management. We have applied certain limited procedures as prescribed by the Audit Guide to the accompanying supplementary information for the years ended June 30, 2020 and June 30, 2019 in Schedules 1 through 6. We have not applied procedures to the accompanying supplementary information in the Analysis of Operations Section. We do not express an opinion, a conclusion, nor provide any assurance on the accompanying supplementary information in Schedules 1 through 6 or the Analysis of Operations Section.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
March 16, 2021

**Independent Auditor’s Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed
in Accordance with *Government Auditing Standards***

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois
Illinois Gaming Board

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the State Gaming Fund of the State of Illinois, Illinois Gaming Board (Board), as of and for the year ended June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated December 11, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board’s financial statements of the State Gaming Fund are free from 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 financial statements. 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 matter that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting of the State Gaming Fund (internal control).

In planning and performing our audit of the financial statements, we considered the Board's internal control to determine the audit procedures that are appropriate in the circumstances 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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, misstatement 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 State Gaming Fund's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
December 11, 2020

State of Illinois
Illinois Gaming Board
Current Findings – State Compliance
For the Two Years Ended June 30, 2020

2020-001. Finding – Inadequate Controls over Personal Services

The Illinois Gaming Board (Board) did not maintain adequate controls over personal services.

During testing, we noted the following:

- The Board did not have its employees complete and submit their timesheets during remote working period from March 20, 2020 through June 30, 2020.
- Fourteen of 25 (56%) employees' performance evaluations were not completed in a timely manner. The evaluations were completed 28 to 363 days after the due dates.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-5(c)) requires each State agency to develop a written policy which includes work time requirements and documentation of time worked. Further, the Act requires State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour.

The Code (80 Ill. Admin. Code 302.270) and the Board's Employee Handbook (Handbook) require certified employees to be evaluated annually. Further, the Handbook requires certified employees who have been promoted to be evaluated at the midpoint during the final month of the probationary period.

Board management indicated during the COVID-19 pandemic-remote working environment, it was not possible for employees to manually sign in and out of the office as they had been doing prior to the remote working. Board management also indicated they continue to have a goal to conduct timely performance evaluations for all certified employees; however, in many cases there were other priorities due to limited staffing in certain areas. The pandemic and remote working environment also led to some of the delays.

Allowing employees to get paid without providing the required documentation could result in payments to individuals not entitled to the benefit and is noncompliance with State law. Also, performance evaluations are important to ensure all employees understand the duties and responsibilities assigned to them and that they are performing the duties for which they are being compensated. Failure to conduct timely evaluations is noncompliance with the Code and Handbook. (Finding Code No. 2020-001, 2018-001, 2016-002, 2014-008 and 009, 12-6 and 7)

Recommendation

We recommend the Board have its employees submit timesheets as required by the Act and timely conduct annual performance evaluations in accordance with the Code and Handbook.

State of Illinois
Illinois Gaming Board
Current Findings – State Compliance
For the Two Years Ended June 30, 2020

2020-001. Finding – Inadequate Controls over Personal Services (Continued)

Board Response

Timesheets: The Board agrees with the recommendation. The Board understands the importance of proper employee documentation of time worked. Prior to the Covid-19 Pandemic and through June 30, 2020, the Board maintained a system of manual timesheets to document employee time worked and it lacked the ability for employees to electronically record timekeeping. In compliance with the March 9, 2020 Gubernatorial Disaster Proclamation and the March 20, 2020 “Shelter in Place” Executive Order, and to protect employee health and safety, the Board moved to a largely remote work environment (other than essential functions) on March 16, 2020. Employees working remotely who could not use the manual office sign-in sheets remained responsible for following use of time rules and supervisors maintained communication with staff to monitor compliance and completion of work assignments. Beginning in July 2020, the Board upgraded its system of manual timesheets to an electronic time-keeping solution for most employees.

Performance Evaluations: The Board agrees with the recommendation. The Board will implement procedures, including the hiring of additional Human Resources staff, to better ensure that performance reviews are completed in a timely manner.

State of Illinois
Illinois Gaming Board
Current Findings – State Compliance
For the Two Years Ended June 30, 2020

2020-002. Finding – Noncompliance with the Illinois Gambling Act

The Illinois Gaming Board (Board) did not fully comply with the Illinois Gambling Act.

During testing, we noted the Board had four members, and these members upon taking the oath did not give bond to the State of Illinois in the amount of \$25,000 each.

The Illinois Gambling Act (Act) (230 ILCS 10/5(a)(7)) requires each member of the Board give bond to the State of Illinois, approved by the Governor, in the sum of \$25,000 within 30 days from the date of the member's appointment. Every such bond, when duly executed and approved, is required to be recorded in the Office of the Secretary of State.

Board management indicated they were not aware of this requirement.

Failure to provide bond for each Board member results in noncompliance with the Act and could result in their removal by the Governor. (Finding Code No. 2020-002)

Recommendation

We recommend the Board properly secure the required bonds for each member of the Board and have the bonds approved by the Governor and recorded in the Office of the Secretary of State.

Board Response

The Board agrees with the recommendation. The Board will work with the Governor's Office and individual Board members to secure and record appropriate bonds.

State of Illinois
Illinois Gaming Board
Current Findings – State Compliance
For the Two Years Ended June 30, 2020

2020-003. Finding – Failure to File Annual Reports

The Illinois Gaming Board (Board) did not submit 2019 and 2020 Annual Reports of its acts and doings.

During testing, we noted the Board did not file its Annual Reports for fiscal years 2019 and 2020 with the Governor’s Office in the statutorily required timeframe.

The State Finance Act (30 ILCS 105/3(a)) requires the Board to deliver to the Governor an annual report of its acts and doings for the fiscal year ending in the calendar year immediately preceding the calendar year in which the regular session of the General Assembly convenes. This report is due at least ten days preceding each regular session of the General Assembly.

Board management indicated the reports were not filed due to oversight, limited staff resources, and competing priorities.

Failure to timely file the Annual Reports results in noncompliance with the State Finance Act. (Finding Code No. 2020-003)

Recommendation

We recommend the Board immediately file its 2019 and 2020 Annual Reports and timely file the Annual Report every year to the Governor.

Board Response

The Board agrees with the recommendation. The Board is completing an assessment and overhaul of the format and process for its annual reports in order to make certain improvements. These efforts have been delayed due to limited staff resources and competing priorities, including the implementation of the June 2019 gaming expansion law and addressing matters related to COVID-19. The Board understands the importance of filing timely reports and will endeavor to do so. The Board also notes that most, if not all, of the information presented in its annual report is continuously published and updated in various places on the Board’s website.

State of Illinois
Illinois Gaming Board
Current Findings – State Compliance
For the Two Years Ended June 30, 2020

2020-004. Finding – Lack of Formalized Change Management Standard

The Illinois Gaming Board (Board) had not developed an effective change management process to control modifications to computer applications to ensure changes are properly approved, tested and documented.

The Board maintains twenty computer applications in order to meet their mission of administering and regulating riverboat casino gambling, sports wagering, and video gaming in the State. During our review, we noted the Board’s change management policy was missing the following components:

- Procedures for formally requesting changes
- Management approval
- Testing requirements
- Documentation requirements
- Implementation reviews

Board management indicated they developed a formal policy; however, it failed to include all of the required elements due to oversight and insufficient resources and personnel.

Generally accepted Information Technology guidance endorses the development of change management procedures to control changes to computer systems. Effective change management procedures reduce the risk of unauthorized, improper, or erroneous changes to computer systems.

The lack of controls over system changes could result in unauthorized actions and affect data integrity. (Finding Code No. 2020-004, 2018-004, 2016-005, 2014-005, 12-4)

Recommendation

We recommend the Board update its change management policy by incorporating the necessary components.

Board Response

The Board agrees with the recommendation and is implementing the suggested updates. The Board’s current change management policy requires all Board application changes to be recorded and requested through the Board’s IT Project Request System (the ITPR). The ITPR process requires final approval from system owners and Board management, and it restricts access to implement changes to Board systems and applications.

State of Illinois
Illinois Gaming Board
Current Findings – State Compliance
For the Two Years Ended June 30, 2020

2020-004. Finding – Lack of Formalized Change Management Standard (Continued)

Further, the Board is currently planning and implementing agency transformation into the Department of Innovation and Technology's (DoIT) IT infrastructure and support environment. The Board currently expects that process to be completed by the end of 2021. Transformation into a full DoIT-supported agency will provide the Board with certain IT resources, processes and support it has lacked for a number of years. After the transformation is complete, DoIT and the Board will implement a comprehensive formal change management policy and additional resources will be available for more frequent testing and implementation reviews.

State of Illinois
Illinois Gaming Board
Current Findings – State Compliance
For the Two Years Ended June 30, 2020

2020-005. Finding – Lack of Disaster Recovery Planning to Ensure Recovery of Computer Applications and Data

The Illinois Gaming Board (Board) had not provided adequate planning for the recovery of its applications and data.

The Board administers and regulates casino gambling, sports wagering, and video gaming operations in the State. The Board's IT group maintains a network of servers which host various applications containing critical, financially sensitive, and confidential information to perform mission-critical functions.

The Board had determined twenty applications to be critical to their mission of collecting licensing fees, video terminal fees, video gaming revenue, daily admissions, adjusted gross receipt taxes and reporting of casinos. In fiscal years 2020 and 2019, the Board processed receipts of \$821,192,327 and \$944,304,611, respectively.

The Disaster Recovery Plan addressed various high level areas of recovery; however, several key areas were not addressed. Specifically, the Disaster Recovery Plan did not include:

- Detailed recovery scripts,
- Testing and documentation requirements,
- Established Recovery Time Objectives, and
- Detailed procedures for the declaration of a disaster.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorses the formal development and testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify that the plan, procedures, and resources provide the capability to recover critical systems within the required timeframe.

Board management indicated they have not developed an adequate Disaster Recovery Plan due to insufficient resources and personnel.

Failure to adequately develop a disaster recovery plan leaves the Board exposed to the possibility of major disruptions of service. (Finding Code No. 2020-005, 2018-006, 2016-007, 2014-013)

Recommendation

We recommend the Board update its plan by including key documentation for the recovery of the environment and applications. Also, we recommend the Board update its plan after each testing to incorporate lessons learned.

State of Illinois
Illinois Gaming Board
Current Findings – State Compliance
For the Two Years Ended June 30, 2020

2020-005. Finding – Lack of Disaster Recovery Planning to Ensure Recovery of Computer Applications and Data (Continued)

Board Response

The Board agrees with the recommendation. The Board understands the value and necessity of an adequate Disaster Recovery Plan. The Board is working to develop and implement the suggested changes. A recently retired long-time Board employee was responsible for performing routine backups and file restoration; however, the Board did not have a written data recovery plan. In December 2020, the Board began partnering with DoIT's Resiliency and Recovery team to perform a Business Impact Analysis (BIA). The BIA will help the Board develop and implement a comprehensive Disaster Recovery Plan. Additionally, and as discussed above, the Board is presently transforming into DoIT's enterprise system. Among other things, transformation will include ongoing IT support and data security services, such as systems and applications backups and disaster recovery planning.

State of Illinois
Illinois Gaming Board
Prior Findings Not Repeated
For the Two Years Ended June 30, 2020

A. Finding – Untimely Filing of the TA-2 Report

During the prior examination, the Illinois Gaming Board (Board) did not timely submit all required Travel Headquarters reports.

During the current examination, we noted the Board timely filed all required Travel Headquarters reports with the Legislative Audit Commission. (Finding Code No. 2018-002)

B. Finding – Inconsistent Provisions of the Riverboat Gambling Act

During the prior examination, the Board was unable to resolve conflicting provisions between Section 13(c-5) and Section 13(c-30) of the Illinois Gambling Act (230 ILCS 10).

During the current examination, we noted the Board resolved the conflicting provisions by amending the Section 13(c-5) via the Public Act 101-0031. (Finding Code No. 2018-003, 2016-004, 2014-004)

C. Finding – Weaknesses Regarding the Security and Control of Confidential Information

During the prior examination, the Board’s security and control of confidential information process contained weaknesses. Specifically, the Board had not completed a risk assessment of its computing resources and encrypted its laptops to protect confidential data.

During the current examination, we noted the Board performed a risk assessment to identify confidential or personal information and our sample testing indicated the Board encrypted its laptops. (Finding Code No. 2018-005, 2016-006, 2014-012, 12-12)

Fiscal Schedules and Analysis

State of Illinois
Illinois Gaming Board
Schedule of Appropriations, Expenditures and Lapsed Balances
Expenditure Authority for Fiscal Year 2020
Fifteen Months Ended September 30, 2020

	Expenditure Authority (Net After Transfers)	Expenditures Through June 30, 2020	Approximate Lapse Period Expenditures July 1 through September 30, 2020	Approximate Total Expenditures 15 Months Ended September 30, 2020	Approximate Balances Lapsed September 30, 2020
Public Act 101-0007					
Appropriated Funds					
State Gaming Fund – 129					
Personal services	\$ 10,900,000	\$ 9,361,345	\$ 540,883	\$ 9,902,228	\$ 997,772
State contributions to State Employees' Retirement System	5,917,900	5,090,695	294,038	5,384,733	533,167
State contributions to Social Security	391,000	335,398	17,778	353,176	37,824
Group insurance	2,688,000	1,938,924	105,272	2,044,196	643,804
Contractual services	700,000	501,513	63,469	564,982	135,018
Travel	60,500	25,403	1,358	26,761	33,739
Commodities	15,000	6,361	1,231	7,592	7,408
Printing	2,000	1,462	—	1,462	538
Equipment	50,000	14,960	785	15,745	34,255
Electronic data processing	1,898,400	1,264,133	167,833	1,431,966	466,434
Telecommunications	221,000	161,211	33,476	194,687	26,313
Operations of auto equipment	100,000	17,446	445	17,891	82,109
Refunds	50,000	100	—	100	49,900
Expenses related to Illinois State Police	14,960,700	10,498,703	242,102	10,740,805	4,219,895
Distributions to Local Governments for admissions and wagering tax (including prior year costs)	100,000,000	60,981,936	3,450	60,985,386	39,014,614
Costs associated with the implementation and administration of the Video Gaming Act	21,116,800	15,221,785	735,044	15,956,829	5,159,971
Costs associated with the implementation and administration of the Sports Wagering Act	3,000,000	—	—	—	3,000,000
Costs associated with the implementation and administration of the Illinois Gambling Act	<u>20,000,000</u>	<u>242,445</u>	<u>17,243</u>	<u>259,688</u>	<u>19,740,312</u>
Total State Gaming Fund	\$ <u>182,071,300</u>	\$ <u>105,663,820</u>	\$ <u>2,224,407</u>	\$ <u>107,888,227</u>	\$ <u>74,183,073</u>
Sports Wagering Fund – 968					
Local government wagering tax	\$ <u>10,000,000</u>	\$ <u>1,438</u>	\$ <u>—</u>	\$ <u>1,438</u>	\$ <u>9,998,562</u>
Total Sports Wagering Fund	\$ <u>10,000,000</u>	\$ <u>1,438</u>	\$ <u>—</u>	\$ <u>1,438</u>	\$ <u>9,998,562</u>
Grand Total – All Funds	\$ <u>192,071,300</u>	\$ <u>105,665,258</u>	\$ <u>2,224,407</u>	\$ <u>107,889,665</u>	\$ <u>84,181,635</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2020 and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

State of Illinois
Illinois Gaming Board
Schedule of Appropriations, Expenditures and Lapsed Balances
Expenditure Authority for Fiscal Year 2019
Sixteen Months Ended October 31, 2019

	Expenditure Authority (Net After Transfers)	Expenditures Through June 30, 2019	Approximate Lapse Period Expenditures July 1 through October 31, 2019	Approximate Total Expenditures 16 Months Ended October 31, 2019	Approximate Balances Lapsed October 31, 2019
Public Act 100-0586					
Appropriated Funds					
General Revenue Fund – 001					
Unpaid wages increase	\$ 2,601,700	\$ —	\$ 2,593,431	\$ 2,593,431	\$ 8,269
Total General Revenue Fund	\$ 2,601,700	\$ —	\$ 2,593,431	\$ 2,593,431	\$ 8,269
State Gaming Fund – 129					
Personal services	\$ 10,100,000	\$ 8,651,659	\$ 796,241	\$ 9,447,900	\$ 652,100
State contributions to State Employees' Retirement System	5,213,000	4,472,125	411,297	4,883,422	329,578
State contributions to Social Security	336,000	292,076	24,261	316,337	19,663
Group insurance	2,664,000	2,059,474	99,290	2,158,764	505,236
Contractual services	702,000	549,632	63,304	612,936	89,064
Travel	60,500	22,264	3,903	26,167	34,333
Commodities	15,000	11,235	1,031	12,266	2,734
Printing	2,000	425	—	425	1,575
Equipment	50,000	17,840	1,825	19,665	30,335
Electronic data processing	1,733,000	1,190,474	68,976	1,259,450	473,550
Telecommunications	207,800	174,495	26,324	200,819	6,981
Operations of auto equipment	100,000	34,957	4,477	39,434	60,566
Refunds	50,000	—	15,000	15,000	35,000
Expenses related to Illinois State Police	13,396,400	10,844,143	109,755	10,953,898	2,442,502
Distributions to Local Governments for admissions and wagering tax (including prior year costs)	100,000,000	77,797,569	8,909,268	86,706,837	13,293,163
Costs associated with the implementation and administration of the Video Gaming Act	19,659,200	14,409,963	993,902	15,403,865	4,255,335
Total State Gaming Fund	\$ 154,288,900	\$ 120,528,331	\$ 11,528,854	\$ 132,057,185	\$ 22,231,715
Grand Total – All Funds	\$ 156,890,600	\$ 120,528,331	\$ 14,122,285	\$ 134,650,616	\$ 22,239,984

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of October 31, 2019, and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

State of Illinois
Illinois Gaming Board
Comparative Schedule of Net Appropriations,
Expenditures and Lapsed Balances
For the Years Ended June 30, 2020, 2019 and 2018

	Fiscal Year		
	2020	2019	2018
	P.A. 101-0007	P.A. 100-0586	P.A. 100-0021
Appropriated Funds			
<u>General Revenue Fund – 001</u>			
Expenditure Authority (net after transfer)	\$ —	\$ 2,601,700	\$ —
Expenditures			
Unpaid wage increases	—	2,593,431	—
Total General Revenue Fund	—	2,593,431	—
Balances lapsed	\$ —	\$ 8,269	\$ —
<u>State Gaming Fund – 129</u>			
Expenditure Authority (net after transfer)	\$ 182,071,300	154,288,900	\$ 157,051,310
Expenditures			
Personal services	9,902,228	9,447,900	8,821,499
State contribution to State Employees' Retirement System	5,384,733	4,883,421	4,498,368
State contributions to Social Security	353,176	316,337	289,235
Group insurance	2,044,196	2,158,764	1,894,013
Contractual services	564,982	612,936	440,917
Travel	26,761	26,167	21,824
Commodities	7,592	12,266	6,169
Printing	1,462	425	592
Equipment	15,745	19,665	12,530
Electronic data processing	1,431,966	1,259,450	1,006,523
Telecommunications	194,687	200,819	193,588
Operations of auto equipment	17,891	39,434	47,173
Refunds	100	15,000	100
Expenses related to Illinois State Police	10,740,805	10,953,898	11,294,580
Distributions to Local Governments for admission and wagering tax (including prior year costs)	60,985,386	86,706,838	89,319,191
Costs associated with the implementation and administration of the Video Gaming Act	15,956,829	15,403,865	16,018,536
Costs associated with the implementation and administration of the Illinois Gambling Act	259,688	—	—
Total State Gaming Fund	107,888,227	132,057,185	133,864,838
Balances lapsed	\$ 74,183,073	\$ 22,231,715	\$ 23,186,472
<u>Sports Wagering Fund – 968</u>			
Expenditure Authority (net after transfer)	\$ 10,000,000	\$ —	\$ —
Expenditures			
Local government wagering tax	1,438	—	—
Total Sports Wagering Fund	1,438	—	—
Balances lapsed	\$ 9,998,562	\$ —	\$ —
Grand Total – All Funds			
Expenditure Authority	\$ 192,071,300	\$ 156,890,600	\$ 157,051,310
Expenditures	\$ 107,889,665	\$ 134,650,616	\$ 133,864,838
Balances lapsed	\$ 84,181,635	\$ 22,239,984	\$ 23,186,472

State of Illinois
Illinois Gaming Board
Comparative Schedule of Net Appropriations,
Expenditures and Lapsed Balances
For the Years Ended June 30, 2020, 2019 and 2018

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2020, October 31, 2019 and August 31, 2018 have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

State of Illinois
Illinois Gaming Board
Comparative Schedule of Cash Receipts
and Deposits Into the State Treasury
For the Years Ended June 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Revenue Fund – 001			
Owner License Proceeds	\$ <u>10,000,000</u>	\$ <u>10,000,185</u>	\$ <u>10,000,000</u>
Total cash receipts per Board	10,000,000	10,000,185	10,000,000
Less – In transit at End of Year	—	—	—
Plus – In transit at Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>
 Total cash receipts per State Comptroller's Records	 \$ <u>10,000,000</u>	 \$ <u>10,000,185</u>	 \$ <u>10,000,000</u>
Education Assistance Fund – 007			
Civil Penalties	\$ <u>316,292</u>	\$ <u>372,739</u>	\$ <u>1,675,830</u>
Total cash receipts per Board	316,292	372,739	1,675,830
Less – In transit at End of Year	—	1,000	—
Plus – In transit at Beginning of Year	<u>1,000</u>	<u>—</u>	<u>—</u>
 Total cash receipts per State Comptroller's Records	 \$ <u>317,292</u>	 \$ <u>371,739</u>	 \$ <u>1,675,830</u>
State Gaming Fund – 129			
Admission & Gambling Tax	\$ 22,070,262	\$ 30,722,261	\$ 32,591,021
Casino Wagering Tax	313,225,123	422,294,360	434,454,401
Occupational License Fees	381,700	556,550	548,940
Casino Owner License Fees	5,095,000	50,000	45,000
Supplier License Fees	160,000	155,000	170,000
Video Gaming Application Fees	177,350	206,925	54,500
Video Gaming License Fees	4,610,972	5,027,350	4,594,875
Miscellaneous	<u>345</u>	<u>876,835</u>	<u>2,550</u>
Total cash receipts per Board	345,720,752	459,889,281	472,461,287
Less – In transit at End of Year	23,810	14,045,244	14,409,617
Plus – In transit at Beginning of Year	<u>14,045,244</u>	<u>14,409,617</u>	<u>13,586,863</u>
 Total cash receipts per State Comptroller's Records	 \$ <u>359,742,186</u>	 \$ <u>460,253,654</u>	 \$ <u>471,638,533</u>

State of Illinois
Illinois Gaming Board
Comparative Schedule of Cash Receipts and
Reconciliation of Cash Receipts to Deposits
Remitted to the State Comptroller
For the Years Ended June 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital Projects Fund – 694			
30% Video Terminal Tax	\$ 376,171,256	\$ 394,732,634	\$ 347,189,374
Total cash receipts per Board	376,171,256	394,732,634	347,189,374
Less – In transit at End of Year	—	—	—
Plus – In transit at Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>
Total cash receipts per State Comptroller's Records	<u>\$ 376,171,256</u>	<u>\$ 394,732,634</u>	<u>\$ 347,189,374</u>
Local Government Video Gaming Distributive Fund – 842			
30% Video Terminal Tax	\$ 67,899,369	\$ 78,946,399	\$ 69,437,761
Total cash receipts per Board	67,899,369	78,946,399	69,437,761
Less – In transit at End of Year	—	—	—
Plus – In transit at Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>
Total cash receipts per State Comptroller's Records	<u>\$ 67,899,369</u>	<u>\$ 78,046,399</u>	<u>\$ 69,437,761</u>
Sports Wagering Fund – 968			
Supplier Application Fee	\$ 1,050,000	\$ —	\$ —
Management Services Provider Application Fee	6,000,000	—	—
Sports Wagering Tax	<u>12,224</u>	<u>—</u>	<u>—</u>
Total cash receipts per Board	7,062,224	—	—
Less – In transit at End of Year	—	—	—
Plus – In transit at Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>
Total cash receipts per State Comptroller's Records	<u>\$ 7,062,224</u>	<u>\$ —</u>	<u>\$ —</u>
Grand Total – All Funds			
Total cash receipts per Board	\$ 807,169,893	\$ 943,941,238	\$ 900,764,251
Less – In transit at End of Year	23,810	14,046,244	14,409,617
Plus – In transit at Beginning of Year	<u>14,046,244</u>	<u>14,409,617</u>	<u>13,586,863</u>
Total cash receipts per State Comptroller's Records	<u>\$ 821,192,327</u>	<u>\$ 944,304,611</u>	<u>\$ 899,941,497</u>

State of Illinois
Illinois Gaming Board
Comparative Schedule of Expenditures by Major Activity
For the Years Ended June 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Expenditure Statistics			
All State Treasury Fund			
Total Operations Expenditures	\$ 46,892,741	\$ 47,922,178	\$ 44,545,397
Percentage of Total Expenditures	43.5%	35.6%	33.3%
Personal services	25,049,657	26,793,248	24,213,396
Other payroll costs	18,874,299	18,166,672	17,579,000
All other operating expenditures	2,968,785	2,962,258	2,753,001
Total Awards and Grants Expenditures	\$ 60,986,824	\$ 86,706,838	\$ 89,319,191
Percentage of Total Expenditures	56.5%	64.4%	66.7%
Total Refund Expenditures	\$ 10,100	\$ 21,600	\$ 250
Percentage of Total Expenditures	0.0%	0.0%	0.0%
Grand Total – All Expenditures	<u>\$ 107,889,665</u>	<u>\$ 134,650,616</u>	<u>\$ 133,864,838</u>

Note 1: Expenditures were obtained from the Board's records and have been reconciled to the State Comptroller's records as of September 30, 2020, October 31, 2019, and August 31, 2018.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

State of Illinois
Illinois Gaming Board
Schedule of Changes in State Property
For the Two Years Ended June 30, 2020

	<u>Equipment</u>
Balance at July 1, 2018	\$ 1,950,241
Additions	409,328
Deletions	(301,295)
Net transfers	<u>(539,096)</u>
Balance at June 30, 2019	\$ <u>1,519,178</u>
Balance at July 1, 2019	\$ 1,519,178
Additions	112,937
Deletions	(18,359)
Net transfers	<u>(147,540)</u>
Balance at June 30 2020	\$ <u>1,466,216</u>

Note: These balances were obtained from the Board's records and have been reconciled to the Board's quarterly *Agency Report of State Property* reports submitted to the Office of State Comptroller for the years ended June 30, 2020 and 2019.

Analysis of Operations

State of Illinois
Illinois Gaming Board
Analysis of Operations (Not Examined)
For the Two Years Ended June 30, 2020

Analysis of Operations (Functions and Planning)

To administer and regulate casino gambling, video gaming and sports wagering in Illinois through strict regulatory oversight as mandated by the Illinois Gambling Act (previously referred to as the Riverboat Gambling Act), Video Gaming Act, Sports Wagering Act and all applicable administrative rules.

Organization

The Illinois Gaming Board (Board) administers a regulatory and tax collection system for all legalized gaming in Illinois. The Board administers audit, legal, enforcement, investigative, operational and financial analysis activities to ensure the integrity of gaming in Illinois as mandated by the Illinois Gambling Act (230 ILCS 10/1 et seq.), Video Gaming Act (230 ILCS 40/1 et seq.) and the Sports Wagering Act (230 ILCS 45/1 et seq.) The Board assures the integrity of gaming through the strict regulatory oversight and licensure of all gaming operations and personnel in Illinois. The Board also has comprehensive law enforcement responsibilities associated with legalized gaming in Illinois.

The Riverboat Gambling Act was enacted in February 1990, making Illinois the second state in the nation to legalize riverboat gambling. The Riverboat Gambling Act authorized the Board to grant up to ten casino licenses. The Riverboat Gambling Act was renamed the Illinois Gambling Act and amended in June 2019 to allow for six new casinos as well as up to four new organization gaming licenses providing for casinos play within racetrack facilities (racinos). In addition to those licenses, the Board provides regulatory and criminal law enforcement oversight for the existing ten casinos.

Each casino gaming operation is authorized to offer up to between 1,200 and 4,000 gaming positions depending on the location, consisting of a mix of electronic gaming devices and table games. In 1999, the Riverboat Gambling Act was amended to permit all casino gaming operations to permanently moor at dock sites, without conducting cruises on any waterway. Patrons visiting the casinos must be 21 years of age to be admitted to the gambling areas of each operation. The Illinois Gambling Act requires that all wagering in the casinos be cashless.

The Board is also responsible for implementation and administration of the Video Gaming Act, which allows for video gaming terminals to be placed in certain liquor-pouring establishments (such as bars, taverns and restaurants), truck stops, fraternal organizations and veterans' clubs throughout the State. The Video Gaming Act was amended in June 2019 to allow the operation of up to six video gaming terminals in the licensed establishments and up to ten video gaming terminals in licensed large truck stop establishments (an entirely new license category). The prior limit was five video gaming terminals per licensed location. Besides the very large number of machines that must be monitored, additional factors that add to the Board's regulatory challenges are the diffuse placement of the video gaming terminals in locations throughout the State and the multiple layers of licenses involved. As of the date of this Report, there are more than 38,000 video gaming terminals at more than 7,500 licensed establishments across Illinois.

State of Illinois
Illinois Gaming Board
Analysis of Operations (Not Examined)
For the Two Years Ended June 30, 2020

In addition, the Board is responsible for the implementation and administration of the Sports Wagering Act. The Sports Wagering Act, enacted in June 2019, legalized wagering on sports for the first time in Illinois history. The new law allows in person sports wagering at licensed casinos, racetracks and at up to seven sports facilities in the State, as well as online and through mobile devices. As it does with casino gambling and video gaming, the Board assures the integrity of sports wagering through the strict regulatory oversight, rulemaking and licensure of all sports wagering operations and personnel in Illinois. It also levies and collects all receipts required by the Sports Wagering Act.

The Board consists of a Chairperson and up to four other Board members who are appointed by the Governor and confirmed by the Illinois Senate. The Riverboat Gambling Act (now known as the Illinois Gambling Act) also established the role of Board Administrator. The administrator serves as the executive director of the Board's agency functions and is responsible for directing and administering the Board's daily operations. The Administrator also is responsible for performing any and all duties the Board assigns. The Board's staff has approximately 230 employees that include an average detail of 74 Illinois State Police personnel (funding is authorized for up to 100 Illinois State Police personnel), and four embedded employees from the Department of Innovation and Technology.

Internal Organization

The Board is organized functionally into the following program areas:

Audit and Financial Analysis – Reviews all financial aspects of operator, occupational, and supplier applications; performs annual audits on various aspects of licensee operations; creates, reviews, and ensures compliance with internal controls and financial reporting requirements; and coordinates activities and reviews reports from independent financial auditors and internal auditors.

Enforcement – Monitors the integrity and safety of casino gambling operations through sworn Gaming Agents assigned to be present at licensed casinos whenever gambling is conducted; and also monitors the integrity and safety of sports wagering and video gaming operations.

Finance and Administration – Collects, deposits and transfers, as required by law, all gambling taxes and fees, fines and penalties; develops and distributes reports; and coordinates support services, including annual budget process, accounting, personnel and data processing.

Investigations – In order to ensure the integrity of the casino gambling, video gaming and sports wagering industries in Illinois, sworn Gaming Agents in the investigations division conducts background investigations on all license applicants and key persons, as well as for all Board employees and contractors. Investigations Agents also conduct criminal and regulatory law enforcement investigations of gaming statutory and rules violations by licensees, applicants and patrons. Along with the enforcement division, the investigations division coordinates and partners with other federal, state and local law enforcement and regulatory agencies as appropriate.

State of Illinois
Illinois Gaming Board
Analysis of Operations (Not Examined)
For the Two Years Ended June 30, 2020

Legal – Provides general and specific legal advice to Board members, the Administrator and staff on implementation of the Illinois Gambling Act, Video Gaming Act and Sports Wagering Act; drafts legislation, polices and rules; draft and prosecutes disciplinary complaints against Board Licensees; consults with outside attorneys, the public, and the media on legal issues; and represents the Board in hearings and other legal proceedings.

Other functions reporting to the Administrator include the Self-Exclusion Program; Internal Controls; Public Information; Legislative Services; Human Resources; Information Technology; and Diversity, Equity and Inclusion initiatives and programs.

Strategic Planning & Monitoring

Program Goals:

Objectives:

1. Ensure fair gaming in a safe environment.
2. Maintain the integrity of the tax and fee payment, collection and distribution process.
3. Ensure that individuals and entities engaged in casino gambling, video gaming and sports wagering are suitable.
4. Effectively maintain the self-exclusion program, which allows individuals with gambling problems to ban themselves from all Illinois casinos and sports wagering operations.

The Board is committed to its mission and has established a strategic plan to help achieve its objectives. The Board's specific goals, objectives and performance measures are developed every year and discussed on an ongoing basis among Board Members, the Administrator and Board Staff. The Board is required to meet once per quarter during each fiscal year and it typically meets once every four to eight weeks.

The Board meets to make decisions on adjudicatory cases and regulatory matters under its authority. Among other items, the Board often makes licensing decisions on upwards of 500 license applicants per meeting, and votes on whether to grant requests for hearing and on adopting administrative rules. Board meetings are also an opportunity for the Administrator to provide updates to the gaming industry and the general public about agency initiatives, regulatory matters and other pertinent information. Board meetings also consist of discussing pertinent issues and reviewing important performance documents such as monthly gaming summaries, audit and financial summaries, revenue and expenditure summaries, annual updates of licensees, and major transactions.

Illinois Gaming Board of the State of Illinois

Analysis of Significant Variations in Expenditures (Not Examined) For the Years Ended June 30, 2020 and 2019

The following is a summary of explanations for significant variations in expenditures. Variations between fiscal years are considered significant if greater than 20 percent and \$5,000.

Analysis of Significant Variations in Expenditures Between Fiscal Years 2020 and 2019

General Revenue Fund (001)

Unpaid Wage Increases

The decrease was due to the appropriation established to pay previously frozen AFSCME step increases and related interest in fiscal year 2019. There was not a similar expenditure in fiscal year 2020.

State Gaming Fund (129)

Operation of Auto

The decrease was due to the global pandemic and gaming operations were suspended for more than 100 days in fiscal year 2020. Vehicle operating costs typically associated with inspections, investigations and other administrative duties were reduced in fiscal year 2020 as a result.

Admissions & Wagering Tax

The decrease was due to the global pandemic and gaming operations were suspended for more than 100 days in fiscal year 2020. As a result, casino admissions and related wagering tax was significantly reduced and ultimately led to less money being distributed to the units of local government.

Refunds

The decrease was due to the Board having three refunds to different casinos for \$5,000 each during fiscal year 2019. There were no large refunds to casinos in fiscal year 2020.

Analysis of Significant Variations in Expenditures Between Fiscal Years 2019 and 2018

State Gaming Fund (129)

Contractual Services

The increase was due to a legal settlement for \$101,000 and related attorney fees for \$38,000 in fiscal year 2019. Similar expenses were not incurred during fiscal year 2018.

Commodities

The increase in fiscal year 2019 was due to overall higher commodity purchases compared to fiscal year 2018. There were no individually significant purchases.

Illinois Gaming Board of the State of Illinois

Analysis of Significant Variations in Expenditures (Not Examined) For the Years Ended June 30, 2020 and 2019

Equipment

The increase in fiscal year 2019 was due to \$7,400 of new body armor purchased for replacements for most agents. There were no such individually significant purchases in fiscal year 2018.

EDP

The increase in fiscal year 2019 was due to additional Information Technology employees. In fiscal year 2019 there was approximately 1.5 additional headcount as compared to the average for fiscal year 2018. The increase was approximately \$280,000 in additional salaries and benefits.

Refunds

The increase was due to the Board having three refunds to different casinos for \$5,000 each during fiscal year 2019. There were no large refunds to casinos in fiscal year 2018.

**Illinois Gaming Board
of the State of Illinois**
Analysis of Significant Variations in Receipts (Not Examined)
For the Years Ended June 30, 2020 and 2019

The following is a summary of explanations for significant variations in receipts. Variations between fiscal years are considered significant if greater than \$100,000 and 15 percent.

Analysis of Significant Variations in Receipts Between Fiscal Years 2020 and 2019

Education Assistance Fund (007)

Civil Penalties

The decrease was due to civil penalties that are collected when a Casino, Sports Wagering or Video Gaming licensee has been issued a disciplinary complaint for violating the Illinois Gambling Act, the Sports Wagering Act or the Video Gaming Act. These disciplinary complaints are issued by our Administrator when a violation occurs. The amounts collected will vary based on the types of complaints issued and the amount of the fine.

State Gaming Fund (129)

Admission and Gambling Tax

The decrease in the Admission Boat & Gambling Tax for fiscal year 2020 can primarily be attributed to the COVID-19 pandemic. Due to the pandemic, gambling operations were suspended from March 16, 2020 to June 30, 2020. No admission taxes were collected during this time period.

Casino Wagering Tax

The decrease in the Riverboat Wagering Tax was due to the COVID-19 pandemic. Due to casino gambling operations being suspended from March 16, 2020 to June 30, 2020, no wagering taxes were collected during this time. Another contributing factor was the legislative change that affected the calculation of Adjusted Gross Receipts. Effective 1/1/20, AGR no longer included redeemed non-cashable vouchers, coupons and electronic promotions (up to 20% of AGR). Because of this change, the total AGR was reduced, causing less wagering taxes to be collected.

Occupational License Fees

The decrease in Occupational License Fees was attributed to the COVID-19 pandemic. Because gambling operations were suspended from March 16, 2020 to June 30, 2020, billing for occupational fees during this period was also suspended. The casinos were subsequently billed for April, May and June once gaming operations resumed in July.

Casino Owner License Fees

The increase in Casino Owner License fees was due to a legislative change. Effective July 1, 2019, the license fee for Casino Owners increased from \$5,000/annually to \$250,000/renewal (every 4 years). This change in the amount led to the increase in collections.

Illinois Gaming Board of the State of Illinois

Analysis of Significant Variations in Receipts (Not Examined) For the Years Ended June 30, 2020 and 2019

Miscellaneous

The decrease was due to the Board receiving a large refund for previously paid payroll taxes in the amount of \$866,000 in fiscal year 2019. The nature of this refund was a one-time event during that fiscal year. The miscellaneous account is used to deposit several types of payments – jury duty payments, uncashed checks, reimbursements, etc.

Analysis of Significant Variations in Receipts Between Fiscal Years 2019 and 2018

Education Assistance Fund (007)

Civil Penalties

The decrease was due to civil penalties that are collected when a Casino, Sports Wagering or Video Gaming licensee has been issued a disciplinary complaint for violating the Illinois Gambling Act, the Sports Wagering Act or the Video Gaming Act. These disciplinary complaints are issued by our Administrator when a violation occurs. The amounts collected will vary based on the types of complaints issued and the amount of the fine.

State Gaming Fund (129)

Video Gaming Application Fees

The increase in the Video Gaming Application fees was due to a legislative change. Effective 12/14/18, establishment applicants had to pay a \$100 non-refundable application fee (prior to this, there was no application fee).

Miscellaneous

The increase was due to the Board receiving a large refund for previously paid payroll taxes in the amount of \$866,000 in fiscal year 2019. The nature of this refund was a one-time event during that fiscal year. The miscellaneous account is used to deposit several types of payments – jury duty payments, uncashed checks, reimbursements, etc.

State of Illinois
Illinois Gaming Board
Analysis of Significant Variations in Lapse Period Spending
For the Two Years Ended June 30, 2020 (Not Examined)

The following is a summary of explanations for significant lapse period spending. Lapse period spending was considered significant if 20 percent or greater of total expenditures for the fiscal year occurred during lapse period.

FISCAL YEAR 2020

The Board did not have any significant Lapse Period spending.

FISCAL YEAR 2019

General Revenue Fund (001)

The significant Lapse Period spending was due to 100% of the unpaid wage increases were paid during the lapse period for fiscal year 2019. The agreement that dictated these payments occurred during that timeframe and therefore drove when the payments were made.

State Gaming Fund (129)

The significant Lapse Period spending was due to 100% of the refunds were paid during the lapse period for fiscal year 2019. These were all paid in that time period due to the timing of overpayments.

State of Illinois
Illinois Gaming Board
Average Number of Employees (Not Examined)
For the Years Ended June 30, 2020, 2019, and 2018

The following table, prepared from Board records, presents the average number of employees by position, for the Fiscal Year ended June 30, 2020, 2019, and 2018.

Position	2018	2019	2020
Officials / Managers	36	25	23
Professionals	93	107	114
Para-Professionals	13	14	15
Office / Clerical	<u>3</u>	<u>4</u>	<u>3</u>
Total	<u>145</u>	<u>150</u>	<u>155</u>

Note: In addition to the average number of employees for the Board noted above, the Board also pays the related salaries and expenses for approximately 74 Illinois State Police personnel through an interagency agreement.

State of Illinois
Illinois Gaming Board
Analysis of Overtime (Not Examined)
For the Years Ended June 30, 2020 and 2019

	2020	2019
Operational Division		
Administrative Services		
Overtime hours paid / compensatory hours granted	<u>1,544</u>	<u>561</u>
Total	<u>1,554</u>	<u>561</u>
Value of overtime hours paid	\$ 35,061	\$ 24,258
Value of compensatory hours granted	<u>41,455</u>	<u>9,485</u>
Total costs	<u>\$ 76,516</u>	<u>\$ 33,743</u>
Enforcement and Investigations		
Overtime hours paid / compensatory hours granted	<u>7,680</u>	<u>11,362</u>
Total	<u>7,680</u>	<u>11,362</u>
Value of overtime hours paid	\$ 418,420	\$ 654,205
Value of compensatory hours granted	<u>143,613</u>	<u>101,323</u>
Total costs	<u>\$ 562,033</u>	<u>\$ 755,528</u>
Grand Total – Entire Board		
Overtime hours paid / compensatory hours granted	<u>9,234</u>	<u>11,923</u>
Total	<u>9,234</u>	<u>11,923</u>
Value of overtime hours paid	\$ 453,481	\$ 678,463
Value of compensatory hours granted	<u>185,068</u>	<u>110,808</u>
Total costs	<u>\$ 638,549</u>	<u>\$ 789,271</u>