



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS GAMING BOARD

**FINANCIAL AUDIT OF THE STATE GAMING
FUND**

For the Year Ended: June 30, 2013

Release Date: March 13, 2014

Summary of Findings:

Total this audit:	2
Total last audit:	4
Repeated from last audit:	2

SYNOPSIS

- The Board failed to exercise adequate internal control over financial reporting, resulting in errors within the State Gaming Fund's year-end reporting package and draft financial statements.
- The Board did not exercise adequate control over the calculation of its transfers to the Education Assistance Fund from the State Gaming Fund.

{Financial data is summarized on the reverse page.

ILLINOIS GAMING BOARD
FINANCIAL AUDIT - STATE GAMING FUND (129)
For the Year Ended June 30, 2013

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (in thousands)	2013	2012
Revenues		
Riverboat taxes.....	\$ 593,982	\$ 489,289
Licenses and fees.....	2,742	1,829
Other.....	1	2
Total revenues.....	<u>596,725</u>	<u>\$ 491,120</u>
Expenditures		
Public protection and justice.....	36,476	\$ 43,525
Intergovernmental.....	103,556	106,281
Health and social services.....	862	898
Total expenditures.....	<u>140,894</u>	<u>\$ 150,704</u>
Other sources (uses) of financial resources		
Transfers-out to Education Assistance Fund.....	<u>(455,831)</u>	<u>\$ (340,416)</u>
Change in fund balance.....	<u>\$ -</u>	<u>\$ -</u>
BALANCE SHEET (in thousands)	2013	2012
Assets		
Cash equity with State Treasurer.....	\$ 170,473	\$ 104,156
Taxes and other receivables, net.....	7,424	5,840
Total assets.....	<u>\$ 177,897</u>	<u>\$ 109,996</u>
Liabilities		
Accounts payable and accrued liabilities.....	\$ 1,036	\$ 1,310
Intergovernmental payables.....	11,164	12,235
Due to other State fiduciary funds.....	259	200
Due to other Board and State funds.....	163,838	88,380
Due to component units.....	1,600	7,871
Total liabilities.....	<u>177,897</u>	<u>109,996</u>
Committed Fund Balance.....	<u>\$ -</u>	<u>\$ -</u>
BOARD ADMINISTRATOR		
During the Audit Period and Currently: Mr. Mark Ostrowski		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO IMPROVE CONTROLS OVER FINANCIAL
REPORTING**

**Lack of internal controls over
financial reporting**

The Board did not exercise adequate internal control over financial reporting, resulting in inaccuracies and errors within the State Gaming Fund's (Fund) year-end Generally Accepted Accounting Principles (GAAP) reporting package submitted to the Office of the State Comptroller (Comptroller) and the Fund's draft financial statements.

During the audit of the June 30, 2013, Fund financial statements, the auditors noted the Board reported material overstatements/understatements in a majority of the Fund's transaction classes. These misstatements resulted from multiple errors in accounting which should have been identified by Board management during its review of the Fund's GAAP Package and its underlying support prior to its submission to the Comptroller. The conditions we noted follow:

**Inaccurate calculation of cash
deposits**

- The Board did not exercise adequate cash cut-off controls to ensure fiscal year-end cash collections deposited into the State Treasury were properly recorded. The auditors noted the Board calculated its cash-in-transit amount by duplicating and then rounding its accounts receivable amounts for wagering and admission taxes. The Board also did not include cash received prior to June 30, 2013, in its calculation of cash equity, totaling \$4,552,000.

Misclassification of revenues

- The Board misclassified the prior year and current year accrual journal entries for amounts due to the Horse Racing Equity Fund. The prior year decrease in revenue was originally accrued to License and Fees instead of to Riverboat Taxes. Conversely, the current year decrease in revenue was originally accrued to Riverboat Taxes instead of to Licenses and Fees. In addition, the Board incorrectly classified \$5,000 in Licenses and Fees as Riverboat Taxes in its records.

**Misclassification of expenditures and
liabilities**

- The Board overstated the current year liability due to Chicago State University by \$6,600,000, duplicated an accrual of \$64,000 in expenditures due to the Illinois State Police, misclassified \$4,000 in Court of Claim expenditures and did not calculate \$192,000 worth of expenditures correctly.
- The Board did not consider prior year auditor adjustments, totaling \$5,929,000, in its calculation of

PY auditor adjustments not considered

the Fund's FY13 revenues, expenditures and transfers-out totals.

Inadequate note disclosure

- The Board did not include the Fund's Current or Future Adoption of GASB Pronouncements in the Fund's draft financial statement disclosure notes. (Finding 1, pages 17-20)

We recommended the Board work with Shared Services to implement procedures and cross-training measures to ensure the Fund's GAAP Package and financial statements are accurate and fairly presented in accordance with generally accepted accounting principles. Furthermore, the Board should implement procedures to ensure the Fund's GAAP Package and financial statements are adequately reviewed prior to submission to the Comptroller.

Board concurs with auditors

Board officials agreed with the recommendation and indicated they will work toward implementing policies and procedures to ensure the Fund's GAAP Package and financial statements are accurate and fairly presented, and adequately reviewed prior to submission to the Comptroller.

NEED TO IMPROVE CONTROLS OVER FUND TRANSFERS

The Board did not exercise adequate internal control over the calculation of its transfers to the Education Assistance Fund (EAF) from the State Gaming Fund (SGF).

During testing of the Board's bi-monthly transfers, we noted:

Calculation errors noted for transfers to the Education Assistance Fund from the State Gaming Fund

- The Board did not include all receipts received and deposited into the SGF as of the date the transfer was calculated.
- The Board did not ensure all previous SGF transfer obligations to the EAF were included as of the date the transfer was calculated.
- The Board did not include all outstanding obligations for admission and wagering taxes due to local governments as of the date the transfer was calculated.
- The Board's EAF Transfer Methodology lacks information that the Board should use in its calculation for the semi-monthly available funds calculation. The methodology did not include a line subtraction for the 2% obligation totals due each period to Cook County. (Finding 2, pages 21-22)

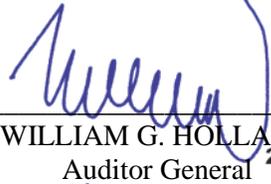
We recommended the Board implement internal controls to timely prepare and accurately calculate transfers of excess cash resources from the SGF to the EAF.

Board concurs with auditors

Board officials agreed with the recommendation and stated procedures are in the process of being revised to strengthen controls regarding the fund transfers.

AUDITORS' OPINION

Our auditors stated the State Gaming Fund Financial Statements of the Illinois Gaming Board as of and for the year ended June 30, 2013 are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General²

WGH:JV

AUDITORS ASSIGNED

The financial audit was performed by the Office of the Auditor General's staff.