

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE GAMING FUND – FUND 129
FINANCIAL AUDIT
For the Year Ended June 30, 2022**

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



CPAs | CONSULTANTS | WEALTH ADVISORS

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**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE GAMING FUND – FUND 129
FINANCIAL AUDIT
For the Year Ended June 30, 2022**

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**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE GAMING FUND – FUND 129
FINANCIAL AUDIT
For the Year 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 (07/01/21 – 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 (07/01/21 – 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
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BOARD MEMBERS

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

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE GAMING FUND – FUND 129
FINANCIAL AUDIT
For the Year Ended June 30, 2022**

BOARD OFFICES

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

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE GAMING FUND – FUND 129
FINANCIAL AUDIT
For the Year Ended June 30, 2022**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Gaming Board’s State Gaming Fund of the State of Illinois was performed by CliftonLarsonAllen LLP.

Based on their audit, the auditors expressed an unmodified opinion on the State Gaming Fund’s basic financial statements.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	0
Repeated Findings	1*	0
Prior Recommendations Implemented or Not Repeated	0	0

*Finding 2022-001 was reclassified from a State Compliance Examination Finding to a *Government Auditing Standards* finding in the current audit period.

SCHEDULE OF FINDINGS

The auditors identified one matter involving the Illinois Gaming Board’s internal control over financial reporting that they consider to be a significant deficiency.

Item No.	Page	Last/First Report	Description	Finding Type
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CURRENT FINDINGS

2022-001	19	2020/2012	Lack of Formalized Change Management Standard	Significant Deficiency and Noncompliance
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PRIOR FINDINGS NOT REPEATED

No findings were identified in the year ended June 30, 2021.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE GAMING FUND – FUND 129
FINANCIAL AUDIT
For the Year Ended June 30, 2022**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Illinois Gaming Board personnel at an exit conference on December 13, 2022.

Attending 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
Joseph Parochetti	Audit Manager

CliftonLarsonAllen LLP

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

The responses to the recommendations were provided by Kevin High, Chief Financial Officer, in a correspondence dated December 16, 2022.



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the State Gaming Fund of the Illinois Gaming Board of the State of Illinois (Board), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the State Gaming Fund of the Board, as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 2 to the financial statements, the financial statements present only the financial statements of the State Gaming Fund and do not purport to, and do not, present fairly the financial position of the Board or the State of Illinois, as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Further, as discussed in Note 2 to the financial statements, the Board adopted GASB Statement No. 87, *Leases*, during the year ended June 30, 2022. As a result of the adoption, the Board did not report a restatement of fund balance for the State Gaming Fund. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Required Supplementary Information

Management has omitted the management’s discussion and analysis for the State Gaming Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of Board officials, the listing of Board offices, and the financial statement report summary but does not include the basic financial statements and our auditors’ report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023, on our consideration of the Board’s internal control over financial reporting of the State Gaming Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board’s internal control over financial reporting and compliance.

Restricted Use of this Auditors’ Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, the Board’s governing board, and the Board’s management and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Peoria, Illinois
January 6, 2023

State of Illinois
Illinois Gaming Board - State Gaming Fund
Individual Nonshared Fund

Balance Sheet

June 30, 2022 (Expressed in Thousands)

	State Gaming Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Cash equity with State Treasurer	\$ 29,765
Other receivables, net	25
Total assets and deferred outflows of resources	\$ 29,790
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Accounts payable and accrued liabilities	\$ 2,522
Intergovernmental payables	7,319
Due to other State funds	19,949
Total liabilities and deferred inflows of resources	29,790
FUND BALANCE	
Committed	-
Total fund balance	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 29,790

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Illinois Gaming Board - State Gaming Fund
Individual Nonshared Fund

**Statement of Revenues, Expenditures,
and Changes in Fund Balance**
For the Year Ended June 30, 2022 (Expressed in Thousands)

	State Gaming Fund
Revenues:	
Casino taxes	\$ 345,808
Licenses and fees	8,496
Total revenues	<u>354,304</u>
Expenditures:	
Health and social services	6,194
Public protection and justice	49,525
Debt Service	34
Intergovernmental	84,844
Total expenditures	<u>140,597</u>
Excess of revenues over expenditures	<u>213,707</u>
Other sources (uses) of financial resources:	
Transfers-out	<u>(213,707)</u>
Net other sources (uses) of financial resources	<u>(213,707)</u>
Net change in fund balance	-
Fund balance, July 1, 2021	<u>-</u>
Fund balance, June 30, 2022	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2022

(1) Description of Fund

The State Gaming Fund (Fund) is administered by the Illinois Gaming Board (Board). The Board is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Board is subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly.

The purpose of the Fund is to receive and record taxes and fees obtained from licensed casino gambling, as well as certain fees obtained from video gaming and sports wagering operations. Pursuant to appropriation, monies in the Fund are used to defray the costs associated with background investigations conducted by the Board, including personnel costs, enforcement of the Illinois Gambling Act, Video Gaming Act and Sports Wagering Acts and revenue sharing with units of local government. Excess funds are transferred to the Education Assistance Fund. All funds appropriated to the Board and all other cash received are under the custody and control of the State Treasurer.

(2) Summary of Significant Accounting Policies

The financial statements of the Fund, an individual nonshared fund of the Board, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Fund has no component units and is not a component unit of any other entity. However, because the Fund is not legally separate from the State of Illinois, the financial statements of the Fund are included in the financial statements of the State of Illinois. The State of Illinois' Annual Comprehensive Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2022

The financial statements of the State Gaming Fund are intended to present the financial position, and the changes in financial position of only that portion of the governmental funds of the State of Illinois that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2022 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(b) *Basis of Presentation*

In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A balance sheet and statement of revenues, expenditures, and changes in fund balance have been presented for the individual nonshared governmental fund administered by the Board.

The nonshared governmental fund is a special revenue fund. Transactions related to resources obtained from specific revenue sources (other than for expendable trusts) that are legally restricted for specified purposes are accounted for in special revenue funds. The Special Revenue Fund, Fund 129, is held in the State Treasury. The funds are appropriated by the General Assembly.

(c) *Measurement Focus and Basis of Accounting*

The individual nonshared governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt obligations, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures. Proceeds of long-term debt obligations and acquisitions under capital leases are reported as other financing sources.

(d) *Cash and Cash Equivalents*

Cash and cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents consist of deposits held in the State Treasury.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2022

(e) Interfund Transactions

The Fund has the following types of interfund transactions between funds of other State agencies:

Services provided and used—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheets or the government-wide statements of net positions.

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

(f) Fund Balance

In the fund financial statements, governmental funds report commitments of fund balances for amounts with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Fund is comprised of a committed fund balance of \$0.00 as of June 30, 2022. Subsequent fund balances are restricted through enabling legislation and are subject to mandatory transfers to the Education Assistance Fund and therefore are classified as committed. These committed funds cannot be used for any other purpose unless the Illinois General Assembly removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

(g) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Lease Arrangements

The Board has entered into various leases for office and computer equipment with remaining lease terms ranging from less than one year to 1 year. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. The renewal and termination options are not included in the right-to-use asset or lease liability balance until they are reasonably certain of exercise.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2022

(3) Deposits

The State Treasurer is the custodian of the State’s cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Board does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois’ Annual Comprehensive Financial Report.

(4) Interfund Balances and Activity

(a) Balances Due to (from) Other Funds

The following balances (amounts expressed in thousands) on June 30, 2022 represent amounts due to (from) other funds:

	<u>Due to (from)</u>	
Other Board Funds	\$ 18,711	Due to (from) other Board funds pursuant to statutory authority of the Illinois Gambling Act.
Other State Funds	637	Due to other State funds pursuant to statutory authority of the Illinois Gambling Act, as well as reimbursement of administrative costs and payment for services related to casino security and video gaming enforcement.
Other State Fiduciary Funds	601	Due to other State fiduciary funds for payment of retirement benefits.
	<u>\$ 19,949</u>	

(b) Transfers to Other Funds

Interfund transfers out for the year ended June 30, 2022, totaled \$213.707 million, and represented transfers to the State’s Educational Assistance Fund, School Infrastructure Fund, Capital Projects Fund and Chicago State University Education Improvement Fund pursuant to statutory authority of the Illinois Gambling Act. The total also included transfers made to the Audit Expense Fund, Workers’ Compensation Revolving Fund and Professional Services Fund.

(5) Taxes Receivable

There were no taxes receivable on June 30, 2022.

(6) Other Receivables

Other receivables on June 30, 2022, totaled \$.025 million, with no amounts reported as an allowance for uncollectible receivables. This is primarily comprised of video gaming application and licensing fees.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2022

(7) Pension Plan

Substantially all the Board's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2022 are included in the State of Illinois' Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2022. The SERS issues a separate ACFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62704-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' ACFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Board pays employer retirement contributions based upon an actuarially determined percentage of its payrolls. For fiscal year 2022, the employer contribution rate was 56.169%.

(8) Post-Employment Benefits

The State, under the State Employees Group Insurance Act of 1971 ("Act") provides health, dental, vision and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for these other post-employment benefits ("OPEB") if they eventually become annuitants of one of the State sponsored pension plans. Historically, the health, dental, and vision benefits provided to and contribution amounts required from annuitants have been the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with the limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. The State also provides life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes \$5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expense by the State in the Illinois' Annual Comprehensive Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefits provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. The audit report is available on the Office of the Auditor General website at www.auditor.illinois.gov, which includes the financial statements of CMS. A copy of the actual valuation report will be made available at <http://cgfa.ilga.gov>.

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD – STATE GAMING FUND
INDIVIDUAL NONSHARED FUND**

Notes to Financial Statements

June 30, 2022

(9) Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e., self-insured) for these risks.

The Board's risk management activities are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Board; and accordingly, have not been reported in the Fund's financial statements for the year ended June 30, 2022.

(10) Commitments and Contingencies

Litigation

The Board is routinely involved in a number of legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these matters is not expected to have any material adverse effect on the financial position or results of operations of the Fund.



**INDEPENDENT AUDITORS' 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 Frank J. Mautino, Auditor General
State of Illinois, and
Governing Board
Illinois Gaming Board
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Gaming Fund of the Illinois Gaming Board of the State of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State Gaming Fund's basic financial statements, and we have issued our report thereon dated January 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 State Gaming Fund's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-001.

Board's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Board's responses were not subjected to the other 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 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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Peoria, Illinois
January 6, 2023

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD
STATE GAMING FUND – FUND 129
FINANCIAL AUDIT
For the Year Ended June 30, 2022**

SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDINGS

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 carry out 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 indicated the change control process enhancements remained a work in progress as a result 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)

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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.



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