

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
For the Two Years Ended June 30, 2014

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STATE OF ILLINOIS
ILLINOIS GAMING BOARD
For the Two Years Ended June 30, 2014

BOARD OFFICIALS

Chairman	Donald Tracy (2/2/15 - Present) Vacant (1/13/15 - 2/1/15) Judge Aaron Jaffe (7/1/12 - 1/12/15)
Board member	Lee Gould (7/1/12 - Present)
Board member	Thomas Dunn (2/2/15 - Present) Vacant (1/13/15 - 2/1/15) Michael Holewinski (10/24/11 - 1/12/15)
Board member	Vacant (7/2/14 - Present) Marybeth Vander Weele (7/1/12 - 7/1/14)
Board member	Hector Alejandre (3/30/15 – Present) Vacant (1/13/15 – 3/29/15) Michael Latz (1/6/15 - 1/12/15) Vacant (7/1/12 - 1/5/15)
Administrator	Mark Ostrowski
General Counsel	James Pllum - Acting (5/8/15 - Present) Emily Mattison (3/8/13 - 5/7/15) Vacant (11/16/12 - 3/7/13) Lynn Carter (7/1/12 - 11/15/12)
Deputy General Counsel	Vacant (3/8/13 - Present) Emily Mattison (7/1/12 - 3/7/13)
Deputy Administrators:	
Enforcement	Isaiah Vega (3/17/14 - Present) Rancifer Robinson (8/4/12 - 3/17/14) Patrick Kimes (7/1/12 - 08/3/12)
Finance and Administration	Vacant (11/4/13 - Present) Kathy Spain (7/1/12 - 11/3/13)
Investigations	Scott Deubel
Audit and Financial Analysis	Douglas Bybee
Chief Fiscal Officer	Mark Lewis

Board Offices are located at:

801 South 7 th Street Suite 400 – South Springfield, IL 62794	160 North LaSalle Street Suite 300 Chicago, IL 60601	9511 West Harrison Des Plaines, IL 60016	8151 West 183 rd Street Tinley Park, IL 60487
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ILLINOIS GAMING BOARD

Bruce Rauner • Governor Don Tracy • Chairman Mark Ostrowski • Administrator

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

May 13, 2015

Honorable William G. Holland
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash
Springfield, IL 62703-3154

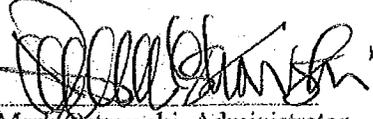
Dear Mr. Holland:

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 (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 Board's compliance with the following assertions during the two-year period ended June 30, 2014. Based on this evaluation, we assert that during the years ended June 30, 2014 and June 30, 2013, the Board has materially complied with the assertions below.

- 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.

Yours truly,

Illinois Gaming Board



Mark Ostrowski, Administrator



Mark Lewis, Chief Fiscal Officer



James Pellum, Acting General Counsel

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with 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 or disclaimers, but does contain a qualified opinion on compliance and a material weakness over internal control.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	15	12
Repeated findings	8	1
Prior recommendations implemented or not repeated	4	7

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)			
2014-001	12	Inadequate Internal Controls over Video Gaming Terminal Licenses	Significant Deficiency Noncompliance
2014-002	15	Inadequate Controls over Fund Transfers	Significant Deficiency
FINDINGS (<i>STATE COMPLIANCE</i>)			
2014-003	17	Internal Control Reviews of External Service Providers Not Obtained or Performed	Material Weakness Material Noncompliance
2014-004	19	Inconsistent Provisions of the Riverboat Gambling Act	Significant Deficiency

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

2014-005	21	Lack of Formalized Change Management Standard	Significant Deficiency Noncompliance
2014-006	23	Inadequate Recording and Reporting of Property	Significant Deficiency Noncompliance
2014-007	25	Failure to Adopt Rules Concerning Undue Economic Concentration	Significant Deficiency Noncompliance
2014-008	26	Inadequate Controls over Performance Evaluations	Significant Deficiency Noncompliance
2014-009	27	Failure to Adopt Formal Timesheet Policy	Significant Deficiency Noncompliance
2014-010	29	Inadequate Controls over Overtime Worked	Significant Deficiency Noncompliance
2014-011	30	Inadequate Controls over Agency Workforce Reports	Significant Deficiency Noncompliance
2014-012	32	Weaknesses Regarding the Security and Control of Confidential Information	Significant Deficiency Noncompliance
2014-013	34	Lack of disaster recovery planning and testing to ensure recovery of computer applications and data	Significant Deficiency Noncompliance
2014-014	36	Lack of Required Board Members	Noncompliance
2014-015	37	Noncompliance with the Open Meetings Act	Significant Deficiency Noncompliance

In addition, the following findings which are reported as current findings and questioned costs relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

2014-001	12	Inadequate Internal Controls over Video Gaming Terminal Licenses	Significant Deficiency Material Noncompliance
2014-002	15	Inadequate Controls over Fund Transfers	Significant Deficiency Noncompliance

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

PRIOR FINDINGS NOT REPEATED

A	39	Inadequate Control over Financial Reporting
B	39	Noncompliance with Statutory Payment Requirements
C	39	Failure to Ensure Employees are Licensed and Properly Insured
D	40	Failure to Comply with the Identity Protection Act

EXIT CONFERENCE

The Board waived an exit conference in correspondence dated April 28, 2015. Responses to the recommendations were provided by Mark Lewis, Chief Fiscal Officer, in correspondence dated May 13, 2015.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

And

The Board Members of the
Illinois Gaming Board

Compliance

We have examined the State of Illinois, Illinois Gaming Board's compliance with the 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, 2014. The management of the State of Illinois, Illinois Gaming Board is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Gaming Board's compliance based on our examination.

- A. The State of Illinois, 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 State of Illinois, 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 State of Illinois, 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 State of Illinois, 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 State of Illinois, Illinois Gaming Board on behalf of the State or held in trust by the State of Illinois, Illinois Gaming 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Illinois Gaming Board's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Gaming Board compliance with specified requirements.

As described in items 2014-001 and 2014-003 in the accompanying schedule of findings, the State of Illinois, Illinois Gaming Board did not comply with requirements regarding:

- C. The State of Illinois, 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 State of Illinois, 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.

Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Gaming Board to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Illinois Gaming Board complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2014. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2014-002, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, 2014-010, 2014-011, 2014-012, 2014-013, 2014-014, and 2014-015.

Internal Control

Management of the State of Illinois, Illinois Gaming Board is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State

of Illinois, Illinois Gaming Board's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Gaming Board's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Gaming Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as item 2014-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2014-001, 2014-002, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, 2014-010, 2014-011, 2014-012, 2014-013, and 2014-015 to be significant deficiencies.

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

The State of Illinois, Illinois Gaming Board's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Illinois Gaming Board's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary

information for the years ended June 30, 2014 and June 30, 2013 in Schedules 1 through 8 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2014 and June 30, 2013 accompanying supplementary information in Schedules 1 through 8. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2012 accompanying supplementary information in Schedules 3 through 7 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

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



BRUCE L. BULLARD, CPA

Director of Financial and Compliance Audits

Springfield, Illinois

May 13, 2015

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

And

The Board Members of the
Illinois Gaming Board

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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Gaming Board's internal control over financial reporting (internal control) of the State Gaming Fund 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 State of Illinois, Illinois Gaming Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Gaming 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, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Gaming Board, State Gaming Fund's financial statements 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as item 2014-001.

State of Illinois, Illinois Gaming Board's Response to Findings

The State of Illinois, Illinois Gaming Board's responses to the findings identified in our audit are described in the accompanying schedule of findings. The State of Illinois, Illinois Gaming Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 State of Illinois, Illinois Gaming Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Gaming Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRUCE L. BULLARD, CPA

Director of Financial and Compliance Audits

Springfield, Illinois

January 28, 2015

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS
GOVERNMENT AUDITING STANDARDS
For the Two Years Ended June 30, 2014

2014-001. **FINDING** (Inadequate Internal Controls over Video Gaming Terminal Licenses)

The Illinois Gaming Board (Board) did not develop adequate internal controls over the billing of Video Gaming Terminal (VGT) Licenses. As a result, the Board did not have a sufficient process in place to ensure proper revenue recognition relating to VGT Licenses when preparing the State Gaming Fund's (Fund) year-end reporting package submitted to the Office of the State Comptroller (Comptroller) and the Fund's draft financial statements.

The Board is mandated by the Video Gaming Act (Act) (230 ILCS 40/45(g)(7)) to establish and collect an annual fee of \$100 for each VGT licensed by the Board. The Board procedures are to bill for VGT License "initial" fees at the end of the month once the device has been associated with a Terminal Operator. VGT License "renewal" fees are billed the month prior to annual date of its "initial" fee.

During testing, the auditors noted the following weaknesses:

- The Board did not develop adequate internal policies and procedures to ensure the timely billing of VGT Licenses during the audit period.
- The Board did not have an adequate mechanism in place from October 2012 to May 2013 to ensure the timely billing of VGT License "initial" fees. Auditors noted that while "initial" bills were sent out during the months from October 2012 to May 2013, there were instances in which bills were sent out up to four month after the timeframe they should have been. In May 2013, the Board implemented the Request to Transport (RTT) System which improved the timeliness in billing for "initial" fees. According to Board personnel, the RTT System is an extension of the Video Gaming Device Inventory (VGDI) System that was developed to track the large number of device movements within Illinois and to assist with the inventory of each device at all the Distributor, Terminal Operator and Licensed locations throughout Illinois. Prior to the RTT System, the data in VGDI was manually entered from paper documentation and prone to error. Therefore, it was decided by Board management to delay the billing of the VGT Licenses until it could verify the accuracy of the information entered into VGDI.
- The Board delayed billing for May 2013 "initial" fees until September 2013. May 2013 "initial" fees would have needed to be billed in June 2013. According to Board personnel this was the result of the Board putting the RTT System into production during May 2013.

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SCHEDULE OF FINDINGS
GOVERNMENT AUDITING STANDARDS
For the Two Years Ended June 30, 2014

- The Board did not begin billing for “renewal” fees until Dec 2013/Jan 2014. Video gaming went live on October 9, 2012; therefore, some renewals would have needed to be billed in October and November of 2013.
- The Board delayed billing for May 2014 “initial” fees until July 2014. May 2014 “initial” fees would have needed to be billed in June 2014.
- The Board did not accrue for “initial” fees in June 2013 or June 2014 until July 2013 and July 2014, respectively. Therefore, the “initial” fees that were earned at the end of each fiscal year did not get recorded on the Fund's financial statements.
- As a result of the delayed billings and certain improper recording of “initial” fees mentioned above, the Board did not accurately record \$238,000 and \$191,000 in License and Fees revenue in the Fund’s FY13 and FY14 financial statements, respectively. The Board did not correct the Fund’s financial statements for the respective amounts as they were deemed immaterial to the financial statements taken as a whole. The lack of correction by the Board did not result in a modification to our opinion on the Fund financial statements.

The Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements*, requires revenues to be recognized in the accounting period in which they become susceptible to accrual when they become both measurable and available to finance expenditures of the fiscal period. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In accordance with this guidance, the Board should establish procedures and controls that govern which VGT Licenses are included or excluded from revenues for financial reporting purposes.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over State resources. All relevant data should be reviewed on an ongoing basis in connection with GAAP reporting to ensure the data and assumptions used to recognize revenue are current, reasonable and accurate.

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SCHEDULE OF FINDINGS
GOVERNMENT AUDITING STANDARDS
For the Two Years Ended June 30, 2014

Board management stated they attribute these errors to the decision to delay VGT billing until a process could be thoroughly tested and implemented to ensure accurate and timely billing of VGT fees.

Failure to establish adequate internal controls and develop appropriate rules could result in material financial reporting errors and limits the ability of the Board's management to monitor the Board's activities. In addition, the establishment of formal business rules provides a basis for the proper and consistent accounting of the essential transactions of the Board. (Finding Code No. 2014-001)

RECOMMENDATION

We recommend the Board develop and implement adequate policies and procedures governing the billing of VGT Licenses. These policies and procedures should include a process to ensure proper revenue recognition relating to VGT Licenses is completed when preparing the Fund's year-end reporting package and financial statements.

BOARD RESPONSE

The Board agrees with the recommendation and is in the process of documenting policies and procedures that will include proper revenue recognition.

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ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS
GOVERNMENT AUDITING STANDARDS
For the Two Years Ended June 30, 2014

2014-002. **FINDING** (Inadequate Controls over Fund Transfers)

The Illinois Gaming Board (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).

The Riverboat Gambling Act (230 ILCS 10/13(d)) requires the Board to transfer the SGF's excess cash resources to the EAF. The Board utilizes a cash-basis methodology. As of the calculation date for a potential fund transfer, the Board transfers the difference between the SGF's cash balance and any outstanding obligations of the SGF to the EAF. Outstanding obligations include admission and wagering taxes due to each riverboat casinos' local government, tenth casino licensee obligations to Cook County, the annual Chicago State University Education Improvement Fund transfer and the monthly School Infrastructure Fund transfers. Further, the Board's internal procedures require monthly transfers from the SGF to the EAF to provide a timely flow of cash resources into the EAF.

During testing, the auditors noted the following:

- For 10 of 12 (83%) monthly transfers made, the Board inaccurately double counted the \$5,530,000 liability to the School Infrastructure Fund in accordance with the Board's EAF Transfer Methodology.
- For 1 of 12 (8%) monthly transfers made, the Board incorrectly included a receipt of \$10,000,000 that was deposited in the General Revenue Fund as part of its transfer calculation from the SGF.
- The Board has not updated its Administrative Directive (86 Ill. Admin. Code 3000) to agree with changes brought forth by P.A. 098-0018. Specifically, Section 3000.1071(q) has not been updated to include obligations to the Chicago State University Education Improvement Fund or the School Infrastructure Fund as required by the Riverboat Gambling Act (230 ILCS 10/13 (c-25) and (c-35)).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance transfers of assets and resources are properly recorded and accounted for to maintain accountability over the State's resources.

STATE OF ILLINOIS
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SCHEDULE OF FINDINGS
GOVERNMENT AUDITING STANDARDS
For the Two Years Ended June 30, 2014

Board management stated these errors were primarily due to a misunderstanding by staff and a deficiency in the established procedures. Staff has been retrained on the transfer process and procedures have been updated accordingly.

Failure to exercise adequate internal control over transfers from the SGF to the EAF impacts the timing and amount of cash flow available to pay appropriated obligations of the EAF and represents noncompliance with the Act and the Fiscal Control and Internal Auditing Act. (Finding Code No. 2014-002, 2013-002, 12-3)

RECOMMENDATION

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

BOARD RESPONSE

The Board agrees with the recommendation and had already adjusted their process at the beginning of FY15 to accurately calculate the transfer of funds to the EAF.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS
STATE COMPLIANCE

For the Two Years Ended June 30, 2014

2014-003. **FINDING** (Internal Control Reviews of External Service Providers Not Obtained or Performed)

The Illinois Gaming Board (Board) did not obtain or perform internal control reviews of external service providers used to process video gaming revenue and casino staff finger prints.

The Board utilizes an external service provider to design, develop, implement, operate, maintain and support the secure communication of approximately 60,000 video gaming terminals across the State. However, the Board had not obtained a Service Organization Internal Control Report or conducted an internal control review over the secure communication. The Board received approximately \$29,347,064 and \$137,335,925 in FY13 and FY14, respectively in video gaming revenue.

In addition, the Board utilizes a vendor to obtain and transmit potential casino employees and Board employee's annual background checks, via finger print match with various State and Federal databases. However, the Board had not obtained a Service Organization Internal Control Report or conducted an internal control review of this vendor.

Board management stated that they have ordered a Service Organization Internal Control Report from the vendor, but has not received it as of yet.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources. In addition, generally accepted information technology guidance endorses the review and assessment of internal controls related to security of systems and data, including outsourced information systems or operations controlled by external parties.

Lack of independent reviews of internal controls associated with outsourced system or operations could result in internal control weaknesses which could impact the reliability and security of critical systems and confidential data maintained by the Board. (Finding Code No. 2014-003)

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RECOMMENDATION

We recommend the Board obtain or perform independent reviews of internal controls associated with outsourced systems or operations at least annually.

BOARD RESPONSE

The Board agrees with the recommendation. The Board has obtained an internal control review from the vendor related to video gaming revenues. The Board did not seek a review from the vendor related to finger prints, as the Board was in the process of contracting with a new vendor.

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2014-004. **FINDING** (Inconsistent Provisions of the Riverboat Gambling Act)

The Illinois Gaming Board (Board) was unable to resolve conflicting provisions of the Riverboat Gambling Act (Act) which resulted from the passage of Public Act 098-0018.

During FY13, the Illinois General Assembly passed and the Governor signed Public Act 098-0018, which instructed the Board to pay out amounts which the Board had previously accrued. The amended language of the Act due to Public Act 098-0018, specifically sections (230 ILCS 10/13(c-5)) and (230 ILCS 10/13(c-30)), leaves ambiguity as to the future actions the Board should take with regards to the Horse Racing Equity Fund.

Public Act 098-0018 did not remove or otherwise amend section c-5 of the Act which requires an amount equal to 15% of the adjusted gross receipts of an owners licensee conducting riverboat gambling operations pursuant to an owners license that is initially issued after June 25, 1999 to be paid from the State Gaming Fund into the Horse Racing Equity Fund. The Rivers Casino in Des Plaines is such a licensee, and section c-5 of the Act appears to require the continued accrual of the 15% of adjusted gross receipts from the Rivers Casino for payment into the Horse Racing Equity Fund.

Public Act 098-0018 did, however, require the Board to transfer \$23,000,000 from the State Gaming Fund to the Horse Racing Equity Fund.

The Board, through 1) discussion with Senate Democratic Staff regarding the intent of Public Act 098-0018, 2) direction from the Governor's Office of Management and Budget, and 3) review of memorandum of understanding signed by the key stakeholders from the Illinois horse racing industry, determined that the payments made pursuant to section c-30 of the Act replaced all prior and future obligations to the Horse Racing Equity Fund established by section c-5.

As a result of the ambiguous language, the Board has not paid obligations accrued after the passing of Public Act 098-0018 totaling \$63,223,679 as of June 30, 2014 to the Horse Racing Equity Fund.

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After reviewing the Act, Public Act 098-0018, the memorandum of understanding, and legislative transcripts related to SB1884, which passed into law as Public Act 098-0018, the auditors determined, with reservations, that the position taken by the Board was reasonable, but not without problems given potentially conflicting language of section c-5 of the Act and its requirements.

Board management stated they have attempted to get clarification on the ambiguous language resolved but have not been successful.

Failure to seek clarification of ambiguous/conflicting language can result in noncompliance with the Act and create potential legal issues for the State. (Finding Code No. 2014-004)

RECOMMENDATION

We recommend the Board seek legislative remedy to address the ambiguous/conflicting language.

BOARD RESPONSE

The Board agrees there is ambiguous and conflicting language in the Act. The Board did attempt to seek a legislative remedy previously.

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2014-005. **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.

In addition, programmers developing and making changes to applications had access to the production environment and the capability to implement changes.

The Board maintains twenty applications in order to meet their mission of administering and regulating riverboat casino gambling and video gaming in the State.

During our review, we noted the Board had not developed a formal change management process to control modifications to their systems. In the event a change was required, the IT Project Request Form was completed by the requestor and sent to the programmer for completion.

Board management stated that this is their current practice. It is simply not documented as a formal policy.

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 changes to systems could result in unauthorized changes effective data integrity. (Finding Code No. 2014-005, 12-4)

RECOMMENDATION

We recommend the Board implement a structured change management standard to ensure adequate oversight to modifications to existing systems. The standard should include at a minimum:

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

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We also recommend the Board restrict programmer access to all production programs and data. If the Board determines the access may be necessary, the Board should establish and enforce compensating controls to ensure appropriate management oversight.

BOARD RESPONSE

The Board agrees with the recommendation and will put its practices into policy.

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2014-006. **FINDING** (Inadequate Recording and Reporting of Property)

The Illinois Gaming Board (Board) did not maintain sufficient controls over the recording and reporting of its property. During testing, the auditors noted the following:

- Four of 80 (5%) equipment items selected for testing, totaling \$1,605, were shown on the property listing as being located in a different geographical location than they were physically located.
- Eight of 80 (10%) equipment items selected for testing, totaling \$4,665, were not correctly recorded on the Board's property listing to reflect the current assigned/unassigned status.
- The Board did not timely record equipment additions and deletions on its property listing. Specifically, the auditors noted 20 equipment items, totaling \$33,990, were recorded between 4 to 984 days late.
- A gun was included on the Board's property listing for more than two and a half years after it was transferred to another agency. It was also noted by the auditors that the gun was never included as a missing item on the Board's Certifications of Inventory and discrepancy reports that were filed annually with the Department of Central Management Services during the examination period.

The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.400) states that agencies shall adjust property records within 30 days of acquisition, change or deletion of equipment items. In addition, good business practices require that all missing equipment items be reported when a physical inventory is taken, especially when a weapon is involved.

- During testing of the Agency Report of State Property (C-15s) accuracy, which is filed with the Office of the State Comptroller, the auditors noted the following deficiencies:
 - Three of the 8 (38%) quarterly C-15 reports tested included errors in reporting additions and/or deletions as transfers-in and/or transfers-out. As a result, the "Net Transfers" column of the three reports was incorrectly stated. The ending balances per the C-15 report were correct despite the errors noted.
 - Footnotes on 5 of the 8 (63%) C-15 reports were not completed correctly. The Board did not include a footnote for "Additions Not Previously Reported," totaling \$1,108 on the 1st quarter Fiscal Year

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2013 C-15. The “Net Transfers-Inter-Agency” footnote was not reported on four of the C-15s tested.

The Statewide Accounting Management Systems (SAMS) Manual (Procedure 29.20.10) presents instructions to follow in preparing the “Agency Report of State Property” (Form C-15), including how to report “additions,” “deletions,” “net transfers,” as well as how to prepare Footnotes of “Net Transfers - Inter-Agency” and Amounts of additions not previously reported.

During the prior examination, the Board stated it would enter equipment timely and accurately, review quarterly reports for accuracy, and ensure property listing include all required information. During the current examination, Board management stated these errors were primarily attributable to human error.

Failure to update property records timely results in noncompliance with the Code. In addition, errors in properly reporting transaction amounts on the C-15’s results in noncompliance with the SAMS Manual and increases the risk of inaccurate information being submitted to the State Comptroller. (Finding Code No. 2014-006, 12-5, 10-5)

RECOMMENDATION

We recommend the Board establish controls over property reporting and implement procedures to ensure:

- Equipment is entered timely and accurately on the property listing; and
- Quarterly reports are reconciled to property listings, reviewed for accuracy and adequate documentation is maintained.

BOARD RESPONSE

The Board agrees with the recommendation and is revising its procedures accordingly.

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2014-007. **FINDING** (Failure to Adopt Rules Concerning Undue Economic Concentration)

The Illinois Gaming Board (Board) did not adopt rules concerning undue economic concentration which should be taken into consideration when approving or denying the operation of video gaming terminals by a terminal operator in a given location.

The Board is required by the Video Gaming Act (Act) (230 ILCS 40/25(i)) to adopt rules concerning undue economic concentration with respect to the operation of video gaming terminals. As a result, the Board could not fully consider the impact of undue economic concentration of such operations of video gaming terminals during the examination period.

Board management stated the Act does not define “undue economic concentration.” This concern is specifically limited to the size of a Terminal Operator’s market share. It is a directive to prohibit any Terminal Operator from assuming an “undue” share of video gaming market. Although, because the Act has no limit to the number of licensees or operational video gaming terminals, the Board is unable to quantify at what point a market share would become “undue.”

Failure to adopt rules concerning undue economic concentration is noncompliance with the Act and lessens the Board’s ability to monitor the video gaming operations and its affect on the citizens of the State of Illinois. (Finding Code No. 2014-007)

RECOMMENDATION

We recommend the Board adopt rules concerning undue economic concentration in order to comply with the Act.

BOARD RESPONSE

The Board agrees with the recommendation, and rules are already proceeding through the Joint Committee on Administrative Rules (JCAR) process.

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2014-008. **FINDING** (Inadequate Controls over Performance Evaluations)

The Illinois Gaming Board (Board) did not conduct employee's performance evaluations in accordance with the Illinois Administrative Code (Code) and the Board's Employee Handbook (Handbook).

During testing, we noted 12 of 40 (30%) personnel files tested did not contain performance evaluations that were completed in a timely manner. The evaluations were completed from 4 to 215 days after the employee's anniversary date.

In addition, we noted 2 of 40 (5%) personnel files tested did not have an evaluation completed during the final month of their probationary period.

The Code (80 Ill. Admin. Code 302.270) and the Handbook require a certified employee 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.

During the prior examination, the Board stated it would continue to be its goal to conduct timely performance evaluations for all certified employees. During the current examination, Board management stated evaluations were not performed due to competing priorities and heavy workloads.

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 the Handbook. (Finding Code No. 2014-008, 12-7)

RECOMMENDATION

We recommend the Board conduct timely annual performance evaluations for all certified employees. We also recommend the Board ensure all probationary evaluations are performed.

BOARD RESPONSE

The Board agrees with the recommendation. It will continue to be Board's goal to conduct timely performance and probationary evaluations for all employees.

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2014-009. **FINDING** (Failure to Adopt Formal Timesheet Policy)

The Illinois Gaming Board (Board) did not comply with the State Officials and Employees Ethics Act (Act) and the Board's Employee Handbook (Handbook) regarding employee timekeeping requirements.

During testing, we noted the Board did not have a policy in place which required all employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour. The Board's timekeeping documentation consisted of sign-in/sign-out sheets, requested time off sheets, leave of absence documents, and other correspondence detailing deviations from scheduled working hours. Although employees were required to record time in when arriving at work and time out when leaving, there was no documentation of time spent on official State business.

Further, as mentioned above, the Board requires employees to sign in and out when they come into and leave work for the day. The auditors tested a sample of 40 employees for a period of 3 months during each of the fiscal years under examination. We noted 5 of 40 (13%) employees selected for testing did not sign-in and/or sign-out during their regular scheduled shift and a leave request was not submitted for the time off.

The 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 Handbook states that any time an employee is absent they are required to complete a Request for Leave form which must be signed by the employee and their supervisor.

During the prior examination, the Board stated they would incorporate its formal timesheet policy into its revised Employee Handbook. During the current examination, Board management stated they were currently working on revising the Employee Handbook to include a comprehensive timesheet policy, but the project has taken longer than originally anticipated.

Failure to have a formal written policy is noncompliance with the Act and increases the risk that payment could be made for services not provided. Also, allowing employees paid leave without providing the required documentation

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could result in payments to individuals not entitled to the benefit and is noncompliance with Board policy. (Finding Code No. 2014-009, 12-6)

RECOMMENDATION

We recommend the Board adopt a formal timesheet policy requiring employees to maintain timesheets in compliance with the Act.

BOARD RESPONSE

The Board agrees with the recommendation and has incorporated its formal timesheet policy into its revised Employee Handbook (currently in Draft form).

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2014-010. **FINDING** (Inadequate Controls over Overtime Worked)

The Illinois Gaming Board (Board) did not comply with the policy for overtime as written in the Board's Employee Handbook (Handbook).

During testing, we noted the following:

- Nineteen of 21 (90%) employees selected for overtime testing did not have overtime approval by a supervisor prior to the overtime being worked.
- One of 21 (5%) employees selected for overtime testing did not have overtime approval forms signed by a supervisor for overtime hours worked.
- One of 21 (5%) employees selected for overtime testing was not paid for overtime hours worked.

The Handbook states employees may be required to work overtime, report before or remain at work after normal work hours, or work on a regularly scheduled day off. Further the Handbook requires employees to secure written approvals from their supervisors prior to working overtime.

Board management stated certain employees received approvals prior to working overtime, however it was verbal rather than in writing.

Failure to maintain adequate documentation for overtime hours worked could result in noncompliance with State and Federal employment laws, rules and regulations. (Finding Code No. 2014-010)

RECOMMENDATION

We recommend the Board implement controls to ensure employee overtime is adequately approved and documented and all amounts are paid properly.

BOARD RESPONSE

The Board agrees with the recommendation and is making changes to its policy.

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2014-011. **FINDING** (Inadequate Controls over Agency Workforce Reports)

The Illinois Gaming Board (Board) did not include complete and accurate information on its FY12 and FY13 Agency Workforce Reports (Report) submitted to the Office of the Governor and the Office of the Secretary of State.

During testing, the auditors noted the following:

- The Board reported amounts on its FY12 and FY13 Reports which did not agree to supporting documentation provided to the auditors.
- The Board inaccurately calculated amounts and percentages reported in its FY12 and FY13 report.
- The Board did not timely submit its FY12 report with the Office of the Secretary of State. The Report was filed 23 days late.

The State Employment Records Act (Act) (5 ILCS 410/15) requires State agencies to collect and maintain information and publish reports, including the total number of persons employed by the agency who are part of the State work force, as defined by the Act, and the number and statistical percentage of women, minorities, and physically disabled persons employed within the agency work force.

The Act (5 ILCS 410/20) also requires State agencies to collect, classify, maintain, and report all information required by the Act on a fiscal year basis. Further, it states agencies shall file, as public information and by January 1 of each year, a copy of all reports required by this Act.

Board management stated the errors were minor in nature and attributable to human error.

Failure to include complete and accurate information on the Board's Reports and submit reports timely could defer efforts by State officials, administrators, and residents to achieve a more diversified State workforce. (Finding Code No. 2014-011)

RECOMMENDATION

We recommend the Board collect and maintain complete information and annually publish accurate Reports. Further, the Board should file corrected reports within 30 days of audit release to the Office of the Secretary of State and the Office of the Governor as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)).

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BOARD RESPONSE

The Board agrees with the recommendation and will file corrected reports.

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2014-012. **FINDING** (Weaknesses Regarding the Security and Control of Confidential Information)

The security and control of confidential information at the Illinois Gaming Board (Board) contained weaknesses.

As part of their responsibilities the Board obtained and stored (electronic and hardcopy) a significant amount of confidential information related to license applications.

Specifically, the Board received:

- Personal Information; social security numbers, driver license numbers, passport data, arrest records, birth certificates, date of birth, addresses;
- Tax Information;
- Banking Information; and
- Background Information.

The hardcopy application and related hardcopy documentation was maintained in a file room. The file room was locked at night and on non-business days; however, it was unlocked during business days.

The Board had not performed a risk assessment of its computing resources to identify confidential or personal information to ensure such information is protected from unauthorized disclosure.

The Board had not installed encryption software on 57 of 82 (70%) laptops tested.

The Board had not developed a Statement of Purpose as required by the Identity Protection Act (5 ILCS 179) and the Board's Policy.

Board management stated a risk assessment has been initiated, but not yet finalized.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

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The Board had the responsibility to ensure that confidential information is protected from accidental or unauthorized disclosure. Policies and procedures help ensure prompt notification of security breaches to all involved parties in an effort to minimize the potential impact and costs resulting from identity thefts. (Finding Code No. 2014-012, 12-12)

RECOMMENDATION

We recommend the Board:

- Perform a comprehensive risk assessment to identify all forms of confidential or personal information and ensure adequate security controls, including adequate physical and logical access restrictions, have been established to safeguard data and resources.
- Ensure confidential information is adequately secured with methods such as encryption or redaction.
- Develop a Statement of Purpose to ensure compliance with the requirements outlined in the Identity Protection Policy (5 ILCS 179).

BOARD RESPONSE

The Board agrees with and has already implemented the auditor's recommendation.

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2014-013. **FINDING** (Lack of disaster recovery planning and testing to ensure recovery of computer applications and data)

The Illinois Gaming Board (Board) had not provided adequate planning for the recovery of its application and data. Additionally, recovery testing of the Board's applications and data had not been performed.

The Board administers and regulates riverboat casino gambling 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 FY13 and FY14, the Board processed over \$608,060,617 and \$670,372,797, respectively, in receipts.

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, and
- Recovery Time Objectives had not been established.

In addition, the Board had not performed testing of the recovery plan.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse 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 stated due to staffing restraints and other pressing needs, improvements have been made to the disaster recovery plan, but it has not been finalized nor tested as of yet.

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Failure to adequately develop and test a disaster recovery plan leaves the Board exposed to the possibility of major disruptions of services. (Finding Code No. 2014-013)

RECOMMENDATION

We recommend the Board update its plan to include key documentation for the recovery of the environment and applications. In addition, the Board should conduct testing to ensure the adequacy of the plan.

BOARD RESPONSE

The Board agrees with the recommendation. The Board will update its Disaster Recovery Plan as necessary, and will plan to test the adequacy of our Plan.

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2014-014. **FINDING** (Lack of Required Board Members)

The Illinois Gaming Board (Board) was not composed of the required number of members as required by the Riverboat Gambling Act (Act) (230 ILCS 10/5(a)(2)).

The Board is required to be comprised of five members per the Act. At June 30, 2014, the Board had four serving members.

Board management stated a Board member resigned effective January 26, 2012.

Board members should be appointed in a timely manner in order to properly formulate the direction and policies of the Board as intended. A full Board is necessary to properly conduct meetings and operate effectively and efficiently. Furthermore, failure of the Board to be comprised of the mandated number of members is in noncompliance with the Act. (Finding Code No. 2014-014, 12-10)

RECOMMENDATION

We recommend the Board work with the Governor's Office to ensure the Board vacancies are filled in a timely manner as required by the Act.

BOARD RESPONSE

230 ILCS 10/5(a)(2) states "The Board shall consist of 5 members to be appointed by the Governor with the advice and consent of the Senate..." As this indicates, the sole responsibility for appointing members to the Illinois Gaming Board lies with the Governor and the Senate, not the Board or staff. Appointments to the Board are out of our control. However, the Board and staff will continue to work with the Governor's Office regarding any vacancies.

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2014-015. **FINDING** (Noncompliance with the Open Meetings Act)

The Illinois Gaming Board (Board) failed to comply with requirements of the Open Meetings Act (Act) during the examination period.

During our examination of four Board members and one designee that were required to complete training, we noted the following:

- Four of 4 (100%) Board members in office during the examination period either did not complete or did not timely complete training over the Open Meeting Act as required by the Act. For the two Board members who completed the training, the trainings were done 418 and 419 days late.

According to the Open Meetings Act (5 ILCS 120/1.05(b)), each elected or appointed member of a public body subject to this Act who is such a member on the effective date of the amendatory Act of the 97th General Assembly must successfully complete the electronic training curriculum developed and administered by the Public Access Counselor. For these members, the training must be completed within one year after the effective date of this amendatory Act.

- The Board did not obtain or retain a copy of the certifications documenting members' successful completion of the electronic training curriculum for one of three (33%) members who completed the training during the examination period.

The Act (5 ILCS 120/1.05(b)) requires each member successfully completing the training curriculum to file a copy of the certificate of completion with the public body for retention.

- The Board did not, at least semi-annually, report in an open session the review of all closed meeting minutes and the determination of the confidentiality status of those minutes. We noted the Board reported on its determination only once during FY13 and once during FY14.

The Act (5 ILCS 120/2.06(d)) requires the Board to periodically, but no less than semi-annually, meet to review minutes of all closed meetings. At that time, a determination should be made, and reported in an open session that (1) the need for confidentiality still exists as to all or part of those minutes or (2) the minutes or portions thereof no longer require confidential treatment and are available for public inspection.

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- Lastly, when reviewing the Board's written records of its open meeting sessions held during the examination period and its audio versions of the same meeting minutes, we noted there were multiple discrepancies regarding the items being discussed.

The Act (5 ILCS 120/2.06(a)) requires the Board to keep written minutes of all its meetings, whether open or closed, which implies that the minutes be accurate.

Board management stated they requested the Board Members timely complete the training and submit the required certificate; however, some members did not comply. In addition, Board management stated the discrepancies noted were related to typographical or procedural errors.

Failure to retain a copy of all certifications of successful completion of the training curriculum, review and report at least semi-annually the confidentiality status of the closed meetings and maintain accurate written records of all meetings held by the Board is noncompliance with the Act. Further, it increases the likelihood that all requirements of the Act will not be met and may subject the Board to unnecessary legal action. (Finding Code No. 2014-015)

RECOMMENDATION

We recommend the Board comply with the requirements of the Open Meetings Act.

BOARD RESPONSE

The Board agrees with the recommendation.

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A. **FINDING** (Inadequate Control over Financial Reporting)

During the prior examination period, the Illinois Gaming Board (Board) did not exercise adequate internal control over financial reporting, resulting in the auditors identifying inaccuracies and errors within the State Gaming Fund's (Fund) year-end reporting package submitted to the Office of the State Comptroller (Comptroller) and the Fund's draft financial statements.

During the current examination period, the Board improved its internal controls over financial reporting. The auditors noted immaterial errors within the Fund's year-end reporting package and draft financial statements which are reported in Finding 2014-001. (Finding Code No. 2013-001, 12-1)

B. **FINDING** (Noncompliance with Statutory Payment Requirements)

During the prior examination period, the Illinois Gaming Board (Board) was unable to comply with the requirements of the Riverboat Gambling Act, resulting in \$66.9 million in excess funds being retained in the State Gaming Fund's (Fund) cash balance at June 30, 2012.

During the current examination period, the General Assembly passed and the Governor signed Public Act 098-0018, which instructed the Board to pay out amounts which the Board had previously accrued. Public Act 098-0018 instructed the Board to distribute the previously accrued funds to additional recipients and in different amounts than those which were originally specified. The payment of the accrued funds is sufficient to keep this issue from being deemed material for Governmental Auditing Standards purposes. However, the auditors noted some of the original statutory provisions for accruals remained in the Riverboat Gambling Act (230 ILCS 10/13(c-5)) creating a potential conflict which is reported in Finding 2014-004. (Finding Code No. 12-2)

C. **FINDING** (Failure to Ensure Employees are Licensed and Properly Insured)

During the prior examination period, the Illinois Gaming Board (Board) did not properly certify license and automotive liability coverage for all employees assigned a State-owned vehicle during the examination period.

During the current examination period, our sample testing results indicated the Board improved its control over properly certifying license and automotive liability coverage of its employees who were assigned a State-owned vehicle. However, our sample testing results indicated an immaterial amount of certifications were not filed or were untimely

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filed. Therefore, these issues will be reported in the Letter of Immaterial Findings. (Finding Code No. 12-9)

D. **FINDING** (Failure to Comply with the Identity Protection Act)

During the prior examination period, the Illinois Gaming Board (Board) failed to implement the provisions of the Identity Protection Act.

During the current examination period, the Board established and implemented an Identity Protection Policy in accordance with the Identity Protection Act. (Finding Code No. 12-11)

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending

- Analysis of Operations (Not Examined):
 - Agency Functions and Planning Program (Not Examined)
 - Average Number of Employees (Not Examined)
 - Gaming Board Statistics (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2014 and June 30, 2013 accompanying supplementary information in Schedules 1 through 8. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2014

Fourteen Months Ended August 31, 2014

	Appropriations (Net of Transfers)	Expenditures Through 6/30/14	Lapse Period Expenditures 07/01-08/31/14	Total Expenditures	Balances Lapsed
Public Act 98-0064					
APPROPRIATED FUNDS					
STATE GAMING FUND - 129					
Personal Services	\$ 11,550,000	8,884,002	\$ 455,950	\$ 9,339,952	\$ 2,210,048
State Contribution to State Employees' Retirement System	4,656,000	3,585,181	183,988	3,769,169	886,831
State Contributions to Social Security	420,000	320,425	15,590	336,015	83,985
Group Insurance	3,151,000	2,013,316	87,146	2,100,462	1,050,538
Contractual Services	650,000	562,994	18,933	581,927	68,073
Travel	75,000	40,405	7,996	48,401	26,599
Commodities	20,000	9,062	443	9,505	10,495
Printing	5,000	3,131	-	3,131	1,869
Equipment	25,000	-	1,586	1,586	23,414
Electronic Data Processing	138,000	82,928	29,870	112,798	25,202
Telecommunications	350,000	206,392	37,792	244,184	105,816
Operation of Auto Equipment	93,000	55,545	19,133	74,678	18,322
Refunds	50,000	-	-	-	50,000
Expenses Related to IL State Police	14,875,000	12,018,008	163,852	12,181,860	2,693,140
Distributions to Local Governments					
for admissions and wagering tax (including prior year costs)	115,000,000	86,783,613	10,038,989	96,822,602	18,177,398
Costs associated with the implementation					
and administration of the Video Gaming Act	20,975,000	15,939,210	512,626	16,451,836	4,523,164
Costs associated with Government Shared Services Center	390,000	266,628	10,412	277,040	112,960
Chicago State University pursuant to Riverboat Gambling Act	3,000,000	3,000,000	-	3,000,000	-
TOTAL STATE GAMING FUND	\$ 175,423,000	\$ 133,770,840	\$ 11,584,306	\$ 145,355,146	\$ 30,067,854

Note A: Appropriations, expenditures, and lapsed balances were obtained from Board Records and have been reconciled to records of the State Comptroller.

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

Schedule 2

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2013

Fourteen Months Ended August 31, 2013

	Appropriations (Net of Transfers)	Expenditures Through 6/30/2013	Lapse Period Expenditures 7/01-8/31/13	Total Expenditures	Balances Lapsed
<u>Public Act 97-0727</u>					
APPROPRIATED FUNDS					
STATE GAMING FUND - 129					
Personal Services	\$ 10,791,000	\$ 7,896,865	\$ 451,740	\$ 8,348,605	\$ 2,442,395
State Contribution to State Employees' Retirement System	4,099,200	3,002,773	171,757	3,174,530	924,670
State Contributions to Social Security	637,200	302,643	15,655	318,298	318,902
Group Insurance	2,921,000	2,053,963	106,456	2,160,419	760,581
Contractual Services	800,500	346,258	54,853	401,111	399,389
Travel	125,000	42,035	5,239	47,274	77,726
Commodities	25,000	10,074	2,811	12,885	12,115
Printing	9,000	925	-	925	8,075
Equipment	150,000	3,027	5,948	8,975	141,025
Electronic Data Processing	138,000	76,432	4,195	80,627	57,373
Telecommunications	350,000	223,291	42,028	265,319	84,681
Operation of Auto Equipment	93,000	65,647	26,953	92,600	400
Refunds	50,000	-	-	-	50,000
Expenses Related to IL State Police	18,961,000	11,751,082	246,572	11,997,654	6,963,346
Distributions to Local Governments					
for admissions and wagering tax (including prior year costs)	110,000,000	92,421,098	11,134,513	103,555,611	6,444,389
Costs associated with the implementation					
and administration of the Video Gaming Act	18,491,800	14,997,748	516,565	15,514,313	2,977,487
Costs associated with Government Shared Services Center	381,500	299,917	23,827	323,744	57,756
TOTAL STATE GAMING FUND	\$ 168,023,200	\$ 133,493,778	\$ 12,809,112	\$ 146,302,890	\$ 21,720,310

Note A: Appropriations, expenditures, and lapsed balances were obtained from Board Records and have been reconciled to records of the State Comptroller.

Note B: 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 Fiscal Years Ended June 30, 2014, 2013, and 2012

	Fiscal Year		
	2014	2013	2012
	P.A. 98-0064	P.A. 97-0727	P.A. 97-0062
State Gaming Fund - 129			
Appropriations (Net of Transfers)	\$ 175,423,000	\$ 168,023,200	\$ 161,143,700
Expenditures			
Personal Services	\$ 9,339,952	\$ 8,348,605	\$ 7,610,228
State Contribution to State Employees' Retirement System	3,769,169	3,174,530	2,604,276
State Contributions to Social Security	336,015	318,298	297,759
Group Insurance	2,100,462	2,160,419	1,510,242
Contractual Services	581,927	401,111	344,954
Travel	48,401	47,274	45,523
Commodities	9,505	12,885	18,301
Printing	3,131	925	2,404
Equipment	1,586	8,975	9,620
Electronic Data Processing	112,798	80,627	98,674
Telecommunications	244,184	265,319	265,068
Operation of Auto Equipment	74,678	92,600	80,778
Refunds	-	-	-
Expenses Related to IL State Police	12,181,860	11,997,654	13,793,065
Distributions to Local Governments			
for admissions and wagering tax (including prior year costs)	96,822,602	103,555,611	106,280,529
Costs associated with the implementation			
and administration of the Video Gaming Act	16,451,836	15,514,313	8,645,358
Costs associated with Government Shared Services Center	277,040	323,744	327,161
Chicago State University pursuant to Riverboat Gambling Act	3,000,000	-	-
Total State Gaming Fund	<u>\$ 145,355,146</u>	<u>\$ 146,302,890</u>	<u>\$ 141,933,940</u>
Lapsed Balances	<u>\$ 30,067,854</u>	<u>\$ 21,720,310</u>	<u>\$ 19,209,760</u>

Note: Expenditures and lapse balances for FY12 do not reflect interest payments approved by the Board and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2014

	<u>Equipment</u>
Balance at July 1, 2012	\$ 2,050,824
Additions	63,653
Deletions	(24,633)
Net Transfers	<u>14</u>
Balance at June 30, 2013	<u><u>\$ 2,089,858</u></u>
Balance at July 1, 2013	\$ 2,089,858
Additions	54,083
Deletions	(3,998)
Net Transfers	<u>49,681</u>
Balance at June 30, 2014	<u><u>\$ 2,189,624</u></u>

Note: The above schedule has been derived from Board records which have been reconciled to property reports submitted to the Office of the Comptroller.

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 Fiscal Years Ended June 30, 2014, 2013 and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Revenue Fund - 001			
Owners License Proceeds	\$ 10,000,000	\$ 14,657,534	\$ 72,550,000
Total cash receipts per Board	10,000,000	14,657,534	72,550,000
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 10,000,000</u>	<u>\$ 14,657,534</u>	<u>\$ 72,550,000</u>
Education Assistance Fund - 007			
Civil Penalties	\$ 278,205	\$ 176,317	\$ 59,500
Total cash receipts per Board	278,205	176,317	59,500
Less - In transit at End of Year	25	100,000	6
Plus - In transit at Beginning of Year	100,000	6	-
Total cash receipts per State Comptroller's Records	<u>\$ 378,180</u>	<u>\$ 76,323</u>	<u>\$ 59,494</u>
State Gaming Fund - 129			
Admission Boat & Gambling Tax	\$ 41,360,053	\$ 45,540,472	\$ 47,506,987
Riverboat Wagering Tax	480,833,443	511,728,182	496,955,823
Occupational License Fees	564,790	564,480	769,960
Riverboat Owner License Fees	50,000	45,000	75,000
Supplier License Fees	155,000	180,000	150,000
Video Gaming Application Fees	88,200	167,300	176,725
Video Gaming License Fees	3,413,160	1,818,550	558,100
Miscellaneous	773	678	2,091
Total cash receipts per Board	526,465,419	560,044,662	546,194,686
Less - In transit at End of Year	15,670,894	11,864,166	15,799,199
Plus - In transit at Beginning of Year	11,864,166	15,799,199	7,768,400
Total cash receipts per State Comptroller's Records	<u>\$ 522,658,691</u>	<u>\$ 563,979,695</u>	<u>\$ 538,163,887</u>
Capital Projects Fund - 694			
30% Video Terminal Tax	\$ 114,445,728	\$ 24,455,886	\$ -
Total cash receipts per Board	114,445,728	24,455,886	\$ -
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 114,445,728</u>	<u>\$ 24,455,886</u>	<u>\$ -</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 Fiscal Years Ended June 30, 2014, 2013 and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Local Government Video Gaming Distributive Fund - 842			
30% Video Terminal Tax	\$ 22,890,197	\$ 4,891,178	\$ -
Total cash receipts per Board	22,890,197	4,891,178	\$ -
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 22,890,197</u>	<u>\$ 4,891,178</u>	<u>\$ -</u>
 GRAND TOTAL - ALL FUNDS			
Total cash receipts per Board	\$ 674,079,549	\$ 604,225,577	\$ 618,804,186
Less - In transit at End of Year	15,670,919	11,964,166	15,799,205
Plus - In transit at Beginning of Year	11,964,166	15,799,205	7,768,400
Total cash receipts per State Comptroller's Records - All Funds	<u>\$ 670,372,796</u>	<u>\$ 608,060,616</u>	<u>\$ 610,773,381</u>

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2014

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

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2014 AND 2013

State Gaming Fund (129)

Contractual Services

The Fiscal Year 2014 increase was due to a legal settlement in Fiscal Year 2014 in the amount of \$212,500.

Equipment

The Fiscal Year 2014 decrease was due to the Board ordering less body armor and handcuffs.

Electronic Data Processing

The Fiscal Year 2014 increase was due to the renewal for IronPort Web Security and Software and an increase in Central Management Services Statistical Services Revolving Fund payments.

Chicago State University Pursuant to Riverboat Gambling Act

The Fiscal Year 2014 increase was due to a onetime payment to Chicago State University, per P.A. 098-0018.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2013 AND 2012

State Gaming Fund (129)

State Contributions to State Employees' Retirement System, Group Insurance Costs Associated with the Implementation and Administration of the Video Gaming Act

The Fiscal Year 2013 increase was attributable to an increase in hiring staff, the retirement rate rising from 34.19% to 37.99% and an increase in the base group insurance rates.

Commodities

The Fiscal Year 2013 decrease was due to the Board purchasing new file folders in Fiscal Year 2012 for the Licensing Division in preparation for the Video Gaming license applications and not repeating this purchase in the Fiscal Year 2013.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2014

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

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2013 AND 2014

General Revenue Fund – 001

Owners License Proceeds

The decrease was due to Fiscal Year 2013 including 2 payments from the City of Des Plaines for the 10th Riverboat License. The payments included one full annual payment of \$10 million for Fiscal Year 2013 and a partial payment for Fiscal Year 2012. When the 10th Riverboat License was sold, the sale included 3 initial installment payments paid totaling \$122.5 million by the license owner and then an annual payment of \$10 million dollars was to be paid to the Board from the City of Des Plaines for the next 30 years.

Education Assistance Fund – 007

Civil Penalties

The increase was due to fines issued associated with Video Gaming in Fiscal Year 2014. Fines issued to gaming patrons and licensees vary by circumstances which can cause one year to have more than the next.

State Gaming Fund – 129

Video Gaming License Fees

The increase was due to an increase in the number of establishments and terminal operators obtaining licenses in Fiscal Year 2014.

Capital Projects Fund - 694

30% Video Terminal Tax

The increase was due to an increase in the number of licensed locations and terminals over the course of Fiscal Year 2014 resulting in increased collections of Video Gaming Net Terminal Income Tax.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2014

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2013 AND 2014 (Continued)

Local Government Video Gaming Distributive Fund – 842

30% Video Terminal Tax

The increase was due to an increase in the number of licensed locations and terminals over the course of Fiscal Year 2014 resulting in increased collections of Video Gaming Net Terminal Income Tax.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2012 AND 2013

General Revenue Fund – 001

Owners License Proceeds

The decrease was due to the timing of the installment payments for the purchase of the 10th Riverboat License. The Board received the 3rd and final installment payment in Fiscal Year 2012. When the 10th Riverboat License was sold, the sale included 3 initial installment payments paid totaling \$122.5 million by the license owner and then an annual payment of \$10 million dollars was to be paid to the Board from the City of Des Plaines for the next 30 years.

Education Assistance Fund – 007

Civil Penalties

The increase was due to the Board receiving a one-time settlement payment from a Terminal Operator in Fiscal Year 2013. Fines issued to gaming patrons and licensees vary by circumstances which can cause one year to have more than the next.

State Gaming Fund – 129

Occupational License Fees

The decrease was due to the large amount of occupational license applications for the Rivers Casino in Fiscal Year 2012 when it opened.

Video Gaming License Fees

The increase was due to Video Gaming going live in Fiscal Year 2013 causing an increase in the number of licensees that applied for and received licenses.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2014

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2012 AND 2013 (Continued)

Capital Projects Fund - 694

30% Video Terminal Tax

The increase was due to Video Gaming going live in Fiscal Year 2013 resulting in the collection of Video Gaming Net Terminal Income Tax. There was no collection of the tax in Fiscal Year 2012.

Local Government Video Gaming Distributive Fund – 842

30% Video Terminal Tax

The increase was due to Video Gaming going live in Fiscal Year 2013 resulting in the collection of Video Gaming Net Terminal Income Tax. There was no collection of the tax in Fiscal Year 2012.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2014

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

FISCAL YEAR 2014

State Gaming Fund (129)

Electronic Data Processing

The increase in spending during lapse period was due to billings being received late in the fiscal year for electronic data processing services.

Operation of Auto Equipment

The increase in spending during the lapse period was due to billings being received late in the fiscal year for automobile services provided.

FISCAL YEAR 2013

State Gaming Fund (129)

Commodities

The increase in spending during lapse period was due to billings being received late in the fiscal year for ammunition ordered.

Equipment

The increase in spending during lapse period was due to billings being received late in the fiscal year for body armor ordered.

Operations of Auto Equipment

The increase in spending during lapse period was due to billings being received late in the fiscal year for automobile services provided.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
AGENCY FUNCTIONS AND PLANNING PROGRAM
(NOT EXAMINED)

For the Two Years Ended June 30, 2014

Mission Statement

To administer and regulate riverboat casino gambling and video gaming in Illinois through strict regulatory oversight as mandated by the Riverboat Gambling Act, the Video Gaming 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 Riverboat Gambling Act (230 ILCS 10/1 *et. seq.*) and the Video Gaming Act (230 ILCS 40/1 *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 authorizes the Board to grant up to ten casino licenses. The Board provides regulatory and criminal law enforcement oversight for the existing ten riverboat casinos.

Each riverboat gaming operation is authorized to offer up to 1,200 gaming positions, consisting of a mix of electronic gaming devices and table games. In 1999, the Riverboat Gambling Act was amended to permit all riverboat 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 Riverboat Gambling Act requires that all wagering in the casinos be cashless.

In addition, the Board is responsible for implementation and administration of the Video Gaming Act, which allows for video gaming terminals to be placed in certain liquor establishments, truck stops, fraternal organizations and veterans' clubs throughout the State. The Video Gaming Act authorizes the installation of up to five video gaming terminals in the licensed establishments. 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.

The Board consists of a Chairperson and four other Board members who are appointed by the Governor and confirmed by the Illinois Senate. The Board's staff has approximately 258 employees that include a detail of 116 Illinois State Police personnel.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
AGENCY FUNCTIONS AND PLANNING PROGRAM
(NOT EXAMINED)

For the Two Years Ended June 30, 2014

Internal Organization

The Board is organized functionally into the following program areas:

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

Enforcement – Monitors the integrity of the riverboat gambling operations through staff assigned to be present whenever gambling is conducted.

Finance and Administration – Collects, deposits and transfers, as required by law, all riverboat 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 riverboat industry in Illinois, investigations staff conducts background investigations on all owners and key persons of riverboat operations and suppliers, as well as occupational licensees. In addition, they may perform follow-up investigations related to activity that occurs on the riverboat.

Legal – Provides general and specific legal advice to Board members and staff on implementation of the Riverboat Gambling Act; drafts legislation, polices and rules; 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 Public Information, Legislative Services and Affirmative Action.

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 riverboat gambling are suitable.
4. Effectively maintain the self-exclusion program, which allows individuals with gambling problems to ban themselves from all Illinois riverboat casinos.

The Illinois Gaming 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

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
AGENCY FUNCTIONS AND PLANNING PROGRAM
(NOT EXAMINED)

For the Two Years Ended June 30, 2014

developed every year and discussed at each Board meeting. The Board holds monthly meetings that are divided into separate Riverboat and Video Gaming sessions.

Monthly Board meetings consist of discussing pertinent issues and reviewing important performance documents such as monthly casino summaries, credit-check summaries, revenue and expenditure summaries, annual updates of casinos, major transactions, proposed complaints and disciplinary actions, as well as proposed rules for the Illinois Gaming Board.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
AVERAGE NUMBER OF EMPLOYEES
(NOT EXAMINED)
For the Fiscal Years Ended June 30,

The following table, prepared from Board records, presents the average number of employees, by division, for the Fiscal Year ended June 30,

<u>Division</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Officials / Managers	38	42	44
Professionals	81	94	101
Para-Professionals	8	9	12
Office / Clerical	3	3	2
Total	<u>130</u>	<u>148</u>	<u>159</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 116 Illinois State Police through an interagency agreement.

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
GAMING BOARD STATISTICS
(NOT EXAMINED)

Calendar Year Summary of Illinois Riverboat Data

Month/Year	Number of Admissions Total	Gross Receipts Total	Taxes Collected		Net Proceeds Per Admission
			State	Local	
1991 Total	308,783	\$ 14,942,909	\$ 2,550,219	\$ 1,055,928	\$ 48.39
1992 Total	4,079,819	226,334,794	38,030,038	15,396,559	55.48
1993 Total	10,679,490	605,684,483	101,532,162	40,963,714	56.71
1994 Total	20,367,119	979,551,111	167,299,786	69,344,675	48.09
1995 Total	24,835,833	1,178,311,827	201,582,607	83,751,424	47.44
1996 Total	25,211,329	1,131,491,531	194,935,059	81,785,905	44.88
1997 Total	24,972,139	1,054,573,793	183,158,208	77,700,829	42.23
1998 Total	24,813,818	1,106,751,600	256,782,080	80,117,488	44.60
1999 Total	21,991,689	1,362,931,231	328,665,137	90,132,196	61.97
2000 Total	19,014,939	1,658,004,361	410,328,901	101,884,222	87.19
2001 Total	18,808,281	1,783,958,166	447,228,898	107,975,415	94.85
2002 Total	18,821,582	1,831,550,836	555,702,432	110,399,391	97.31
2003 Total	16,597,552	1,709,943,480	617,797,595	102,060,624	103.02
2004 Total	15,331,021	1,717,991,115	700,930,079	101,230,939	112.06
2005 Total	15,323,166	1,798,912,344	644,462,903	105,282,514	117.40
2006 Total	16,180,360	1,923,528,409	717,881,351	112,358,413	118.88
2007 Total	16,525,437	1,983,386,762	718,157,094	115,727,277	120.02
2008 Total	14,637,054	1,568,727,252	473,648,638	93,095,279	107.18
2009 Total	14,418,760	1,428,923,092	409,510,245	85,885,708	99.10
2010 Total	13,834,414	1,373,421,897	383,521,452	82,552,001	99.28
2011 Total	14,801,944	1,477,600,520	400,680,832	88,741,621	99.82
January	1,235,530	126,978,147	15,465,260	7,581,493	102.77
February	1,380,557	145,004,939	22,589,360	8,627,057	105.03
March	1,448,907	146,607,009	29,759,057	8,800,017	101.18
April	1,345,746	142,399,010	34,251,850	8,455,037	105.81
May	1,380,572	137,807,004	38,700,722	8,270,881	99.82
June	1,360,628	145,215,881	45,489,816	8,631,698	106.73
July	1,457,967	142,712,967	47,345,283	8,585,056	97.88
August	1,407,883	129,048,564	43,000,751	7,860,938	91.66
September	1,341,826	137,692,035	50,932,580	8,227,129	102.62
October	1,292,400	128,566,558	48,689,381	7,723,773	99.48
November	1,227,897	124,028,188	47,531,679	7,440,384	101.01
December	1,277,956	132,107,583	52,490,407	7,886,812	103.37
2012 Total	16,157,869	\$ 1,638,167,885	\$ 476,246,146	\$ 98,090,275	\$ 101.39
January	1,175,205	123,141,042	15,130,335	7,333,941	104.78
February	1,168,885	124,350,415	18,904,583	7,388,438	106.38
March	1,397,559	149,058,307	29,324,189	8,856,646	106.66
April	1,277,396	134,503,215	31,967,451	8,003,831	105.29
May	1,326,388	137,732,198	37,874,486	8,221,172	103.84
June	1,260,926	131,399,244	39,405,844	7,825,199	104.21
July	1,330,027	132,116,950	43,554,053	7,928,339	99.33
August	1,315,899	135,152,660	46,069,016	8,081,941	102.71
September	1,215,437	125,458,407	44,622,206	7,498,515	103.22
October	1,192,713	123,008,498	46,537,670	7,335,358	103.13
November	1,168,320	120,740,848	46,083,571	7,219,229	103.35
December	1,062,990	114,649,988	44,732,029	6,801,096	107.86
2013 Total	14,891,745	\$ 1,551,311,772	\$ 444,205,433	\$ 92,493,705	\$ 104.17

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
GAMING BOARD STATISTICS
(NOT EXAMINED)

Five Year Calendar Year Riverboat Gaming Tax History

Calendar Year Comparison	2009	2010	2011	2012	2013
Number of Licensees	9	9	10	10	10
Gross Receipts	\$ 1,428,923,092	\$ 1,373,421,897	\$ 1,477,600,520	\$ 1,638,167,885	\$ 1,551,311,772
Table Games	\$ 174,891,436	\$ 171,545,773	\$ 205,698,256	\$ 261,811,426	\$ 267,846,398
Electronic Gaming Devices (EGD)	\$ 1,254,031,656	\$ 1,201,876,124	\$ 1,271,902,264	\$ 1,376,356,459	\$ 1,283,465,374
Number of Admissions	14,418,760	13,834,414	14,801,944	16,157,869	14,891,745
Gross Receipts Per Admission	\$ 99	\$ 99	\$ 100	\$ 101	\$ 104
Total Tax	\$ 495,395,953	\$ 466,073,453	\$ 489,422,453	\$ 574,336,421	\$ 536,699,138
Wagering Tax	\$ 453,396,211	\$ 425,952,813	\$ 446,348,998	\$ 527,161,053	\$ 493,226,411
Admissions Tax	\$ 41,999,742	\$ 40,120,640	\$ 43,073,455	\$ 47,175,368	\$ 43,472,727
State Share	\$ 409,510,245	\$ 383,521,452	\$ 400,680,832	\$ 476,246,146	\$ 444,205,433
Local Share	\$ 85,885,708	\$ 82,552,001	\$ 88,741,621	\$ 98,090,275	\$ 92,493,705

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
GAMING BOARD STATISTICS
(NOT EXAMINED)

Calendar Year Comparison Statistics - Riverboat Gaming

	Totals		% Change
	2012	2013	
Gross Receipts	\$ 1,638,167,885	\$ 1,551,311,772	(5.30) %
Adjusted Gross Receipts (AGR)	\$ 1,638,648,102	\$ 1,552,039,190	(5.29) %
Number of Table Games	287	275	(4.18) %
Table Drop	\$ 1,596,484,983	\$ 1,507,112,612	(5.60) %
Table AGR	\$ 261,811,426	\$ 267,846,398	2.31 %
AGR/Table/Day	\$ 2,492	\$ 2,673	7.24 %
Table Game AGR to Drop %	16.4 %	17.8 %	8.54 %
Number of Electronic Gaming Devices (EGD)	11,030	11,275	2.22 %
EGD Handle	\$ 15,619,684,373	\$ 14,526,003,622	(7.00) %
EGD AGR	\$ 1,376,356,459	\$ 1,283,465,374	(6.75) %
AGR/EGD/Day	\$ 341	\$ 312	(8.38) %
EGD AGR to Handle %	8.8 %	8.8 %	0.00 %
Admissions	16,157,869	14,891,745	(7.84) %
Gross Receipts Per Admission	\$ 101	\$ 104	2.74 %
Total Tax	\$ 574,336,421	\$ 536,699,138	(6.55) %
Wagering Tax	\$ 527,161,053	\$ 493,226,411	(6.44) %
Admission Tax	\$ 47,175,368	\$ 43,472,727	(7.85) %
10th License Payment	\$ 4,657,534	\$ -	
Other Revenues	\$ 2,072,917	\$ 104,247,078	4929.00 %

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
GAMING BOARD STATISTICS
(NOT EXAMINED)

2012 and 2013 Calendar Year Sources of Revenue - Riverboat Gaming

Table Games and Electronic Gaming Devices

2012

Docksite	Gross Receipts	Table Games	% of Total	Electronic Gaming Devices	% of Total
Alton Belle	\$ 70,952,955	\$ 3,384,611	4.8%	\$ 67,568,344	95.2%
E. Peoria Par-A-Dice	116,306,740	14,120,618	12.1%	102,186,122	87.9%
Casino Rock Island	87,836,149	5,985,578	6.8%	81,850,571	93.2%
Joliet-Hollywood	141,806,184	19,747,031	13.9%	122,059,153	86.1%
Metropolis-Harrah's	97,434,563	13,321,769	13.7%	84,112,794	86.3%
Joliet-Harrah's	211,995,581	24,513,959	11.6%	187,481,622	88.4%
Aurora-Hollywood	151,732,529	18,918,536	12.5%	132,813,993	87.5%
E. St. Louis Casino Queen	131,187,193	15,082,190	11.5%	116,105,003	88.5%
Elgin Grand Victoria	212,393,609	35,703,827	16.8%	176,689,782	83.2%
Des Plaines Rivers Casino	416,522,382	111,033,307	26.7%	305,489,075	73.3%
Total	\$ 1,638,167,885	\$ 261,811,426	16.0%	\$ 1,376,356,459	84.0%

2013

Docksite	Gross Receipts	Table Games	% of Total	Electronic Gaming Devices	% of Total
Alton Belle	\$ 64,253,526	\$ 3,390,055	5.3%	\$ 60,863,471	94.7%
E. Peoria Par-A-Dice	107,412,644	15,313,091	14.3%	92,099,553	85.7%
Casino Rock Island	81,548,137	6,191,363	7.6%	75,356,774	92.4%
Joliet-Hollywood	131,183,854	18,046,151	13.8%	113,137,703	86.2%
Metropolis-Harrah's	85,361,134	12,184,019	14.3%	73,177,115	85.7%
Joliet-Harrah's	202,369,258	31,439,068	15.5%	170,930,190	84.5%
Aurora-Hollywood	141,710,408	18,715,361	13.2%	122,995,047	86.8%
E. St. Louis Casino Queen	124,492,607	14,467,127	11.6%	110,025,480	88.4%
Elgin Grand Victoria	194,272,314	32,305,528	16.6%	161,966,786	83.4%
Des Plaines River Casino	418,707,890	115,794,635	27.7%	302,913,255	72.3%
Total	\$ 1,551,311,772	\$ 267,846,398	17.3%	\$ 1,283,465,374	82.7%

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
GAMING BOARD STATISTICS
(NOT EXAMINED)

Five Year Calendar Year History of Distribution of Riverboat Gaming Taxes

Distribution to Local Governments	2009	2010	2011	2012	2013	% Change 2013 to 2012
Alton	\$ 5,369,552	\$ 4,903,732	\$ 4,598,773	\$ 4,425,285	\$ 3,966,860	-10.36%
East Peoria	7,087,935	7,073,458	6,984,629	7,020,467	6,459,369	-7.99%
Rock Island	4,779,745	5,354,352	5,625,634	5,691,791	5,280,398	-7.23%
Joliet	23,573,344	22,975,414	21,810,943	20,825,968	19,583,121	-5.97%
Metropolis	6,964,396	6,621,939	5,559,086	5,652,802	4,946,695	-12.49%
Aurora	11,720,974	10,546,682	10,157,711	8,968,877	8,350,381	-6.90%
East St. Louis	9,623,667	8,596,621	8,455,040	8,427,048	7,918,236	-6.04%
Elgin	16,766,095	16,479,803	14,730,214	12,275,581	11,326,522	-7.73%
Des Plaines	-	-	10,819,591	24,802,456	24,662,123	-0.57%
Total	\$ 85,885,708	\$ 82,552,001	\$ 88,741,621	\$ 98,090,275	\$ 92,493,705	-5.71%

State Share of Gaming Taxes			Local Share of Gaming Taxes				
Distribution	Admission Tax	Wagering Tax	Total	Distribution	Admission Tax	Wagering Tax	Total
2012	31,017,499	445,228,647	476,246,146	2012	16,157,869	81,932,406	98,090,275
2013	28,580,982	415,624,451	444,205,433	2013	14,891,745	77,601,960	92,493,705
% Change	-7.86%	-6.65%	-6.73%	% Change	-7.84%	-5.29%	-5.71%

STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS
(NOT EXAMINED)

For the Year Ended June 30, 2014

	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2013 Target/Projected	Fiscal Year 2014 Actual	Fiscal Year 2014 Target/Projected
<u>Input Indicators</u>					
Total expenditures all sources (in thousands)	\$ 141,933.9	\$ 146,302.9	\$ 168,023.2	\$ 145,355.1	\$ 172,423.0
Total expenditures - State appropriated funds (in thousands)	\$ 141,933.9	\$ 146,302.9	\$ 168,023.2	\$ 145,355.1	\$ 172,423.0
Average monthly full-time equivalents	135.0	145.0	220.0	158.0	220.0

<u>Output Indicators</u>					
Applications Received	7,313	13,195	13,000	11,078	13,000
Criminal Background Investigations performed	10,542	14,302	19,000	14,417	15,000
Financial Investigations performed	171	1,122	150	3,981	1,200
Licenses Issued	9,622	17,418	20,500	34,389	20,500

<u>Outcome Indicators</u>					
Licensing revenue received (in thousands)	\$ 74,174.8	\$ 17,397.9	\$ 1,500.0	\$ 14,299.6	\$ 12,500.0
Admissions & Wagering tax received (in thousands)	\$ 536,479.6	\$ 557,950.3	\$ 550,000.0	\$ 516,625.6	\$ 575,000.0
Incident Reports	5,131	5,310	7,500	6,777	5,500
Arrests made	913	792	1,000	749	800
Disciplinary Complaints assessed	36	12	50	53	30
Fines/Penalties/Violations (in dollars)	\$ 60,500.0	\$ 176,323.4	\$ 250,000.0	\$ 378,180.0	\$ 200,000.0
Amount transferred to Educational Assistance Fund (EAF) (in thousands)	\$ 340,027.0	\$ 340,126.0	\$ 375,000.0	\$ 322,070.0	\$ 340,000.0
Net Terminal Income Tax collected	N/A	N/A	N/A	\$ 137,335.9	\$ -

<u>Efficiency/Cost-Effectiveness</u>					
Percentage of revenues transferred to EAF	63.2%	60.3%	68.0%	60.7%	60.0%