

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

**Performed as Special Assistant Auditors
For the Auditor General, State of Illinois**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

TABLE OF CONTENTS

	<u>Page(s)</u>
BOARD OFFICIALS	1
MANAGEMENT ASSERTION LETTER	3
STATE COMPLIANCE REPORT	
SUMMARY	5
INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE	8
SCHEDULE OF FINDINGS	
CURRENT FINDINGS	11
PRIOR FINDING NOT REPEATED	29

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

BOARD OFFICIALS

Administrator	Mr. Marcus Fruchter
Senior Confidential Advisor** (04/01/22 – Present)	Mr. Agostino Lorenzini
General Counsel (04/01/22 – Present)	Mr. Daniel Gerber
General Counsel (07/01/20 – 03/31/22)	Mr. Agostino Lorenzini
Deputy Administrator for Enforcement	Mr. Sean Brannon
Deputy Administrator for Investigations (05/14/22 – Present)	Vacant
Deputy Administrator for Investigations (07/01/20 – 05/13/22)	Mr. Scott Deubel
Acting Deputy Administrator for Audit and Financial Analysis	Ms. Tammy Compton
Chief Fiscal Officer	Mr. Kevin High
Director of Policy and Special Projects	Mr. Joe Miller
Deputy Administrator for Licensing	Mr. Robert Burke
Chief of Staff	Ms. Patricia Dominguez
Director of Gaming Technology (04/01/22 – Present)	Mr. Jared Smith
Director of Gaming Technology* (10/28/21 – 03/31/22)	Vacant
Human Resources Manager	Ms. Geny Chiaradonna

* New position as of 10/28/21

** New position as of 04/01/22

BOARD OFFICERS

Chairman	Mr. Charles Schmadeke
----------	-----------------------

BOARD MEMBERS

Board Member	Ms. Dionne Hayden
Board Member	Mr. Anthony Garcia
Board Member (10/04/21 – Present)	Mr. Marc Bell
Board Member (07/01/20 – 10/03/21)	Mr. Ruben Ramirez
Board Member	Vacant

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

BOARD OFFICES

The Board's primary administrative offices are located at:

801 South 7th Street, Suite 400 – South
Springfield, Illinois 62703

160 North LaSalle Street, Suite 300
Chicago, Illinois 60601

9511 West Harrison Street
Des Plaines, Illinois 60016

8151 West 183rd Street
Tinley Park, Illinois 60487



ILLINOIS GAMING BOARD

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

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

MANAGEMENT ASSERTION LETTER - STATE COMPLIANCE EXAMINATION

March 8, 2023

CliftonLarsonAllen LLP
301 S.W. Adams Street, Suite 1000
Peoria, Illinois 61602

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Gaming Board of the State of Illinois (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 specified requirements during the two-year period ended June 30, 2022. Based on this evaluation, we assert that, during the years ended June 30, 2021 and June 30, 2022, the Board has materially complied with the specified requirements listed 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 of the State of Illinois

SIGNED ORIGINAL ON FILE

Marcus Fruchter, Administrator

SIGNED ORIGINAL ON FILE

Kevin High, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Daniel Gerber, General Counsel

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this 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*.

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	9	5
Repeated Findings	4	3
Prior Recommendations Implemented or Not Repeated	1	3

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
CURRENT FINDINGS				
2022-001	11	2020/2012	Lack of an Effective Change Management Control	Significant Deficiency and Noncompliance
2022-002	13	2020/2012	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance
2022-003	15	2020/2020	Failure to File Annual Reports	Significant Deficiency and Noncompliance
2022-004	16	New	Noncompliance with the Sports Wagering Act	Significant Deficiency and Noncompliance
2022-005	18	2020/2014	Inadequate Disaster Recovery Controls	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

SCHEDULE OF FINDINGS (CONTINUED)

Item No.	Page	Last/First Reported	Description	Finding Type
CURRENT FINDINGS				
2022-006	20	New	Inadequate Controls over Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2022-007	23	New	Lack of Controls over Review of Internal Controls over Service Providers	Significant Deficiency and Noncompliance
2022-008	25	New	Failure to Fully Utilize the State's Enterprise Resource Planning System	Significant Deficiency and Noncompliance
2022-009	27	New	Voucher Processing Weakness	Significant Deficiency and Noncompliance
PRIOR FINDING NOT REPEATED				
A	29	2020/2020	Noncompliance with the Illinois Gambling Act	

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

EXIT CONFERENCE

Finding 2022-001 and its associated recommendation appearing in this report was discussed with Illinois Gaming Board personnel at an exit conference on December 13, 2022. The remaining findings and recommendations appearing in this report were discussed with Illinois Gaming Board personnel at an exit conference on February 27, 2023.

Attending both exit conferences were:

Illinois Gaming Board

Marcus Fruchter	Administrator
Patricia Dominguez	Chief of Staff
Kevin High	Chief Fiscal Officer

Office of the Auditor General

Kathy Lovejoy	Principal of Information System Audits
Reddy Bommareddi	Senior Audit Manager

CliftonLarsonAllen LLP

Adam Pulley	Principal
Nancy Kaplan	Director
Brian Mateas	Director
Paul King	Senior Associate

The response to the recommendation for Finding 2022-001 was provided by Kevin High, Chief Financial Officer, in a correspondence dated December 16, 2022.

The responses to the remaining recommendations were provided by Kevin High, Chief Financial Officer, in a correspondence dated March 8, 2023, and Patricia Dominguez, Chief of Staff, in a correspondence dated March 9, 2023.



INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino, Auditor General
State of Illinois, and
Governing Board
Illinois Gaming Board
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Illinois Gaming Board (Board) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2022. Management of the Board is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Board's compliance with the specified requirements based on our examination.

The specified requirements are:

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

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

In our opinion, the Board complied with the specified requirements during the two years ended June 30, 2022 in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2022-001 through 2022-009.

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

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

Report on Internal Control Over Compliance

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 through 2022-009 that we consider to be significant deficiencies.

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

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

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

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Peoria, Illinois
March 8, 2023

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-001 **FINDING** Lack of an Effective Change Management Control

The Illinois Gaming Board (Board) failed to implement an effective change management process to control changes to their applications and data.

The Board utilized a myriad of applications to perform its duties of regulating the casinos and sports wagering in the State. To ensure the Board had implemented controls over changes to their applications and data, we reviewed the Board's change control procedures. Our review noted the procedures were minimal and did not document the basic controls over changes. Specifically, we noted the procedures did not address:

- Procedures for requesting changes,
- Approval of changes,
- Testing requirements,
- Documentation requirements,
- Implementation reviews, and
- Proper segregation of duties.

Further, this finding was first reported in the Board's Fiscal Year 2012 Compliance Examination. As such, the Board's management has failed to implement corrective actions to remedy the deficiencies.

The Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Configuration Management section, requires entities to document their controls to ensure controls over changes to applications and data are properly documented, tested, authorized, and reviewed.

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 that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

The Board's management indicated the change control process enhancements remained a work in progress because of the transition to the Department of Innovation and Technology. Additionally, during this transition, the Board continued to review their entire IT processes.

Failure to implement controls over changes to the Board's applications and data could result in inaccurate and unauthorized changes, resulting in inaccurate data being utilized. (Finding Code No. 2022-001, 2020-004, 2018-004, 2016-005, 2014-005, 12-4)

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-001 **FINDING** Lack of an Effective Change Management Control (Continued)

RECOMMENDATION

We recommend the Board develop a change management policy which details all aspects of the change management process, including:

- Procedures for requesting changes,
- Approval of changes,
- Testing requirements,
- Documentation requirements,
- Implementation reviews, and
- Proper segregation of duties.

BOARD RESPONSE

The Board agrees with the recommendation, and we are working to implement the necessary improvements. The Board is currently undergoing migration into the Department of Innovation and Technology's (DoIT) infrastructure and support environment to address longstanding agency IT challenges. The Board's current change management policy requires all Board application changes to be recorded and requested through the Board's Information Technology Project Request System (ITPR). The ITPR process requires final approval from system owners and Board management, and it restricts access to implement changes to Board systems and applications.

With support from DoIT, we are working to implement a Corrective Action Plan (CAP) to enhance the change management policy and related processes in connection with our DoIT migration. CAP milestones include utilizing DoIT's change management standards; training appropriate Board staff on control change requests, testing and approvals; maintaining and updating detailed application change documentation; and implementing standardized reviews after changes are put into the production environment.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-002 FINDING Inadequate Controls over Personal Services

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

During our testing of personnel records for 32 employees, we noted the following:

- One (3%) employee's annual performance evaluation was not completed.
- Two (6%) employees' annual performance evaluations were completed 69 and 137 days late.
- One (3%) employee's annual performance evaluation completion date could not be verified due to the evaluation not being dated.
- Two (6%) employees did not date Section 1 of the U.S. Citizenship and Immigration Services (USCIS) I-9 Employment Eligibility Verification (I-9) form. Thus, we could not determine the timeliness of completion on or before the hire date.
- Five (16%) I-9 forms did not have Section 2 included in the employees' personnel files. Thus, we could not determine the timeliness of completion within the required three days from hire date.

This finding was first reported in the Board's Fiscal Year 2012 Compliance Examination. As such, Board management has failed to implement corrective actions to remedy the deficiencies.

The Code (80 Ill. Admin. Code 302.270) and the Board's Employee Handbook (Handbook) require certified employees to be evaluated annually.

Federal law (8 U.S.C. §1324a) requires employers to complete and maintain an I-9 form to verify an individual's eligibility for employment in the United States.

Further, USCIS instructions for Form I-9 require Section 1 to be completed no later than the first day of employment. After completing Section 1, the employee is required to sign their name and document the date signed. Employers are to examine the evidence of identity and employment authorization within three business days of the employee's first day of employment. The employer is required to document the hire date and their signature and date of their review in Section 2 of the I-9 form. The employer is also required to retain each employee's completed Form I-9 for as long as the individual works for the employer and for a specified period after employment has ended. Employers are required to retain the pages of the form on which the employee and employer entered data. If copies of documentation presented by the employee are made, those copies must also be retained. Once the individual's employment ends, the employer must retain this form and attachments for either three years after the date of hire or one year after the date employment ended, whichever is later.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-002 FINDING Inadequate Controls over Personal Services (Continued)

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure the performance appraisals and I-9 forms are properly completed and retained in employee personnel files.

Board management stated the particular performance evaluations were not properly completed due to challenges surrounding the COVID-19 pandemic. Additionally, Board management stated staff was following outdated training protocols regarding the I-9 requirements.

Performance evaluations are important to ensure all employees understand the duties and responsibilities assigned to them and that they are performing the duties for which they are being compensated. Failure to conduct timely evaluations is noncompliance with the Code and Handbook. In addition, failure to complete and retain I-9 forms within the required timeframe is a violation of USCIS requirements and could expose the Board to penalties. (Finding Code No. 2022-002, 2020-001, 2018-001, 2016-002, 2014-008 and 009, 12-6 and 7)

RECOMMENDATION

We recommend the Board timely conduct annual performance evaluations in accordance with the Code and Handbook and change their current procedures to prepare, review, and retain I-9 forms to ensure compliance with the USCIS requirements.

BOARD RESPONSE

The Board accepts the recommendation and recognizes the importance of completing annual performance evaluations in a timely manner. The Board will continue to work with its supervisors to meet evaluation deadlines. Additionally, the Board trained appropriate staff regarding I-9 requirements to ensure proper completion of these forms.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-003 FINDING Failure to File Annual Reports

The Illinois Gaming Board (Board) did not submit Annual Reports of its acts and doings for fiscal years 2019, 2020, and 2021.

During our testing, we noted the Board did not file its Annual Reports for fiscal years 2019, 2020, and 2021 with the Governor's Office in the statutorily required timeframe.

The State Finance Act (30 ILCS 105/3(a)) requires the Board to deliver to the Governor an annual report of its acts and doings for the fiscal year ending in the calendar year immediately preceding the calendar year in which the regular session of the General Assembly convenes. This report is due no later than January 7 of each year.

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 that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

Board management stated the reports were not filed due to limited staff resources, delays in procuring a vendor to assess and update the formatting and process for creating the annual reports, and competing priorities, including the implementation of the June 2019 and June 2020 gaming expansion laws, and addressing matters related to COVID-19.

Failure to timely file the Annual Reports resulted in noncompliance with the State statutes. (Finding Code No. 2022-003, 2020-003)

RECOMMENDATION

We recommend the Board immediately file its 2019, 2020 and 2021 Annual Reports and thereafter timely file the Annual Report every year to the Governor.

BOARD RESPONSE

The Board accepts the recommendation and submitted the overdue reports. The Board understands the importance of filing timely reports and will endeavor to do so in the future. The Board also notes that all the information presented in its Annual Report is continuously updated and published on the Board's website in real time as new data becomes available.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-004 **FINDING** Noncompliance with the Sports Wagering Act

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

During our testing, we noted the following:

- The Board did not submit the annual reports on sports wagering with the General Assembly on or before January 15, 2021, and January 15, 2022, for calendar years 2020 and 2021.
- The Board did not participate in public annual workshop and job fairs to achieve supplier diversity goals for sports wagering during the examination period.

The Sports Wagering Act (Act) (230 ILCS 45/25-105) requires the Board to deliver to the General Assembly an annual report on sports wagering. This report is due no later than January 15 of each year. Additionally, the Act (230 ILCS 45/25-85(g)) requires the Board, Department of Lottery, and sports wagering licensees to hold a public annual workshop and job fair to collaboratively seek solutions to impediments toward supplier diversity goals for sports wagering. This annual requirement started in calendar year 2020.

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 that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

Board management stated the reports were not filed and workshops not held due to limited staff resources, delays in procuring a vendor to assess and update the formatting and process for creating the annual reports, and competing priorities, including the implementation of the June 2019 and June 2020 gaming expansion laws, and addressing matters related to COVID-19.

Failure to timely file the annual reports and hold the annual workshop and job fair negatively impacts the State's goals to collaboratively work with companies to serve Illinois residents to improve the supplier diversity for sports wagering and resulted in noncompliance with the Sports Wagering Act. (Finding Code No. 2022-004)

RECOMMENDATION

We recommend the Board immediately file its overdue annual reports on sports wagering and timely file the report every year thereafter to the General Assembly, as well as collaborate with the Department of Lottery and sports wagering licensees to hold the required public annual workshop and job fair for the diversity goals for sports wagering.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-004 **FINDING** Noncompliance with the Sports Wagering Act (Continued)

BOARD RESPONSE

The Board accepts the recommendation and submitted the overdue reports. The Board understands the importance of filing timely reports and will endeavor to do so in the future. Further, the Board notes that all the information presented in the Sports Wagering Annual Report is continuously updated and published on the Board's website on a monthly basis as new data becomes available.

Regarding the public annual sports wagering supplier diversity workshop and job fair, the Board notes that its ability to plan and hold these public events in calendar years 2020, 2021 and 2022 was negatively impacted by the COVID-19 pandemic, staffing challenges and other complications beyond the Board's control. The Board recognizes the importance of the sports wagering supplier diversity workshop and job fair and is committed to resolving the non-pandemic impediments so that these events can occur in the future. Further, the Board notes that the Department of the Lottery did not implement a sports wagering program.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-005 **FINDING** Inadequate Disaster Recovery Controls

The Illinois Gaming Board (Board) failed to adequately plan for the recovery of their applications and data.

The Board utilized a myriad of applications to perform its duties of regulating the casinos and sports wagering in the State. During our examination, we noted the Board had not developed a disaster recovery plan to recover their applications and data in the event of a disaster.

In addition, the Board had not conducted recovery testing during the examination period.

Further, this finding was first reported in the Board's Fiscal Year 2014 Compliance Examination. As such, the Board's management has failed to implement corrective actions to remedy the deficiencies.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

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 that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation, and maintain accountability over the State's resources.

The Board's management indicated the disaster recovery process was a work in progress because of the transition to the Department of Innovation and Technology. Additionally, during this transition, the Board continued to review their entire IT processes.

Failure to adequately plan for the recovery of their applications and data could result in the loss of data and inability to recover within an acceptable time. (Finding Code No. 2022-005, 2020-005, 2018-006, 2016-007, 2014-013)

RECOMMENDATION

We recommend the Board work with the Department of Innovation and Technology to obtain a detailed understanding of each agency's roles and responsibilities. We further recommend the Board develop a detailed disaster recovery plan to recover all their applications and data. Lastly, we recommend the Board conduct detailed recovery testing at least annually.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-005 **FINDING** Inadequate Disaster Recovery Controls (Continued)

BOARD RESPONSE

The Board accepts the recommendation and recognizes that additional work is required to fully resolve this issue. The Board is currently undergoing migration into the Department of Innovation and Technology's (DoIT) infrastructure and support environment to address longstanding agency IT challenges. The Board, in partnership with DoIT, continues to work toward implementation of the necessary actions needed for a comprehensive Disaster Recovery Plan.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-006 FINDING Inadequate Controls over Cybersecurity Programs and Practices

The Illinois Gaming Board (Board) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Board is the State's regulatory and law enforcement agency regulating casino gaming and sports wagering and, therefore, responsible for ensuring the safety and integrity of the State's gaming activities. To perform their duties, the Board utilizes Information Technology (IT) applications which contains confidential and personal information.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Board's cybersecurity program, practices, and control of confidential information, we noted the Board had not:

- Developed a formal, comprehensive, adequate, and communicated security program (including policies, procedures, and processes as well as clearly defined responsibilities over the security of computer programs and data) to manage and monitor the regulatory, legal, environmental, and operational requirements.
- Established cybersecurity roles and responsibilities.
- Developed a cybersecurity plan.
- Developed a project management framework to ensure new applications were adequately developed and implemented in accordance with management's expectations.
- Developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk reducing internal controls.
- Developed policies and procedures for reviewing and monitoring security implementation and violations.
- Developed a data classification methodology or classified its data to identify and ensure adequate protection of information.
- Required employees or contractors to annually acknowledge receipt of the Board's policies. In addition, 1 of 17 (6%) new employees did not acknowledge receipt of the Board's policies upon hiring.

The Board's General Security for IT Resources Policy (Policy) documented basic guidance regarding reporting of security violations and annual cybersecurity training. However, the Policy had not been updated since January 2014. Additionally, the Policy did not reflect the Board's current security environment.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-006 **FINDING** Inadequate Controls over Cybersecurity Programs and Practices
(Continued)

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints to ensure the security of their applications, data, and continued business mission.

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 that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

The Board's management indicated the controls over cybersecurity were a work in progress because of the transition to the Department of Innovation and Technology. Additionally, during this transition, the Board continued to review their entire IT processes.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Board's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2022-006)

RECOMMENDATION

We recommend the Board work with the Department of Innovation and Technology to obtain a detailed understanding of each agency's roles and responsibilities. We further recommend the Board:

- Develop a formal, comprehensive, adequate, and communicate security program (including policies, procedures, and processes as well as clearly defined responsibilities over the security of computer programs and data) to manage and monitor the regulatory, legal, environmental, and operational requirements.
- Establish cybersecurity roles and responsibilities.
- Develop a cybersecurity plan.
- Develop a project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations.
- Develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk reducing internal controls.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-006 **FINDING** Inadequate Controls over Cybersecurity Programs and Practices
(Continued)

- Develop policies and procedures for reviewing and monitoring security implementation and violations.
- Develop a data classification methodology and classify its data to identify and ensure adequate protection of information.
- Require employees and contractors to annually acknowledge receipt of the Board's policies.

Additionally, we recommend the Board review the General Security for IT Resources Policy to ensure it reflects the Board's security posture.

BOARD RESPONSE

The Board accepts the recommendation and recognizes that additional work is required to fully resolve this issue. The Board is currently undergoing migration into the Department of Innovation and Technology's (DoIT) infrastructure and support environment to address longstanding agency IT challenges. The Board, in partnership with DoIT, continues to work towards implementation of a Corrective Action Plan (CAP) to make necessary improvements to cybersecurity programs and practices.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-007 **FINDING** Lack of Controls over Review of Internal Controls over Service Providers

The Illinois Gaming Board (Board) failed to implement adequate controls over its service providers.

We requested the Board provide the population of service providers utilized to determine if they had reviewed the internal controls over their service providers. Although the Board did not provide a population of services providers, during discussion it was determined two service providers were utilized. The service providers provided hosting services and software as a service.

Due to these conditions, we were unable to conclude the Board's population records were complete and accurate under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36). **Even given the population limitations noted above, which hindered our ability to conclude whether the population was complete, we conducted testing of the two service providers identified during our testing.**

We requested the Board provide the System and Organizational Control (SOC reports) and the Board's assessment of the SOC reports. However, the Board had not obtained the SOC reports; therefore, had not reviewed the internal controls over the service providers.

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.

The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

Board management indicated the lack of resources resulted in the weaknesses.

Failure to implement adequate controls over service providers could result in inadequate controls at the service providers. (Finding Code No. 2022-007)

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-007 **FINDING** Lack of Controls over Review of Internal Controls over Service Providers (Continued)

RECOMMENDATION

We recommend the Board ensure all service providers are identified and determine and document if a review of controls is required. If required, we recommend the Board:

- Obtain SOC reports (or perform independent reviews) of internal controls associated with outsourced systems at least annually.
- Monitor and document the operation of the Complementary User Entity Controls (CUECs) relevant to the Board's operations.
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the usage of the subservice organizations would not impact the Board's internal control environment.
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Board, and any compensating controls.

BOARD RESPONSE

The Board accepts the recommendation and will endeavor to follow it. The Board understands the importance of the review of internal controls over its service providers. The Board will continue to work with its hosting and software service providers (a third-party service provider and the Department of Innovation and Technology) to obtain their required SOC reports, review the respective reports and document the review. Responding further, the Board notes that it did identify a complete population of service providers during the course of the audit, and that it did obtain and review one SOC report of the third-party service provider.

ACCOUNTANTS' COMMENT

The Professional Standards (AT-C § 205.36) requires the accountant to obtain evidence about the accuracy and completeness of the information provided by the entity and evaluate whether the information is sufficiently precise and detailed for the practitioner's purpose. Informing the accountant during a discussion does not meet the requirements of an accurate and complete population. Additionally, we are confused as to the Board's response they had obtained one SOC report. In written correspondence and a verbal discussion with Board management, the Board informed us the SOC reports were not obtained.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-008 **FINDING** Failure to Fully Utilize the State's Enterprise Resource Planning System

The Illinois Gaming Board (Board) did not utilize all capabilities of the State's Enterprise Resource Planning (ERP) system, which resulted in unnecessary inefficiency.

The State's implementation of an ERP system centralized the finance, procurement, grants management, and asset management processes by replacing outdated manual systems and technologies. The ERP system can enhance transparency of data, reduce processing time, and improve the timeliness of financial reporting. During the examination period, the ERP's processing integrity was sufficient to enable reliance upon ERP's processing of transactions.

During our examination, we noted the Board recorded financial transactions; however, the Board did not fully utilize the Project/Cost Accounting (Controlling), Funds Management, or General Ledger ERP modules.

- The Controlling module collects, analyzes, distributes, allocates, and reports on financial data according to cost objects.
- The Funds Management module maintains, tracks, and reports on revenues, expenditures, commitments, obligations, and transfers for each fund and budget.
- The General Ledger module records the financial transactions of an agency and the State's chart of accounts.

Government Auditing Standards (§ 1.02) states:

The concept of accountability for use of public resources and government authority is key to our nation's governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

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 to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws. Good internal controls over compliance include ensuring the full capabilities of the ERP system are used to efficiently process, record, and report transactions.

Board management stated they were unfamiliar with the requirement to fully utilize these specific modules and believed the Board had been effectively utilizing the ERP system in its operations, where able.

Failure to fully utilize the State's ERP system could result in outdated systems not being supported, untimely financial information, and the lack of full transparency and resulted in the inefficient usage of State resources. (Finding Code No. 2022-008)

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-008 **FINDING** Failure to Fully Utilize the State's Enterprise Resource Planning System (Continued)

RECOMMENDATION

We recommend the Board to work with the Department of Innovation and Technology to transition and fully utilize the Project/Cost Accounting (Controlling), Funds Management, and General Ledger ERP modules of the ERP system.

BOARD RESPONSE

The Board accepts the recommendation. The Board is currently working with the Department of Innovation and Technology to incorporate additional ERP functionality to assist with fiscal process performed throughout the year.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-009 FINDING Voucher Processing Weakness

The Illinois Gaming Board (Board) did not timely submit its vouchers for payment to the Office of Comptroller (Comptroller) or approve for payment all interest due to vendors during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning (ERP) system operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Board to determine whether certain key attributes were properly entered by the Board's staff into the ERP system. To determine the operating effectiveness of the Board's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP system based on supporting documentation. The attributes tested were (1) vendor information, (2) expenditure amount, (3) object(s) of expenditure, and (4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

We then conducted an analysis of the Board's expenditures data for fiscal years 2021 and 2022 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70). We noted the following noncompliance:

- The Board owed one vendor interest totaling \$47 in fiscal years 2021 and 2022; however, the Board had not approved these vouchers for payment to the vendor.

The Act (30 ILCS 540) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.

- The Board did not timely approve 135 of 2,009 (7%) vouchers processed during the examination period, totaling \$510,183. We noted these late vouchers were approved between 1 and 206 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Board to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

- The Board did not properly enter the appropriation or obligation data for 14 of 2,009 (1%) vouchers. As a result, the Board updated the ERP information 45 to 274 days after the voucher was originally entered.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure 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 the State's resources.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-009 FINDING Voucher Processing Weakness (Continued)

Board management stated vendor interest was not paid due to the Board not having a routine process for approving the voucher payments for Prompt Payment interest due to vendors. Additionally, the Board's management stated vouchers were not timely approved and entered into the ERP system with incorrect information due to (1) human error and (2) the effects of the COVID-19 pandemic negatively impacting the staffing and resources allocated to the approvals of vendor invoices processed between the Board's several administrative and field office locations.

Failure to properly enter the key attributes into the State's ERP system when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills and approve vouchers for payment of interest due represents noncompliance with the Code and the Act. (Finding Code No. 2022-009)

RECOMMENDATION

We recommend the Board design and maintain internal controls to provide assurance its data entry of key attributes into the ERP system is complete and accurate. Further, we recommend the Board approve proper bills within 30 days of receipt and approve vouchers for payment of interest due to vendors.

BOARD RESPONSE

The Board accepts the recommendation. The Board is reviewing its internal procedures, and its Fiscal Division will incorporate follow-up practices to improve voucher processing. The Board is also working with the ERP team to learn more about proper correction procedures as well as additional ERP system functionality and features.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
SCHEDULE OF FINDINGS – PRIOR FINDING NOT REPEATED
For the Two Years Ended June 30, 2022**

A. FINDING Noncompliance with the Illinois Gambling Act

During the prior examination, the Illinois Gaming Board (Board) did not have its four members give bond to the State of Illinois in the amount of \$25,000 each.

During the current examination, we noted the Board properly secured the required bonds approved by the Governor for each member of the Board. (Finding Code No. 2020-002)



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAglobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.