



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS GAMING BOARD

Financial Audit – State Gaming Fund for the Year Ended June 30, 2016 and Compliance Examination for the Two Years Ended June 30, 2016

Release Date: March 23, 2017

FINDINGS THIS AUDIT: 7				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2014	3	4, 7	
Category 2:	1	5	6	2012		2, 5, 6	
Category 3:	0	0	0				
TOTAL	1	6	7				
FINDINGS LAST AUDIT: 15							

SYNOPSIS

- **(2016-003)** The Board did not obtain or perform internal control reviews of the external service provider used to process video gaming revenue.
- **(2016-002)** The Board did not maintain adequate controls over personal services.
- **(2016-001)** The Board was not in compliance with the Fiscal Control and Internal Auditing Act.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information and Activity Measures are summarized on next page.}

ILLINOIS GAMING BOARD
FINANCIAL AUDIT - STATE GAMING FUND
For the One Year Ended June 30, 2016
AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

EXPENDITURE STATISTICS	2016	2015	2014
Total Expenditures.....	\$ 141,853,521	\$ 143,082,978	\$ 145,355,146
OPERATIONS TOTAL.....	\$ 49,188,411	\$ 48,279,838	\$ 48,532,544
% of Total Expenditures.....	34.7%	33.7%	33.4%
Personal Services.....	9,706,974	9,474,351	9,339,952
Other Payroll Costs (FICA, Retirement).....	7,203,973	6,433,768	6,205,646
All Other Operating Expenditures.....	32,277,464	32,371,719	32,986,946
AWARDS AND GRANTS.....	\$ 92,665,110	\$ 94,803,140	\$ 96,822,602
% of Total Expenditures.....	65.3%	66.3%	66.6%
Total Receipts.....	\$ 803,794,714	\$ 747,903,081	\$ 674,079,549
Average Number of Employees (Not Examined).....	172	170	159
STATE GAMING FUND			
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (in thousands)			
	2016	2015	2014
Revenues			
Riverboat taxes.....	\$ 485,024	\$ 498,309	\$ 516,540
Licenses and fees.....	4,503	4,435	4,357
Other.....	68	6	1
Total.....	<u>489,595</u>	<u>502,750</u>	<u>520,898</u>
Expenditures			
Public protection and justice.....	49,245	48,186	46,934
Intergovernmental.....	92,665	94,803	96,823
Health and social services.....	496	767	843
Capital outlays.....	-	6	-
Total.....	<u>142,406</u>	<u>143,762</u>	<u>144,600</u>
Other sources (uses) of financial resources			
Transfers-out to Education Assistance Fund.....	(347,189)	(358,988)	(376,298)
Net change in fund balance.....	\$ -	\$ -	\$ -
STATE GAMING FUND			
BALANCE SHEET (in thousands)			
	2016	2015	2014
Assets			
Cash equity with State Treasurer.....	\$ 49,004	\$ 44,995	\$ 45,908
Taxes and other receivable, net.....	1,844	1,816	1,856
Total.....	<u>\$ 50,848</u>	<u>\$ 46,811</u>	<u>\$ 47,764</u>
Liabilities			
Accounts payable and accrued liabilities.....	\$ 1,691	\$ 1,065	\$ 1,058
Intergovernmental payables.....	9,470	9,963	10,066
Due to State fiduciary funds.....	339	357	289
Due to other funds.....	39,348	35,337	36,287
Due to component units.....	-	89	64
Total.....	<u>50,848</u>	<u>46,811</u>	<u>47,764</u>
Committed Fund Balance.....	\$ -	\$ -	\$ -
SELECTED ACTIVITY MEASURES			
(Not Examined)			
	Calendar Year 2015	Calendar Year 2014	Calendar Year 2013
Number of Riverboat Licensees.....	10	10	10
Gross Receipts.....	\$ 1,438,029,348	\$ 1,463,418,253	\$ 1,551,311,772
Number of Admissions.....	12,929,868	13,518,053	14,891,745
Riverboat Taxes			
State Share.....	\$ 403,167,011	\$ 413,813,942	\$ 444,205,433
Local Share.....	84,871,612	86,786,368	92,493,705
Total Riverboat Taxes.....	<u>\$ 488,038,623</u>	<u>\$ 500,600,310</u>	<u>\$ 536,699,138</u>
BOARD ADMINISTRATOR			
During the Audit Period and Currently: Mr. Mark Ostrowski			

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INTERNAL CONTROL REVIEWS OF EXTERNAL
SERVICE PROVIDERS NOT OBTAINED OR
PERFORMED**

The Board did not obtain or perform internal control reviews of the external service provider used to process video gaming revenue.

**No Service Organization Internal
Control Report obtained**

The Board utilizes an external service provider to design, develop, implement, operate, maintain and support the secure communication of video gaming terminals across the State. However, the Board had not reviewed the Service Organization Internal Control Report to ensure the service provider's controls were suitable. The Board received approximately \$234,811,500 and \$301,903,400 in FY15 and FY16, respectively in video gaming revenue. (Finding 3, pages 14-15)

We recommended the Board obtain or perform independent reviews of internal controls associated with outsourced systems at least annually. The independent reviews should include an assessment of the following five key system attributes, as applicable:

- Security - The system is protected against both physical and logical unauthorized access.
- Availability - The system is available for operation and use as committed or agreed.
- Processing integrity - System processing is complete, accurate, timely and authorized.
- Confidentiality - Information designated as confidential is protected as committed or agreed.
- Privacy - Personal information is collected, used, retained, disclosed and disposed of in conformity Department requirements.

We also recommended the Board review the report, assess the effect of any noted deficiencies, and identify and implement any compensating controls. The Board's reviews and corrective actions taken by the service provider should be documented and maintained.

Board agreed with auditors

Board personnel stated the Board has begun the process of reviewing the internal controls of the external service provider however, the review has not been documented. The Board will begin documenting the review on a go-forward basis to validate the process has been performed.

INADEQUATE CONTROLS OVER PERSONAL SERVICES

The Board did not maintain adequate controls over personal services.

During testing, we noted the following:

- Two of 25 (8%) personnel files tested did not contain performance evaluations that were completed in a timely manner. The evaluations were completed from 165 to 227 days after the employee's anniversary date.
- The Board did not fully comply with the State Officials and Employees Ethics Act (Act) and the Board's Employee Handbook (Handbook). Five of 25 (20%) employees selected for testing did not sign-in and/or sign-out during their regular scheduled shift.
- Two of 25 (8%) employees' time sheets did not agree to the attendance records for time off.

Performance evaluations not completed timely

Sign-in and/or sign-out not performed

(Finding 2, pages 12-13) **This finding has been repeated since 2012.**

We recommended the Board conduct timely annual performance evaluations and comply with the Act regarding proper timekeeping, and ensure employee timesheets agree to attendance records.

Board agreed with auditors

Board personnel agreed with our recommendation and stated it will continue to be the Board's goal to conduct timely performance evaluations as well as ensure all employees sign-in and/or sign-out during their regular scheduled shift and maintain time sheets which agree to detailed attendance records for time off. (*For the previous Department response, see Digest Footnote #1.*)

NONCOMPLIANCE WITH THE FISCAL CONTROL AND INTERNAL AUDITING ACT

The Board was not in compliance with the Fiscal Control and Internal Auditing Act.

Fiscal control and internal auditing certification not filed

The Board has not filed the fiscal control and internal auditing certification that is required. There was no other compensating review of internal controls performed during the fiscal year. (Finding 1, page 11)

We recommended the Board complete the fiscal year 2016 certification and then comply with the requirements of the Act in subsequent years.

Board agreed with auditors

Board personnel agreed with the recommendation and stated the Board will complete the 2016 certification before March 31, 2017 and annually before May 1.

OTHER FINDINGS

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

AUDITOR'S OPINION

The auditors stated the financial statements of the Board's State Gaming Fund as of and for the year ended June 30, 2016 are fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Board for the two years ended June 30, 2016, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2016-003. Except for the noncompliance described in this finding, the accountants stated the Agency complied, in all material respects, with the requirements described in the report.

This financial audit and compliance examination was conducted by BKD, LLP.

SIGNED ORIGINAL ON FILE

BRUCE L. BULLARD
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JWF

DIGEST FOOTNOTES

#1 - INADEQUATE CONTROLS OVER PERSONAL SERVICES

2014: The Board agrees with the recommendation. It will continue to be Board's goal to conduct timely performance and probationary evaluations for all employees. (2014-008)

The Board agrees with the recommendation and has incorporated its formal timesheet policy into its revised Employee Handbook (currently in Draft form). (2014-009)

Note: Findings 2014-008 and 2014-009 were combined into one finding during the current examination.