

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

STATE OF ILLINOIS
ILLINOIS RACING BOARD
 COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2016

TABLE OF CONTENTS

		Page
Board Officials		1
Management Assertion Letter		4
Compliance Report:		
Summary		6
Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes		10
Schedule of Findings		
Current Findings – State Compliance		14
Prior Findings Not Repeated		79
Supplementary Information for State Compliance Purposes:	Schedule	Page
Summary		81
Fiscal Schedules and Analysis (Not Examined):		
Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2016 (Not Examined)	1	82
Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2015 (Not Examined)	2	85
Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances (Not Examined)	3	87
Schedule of Changes in State Property (Not Examined)	4	91
Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller (Not Examined)	5	92
Analysis of Operations (Not Examined):		
Board Functions and Planning Program (Not Examined)		94
Analysis of Significant Variations in Expenditures (Not Examined)		95
Analysis of Significant Variations in Receipts (Not Examined)		97
Analysis of Significant Lapse Period Spending (Not Examined)		99
Analysis of Accounts Receivable (Not Examined)		101
Average Number of Employees (Not Examined)		103
Budget Impasse Disclosures (Not Examined)		104
Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)		105
Interest Costs on Fiscal Year 2016 Invoices (Not Examined)		106

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

TABLE OF CONTENTS

	Page
Supplementary Information for State Compliance Purposes (continued):	
Analysis of Operations (Not Examined) (continued):	
Horse Racing Statistics (Not Examined):	
Calendar Year 2006 – 2015 Purses, Commissions, and State Revenue (Not Examined)	107
Calendar Year 2015 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Not Examined)	108
Calendar Year 2015 Advance Deposit Wagering Statistics (Not Examined)	111
Calendar Year 2015 Activity from All Locations (Not Examined)	112
Calendar Year 2014 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Not Examined)	113
Calendar Year 2014 Advance Deposit Wagering Statistics (Not Examined)	116
Calendar Year 2014 Activity from All Locations (Not Examined)	117
Service Efforts and Accomplishments (Not Examined)	118

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

BOARD OFFICIALS

Chair of the Board (03/02/15 – Present)	Mr. Jeffrey R. Brincat
Chair of the Board (Interim) (01/26/15 – 03/01/15)	Mr. Marc Laino
Chair of the Board (01/13/15 – 01/25/15)	Vacant
Chair of the Board (07/01/14 – 01/12/15)	Mr. William L. Berry
Executive Director (05/08/15 – Present)	Mr. Domenic DiCera
Executive Director (Interim) (01/01/15 – 05/07/15)	Mr. Domenic DiCera
Executive Director (07/01/14 – 12/31/14)	Mr. Marc Laino
Chief Fiscal Officer	Mr. Vitto Ezeji-Okoye
General Counsel (07/27/15 – Present)	Mr. Michael R. Pieczonka
General Counsel (05/01/15 – 07/26/15)	Vacant
General Counsel (07/01/14 – 04/30/15)	Ms. Katherine Laurent
State Director of Mutuels	Mr. Bob Lang
Director of Operations^^ (07/01/15 – Present)	Ms. Jackie Clisham
Director of Field Operations* (07/01/14 – 03/01/15)	Mr. Domenic DiCera
Director of Security and Licensing^(05/08/15 – Present)	Mr. Ed Mingey
Director of Security (07/01/14 – 05/07/15)	Mr. Ed Mingey
Director of Licensing^ (07/01/14 – 05/08/15)	Ms. Madonna Wallace
Projects Manager	Mr. Mickey Ezzo
Field Operations Manager** (03/01/16 – Present)	Mr. John Eddy

^ The Director of Security and Director of Licensing jobs were merged after the prior Director of Licensing separated from the Board on May 8, 2015.

^^ This position was created on July 1, 2015.

* This position was eliminated on March 1, 2015. During January 2015 and February 2015, Mr. DiCera concurrently served as the Board's interim Executive Director. On May 8, 2015, Mr. DiCera was named the Board's Executive Director.

** This position was created on March 1, 2016.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

BOARD MEMBERS

Commissioner (01/26/15 – Present)	Ms. Arlene Mulder
Commissioner (01/13/15 – 01/25/15)	Vacant
Commissioner (07/01/14 – 01/12/15)	Mr. William L. Berry
Commissioner	Mr. Gregory W. Sronce
Commissioner	Mr. Hugh D. Scates
Commissioner (03/02/15 – Present)	Mr. Robert Muriel
Commissioner (01/13/15 – 03/01/15)	Vacant
Commissioner (07/01/14 – 01/12/15)	Mr. Orion Samuelson
Commissioner (03/02/15 – Present)	Mr. Travis Swoope
Commissioner (01/13/15 – 03/01/15)	Vacant
Commissioner (07/01/14 – 01/12/15)	Mr. Thomas McCauley
Commissioner (01/23/17 – Present)	Mr. Thomas McCauley
Commissioner (11/18/15 – 01/22/17)	Vacant
Commissioner (07/01/14 – 11/17/15)	Ms. Kathy Byrne
Commissioner (01/26/15 – Present)	Mr. Robert Lunt
Commissioner (07/01/14 – 01/25/15)	Mr. Allan M. Monat
Commissioner (03/02/15 – Present)	Ms. Shelley Kalita
Commissioner (10/17/14 – 03/01/15)	Vacant
Commissioner (07/01/14 – 10/16/14)	Mr. Benjamin Reyes
Commissioner	Mr. Robert G. Schiewe, Jr.
Commissioner (04/03/17 – Present)	Mr. Edgar Ramirez
Commissioner (02/12/16 – 04/02/17)	Vacant
Commissioner (07/01/14 – 02/11/16)	Mr. Roger Whalen
Commissioner (03/02/15 – Present)	Mr. Jeffrey R. Brincat
Commissioner (01/13/15 – 03/01/15)	Vacant
Commissioner (09/05/14 – 01/12/15)	Ms. Melody Spann-Cooper
Commissioner (07/01/14 – 09/04/14)	Mr. Michael LaPibus

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

BOARD OFFICES

The Board's offices are located at:

Chicago, Illinois

James R. Thompson Center
100 W. Randolph Street, Suite 5-700
Chicago, Illinois 60601

Fairmount Park

Downstate Thoroughbred
9301 Collinsville Road
Collinsville, Illinois 62234

Arlington International Racecourse

Upstate Thoroughbred
2200 W. Euclid Avenue
Arlington Heights, Illinois 60006

Hawthorne Racecourse

Upstate Thoroughbred and Harness
3501 S. Laramie Avenue
Cicero, Illinois 60804

Additionally, the Board's offices at these locations closed in December 2015:

Balmoral Park

Upstate Harness
26435 S. Dixie Highway
Crete, Illinois 60417

Maywood Park

Upstate Harness
8600 W. North Avenue
Melrose Park, Illinois 60160



ILLINOIS RACING BOARD
STATE COMPLIANCE EXAMINATION
MANAGEMENT ASSERTION LETTER

April 18, 2018

Honorable Frank J. Mautino
Auditor General
State of Illinois
740 East Ash Street
Springfield, Illinois 62703-3154

Auditor General Mautino:

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 State of Illinois, Illinois Racing 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 State of Illinois, Illinois Racing Board's compliance with the following assertions during the two-year period ended June 30, 2016. Based on this evaluation, we assert that during the years ended June 30, 2015, and June 30, 2016, the State of Illinois, Illinois Racing Board has materially complied with the assertions below.

- A. The State of Illinois, Illinois Racing Board has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Racing Board has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The State of Illinois, Illinois Racing Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Racing 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.

In addition, we are aware of the following noncompliance matter which occurred during the period subsequent to June 30, 2016, which requires disclosure by management under the attestation standards established by the American Institute of Certified Public Accountants (AT-C § 205.48). On and after January 1, 2017, no live thoroughbred racing has occurred within the State during the period from January 1 through the third Friday in February. As such, allocations of purse moneys collected from interstate simulcast wagers should have been allocated pursuant to § 26(g)(7)(B) of the Illinois Horse Racing Act of 1975 at one racetrack. This subparagraph states the allocation must be made pursuant to § 26(g)(10) of the Illinois Horse Racing Act of 1975, which reads “(Blank).” We are aware the racetrack in question continued to allocate its purse moneys collected from interstate simulcast wagers assuming live thoroughbred racing had occurred during the period from January 1 through the third Friday in February.

Yours truly,

State of Illinois, Illinois Racing Board

SIGNED ORIGINAL ON FILE

Domenic DiCera, Executive Director

SIGNED ORIGINAL ON FILE

Vitto Ezeji-Okoye, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Michael R. Pieczonka, General Counsel

STATE OF ILLINOIS
ILLINOIS RACING BOARD
 COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2016

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes contains an adverse opinion on compliance and identifies material weaknesses in internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Report</u>
Repeated findings	21	15
Prior recommendations implemented or not repeated	9	10
	6	6

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2016-001	14	Inadequate Control over Receipts	Material Weakness and Material Noncompliance
2016-002	18	Inadequate Control over Personal Services	Material Weakness and Material Noncompliance
2016-003	27	Inadequate Control over Totalizator SOC Reports	Material Weakness and Material Noncompliance
2016-004	31	Inadequate Physical Security Controls	Material Weakness and Material Noncompliance
2016-005	32	Failure to Monitor a Racetrack’s Cash Allocations	Material Weakness and Material Noncompliance

STATE OF ILLINOIS
ILLINOIS RACING BOARD
 COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2016

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2016-006	35	Inadequate Control over Accounts Receivable	Material Weakness and Material Noncompliance
2016-007	38	Unable to Distribute Collected Local Taxes	Material Weakness and Material Noncompliance
2016-008	40	Noncompliance with Racing Laws and Regulations	Material Weakness and Material Noncompliance
2016-009	47	Inadequate Control over the Laboratory	Material Weakness and Material Noncompliance
2016-010	52	Failure to Enforce Withholding of Child Support Due	Material Weakness and Material Noncompliance
2016-011	54	Failure to Monitor Handle Allocations	Significant Deficiency and Noncompliance
2016-012	56	Inadequate Control over Voucher Processing	Significant Deficiency and Noncompliance
2016-013	63	Noncompliance with Non-Live Racing Requirements	Significant Deficiency and Noncompliance
2016-014	65	Excessive Commuting Mileage	Significant Deficiency and Noncompliance
2016-015	67	Noncompliance with the Illinois Vehicle Code	Significant Deficiency and Noncompliance
2016-016	68	Noncompliance with Reconciliation Requirements	Significant Deficiency and Noncompliance
2016-017	70	Inadequate Monitoring of Racing Requirements	Significant Deficiency and Noncompliance
2016-018	72	Outdated Records Retention Schedule	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
ILLINOIS RACING BOARD
 COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2016

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2016-019	74	Inaccurate Agency Fee Imposition Reports	Significant Deficiency and Noncompliance
2016-020	76	Failure to Report Grant Information	Significant Deficiency and Noncompliance
2016-021	78	Noncompliance with the Illinois Grant Funds Recovery Act	Significant Deficiency and Noncompliance
PRIOR FINDINGS NOT REPEATED			
A	79	Lack of Policies and Procedures over Shared Services	
B	79	Inadequate Control over Occupational Licensee Records	
C	79	Tax Collection and Distribution Deficiencies	
D	79	Inadequate Monitoring of Pari-Mutuel Tax Allocations	
E	80	Inadequate Control over State Vehicles	
F	80	Need to Enhance Control over Confidential Information	

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on April 12, 2018. Attending were:

Illinois Racing Board

Domenic DiCera – Executive Director
Vitto Ezeji-Okoye – Chief Fiscal Officer
Michael R. Pieczonka – General Counsel
Jackie Clisham – Director of Operations

Office of the Auditor General

Elvin Lay, CPA – Assistant Director of Financial and Compliance Audits
Daniel J. Nugent, CPA – Senior Audit Manager
Jenie Rankin, CPA – Audit Supervisor

The responses to the recommendations were provided by Domenic DiCera, Executive Director, in a correspondence dated April 18, 2018.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Illinois Racing Board's compliance with the requirements listed below (specified requirements), 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, 2016. The management of the State of Illinois, Illinois Racing Board is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Racing Board's compliance based on our examination.

- A. The State of Illinois, Illinois Racing Board has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Racing Board has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The State of Illinois, Illinois Racing Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Racing 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.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor

General pursuant to the Act (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 State of Illinois, Illinois Racing Board complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Illinois Racing Board complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, 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. Our examination does not provide a legal determination on the State of Illinois, Illinois Racing Board's compliance with specified requirements.

As described in items 2016-001 through 2016-021 in the accompanying schedule of findings, the Board did not comply with the specified requirements listed in the first paragraph of this report. Items 2016-001 through 2016-010 are each considered to represent material noncompliance with the specified requirements. Items 2016-011 through 2016-021 individually would have been regarded as significant noncompliance with the specified requirements; however, when aggregated, we determined these items constitute material noncompliance. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Racing Board to comply with the specified requirements listed in the first paragraph of this report.

In our opinion, because of the significance and pervasiveness of the noncompliance described in the preceding paragraph, the State of Illinois, Illinois Racing Board did not comply, in all material respects, with the specified requirements listed in the first paragraph of this report during the two years ended June 30, 2016.

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

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the State of Illinois, Illinois Racing Board is responsible for establishing and maintaining effective internal control over compliance with the specified requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Illinois Racing Board's internal control over compliance with the specified requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on

compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Racing Board's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Racing Board's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a specified requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2016-001 through 2016-010 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2016-011 through 2016-021 to be significant deficiencies.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2016, and June 30, 2015, in Schedules 1 through 5 and the Analysis of Operations Section is presented for purposes of additional analysis. Because of the significance of the matters described in items 2016-001 through 2016-010 in the accompanying schedule of findings, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
April 18, 2018

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-001. **FINDING** (Inadequate Control over Receipts)

The Illinois Racing Board (Board) did not have adequate internal controls over collecting and reporting receipts and lacked adequate cash management for ensuring both the timely and efficient deposit of cash into the State Treasury.

During testing, we noted the following:

- The Board does not have a centralized listing of each individual cash receipt received by the Board with a detailed itemized account of all moneys showing the date of receipt, the payor, purpose and amount, and the date and manner of disbursement. Further, the Board does not have a centralized tracking system to both document each receipt's revenue source code and record the date of each receipt's:
 - arrival at the Board's Chicago office for receipts collected at the racetracks;
 - deposit into the clearing account established by the State Treasurer with a bank;
 - arrival of the Treasurer's Draft;
 - remittal of the Treasurer's Draft with a Receipt Deposits Transmittal Form (RDT) or other acceptable remittance to the State Comptroller;
 - acceptance by the State Comptroller and posting to accounts within the State Treasury; and,
 - activity relating, if necessary, the correction of an error, such as a Receipt Transfer Request (Form SCO-102).

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires the Board to keep proper books with a detailed itemized accounting of all moneys showing the date of receipt, the payor, purpose and amount, and the date and manner of disbursement. Further, a good system of internal control includes establishing a process to monitor the deposit of receipts into the State Treasury.

- The Board's cash receipts journal does not report the date when a receipt is actually received by a Board official or employee; rather, it only reports the date when the Board actually deposited a collection of receipts into the Board's clearing accounts at a bank. As such, it is possible the Board's *Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller* is not complete and accurate.
- Three of 33 (9%) RDTs tested, totaling \$778,180, included seven individual receipts, totaling \$760,560, which were deposited into the State Treasury between one and two business days late.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-001. **FINDING** (Inadequate Control over Receipts) (continued)

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires the Board deposit receipts collected into the State Treasury within a specific number of business days, depending on the value of cash receipts on hand.

- The Board's RDTs were not prepared in accordance with the requirements of the Statewide Accounting Management System (SAMS):
 - Thirty-three of 33 (100%) RDTs tested, totaling \$1,871,385, did not have documentary evidence of an authorized individual at the Board approving each RDT.
 - Thirty-one of 33 (94%) RDTs tested, totaling \$1,834,465, included information provided by the Board in areas designated "Comptroller Use Only".

SAMS (Procedure 25.20.10) provides guidance for filling out a RDT, including requiring the signature of an authorized official and which fields on the form are designated for "Comptroller Use Only".

- The Board lacked adequate internal controls over receipt account codes.
 - The Board did not report the correct receipt account code for photo identification fees on its receipts deposit extension request submitted to the State Comptroller and State Treasurer.

The Illinois Administrative Code (74 Ill. Admin. Code 700.20) requires the Board submit extension requests with the types of funds subject to the extension.

- The Board had a receipt account code (SAMS Source #2390) for the collection of pari-mutuel tax that did not have any receipt transactions during Fiscal Year 2015 or Fiscal Year 2016. As the collection of pari-mutuel taxes is the responsibility of the Department of Revenue pursuant to the Illinois Horse Racing Act of 1975 (230 ILCS 5/27(a-5)), this account should not exist.

SAMS (Procedure 25.20.30) notes a Chart of Accounts Maintenance and Inquiry (Form C-45) must be submitted when a deletion to the Board's Chart of Accounts is necessary.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-001. **FINDING** (Inadequate Control over Receipts) (continued)

Board officials stated these problems were due to a lack of resources and the lack of a centralized management system.

Failure to timely deposit cash receipts into the State Treasury reduces the amount of cash available to pay current obligations and represents noncompliance with the State Officers and Employees Money Disposition Act. In addition, failure to establish and maintain internal controls over receipts increases the risk that errors or irregularities could occur and not be found within the normal course of operations and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2016-001, 2014-002, 12-2, 10-2)

RECOMMENDATION

We recommend the Board develop a centralized listing of each individual receipt with all of the elements required by State law, ensure receipts are deposited timely, prepare RDTs in accordance with SAMS, review its Chart of Accounts on a routine basis to identify any needed changes and submit those changes to the Comptroller for approval, and submit accurate receipt deposit extension requests to the Treasurer and Comptroller.

BOARD RESPONSE

The Board agrees with the auditor that it needs a centralized receipt system and is working with the Department of Innovation and Technology (DoIT) and the Enterprise Resource Planning (ERP) team to develop a new system in FY19. However, the Board strongly disagrees with the auditor regarding whether the Board tracks receipts. Each check received in the office is properly recorded and coded in a separate Excel file that was available for the auditor's review.

Because of an audit finding from the FY13 and FY14 compliance audit, the Board purchased a check scanner in late FY15 and started immediately depositing checks it received instead of forwarding checks to the Department of Revenue for deposit. The \$760,560 late deposit was in early FY15 and no deposit was late in FY16.

Regarding the Board's RDTs, as directed by the Comptroller, the agency submits five (5) copies of Receipt Deposit Transmittals (RDT) for each draft printed from the Treasurer's portal. The Comptroller requires that only the first copy 'white copy' be signed by the agency. The other four copies are not required by the Comptroller to be signed. The agency files the sixth copy with a copy of the draft and supporting documentation. (See SAMS Procedure 25.20.10 heading, "Transmitting Deposit to Comptroller", which states "copy 1 (white) must contain an original signature of authorized agency official.")

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-001. **FINDING** (Inadequate Control over Receipts) (continued)

In addition, heading "Agency Notification" states, "If any errors are detected on the transmittal before the deposit is made, the deposit will be returned to the agency." It also provides, "If an error is discovered after the deposit is made, the Comptroller's Office will work with the agency and/or Treasurer's Office to either correct the transaction or return it to the agency." Thus, SAMS does not require all copies to be executed, in fact, it merely requires an original signature on Copy 1 to the Comptroller. In addition, the provisions under "Agency Notification" confirm that all RDTs with errors, whether discovered before or after deposit may be returned to the agency or corrected; however, no RDTs have been returned to the Board for not having copies 2-5 signed. Since the Comptroller has not returned any RDTs to the Board for failing to sign copies 2-5, it means the Board is in compliance with the Comptroller's SAMS section.

The Comptroller and not the Board is ultimately responsible for entering the date it receives the RDT. The Comptroller does this by stamping its receipt date on the RDT. In any event, the Board stopped entering a received date in the Comptroller's section in April 2016 and will not in the future.

ACCOUNTANT'S COMMENT

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) states, "Every officer, board, ... or agency ... shall keep in proper books a detailed itemized account of all moneys received for or on behalf of the State of Illinois, showing the date of receipt, the payor, and purpose and amount, and the date and manner of disbursement ...". As noted above, the Board agrees it does not maintain a centralized listing of receipts with all of the various data elements required by this statute. As opposed to the Board's contention that we reported the Board does not track receipts at all, we were able to eventually conclude the Board's receipt records were sufficiently reliable, accurate, and complete for our purposes under the professional standards (AT-C § 205.35). However, we had to expend significant extra effort to reconcile pages of paper deposit records from the racetracks, various spreadsheets, cash receipt journals, and certain computer-generated reports from the Pari-Mutuel Information and Tracking System (PITS). Further, we were unable to test receipts from initial transaction to a transaction recorded by the State Comptroller and instead had to work backwards from the State Comptroller's records to test all of the receipts that comprised that transaction, which significantly increased the total individual cash receipts we had to test during the examination.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Control over Personal Services)

The Illinois Racing Board (Board) lacked control over its personal services functions. During the examination period, the Board expended \$9,184,709 for payroll.

We tested the Board's payroll expenditures for nine per diem and six full time employees during six selected months during the examination period. Due to the seasonal nature of the Board's operations and separations, not all of the employees worked during each month.

Overall Payroll Process

The accuracy of the Board's payroll process, particularly for per diem employees, is heavily dependent on the timely inputting of source documentation into the Central Time and Attendance System (CTAS). In order to determine the correct amount to pay employees, all per diem days worked – along with all benefit time used during a pay period – must be entered into CTAS prior to the payroll cutoff date (usually a few days before the close of the payroll period on the 15th and last day of the month). As such, races occurring after the payroll cutoff date must be entered into CTAS and tabulated for inclusion as adjustments to the next semi-monthly payroll. At the end of each payroll period, but particularly for payroll periods at month end, the Board must ensure these adjustments are entered before each employee's Monthly Timekeeping Report is printed from CTAS (typically, about two weeks after the close of the month). These reports represent a key internal control mechanism because each employee and their supervisor certifies the accuracy of the payroll information recorded within CTAS. The Board should encourage employees to identify and make notations for any errors, as the timekeeper also signs this report indicating errors, if any, noted by the employee and their supervisor have been corrected within CTAS. In addition, the Monthly Timekeeping Report represents the sole document where the employee certifies their time spent on official State business, as required by the State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)). We noted the following problems:

Documentation Problems

The Board either did not receive, or did not retain, accurate and timely source information from its employees.

- For the 15 employees tested, we identified 59 instances of benefit leave time taken during the six months tested and noted the following:
 - For 9 of 59 (15%) leave days, the Board either did not receive or did not retain leave requests from 5 of 9 (56%) per diem employees tested. As such, the Board did not have documentation to support entries recorded within CTAS.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Control over Personal Services) (continued)

The *Racing Board Policy Manual* (Policy 3.2.5) requires employees submit a Request for Leave Form for each time an employee is absent from work. In addition, the State Records Act (5 ILCS 160/8) requires the Board make and preserve adequate and proper documentation of the essential transactions and decisions of the Board to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Board's activities.

- For 1 of 59 (2%) leave days, the employee requested a vacation day off after the vacation day had already occurred and the Board did not have any documentation of an emergency necessitating the post approval of the use of vacation time.

The *Racing Board Policy Manual* (Policy 3.2.5) requires the Board's employees, in cases where an absence can be scheduled in advance, to submit a Request for Leave Form to their supervisor for approval prior to when the absence occurs.

- During testing, we also noted the following exceptions:
 - For 2 of 59 (3%) leave days, the employee's supervisor did not approve the employee's use of vacation time until 5 and 23 days after the day off.
 - For 15 of 59 (25%) leave days, the employee's supervisor never approved the employee's use of benefit time.

In following up on these exceptions with Board personnel, it was determined these leave slips were for "dark" periods where the employee was not scheduled to work at a racetrack. Pursuant to the *Illinois Racing Board Non-Code Supplemental Agreement Between the State of Illinois, Department of Central Management Services (Department of Revenue and the Illinois Racing Board) and the American Federation of State, County, and Municipal Employees (AFSCME Council 31) with regard to the Collective Bargaining Units RC-14, RC-62, and RC-63* (Supplemental Agreement), the Board's "[e]mployees may continue, at their option, to use benefit time, excluding sick time, on non-race days and during non-work periods." According to Board officials, the Board did not have a procedure requiring approval of these dark benefit days by Board management prior to the benefit time being entered into CTAS for payment.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Control over Personal Services) (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures 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. Good internal controls systems require appropriate segregation of duties, such as requiring approval of payroll transactions by an independent person other than the individual preparing payroll.

Errors within Attendance Records

The Board's timekeeper did not accurately and timely enter data from the punch clock records and leave request forms into CTAS.

- Three of nine (33%) per diem employees tested did not have the employee's use of benefit time recorded within CTAS. We noted the following:
 - We noted one employee who was sick on a day where CTAS records indicated the individual worked at a race, which resulted in the employee's sick leave balances being overstated by one day.
 - We noted one employee where the employee's vacation day recorded within CTAS was on the wrong day.
 - We noted one employee who did not have any information records within CTAS where the employee had taken a vacation day. It appears the employee was underpaid by \$162 and the employee's vacation leave balance – used in calculating the total compensated absences liability annually reported to the Office of the State Comptroller as part of the preparation of the State's Comprehensive Annual Financial Report – is overstated by one day.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 303.340) requires the Board to maintain accurate daily attendance records. Further, the agreement effective July 1, 2012, through June 30, 2015, between the State and the American Federation of State, County, and Municipal Employees Council 31 (Union Agreement) (Article XXXI, Section 15) requires the Board notify the Office of the State Comptroller within 48 hours after an error is discovered which resulted in a significant reduction in an employee's pay.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Control over Personal Services) (continued)

- We noted four of nine (44%) per diem employees tested were not paid the correct amount due, as follows:
 - One employee was not paid for a double shift, which resulted in an underpayment of \$162.
 - One employee was not paid the correct differential for holiday pay on Labor Day, which resulted in an overpayment of \$195.

The Union Agreement (Article XXXI, Section 15) requires the Board notify the Office of the State Comptroller within 48 hours after an error is discovered which resulted in a significant reduction in an employee's pay. Further, the Union Agreement (Article XI, Section 3) notes an employee working on Labor Day may choose to receive double time and a half for their shift.

- One employee was paid for a shift where the employee did not work, which resulted in an overpayment of \$440.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law.

Payroll Adjustments

We noted the Board did not post payroll adjustments in a timely manner. During testing of six months of payroll, we noted the Board posted 76 prior period adjustments for five of the nine (56%) per diem employees tested. As we considered adjustments made for the immediately preceding payroll period as timely, we noted 10 of the 76 (13%) adjustments were performed between two to five pay periods after the pay period covering the date with an adjustment. Given this condition, each employee's Monthly Timekeeping Report for the period with the adjusted day was inaccurate and they did not certify all of their time spent on official State business, as required by the State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)).

The Code (80 Ill. Admin. Code 303.340) requires the Board to maintain accurate daily attendance records. Good internal control over payroll includes ensuring adjusting entries to correct a payroll error are identified and processed in a timely manner.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Control over Personal Services) (continued)

Monthly Timekeeping Reports

We noted that during the six tested months, our 15 tested employees worked a total of 60 months. During testing of each employee's Monthly Timekeeping Reports, we noted the following problems:

- For 22 of 60 (37%) Monthly Timekeeping Reports tested, the Board either did not receive or did not retain the employee's report.
- For 34 of the 60 (57%) Monthly Timekeeping Reports tested, we noted the following problems:
 - Twenty-one of the 60 (35%) Monthly Timekeeping Reports were not approved by the employee within a reasonable period of time, with reports approved between 1 and 326 days late. For this testing, all Monthly Timekeeping Reports reviewed and approved by employees during the subsequent month were considered timely.
 - Eight of the 60 (15%) Monthly Timekeeping Reports were not reviewed by the employee's supervisor or certified by the timekeeper within a reasonable period of time, with reports signed off on between 1 and 25 days late. For this testing, due to the lag time related to sending documentation back to the Board's Central Office in Chicago, all Monthly Timekeeping Reports that were reviewed and approved within nine days after the employee signed their Monthly Timekeeping Report were considered timely.
 - One of the 60 (2%) Monthly Timekeeping Reports tested was never approved by the employee.
 - Sixteen of the 60 (27%) Monthly Timekeeping Reports tested were either not reviewed by the employee's supervisor, certified by the timekeeper, or both.
 - One of the 60 (2%) Monthly Timekeeping Reports tested was certified by the timekeeper prior to the employee approving the report, indicating any adjustments noted by the employee would not have been noticed by the timekeeper.

The *Racing Board Policy Manual* (Policy 3.2.1) requires employees "promptly review the [Monthly Timekeeping] Report to determine whether it accurately reflects (a) time spent on official state business, and (b) authorized leave, to the nearest quarter hour."

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Control over Personal Services) (continued)

In addition, the State Records Act (5 ILCS 160/8) requires the Board make and preserve adequate and proper records of decisions of the Board to furnish information to protect the legal and financial rights of the State and persons directly affected by the Board's activities.

- One employee reported errors on their Monthly Timekeeping Report from CTAS on two of the 60 (3%) monthly reports, which were not investigated or resolved by the Board.

The *Racing Board Policy Manual* (Policy 3.2.1) provides if the employee notes their Monthly Timekeeping Report is not accurate, they should report it to the timekeeper so a corrected report can be prepared.

Due to all of the foregoing problems, we concluded the Board did not ensure its employees certified their time spent on official State business.

The State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)) requires the Board' employees to periodically submit time sheets documenting their time spent each day on official State business to the nearest quarter hour.

Other Personal Services Problems

During testing, we noted the following other problems with the Board's personal services functions:

- During testing of the 24 annual evaluations required for the 15 employees tested, we noted 20 of 24 (83%) evaluations were not performed and 3 of 24 (13%) evaluations were completed between 82 to 161 days late.

The Code (80 Ill. Admin. Code 302.270(d)) requires each employee receive a performance evaluation not less often than annually.

- The Board lacks adequate internal control over its payroll process: We noted the following:
 - The Board did not always use a process, such as applying a stamp or distinguishing mark on source documents, during the examination period to show the document had been entered into CTAS.
 - The Board's payroll process does not include a reconciliation of payroll information entered into CTAS by an individual independent of the timekeeper, even for a test sample.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Control over Personal Services) (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures 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. Good internal control systems for processing manual transactions include both a marking process to indicate a source document (such as the Board's paper time and attendance records) has been entered into a system (like CTAS) and the performance of a reconciliation between the source documents and the system by an independent person to ensure the accuracy and reliability of the data entered into the system. Further, good internal control systems include the designation of a backup procedure to allow for business continuity in the event of foreseeable events, like an illness, or disasters.

- During testing of payroll deductions, we noted one of 15 (7%) employee files tested lacked the employee's authorizations for group insurance.

The State Salary and Annuity Withholding Act (5 ILCS 365/4) states employees may authorize withholding of a portion of their wages for health insurance premiums. Further, the Statewide Accounting Management System (SAMS), Procedure 23.20.30, requires the Board to maintain on file a Payroll Deduction Authorization form for insurance deductions. Finally, the State Records Act (5 ILCS 160/8) requires the Board make and preserve adequate and proper documentation of the essential transactions and decisions of the Board to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Board's activities.

Board officials stated these exceptions were due to human error and the lack of a timekeeping system adequate to manage the Board's employee structure.

Failure to establish and maintain internal controls over payroll increases the risk that errors or other irregularities could occur and not be found within the normal course of operations and represents noncompliance with laws, rules, and regulations. Further, failure to maintain accurate attendance records, timely and accurately pay employees for their services, and properly calculate benefit time subjects the State to significant legal risks and can lead to employee confusion and frustration. (Finding Code No. 2016-002, 2014-003, 12-14, 10-6)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Control over Personal Services) (continued)

RECOMMENDATION

We recommend the Board review its payroll process and make changes to ensure:

- 1) source documentation is obtained in a timely manner;
- 2) leave requests are properly submitted and approved in a timely manner;
- 3) records are retained for the duration of the approved retention period;
- 4) payroll adjustments are minimized, with any necessary adjustments entered into CTAS promptly to facilitate the production of complete and accurate Monthly Timekeeping Reports;
- 5) employees promptly review Monthly Timekeeping Reports to either certify an accurate report or make notations of incorrect information on the report so corrections can be made before certifying a revised report;
- 6) supervisors promptly review Monthly Timekeeping Reports to certify they agree with the employee's time report; and,
- 7) the timekeeper certifies the close of the monthly payroll cycle by certifying only complete and accurate Monthly Timekeeping Reports approved by the employee and the employee's supervisor.

Further, we recommend the Board implement internal controls where the timekeeper has a process to notate a source document has been entered into CTAS and reviews of information recorded in CTAS are performed by an individual independent of the timekeeper. Finally, the Board should ensure each employee's performance is timely reviewed in accordance with the provisions of the Code.

BOARD RESPONSE

The Board has spent considerable time and effort creating internal controls over payroll and personal services processes, especially alongside the dissolution of the Shared Services Center. In January of 2016, the Board began using the Department of Central Management Service's eTime application for use of recording time for salaried employees. This has eliminated all paper and increased accuracy and efficiency.

Prior to October of 2017, the Board had no control of payroll processes. Shared Services personnel were resolute in the administration of their procedures to Board payroll processes. Since assuming all responsibility in October of 2017, the Board has instituted procedural processes that address the number of adjustments to payroll as well as the timing of payment.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Control over Personal Services) (continued)

The other main area of concern for the auditors was the certification and retention of timekeeping documents. Most of the Board's employees are paid in a manner which does not fit within the State's Central Timekeeping and Attendance System's (CTAS) functionality. They are per diem employees, paid by the day or shift, and not by the hour. Prior to October of 2016, the timekeeping process was an entirely manual and paper process. In October of 2016, the Board implemented electronic time clocks which produce a daily report from which the Timekeeper can enter time into CTAS. This has eliminated the need for the submission of paper time sheets from off-site locations to the Central Office. Additionally, the Board has implemented clear procedures for submission of requests for benefit time on both work days and non-work days. The Board's goal is to continue to reduce entry errors and paper retention errors; however, as long as the process is completely manual and paper-driven, we expect a small margin of error.

The certification of time by per diem/field employees was also a concern for the auditors. With the implementation of eTime for salaried employees, this problem no longer exists as employees certified their time electronically. However, per diem employees cannot utilize eTime and the Board's timekeeper must distribute monthly timekeeping reports to the field employees for their review and signature. These employees work anywhere from zero to four days per week, generally. The Board has taken steps to reduce the turnaround time on these reports as much as it can, given the limitations imposed by the work schedules of these employees. The Board allows approximately 10 business days for employees to review and return their reports while they are actively working. Employees who receive a report by mail due to the fact that they are on seasonal layoff tend to pose the biggest problem in returns, with some returning their reports when they return to work up to six months later.

The Board will continue to work with the Department of Innovation and Technology (DoIT) to find ways to integrate its time clocks with CTAS or the new Enterprise Resource Planning (ERP) system.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-003. **FINDING** (Inadequate Control over Totalizator SOC Reports)

The Illinois Racing Board (Board) did not exercise adequate control over service organization controls (SOC) reports received from the totalizator companies during the examination period.

During the examination period, the Board had three totalizator companies who provided the computerized systems to run pari-mutuel wagering systems, commonly known as totalizators. The totalizator systems process wagering transactions made by patrons either at the racetracks or online through advance deposit wagering (ADW) licensees, ensure the correct pricing for each wagering transaction, and handle distributions of proceeds from the pools such as validating a winning ticket. In addition, these totalizator systems serve as the Board's primary source of information for verifying the completeness and accuracy of pari-mutuel tax receipts deposited by the Department of Revenue into the Horse Racing Fund, the Illinois Racing Quarter Horse Breeders Fund, the Quarter Horse Purse Fund, and the Standardbred Purse Fund pursuant to the Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/27(c)).

According to the Board's annual reports, the total value of wagering transactions processed by the totalizator companies (referred to as "handle") within the State was \$623.98 million, \$593.42 million, and \$570.51 million during Calendar Year 2014, Calendar Year 2015, and Calendar Year 2016, respectively.

During testing, we noted the following:

- The Board did not monitor the racetracks to ensure the Complementary User Entity Controls (CUECs) identified in the various SOC reports covering the totalizator systems were implemented and functioning during the examination period. Further, the Board did not monitor or document the operation of the CUECs relevant to the Board's operations.
- The Board did not obtain or review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- The Board needs to improve its monitoring of SOC reports to ensure all significant issues are reviewed with the totalizator company to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the data processed, and any compensating controls. Further, the Board needs to document this review and conclude as to whether and why noted deviations were not significant to the Board's operations or regulatory responsibilities.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-003. **FINDING** (Inadequate Control over Totalizator SOC Reports) (continued)

The Act (230 ILCS 5/9(c)) vests the Board with all powers necessary and proper to fully and effectively execute the provisions of the Act, including entering the facilities and other places of business of any licensee to determine the licensee has complied with applicable laws, rules, and regulations. In addition, the Act (230 ILCS 5/9(g)) requires licensees to submit any other financial or related information the Board deems necessary to effectively administer this Act and all rules, regulations, and final decisions promulgated under the Act, which would include the Board's monitoring process to ensure each totalizator company's internal controls are operating as designed and the CUECs are operating effectively at the racetracks.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources. Additionally, the State Records Act (5 ILCS 160/8) requires the Board to make and preserve adequate and proper records of the organization, functions, policies, decisions, procedures, and essential transactions of the Board to furnish information to protect the legal and financial rights of the State and persons directly affected by the Board's activities.

Board officials stated the Board did not realize all of the monitoring requirements and nuances involved in understanding SOC reports.

Failure to monitor the CUECs at the racetracks, ADW licensees, and the Board means the Board does not have assurance the CUECs are adequate to ensure the totalizator's control environment can function as designed. Further, failure to obtain SOC reports or perform other procedures to conclude each subservice organization's internal controls are adequate or do not impact the Board's environment could result in unidentified deficiencies not being corrected. In addition, inadequate monitoring of each totalizator's SOC reports could result in deficiencies within a totalizator's control environment not being corrected and negatively impacting the Board's operations. Finally, failure to completely monitor the internal control environments of each totalizator's impact on the State's horse racing environment represents noncompliance with State law. (Finding Code No. 2016-003)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-003. **FINDING** (Inadequate Control over Totalizator SOC Reports) (continued)

RECOMMENDATION

We recommend the Board (1) monitor the racetracks to ensure the CUECS are in place and functioning, (2) monitor and document the operation of the CUECS relevant to the Board's operations, (3) either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment, and (4) document its review of the SOC reports and review all significant issues with the totalizator company to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the data processed, and any compensating controls.

BOARD RESPONSE

The Board does analyze the SOC reports as it had been instructed by a previous IT auditor. Further analysis to supplemental levels was never anticipated but the Board will include that in future audits. The tote companies are already paying major CPA firms (Deloitte, Grant Thornton, etc.) to conduct the audit, but then it is subject to audit two-fold thereafter.

ACCOUNTANT'S COMMENT

According to the American Institute of Certified Public Accountants (AICPA), the SOC 1 (Type 2) reports received by the Board have been specifically designed to meet the needs of both an entity using a service organization and that entity's auditors in evaluating the effectiveness of controls at the service organization on the user entity's financial information. The report from the Independent Service Auditor is limited to whether management at the service organization has (1) fairly presented its description of its system and (2) whether the design and operating effectiveness of the controls in the description during the period examined were achieved during the period. Each totalizator company, as allowed for by the AIPCA, described certain CUECs that must be in place and operating effectively at both the Board and the racetracks to ensure the pari-mutuel betting system can be relied upon to provide accurate processing of transactions and related financial data. Our testing indicated the Board has not conducted an analysis to determine if the CUECs described by each totalizator company have been put into place and were operating effectively during the examination period at the racetracks or for its own operations.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-003. **FINDING** (Inadequate Control over Totalizator SOC Reports) (continued)

Additionally, some of the totalizator companies, as allowed for by the AICPA, identified sub-service organizations that described the services provided; however, the controls of these sub-service organizations were excluded from the totalizator's Description of the System. Therefore, the sub-service organizations were not examined by each totalizator's Independent Service Auditor. It is the Board's responsibility to assess the impact of the sub-service organizations' services on the processing of transactions and financial information generated by the totalizators and whether the sub-service organization requires its own SOC report or if the Board can apply alternative procedures to understand and conclude the controls of the sub-service organization were put into place and operating effectively to ensure the pari-mutuel betting system can be relied upon to provide accurate financial data.

Finally, it is imperative for the Board to review all significant issues reported by the Independent Service Auditor. These types of problems need to be considered by the Board (1) in assessing the potential impact a noted problem could have on the reliability of financial information from the totalizators and (2) as a component of its regulation of pari-mutuel wagering. This type of analysis is the responsibility of the Board as a user of the Independent Service Auditor's report and is not a responsibility of the Independent Service Auditor.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-004. **FINDING** (Inadequate Physical Security Controls)

The Illinois Racing Board (Board) lacked control over physical access to the Board's offices at the racetracks. Pursuant to the Illinois Horse Racing Act of 1975 (230 ILCS 5/14(e)), the Board must maintain a branch office on the grounds of each racetrack, which must be kept open throughout each racetrack's scheduled season.

During testing, we noted the Board's offices at a racetrack were burglarized. Items reported missing included a breathalyzer stored in a box and an empty cash box bolted into a desk used to store checks prior to their delivery to the State Treasury. During the police investigation, detectives noted (1) there was no damage to the points of entry into the Board's offices and (2) the lock on the door into the Board's office was a "master key" which approximately 30-50 racetrack employees have access to use.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance property and other assets are safeguarded against loss and unauthorized use. Good internal controls over physical access to a secure office space include ensuring the number of keys outstanding is controlled to the minimum necessary to ensure the Board's operations can be conducted and all individuals with access to the Board's offices are known to, and approved in advance by, the Board.

Board officials stated this problem was due to oversight.

Failure to limit access to the Board's offices could result in unauthorized persons interfering with the Board's records and property and represents noncompliance with the Fiscal Control and Internal Auditing Act. (Finding Code No. 2016-004)

RECOMMENDATION

We recommend the Board work with each of the racetracks to limit the number of keys outstanding to the minimum necessary to ensure the Board's operations can be conducted and all individuals with access to the Board's offices are known to, and approved in advance by, the Board.

BOARD RESPONSE

The Board will continue to work with its licensees to limit the number of non-Board staff with access to its offices.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-005. **FINDING** (Failure to Monitor a Racetrack's Cash Allocations)

The Illinois Racing Board (Board) did not adequately monitor a racetrack's allocation of moneys derived by the racetrack from simulcast wagering and inter-track wagering. Further, the statutory allocation for these proceeds within the Illinois Horse Racing Act of 1975 (Act) does not address three possible scenarios.

During testing, we noted the following:

- The Board did not monitor a racetrack's allocation of moneys derived by the racetrack from simulcast wagering and inter-track wagering. During the examination period, the Act (230 ILCS 5/26(g)(7)) required the allocation of the purse account's share of these receipts between 6:30 a.m. through 6:30 p.m. to be allocated 100% to the racetrack's thoroughbred purse account and receipts between 6:30 p.m. through 6:30 a.m. to be allocated 80% to the racetrack's thoroughbred purse account and 20% to the Illinois Colt Stakes Purse Distribution Fund (Fund), a locally held fund of the Department of Agriculture.
- The Board did not monitor the racetrack's deposits of receipts into the Fund. The Act (230 ILCS 5/26(g)(7.1)(B)) requires the racetrack to remit these receipts within two weeks after the day the receipts were generated.

While discussing these conditions with Board officials on August 25, 2017, they stated the Board had been unable to obtain these records from the racetrack subsequent to the end of the examination period to substantiate (1) the allocations to the thoroughbred purse account and the Fund and (2) whether payments to the Fund were made timely.

The Act (230 ILCS 5/9(c)) vests the Board with all powers necessary and proper to fully and effectively execute the provisions of the Act, including entering the facilities and other places of business of any licensee to determine the licensee has complied with applicable laws, rules, and regulations. In addition, the Act (230 ILCS 5/9(g)) requires licensees to submit any other financial or related information the Board deems necessary to effectively administer this Act and all rules, regulations, and final decisions promulgated under the Act, which would include submitting documentation to the Board to enable it to monitor compliance with these provisions of the Act.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-005. **FINDING** (Failure to Monitor a Racetrack's Cash Allocations) (continued)

- While reviewing the allocation methodology established within the Act, we noted the provisions of the Act did not specify how receipts should be handled in three different situations:
 - 1) If no live thoroughbred racing occurs within the State between January 1 and the third Friday in February each year, the Act (230 ILCS 5/26(g)(7)(B)) requires allocation of the purse account's share pursuant to another citation within the Act (230 ILCS 5/26(g)(10)), which reads "(Blank)."
 - 2) If the racetrack in a given year has requested less race dates than the number of race dates conducted during Calendar Year 2000 and standardbreds are not run at the racetrack, the Act (230 ILCS 5/26(g)(7.1)(A)) does not specify what to do with 80% of the proceeds.
 - 3) If the racetrack in a given year has requested less race dates than the number of race dates conducted during Calendar Year 2000 and thoroughbreds are not run at the racetrack, the Act (230 ILCS 5/26(g)(7.2)(A)) does not specify what to do with 80% of the proceeds.

Good internal controls over compliance include proactively identifying potential issues within the law and seeking an appropriate remedy to ensure receipts can continued to be allocated in a manner consistent with State law for foreseeable situations.

Board officials stated these problems were due to oversight.

Failure to monitor the racetrack's allocation of the purse account's share of receipts and if the amounts due to the Fund were remitted timely could result in unidentified noncompliance by the racetrack with the Act, allocation errors not being identified and corrected in a timely manner, and could result in the State not collecting revenues due to the Fund. Further, by not proactively identifying potential issues within the law and seeking an appropriate remedy, the racetracks and the Board may not be able to continue normal operations in conformance with State law as written. (Finding Code No. 2016-005)

RECOMMENDATION

We recommend the Board take action to obtain required documentation from the licensee and implement controls to monitor the racetrack's allocation of moneys derived from simulcast wagering and inter-track wagering for compliance with the Act. Further, the Board should work with the Governor and the General Assembly to ensure the Act provides for an allocation of funds in all foreseeable situations.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-005. **FINDING** (Failure to Monitor a Racetrack's Cash Allocations) (continued)

BOARD RESPONSE

The Colt Fund equals 20% of Nighttime Purses Earned at Fairmount Park (excluding live Fairmount racing). The calculation to arrive at the Purses Earned is an extremely complicated and time-consuming task, and the Board has not had sufficient resources or staff to accomplish such an audit for several years. The Fairmount Controller calculates the Purses earned weekly and then pays the Department of Agriculture. Going forward, staff will create a spreadsheet, stating the calendar year purses earned from Nighttime wagering and provide documentation that the payments were indeed 20% of Purses earned.

The Board continues to work with the General Assembly and the affected licensees to address the allocation methodologies in Section 26(g)(7) of the Illinois Horse Racing Act of 1975.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-006. **FINDING** (Inadequate Control over Accounts Receivable)

The Illinois Racing Board (Board) did not exercise adequate internal control over preparing its Quarterly Summary of Accounts Receivable reports (quarterly reports) for the Office of the State Comptroller.

During testing, we noted the following:

- The Board did not notify the Department of Revenue or the Department of Agriculture of receivables for the Horse Racing Fund, the Illinois Racing Quarter Horse Breeders Fund, the Quarter Horse Purse Fund, and the Standardbred Purse Fund for pari-mutuel taxes earned during the last days of each quarter that had not been received by the Department of Revenue. The Board, in accordance with the Illinois Horse Racing Act of 1975 (230 ILCS 5/27(c)), is responsible for verifying the completeness and accuracy of organizational licensee (racetrack) payments into all four funds.

The Statewide Accounting Management System (SAMS) (Procedure 26.20.10) defines accounts receivable as amounts or claims owed to the State by any individual or entity, where payment is the only unconsummated act and the claim is measurable in terms of monetary value established by State law.

SAMS (Procedure 26.20.10) states, that for interim reporting purposes, taxes receivable will be limited to those amounts due to the State actually assessed at the time of reporting. SAMS (Procedure 26.30.10) continues to state, “Quarterly receivables will include only those amounts which are due to the State at the time of such reporting. Self-assessed revenues, including most taxes, will not be estimated for interim reporting. Report only those components of self-assessed revenue sources that represent known receivables due from specific individuals and entities. These amounts may include delinquent taxes, additional assessments and penalties, and amounts reported but unpaid.” Since the Board assesses taxes due when each day ends and the accounts receivable reports are filed after the amounts for the day can be reasonably estimated, the Board should recognize the State’s claims to these funds in each quarterly report.

- The Board has not reviewed its accounts receivable process to determine whether its method of estimating uncollectible accounts is fair and reasonable. The Board’s current methodology of assuming all accounts are collectible until one year has passed is not a reasonable estimation methodology.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-006. **FINDING** (Inadequate Control over Accounts Receivable) (continued)

SAMS (Procedure 26.20.20) states the Board “should examine the collection history for each type of receivable that it recognizes in order to establish guidelines for estimating the amount of debt that will be uncollectible.”

- The Board has internal control weaknesses over accounts receivable, including:
 - Until January 5, 2016, the Board’s Pari-Mutuel Information and Tracking System (PITS) considered all imposed fines as past-due, even though the Board allows licensees 30 days to pay a fine following the date of the Steward’s Ruling. On and after January 5, 2016, the Board implemented a new report from PITS that correctly reflected current receivables; however, the new report from PITS did not classify past due receivables into the reporting categories called for by SAMS. Due to these conditions, we noted Shared Services and the Board must perform manual adjustments to reports from PITS each quarter to properly prepare the Board’s accounts receivable reports. During testing, we noted these adjustments were not always accurate. For example, we noted six of eight (75%) quarterly reports had 22 instances where the information reported on the quarterly report did not agree with the Board’s supporting documentation. We noted errors in reporting the total number of accounts receivable outstanding, accounts receivable balances, and collection activity.
 - The Board’s *Collection of Accounts Receivable for Fines and Penalties Procedure* does not address the timely posting of information within PITS and the Board does not have a process to ensure all information has been posted within PITS for the preceding quarter before running the quarterly reports from PITS.

The Board’s *Collection of Accounts Receivable for Fines and Penalties Procedure* gives licensees 30 days to pay a fine due to the Board. Further, SAMS (Procedure 26.30.10) notes the Board’s quarterly reports must report accounts receivable balances, adjustments, number of accounts, and certain collection efforts. Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues and resources are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-006. **FINDING** (Inadequate Control over Accounts Receivable) (continued)

Board officials stated these problems were due to a lack of resources.

Failure to exercise adequate controls over accounts receivable led to reporting errors reducing the reliability of Statewide financial information. In addition, failure to establish and maintain internal controls over accounts receivable increases the risk that errors or irregularities could occur and not be found within the normal course of operations and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2016-006, 2014-007, 12-3, 10-4)

RECOMMENDATION

We recommend the Board notify the Department of Revenue and the Department of Agriculture of accounts receivable from pari-mutuel taxes, develop a reasonable estimate of uncollectible accounts receivable, ensure the Board's underlying records and supporting documentation agrees with the Board's quarterly reports, and update its policies for extracting information from PITS.

BOARD RESPONSE

The Board is already notifying the Department of Revenue of accounts receivable from pari-mutuel taxes and will develop a reasonable estimate of uncollectible accounts receivable as recommended by the auditor. The Board will provide the Department of Agriculture notice of accounts receivable from pari-mutuel taxes. However, the Board disagrees with the auditor's statement that the PITS considers all fines as past due. The Board has provided the auditor with printouts from the PITS to show otherwise. All fines received are timely recorded and posted in the Fines module of the PITS and the Board's receipt file.

ACCOUNTANT'S COMMENT

As noted in the finding above, PITS was reprogrammed in January 2016 to reflect the Board's allowance of 30 days for licensees to pay a fine. However, we noted this reprogramming to PITS does not allow it to report past due accounts receivable amounts into the various reporting elements required by SAMS. Our concerns about how data is reported from PITS stems from the number of manual adjustments necessary for the Board to prepare accurate quarterly reports, which resulted in (1) many errors and (2) significant additional time and effort spent by the Board's fiscal staff to make these manual adjustments that may have been avoided if PITS was properly programmed.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-007. **FINDING** (Unable to Distribute Collected Local Taxes)

The Illinois Racing Board (Board) was unable to distribute all inter-track wagering location admission fees to the City of Chicago and Cook County.

During the Board's examination for the two years ended June 30, 2012, we noted the Board had ceased activity within the Illinois Racing Board Grant Fund at the close of Fiscal Year 2012 and began depositing inter-track wagering location admission fees into the Horse Racing Fund, as required by the Illinois Horse Racing Act of 1975 (230 ILCS 5/28.1(a)). However, as a result of prior period fund transfers into the General Revenue Fund, the Board lacked sufficient cash after ceasing activity within the Illinois Racing Board Grant Fund to pay its remaining obligations due to Cook County, totaling \$43,809, and the City of Chicago, totaling \$1,118.

During the current examination, we noted the Board still had not paid these obligations due to Cook County and the City of Chicago. Further, we noted the Board still had not reported these outstanding liabilities to the Office of the State Comptroller for consideration in preparing the State's Comprehensive Annual Financial Report.

The Illinois Horse Racing Act of 1975 (230 ILCS 5/27(f)) requires the Board distribute inter-track wagering location admission fees imposed by local governments pursuant to rule. The Illinois Administrative Code (11 Ill. Admin. Code 1325.80(d) and 11 Ill. Admin. Code 1428.10(d)) requires the Board remit amounts due to local municipalities and counties on a monthly basis.

Further, the State Comptroller Act (15 ILCS 405/19.5) requires the Board report all financial information deemed necessary by the State Comptroller to compile the State's Comprehensive Annual Financial Report in accordance with generally accepted accounting principles (GAAP). In accordance with GAAP, all assets, liabilities, revenues, and expenses should be recorded in the financial statements.

Board officials stated they have been unable to identify a member of the General Assembly to sponsor a legislative remedy.

Failure to remit inter-track wagering location admission fees due to local governments could subject the State to legal risks and represents noncompliance with the Illinois Horse Racing Act of 1975. Further, failure to report all outstanding liabilities due to local governments to the State Comptroller reduces the reliability of Statewide financial reporting and represents noncompliance with the State Comptroller Act. (Finding Code No. 2016-007, 2014-008, 12-5)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-007. **FINDING** (Unable to Distribute Collected Local Taxes) (continued)

RECOMMENDATION

We recommend the Board work with the Governor and General Assembly to seek a legislative remedy to pay the outstanding obligations due to Cook County and the City of Chicago. Further, the Board should ensure all liabilities are reported to the Office of the State Comptroller to facilitate accurate financial reporting.

BOARD RESPONSE

The Board will continue to work with the General Assembly and the Governor's Office of Management and Budget to ensure the proper amounts are remitted to the local governments and will report required liabilities.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-008. **FINDING** (Noncompliance with Racing Laws and Regulations)

The Illinois Racing Board (Board) did not comply with, or enforce compliance with, provisions of the Illinois Horse Racing Act of 1975 (Act) and the Illinois Administrative Code (Code) at the racetracks. During the current examination, we conducted walkthroughs at one standardbred and two thoroughbred racetracks (organizational licensees).

During testing, we noted the following:

- The Board did not ensure race officials at the racetrack had active licenses prior to the first race day at the racetrack. These individuals oversee certain race-related functions at the racetracks, with some of the functions with exceptions noted during testing including individuals serving as the racetrack's general manager, racing secretary, Association Steward, security managers, placing judges, and outriders not having a license at the start of their racetrack's meet. Specifically, we noted:
 - Fourteen of 25 (56%) race officials at one thoroughbred racetrack obtained their annual occupation license from the Board between 3 to 82 days late.
 - Sixteen of 27 (59%) race officials at a racetrack which runs both thoroughbred and standardbred races obtained their annual occupation license from the Board between 3 to 251 days late.
 - Five of 14 (36%) race officials at one thoroughbred racetrack obtained their annual occupation license from the Board between 3 and 27 days late.

The Code (11 Ill. Admin. Code 422.100) states no person shall serve as a racing official unless they have an active occupation license. Further, the Act (230 ILCS 5/15(a)) states "occupation licenses will be obtained prior to persons engaging in their vocation" at locations regulated by the Board. Finally, the Act (230 ILCS 5/9(d)) states:

The Board, and any person or persons to whom it delegates this power, is vested with the authority to investigate alleged violations of the provisions of this Act, its reasonable rules and regulations, orders and final decisions; ***the Board shall take appropriate disciplinary action against any licensee or occupation licensee for violation thereof*** or institute appropriate legal action for the enforcement thereof. (*emphasis added*)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-008. **FINDING** (Noncompliance with Racing Laws and Regulations) (continued)

- One of three (33%) racetracks did not accurately report its racing officials to the Board. We noted one individual, an outrider, did not obtain a license for its 2016 meet. In following up on this exception with the Board, it appears the racetrack actually had three individuals acting in an official racing capacity as outriders without being approved by the Board.

The Code (11 Ill. Admin. Code 422.10) requires each racetrack submit to the Board for its approval or disapproval the names of all persons whom the licensee has selected as racing officials or employees. The list of names shall be submitted to the Board in writing at least 20 days prior to the opening of any race.

- One of three (33%) racetracks tested had two individuals acting in an official racing capacity without being approved by the Board. The Board eventually obtained all of the necessary documentation to approve these persons 13 days after the start of the racetrack's meet, which was 73 days after the deadline established within the Code.

The Code (11 Ill. Admin. Code 422.20) requires each racetrack submit, in writing, to the Board for its approval or disapproval, the names of all new racing officials or employees at least 60 days prior to the opening of the race meeting.

- At one of three (33%) racetracks tested, the Board did not maintain adequate control over the collection and processing of urine and blood samples taken from each race's winning horse and any other selected horse(s) by the stewards for laboratory testing. At the standardbred racetrack, we noted the Board did not require the horse's owner, trainer, or representative to remain to witness the collection or sealing of the horse's urine and blood samples.

The Code (11 Ill. Admin. Code 603.110) requires Board employees collect test samples from horses, during which the horse's owner, trainer, or representative "shall be present at all times." The test samples taken from horses should also be sealed by the Board's employees with evidence of the sealing provided by the signature of the horse's owner, trainer, or representative.

- At the standardbred racetrack tested, we noted the racetrack was not limiting the number of individuals allowed admission to the paddock area and did not have any procedures for enforcing this requirement.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-008. **FINDING** (Noncompliance with Racing Laws and Regulations) (continued)

The Code (11 Ill. Admin. Code 1313.70(c)) requires standardbred racetracks to admit no more than two members of a registered stable, other than the driver, admission to the paddock on any racing day.

- At three of three (100%) racetracks tested, the racetracks were not requiring individuals in the stable area to have their Board-issued photo identification.

The Code (11 Ill. Admin. Code 1302.90 and 11 Ill. Admin. Code 1408.60) requires all licensees to carry their Board photo identification badge at all times within the stable area. Further, the Code (11 Ill. Admin. Code 1325.10) requires standardbred racetracks have a watchman who shall grant entry to the stable areas to only those persons who have proper credentials or visitors without proper credentials if their admittance has been approved by the stewards or the racing secretary.

- At two of three (67%) racetracks tested, the Board did not have adequate control over the Board's controlled substances, including euthanasia drugs. We noted the following:
 - At the thoroughbred racetracks, we noted both racetracks' horse ambulance did not have a permanently attached lockbox containing drugs for the usage of the State's veterinarians.
 - At one thoroughbred racetrack, we noted the Board's euthanasia drugs were being handled by the racetrack's veterinarian who had these drugs on her person at the starting gate during our observation.

At the time, the Code (11 Ill. Admin. Code 1424.90) required thoroughbred racetracks have a horse ambulance "equipped with a permanently attached and locked box containing drugs solely for the use of the state veterinarians when emergency medication is required." Effective April 7, 2017, the horse ambulance does not have to have a permanently attached and locked box for drugs; now, emergency medication must be in a locked box under the direct and continuous supervision of the State's veterinarians.

- The Board did not ensure racing programs provided by the racetracks to the general public contained all required clauses and disclosures:
 - One of three (33%) racetracks tested did not include a statement that complaint forms were available at the Board's office.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-008. **FINDING** (Noncompliance with Racing Laws and Regulations) (continued)

At the time, the Code (11 Ill. Admin. Code 415.10(l)) required the racetrack's program include a statement that the Board's rules and regulations and complaint forms are available at both the racetrack's information window and the Board's office. Effective April 7, 2017, this requirement was kept but moved to a different subsection of the Code (11 Ill. Admin. Code 415.10(f)).

- One of three (33%) racetracks tested did not include a different symbol for identifying horses which had been administered furosemide for the first time.

At the time, the Code (11 Ill. Admin. Code 415.10(e)) required each racetrack's program include a symbol identifying horses administered furosemide prior to each race and, where applicable, a different symbol identifying horses administered furosemide for the first time. Effective April 7, 2017, this subsection was amended to modify the different symbol requirement to a statement that a given horse within the race has been administered furosemide for the first time.

- The Board did not have proper communication and monitoring internal controls in place at the racetracks. We noted the following problems:
 - At three of three (100%) racetracks tested, the Board's staff members did not have current, formal operating procedures about the roles and responsibilities that Board staff must fulfill to conduct race dates in accordance with management's directives.
 - One of three (33%) racetracks tested had an employee who indicated that while the employee was to remit applications received at the end of the month, the employee would occasionally send applications every couple of months because the Board's office at the racetrack was busy.

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, which shall provide assurance that resources are utilized efficiently and effectively. A good system of internal control includes ensuring operational procedures and processes are communicated to staff members and then monitored by management for deviations.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-008. **FINDING** (Noncompliance with Racing Laws and Regulations) (continued)

- We noted the Board has not adequately defined what an entrance, exit, or credit location is under the Act through its regulations. Under the Act (230 ILCS 5/34.1(a) and 230 ILCS 5/34.2(a)), each racetrack must post signage at each entrance, exit, and credit location with (1) a statement provided by the Department of Human Services regarding obtaining assistance with gambling problems and (2) a statement provided by the Department of Healthcare and Family Services about involuntary withholding of delinquent child support, respectively. During testing, we noted disputes about whether the entrances or exits meant the initial ticket/admission gate to the grounds of the racetrack, the points of ingress and egress of only the building where wagers are placed, or any entrances or exits to external areas where wagers can be made on automated machines. Additionally, the terminology of a credit location is ambiguous and may include certain types of automated teller machines (ATMs).

The Act (230 ILCS 5/9(b)) vests the Board with the power to promulgate reasonable rules and regulations for the purpose of administering the provisions of the Act.

- At the standardbred racetrack tested, we noted the stewards did not sign the judges' book immediately after each race.

At the time of testing, the Code (11 Ill. Admin. Code 1306.130(h)) required the stewards sign the judge's book verifying the correctness of the record by the clerk of the course after each race. Effective April 7, 2017, this subsection was amended to eliminate the requirement for signing the judge's book after each race and was to be recompiled into a different subsection of the Code (11 Ill. Admin. Code 1306.130(e)).

- At three of three (100%) racetracks tested, we noted the Board did not adequately monitor the Association Steward as follows:
 - At two of two (100%) thoroughbred racetracks tested, the Board is not monitoring the arrival time of the Association Steward to determine they arrive at least three hours prior to the first race.

The Code (11 Ill. Admin. Code 1402.150 and 11 Ill. Admin. Code 1426.20) requires thoroughbred stewards assemble at their office at the racetrack not later than three hours prior to the post time of the first race. Further, a good system of internal control includes implementing a monitoring process to provide reasonable assurance licensees are complying with the Board's rules and regulations.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-008. **FINDING** (Noncompliance with Racing Laws and Regulations) (continued)

- The Board does not appear to have any rules or regulations governing the time when the Association Steward is required to be performing their duties at the standardbred racetrack.

The Illinois Horse Racing Act of 1975 (230 ILCS 5/9(i)) notes the Association Steward, while performing duties required by the Act or the Board, is entitled to the rights and immunities granted to the Board's members (230 ILCS 5/10); however, the Board has not adopted rules or regulations as allowed by the Act (230 ILCS 5/9(k)) to define this window of time.

The Act (230 ILCS 5/9(a)) mandates "supervision over all race meetings in this State, over all licensees doing business in this State, over all occupation licensees, and over all persons on the facilities of any licensee" by the Board. Further, the Act (230 ILCS 5/9(c)) vests the Board with all powers necessary and proper to fully and effectively execute the provisions of the Act, including entering facilities and other places of business of any licensee to determine whether a licensee has complied with applicable laws, rules, and regulations.

Board officials stated these exceptions were due to oversight and a need to update the Board's rules and regulations within the Code.

Failure to maintain strict adherence to the applicable provisions of the Act and Code by the Board's employees and licensees may subject the State to unnecessary legal risks, increases the potential for errors or other irregularities, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2016-008, 2014-009)

RECOMMENDATION

We recommend the Board take action to ensure compliance by its employees and licensees with State laws, rules, and regulations governing horse racing, including developing an appropriate process to monitor racetrack operations for instances of noncompliance and appropriately address any identified noncompliance.

BOARD RESPONSE

The Board will remedy this finding by amending Section 422.20 of the Code to allow for a more reasonable time period. Sixty days is difficult to enforce considering the employment opportunities racing officials have outside of Illinois. In some cases, racing officials commit to working at an Illinois racetrack but before the meet starts, they have found a better job at another racetrack.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-008. **FINDING** (Noncompliance with Racing Laws and Regulations) (continued)

The Board will continue to work with its licensees to limit the number of non-Board staff with access to its offices to safeguard records.

The Board continues to remedy this finding during the examination and will continue to implement processes to monitor its employees and the operations of its organizational licensees and occupation licensees.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-009. **FINDING** (Inadequate Control over the Laboratory)

The Illinois Racing Board (Board) failed to exercise adequate internal control over the testing of blood, urine, and other specimens (samples) collected from racehorses for laboratory analysis.

During the examination period, the Board contracted with the University of Illinois at Chicago's Animal Forensic Toxicology Laboratory (University) to perform this laboratory analysis, for which the Board paid \$2,112,086.

Specimen Testing

During testing, we noted the Board's process for sending individual samples to the University was for the Board's field staff to collect the sample and record the collection on a Form 30-M, which includes information about the race, horse, collection procedure, and the unique identifying tag number associated with the sample. One copy of the Form 30-M is sent to the University without identifiable information about the horse and one copy of the Form 30-M is sent to the Board's Central Office in Chicago. We noted the following internal control problems:

- The Board did not keep its unique specimen sample tags in sequential order, increasing the level of effort needed to perform reconciliations between the Board's records and the University's records.
- The Board's staff did not ensure proper reporting of various sample types, particularly with the proper reporting of "Blue Dot" and "Green Dot" samples. In accordance with the Board's *Lab Test Definitions*, a "Blue Dot" test occurs when a Board official suspects a horse has been doped; therefore, this test would be part of the Board's overall regulatory process and would be paid for by the Board. Conversely, a "Green Dot" under the Board's *Lab Test Definitions* is a clearance sample where the horse either (1) had a recent positive test result through the Board's regulatory process or (2) took a prohibited drug for a good reason (such as to treat a medical condition) that needs to be cleared prior to entering a race, which is not part of the Board's regulatory process and is paid for by the horse's representatives.

During our voucher testing of payments to the University by the Board, 3 of 51 (6%) of vouchers tested had "Green Dots" paid for by the Board where we could not determine if the sample was a "Blue Dot" or "Green Dot" test. Further, we noted 1 of 51 (2%) of vouchers tested included a "Blue Dot" sample that was not paid for by the Board where we could not determine if the sample was either a "Blue Dot" or "Green Dot" test.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-009. **FINDING** (Inadequate Control over the Laboratory) (continued)

- The Board did not ensure the University's records were adequately secured to prevent against changes after a record's creation. During our discussions with University staff, we identified the supporting spreadsheet records for the Board's test results and billings were not logically secured and were maintained on a shared drive. University staff stated that while they keep a close eye on the file for any errors or improper changes, at least one instance has occurred in the past where a new employee accidentally altered the file.
- One of 60 (2%) samples tested was a positive sample where the Board did not have documentary evidence supporting the University had provided the normal written report for an overage to the Board's officials. In following up on this exception, it appears the Board mislabeled the sample as a "Blue Dot" as opposed to a "Green Dot" sample. As "Blue Dot" specimen samples occur when a Board official suspects a horse has been doped, this categorization should have resulted in the University supplying the Board with an official report of the positive result and applying the proper chain of custody procedures for the specimen sample.

The Illinois Administrative Code (11 Ill. Admin. Code 603.130) requires the University to report its determination of any foreign substance, or metabolite thereof, in a specimen sample from the Board to the Board's Executive Director, stewards, and State Veterinarian.

Quarterly Laboratory Testing

The Board's procedures call for a quarterly review of the University's activities to help provide assurance the University is processing the Board's sample specimens in accordance with the terms of the Agreement. During testing, we noted the following:

- The Board was unable to timely provide its procedures for performing the quarterly tests prior to January 2016 due to the departure of a key employee. The key employee's replacement did not establish written protocols for the quarterly tests performed after January 2016 until February 8, 2017, after our request for the procedures. While the Board did eventually find the old protocols, the inability to provide them to us within a reasonable period of time supports these procedures were not used to guide the testing conducted by the Board during Fiscal Year 2015 and Fiscal Year 2016.
- The Board did not have documentation showing the Board had consulted with the University about exceptions identified during the quarterly tests performed covering the first and second quarters of Fiscal Year 2015.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-009. **FINDING** (Inadequate Control over the Laboratory) (continued)

- The Board did not have documentation supporting its procedures applied during its quarterly laboratory reviews during Fiscal Year 2015 and the first two quarters of Fiscal Year 2016. The Board was only able to provide us two-page final reports with the overall results of the procedures applied sent by the Board to the University.
- The Board did not consider deviations to the requirements within the Agreement identified during its tests as exceptions for the third and fourth quarters of Fiscal Year 2016 and did not document its discussion about these matters with the University.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law, resources are safeguarded against waste, loss, unauthorized use, and misappropriation, and revenues and expenditures 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. Further, the State Records Act (5 ILCS 160/8) requires the Board's Executive Director make and preserve adequate and proper documentation of the functions, policies, decisions, procedures, and essential transactions of the Board to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Board's activities.

Walkthroughs of the University's Facility and Procedures

We performed walkthroughs of the University's facility and procedures with University officials and noted the freezer where the Board's specimen samples are stored was not adequately secured during the day, as it was opened for all employees to access and not specifically monitored. Further, we noted the freezer only has two keys, with one key kept "on their person" by an employee and another key was hidden in a secret location within the facility known only to two chemists after hours.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance property and other assets are safeguarded against loss and unauthorized use. Good internal controls over physical access to a secure area include securing the area at all times, ensuring the number of keys outstanding is controlled to the minimum necessary to ensure the University's operations can be conducted, and all individuals with access to the University's freezer are known to, and approved in advance by, the Board.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-009. **FINDING** (Inadequate Control over the Laboratory) (continued)

“Green Dot” Cash Receipts

We noted the Board’s employees routinely receive checks and money orders to cover the University’s cost of laboratory testing of “Green Dot” specimen samples submitted by owners and trainers. The Board and the University have developed an informal process where checks are not deposited by the Board and remitted to the University by the Board’s employees with all of the test samples taken on a given race day to the University. Upon arrival, the University will identify and deposit the check. We noted the Board’s employees are not maintaining a detailed itemized accounting of all moneys showing the date of receipt, payor, purpose, amount, and the date and manner of disbursement. In addition, the Board is not depositing the gross amount of moneys so received. Further, the University staff indicated they are generating invoices for these “Green Dot” specimen samples to satisfy the University’s records policy; however, the University does not have a procedure to send these invoices to either the Board or the horse’s representative.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires the Board (1) pay into the State Treasury the gross amount of all receipts collected by the Board without any deduction whatsoever and (2) keep proper books with a detailed itemized accounting of all moneys showing the date of receipt, payor, purpose, amount, and the date and manner of disbursement. Further, a good system of internal control includes establishing a process to properly record and deposit State and University funds and ensure individuals paying a bill receive a proper invoice.

Board officials stated these problems were due to oversight and human error.

Failure to maintain adequate internal control over specimen samples represents noncompliance with State laws, State regulations, and the Agreement and increases the likelihood errors or other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding Code No. 2016-009, 2014-010)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-009. **FINDING** (Inadequate Control over the Laboratory) (continued)

RECOMMENDATION

We recommend the Board ensure its specimens are reported in sequential order and properly classified under the Board's *Lab Test Definitions*, with documentation for each positive specimen produced and preserved. Further, the Board should follow its written laboratory procedures, retain documentation supporting its procedures performed and results, and discuss all deviations with the University and document any planned corrective action. Finally, the Board should comply with the State Officers and Employees Money Disposition Act regarding the collection of moneys for "Green Dot" tests and work with the University to develop a procedure which complies with State law and generates and sends invoices for testing paid for by the horse's representatives.

BOARD RESPONSE

The Board's reconciliation system, between Board records and Lab records, which we currently have in place is consistent and precise. Whether our unique specimen sample tags are in sequential order or on occasion not in sequential order would not change the accuracy of this process. However, we will consider changing the system per the auditor's request as it would better serve the auditing process.

The Board will continue to work with the University of Illinois to ensure compliance with State Laws, the Board's rules, and the terms of the testing Agreement. The Board is working with the University of Illinois to develop a sample numbering system to ensure the complete sample population for testing. The University and Board addressed several of the issues in this finding in its third amendment (effective July 1, 2017) to the testing agreement and in its testing agreement for calendar year 2018, before these issues were raised by the auditors.

ACCOUNTANT'S COMMENT

Our testing records indicate 377 of 772 race dates (49%) which occurred during the examination period did not have samples submitted by the Board to the University in sequential order. We noted unexplained skips in the numerical sequence where the numbering order jumped forward or fell backwards for no apparent reason and situations where sample numbers appeared to be missing. Sequential numbering is a basic internal control procedure designed to provide reasonable assurance each sample was tested, missing items have been considered and are excluded based upon a documented reason, and potential risks have been mitigated. We continue to recommend the Board require sequential numbering of its samples to improve its overall control environment and reduce the level of effort required to manually determine specimens taken during each month have been tested by the University.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-010. **FINDING** (Failure to Enforce Withholding of Child Support Due)

The Illinois Racing Board (Board) did not enforce requirements for advance deposit wagering (ADW) licensees to withhold delinquent child support due from certain winning wagers.

During testing, we noted the ADW licensees had not implemented a process to withhold delinquent child support from winning wagers subject to reporting to the Internal Revenue Service and withholding on a Form W-2G. This requirement was effective on February 26, 2014, 855 days prior to the end of the examination period on June 30, 2016.

According to the Board's annual reports, ADW licensees paid out \$107.94 million, \$114.47 million, and \$132.04 million in winning wagers to the public during Calendar Year 2014, Calendar Year 2015, and Calendar Year 2016, respectively.

The Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/27.2(a)) requires ADW licensees, for winning wagers subject to reporting to the Internal Revenue Service and withholding on a Form W-2G, withhold up to the full amount of the winnings necessary to pay the winner's past due child support as certified by the Department of Healthcare and Family Services (Department). Pursuant to the Act (230 ILCS 5/27.2(f)), this requirement was effective on February 26, 2014, after the Department adopted administrative rules to implement this requirement (89 Ill. Admin. Code 160.70(q)).

Further, the Act (230 ILCS 5/9(c)) vests the Board with all powers necessary and proper to fully and effectively execute the provisions of the Act, including entering the facilities and other places of business of any licensee to determine the licensee has complied with applicable laws, rules, and regulations.

Finally, the Act (230 ILCS 5/9(d)) states:

The Board, and any person or persons to whom it delegates this power, is vested with the authority to investigate alleged violations of the provisions of this Act, its reasonable rules and regulations, orders and final decisions; the Board shall take appropriate disciplinary action against any licensee or occupation licensee for violation thereof or institute appropriate legal action for the enforcement thereof.

Board officials stated the ADW licensees use a closed encrypted system that instantly pays out winnings into a winner's account as soon as the race is declared official, which has made the ADW licensee's implementation of the requirements of the Act difficult.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-010. **FINDING** (Failure to Enforce Withholding of Child Support Due) (continued)

Failure by ADW licensees to implement a process to withhold delinquent child support from a winning payout could have resulted in lost opportunities to collect past due child support and represents noncompliance with the Act. (Finding Code No. 2016-010)

RECOMMENDATION

We recommend the Board enforce the Act's requirements to withhold delinquent child support from winning wagers subject to reporting to the Internal Revenue Service and withholding on a Form W-2G, or seek a legislative remedy.

BOARD RESPONSE

The Board will continue to work with the Department of Healthcare and Family Services ("HFS") and the Board's advanced deposit wager ("ADW") licensees to ensure compliance with the Illinois Horse Racing Act of 1975. HFS is currently working with an ADW licensee to implement a pilot program with electronic checks to comply with this requirement, before rolling it out to the remaining ADW licensees.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-011. **FINDING** (Failure to Monitor Handle Allocations)

The Illinois Racing Board (Board) did not monitor the remittance of taxes due from inter-track wagering location licensees to counties and municipalities throughout the State. Pursuant to the Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/3.073), inter-track wagering location licensees, commonly referred to as off-track betting parlors (OTBs), operate locations outside of a racetrack where an entity that owns a racetrack accepts legal wagers on televised races.

During testing, we noted the Board did not monitor inter-track wagering location licensees to ensure each entity remitted 2% of its handle at each location to the county and/or municipality where the location was situated, as required by the Act (230 ILCS 5/26(h)(10.1)). According to the Board's annual reports, inter-track wagering location licensees should have paid \$5.6 million, \$5.3 million, and \$5.1 million in taxes to counties and municipalities across the State during Calendar Year 2014, Calendar Year 2015, and Calendar Year 2016, respectively.

The Act (230 ILCS 5/9(c)) vests the Board with all powers necessary and proper to fully and effectively execute the provisions of the Act, including entering the facilities and other places of business of any licensee to determine the licensee has complied with applicable laws, rules, and regulations. In addition, the Act (230 ILCS 5/9(g)) requires licensees to submit any other financial or related information the Board deems necessary to effectively administer this Act and all rules, regulations, and final decisions promulgated under the Act, which would include submitting documentation to the Board to enable it to monitor compliance with these provisions of the Act.

Board officials stated this problem was due to a lack of resources.

Failure to monitor each inter-track wagering location's remittance of 2% of its handle to the county and/or municipality where the location was situated could result in unidentified noncompliance among the Board's licensees with the Act and could have resulted in a loss of revenue for counties and municipalities across the State. (Finding Code No. 2016-011)

RECOMMENDATION

We recommend the Board implement monitoring controls to provide reasonable assurance OTBs are remitting amounts due to counties and municipalities across the State from the 2% handle tax.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-011. **FINDING** (Failure to Monitor Handle Allocations) (continued)

BOARD RESPONSE

The Board will continue to strengthen its process and internal controls to ensure the inter-track wagering licensees are remitting to local government the proper amounts. However, the Board has had a process in place that not once in 28 years has a local municipality complained to the Board of any discrepancy between their receipts and the 1% of handle it receives. The Board publishes monthly on its website and annually in its Annual Report, also available on the Board's website, handle reports. The local governments calculate 1% of the Board's posted handle amounts to confirm they received the proper amount from each inter-track wagering licensee. Every municipality knows exactly what is due to them and there are many sources of documentation made available by the Board. If such amounts do not reconcile, the local government would contact the Board to review any potential discrepancies.

ACCOUNTANT'S COMMENT

External parties, such as the local governments, are not a component of the Board's internal control structure and do not have authority to enforce the Act. Under the Act (230 ILCS 5/9(c)), the Board is vested with the power to determine whether its licensees have complied with the provisions of the Act. Good internal controls over regulation include developing a process to determine, with reasonable assurance, at least on a test basis, that each licensee complied with the Act and not to place undue reliance on external parties who may or may not know the Board has posted handle information online.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-012. **FINDING** (Inadequate Control over Voucher Processing)

The Illinois Racing Board (Board) lacked adequate controls over its expenditure processing.

During the examination period, the Board had 669 non-payroll, non-laboratory, non-grant expenditures, totaling \$711,742. During testing, we examined 60 of these vouchers, totaling \$166,832, and noted the following:

- Four of 60 (7%) vouchers tested, totaling \$2,905, were travel vouchers not submitted in a timely manner. The vouchers were submitted between 67 and 315 days after the travel occurred.

Internal Revenue Service (IRS) Publication 535, Business Expenses, noted employees receiving travel reimbursements must have paid or incurred deductible expenses while performing employment services, adequately accounted for the expenses within a reasonable period of time, generally defined by Publication 535 as within 60 days after the expenses were paid or incurred, and returned any excess reimbursements within a reasonable period of time. If the employee meets all three tests, the employee is under an accountable plan and the reimbursements are not included as wages on the employee's Form W-2. If the employee fails any of the tests, the employee is under a nonaccountable plan and all amounts paid as reimbursements are reported as wages on the employee's Form W-2, subject to income tax withholding, Social Security, Medicare, and unemployment taxes.

- One of 60 (2%) vouchers tested, totaling \$172, had a purchase/requisition order that was not internally consistent regarding the number of items ordered and received.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively. Good internal controls include ensuring purchase/requisition orders properly reflect the number of goods received by the Board from a vendor.

- One of 60 (2%) vouchers tested, totaling \$2,099, was included on an Agency File Balancing Report with a total of 12 vouchers, totaling \$29,462, which was not signed by a Board official to authorize payment by the State Comptroller.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-012. **FINDING** (Inadequate Control over Voucher Processing) (continued)

SAMS (Procedure 17.10.20) requires, in lieu of individual signed paper vouchers, a responsible official sign the Agency File Balancing Report for all paperless vouchers submitted to authorize payment of the vouchers by the State Comptroller.

- Three of 60 (5%) vouchers tested, totaling \$2,430, were for the payment of fuel invoices where all the supporting receipts lacked license plate numbers of the State vehicle and most of the receipts did not include the name of the individual purchasing the fuel.

The Board's *Vehicle Use Policy* requires all fuel receipts have license plate numbers along with the driver's first initial and last name.

- Eight of 60 (13%) vouchers tested, totaling \$33,907, were not reviewed by the Board within 30 days of receiving the vendor's invoice. The vouchers were reviewed between 33 and 133 days after the invoice was received by the Board.
- Two of 60 (3%) vouchers tested, totaling \$1,215, did not have evidence of the Board's review of the voucher; therefore, we were unable to determine when the invoice was reviewed by the Board's staff.
- Three of 60 (5%) vouchers tested, totaling \$10,911, did not have evidence of the date when the Board received the vendor's invoice; therefore, we were unable to determine whether the Board's review of the voucher was timely or if interest was due to the vendor under the State Prompt Payment Act (Act).

The Act (30 ILCS 540/3-2) requires the Board to review each bill or invoice in a timely manner and pay an interest penalty of .033% for each day the invoice is unpaid after the passage of 90 days. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70(b)) requires the Board approve or deny bills with defects, in whole or in part, within 30 days after receiving an invoice. Finally, the Illinois Administrative Code (74 Ill. Admin. Code 1000.50(a)) requires the Board process Internal Service Fund bills within 30 days after physical receipt of the bill.

- Seven of 60 (12%) vouchers tested, totaling \$35,329, had an underpayment of prompt payment interest on the voucher's corresponding interest payment. We noted the following situations:

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-012. **FINDING** (Inadequate Control over Voucher Processing) (continued)

- The Board did not calculate any prompt payment interest for one voucher, totaling \$25,000. The total interest accrued on this voucher through the date the State Comptroller cut a warrant to the vendor was \$1,097.
- The Board did not have adequate internal controls over properly imputing the date goods were received or accepted by the Board into the Accounting Information System (AIS). We attempted to recalculate the amount due in prompt payment interest to vendors, and ultimately concluded the Board owes a minimum of \$316 to these vendors for interest accrued through June 30, 2016.

The Act (30 ILCS 540/3-2(1.05)) requires the Board to pay interest on payments that are over 90 days from the receipt of the proper bill. SAMS (Procedure 17.20.45) provides a formula for correctly calculating the amount of interest due under the State Prompt Payment Act.

- One of 60 (2%) vouchers tested, totaling \$15, was charged to an incorrect detail object code.

The Statewide Accounting Management System (SAMS) (Procedure 11.10.60) requires the Board, when preparing documentation for the State Comptroller to pay an invoice, determine which detail expenditure (object) code to use so the State Comptroller can report expenditure information at a refined level. Further, SAMS (Procedure 11.50.10) requires charging name plates as commodities (not elsewhere classified).

Further, we noted the following problems with the Board's non-payroll, non-laboratory, non-grant expenditures during other testing, as noted below:

- During our reconciliation of the Board's property listing to expenditures paid by the State Comptroller, we identified 10 vouchers, totaling \$4,190, for refurbished toners, blank badge cards, and fingerprint ribbons charged against the wrong detail object code, electronic data processing supplies.

SAMS (Procedure 11.10.60) requires the Board, when preparing documentation for the State Comptroller to pay an invoice, determine which detail expenditure (object) code to use so the Board's expenditure information can be reported at a refined level. Further, SAMS (Procedure 11.50.30) requires charging refurbished toner as contractual services (not elsewhere classified), badges as commodities (not elsewhere classified), and ribbon as office and library supplies.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-012. **FINDING** (Inadequate Control over Voucher Processing) (continued)

- In performing analytical reviews of mileage reimbursements paid, we noted the Board paid one individual \$358 in mileage reimbursements while the individual had an individually-assigned State vehicle. The Board did not provide an explanation for why paying a mileage reimbursement was the most economical mode of transportation available and was a reasonable and necessary expenditure of State funds.

The Code (80 Ill. Admin. Code 3000.300(a)) requires travel by the most economical mode of transportation available, after considering the impact of travel time, associated costs, and work requirements.

- During analytical reviews, we identified significant variances within the Board's Fiscal Year 2015 electronic data processing expenditures. In following up on this variance, we concluded the Board's internal control structure did not identify three invoices, totaling \$13,015, from the Department of Central Management Services (Department) for services provided by the Statistical Services Revolving Fund. Upon discussing this matter with Board officials, it was determined the Board was unaware the Department had changed systems to provide agencies with invoices electronically, as opposed to mailing out paper invoices. These invoices were vouchered by the Board between 1 to 43 days late.

The Code (74 Ill. Admin. Code 1000.50(a)) requires the Board to process internal service bills within 30 days after physically receiving the invoice.

Finally, while performing analytical reviews of the Board's grants, we noted the Board coded grants paid from the Quarter Horse Purse Fund to one racetrack as "shared revenue payments" during the examination period, totaling \$159,500.

SAMS (Procedure 11.10.60) requires the Board, when preparing documentation for the State Comptroller to pay an invoice, determine which detail expenditure (object) code to use so the Board's expenditure information can be reported at a refined level. Further, SAMS (Procedure 11.50.30) limits the classification of grants as "shared revenue payments" to the distribution by the State of "taxes collected on behalf of other governmental units, including local governments." As the racetrack is a corporation and not a government, this grant expenditure classification, totaling \$159,500, was improper and should have been classified as "nontaxable grants and awards, not elsewhere classified."

Board officials stated these problems were due to human error and records retention issues between the Board and the Administrative and Regulatory Shared Services Center at the Department of Revenue (Shared Services).

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-012. **FINDING** (Inadequate Control over Voucher Processing) (continued)

Failure to establish and maintain adequate internal control over voucher processing represents noncompliance with State laws and regulations and increases the likelihood errors or other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. Further, failure to require the timely submission of travel vouchers could result in additional efforts by the Board to allocate income to employees under a nonaccountable plan. (Finding Code No. 2016-012, 2014-014, 12-15, 10-7)

RECOMMENDATION

We recommend the Board implement controls to provide assurance travel vouchers are timely submitted, vouchers are properly coded, purchase/requisition orders are complete and accurate, Agency File Balancing Reports are signed, expenditures are supported by adequate and proper documentation, invoices are timely reviewed, invoices are date stamped upon receipt at the Board, dates are properly entered into AIS, all required interest due under the Act is paid, and expenditures incurred are reasonable and necessary.

BOARD RESPONSE

- 1) Board disagrees. Audit staff misstates what IRS Publication 463, Chapter 6, provides. It does not require receipts to be submitted within 60 days after the day of travel. It provides "reasonable period of time" depends on the facts and circumstances of your situation. It further provides that adequately accounting for your expenses within 60 days after they were paid or incurred is a safe harbor, but not a requirement.
- 2) The Board considers this not to be material. Mistype on P.O. on quantity received. The agency ordered 3 boxes of paper and received 3 boxes of paper. All other information on the PO is correct.
- 3) The Board disagrees. The original balancing report that was sent to the IOC by Shared Services was appropriately signed. It had to be signed to be accepted by the IOC and for the vouchers to be paid. Only the copy given to us by Shared Services was not signed. The IOC will have the signed copy for your review. Copies of the documents are not required to be signed.
- 4) Board disagrees. Board provided access to the original auditor requesting fuel receipts at the moment of the request and not at the time of the exception listing. Please note, the auditor authoring this listing is not the original requestor of the receipts. The Board adheres to its vehicle policy by submitting and attesting to the fuel and maintenance occurrences submitted with the receipts to each assigned vehicle on the form prescribed by CMS. The Board considers signing the CMS form with all the receipts behind it as complying with its rules to sign each receipt.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-012. **FINDING** (Inadequate Control over Voucher Processing) (continued)

- 5) The Board agrees. This was due to staffing issues that have been rectified.
- 6) The Board disagrees. In order for the voucher to be processed by Shared Services, they would have required a signed copy. That date is recorded in AIS. The signed invoice was not returned to the Board.
- 7) The Board disagrees. In order for the voucher to be processed by Shared Services, they would have required a signed copy. That date is recorded in AIS. The signed invoice was not returned to the Board.
- 8) The Board disagrees. The Board does not calculate Prompt Pay Interest, nor does it have the ability to alter the payment calculation. All dates are recorded accurately in AIS. The Board uses a Goods Acceptance Date of when the Board has officially reviewed an invoice and has determined all components are accurate. This is consistent with the Administrative Code regarding payment.
- 9) The Board considers this not to be material, though the Board agrees, the incorrect DOC was used.
- 10) The IOC paid the invoice with the DOC we used.
- 11) Employee requested to use personal vehicle after discovering a leak in the fuel system on the day of travel. Former Executive Director approved considering the safety of the employee and potential cost with any related towing or damages.
- 12) The Board agrees. The Board is now retrieving vouchers online.
- 13) The Board agrees and has made the correction.

ACCOUNTANT'S COMMENT

In regards to #1, the Board has yet to provide a reasonable explanation for exactly why the Board's staff and members could not submit their travel vouchers earlier than between 67 and 315 days after the travel occurred. Instead, they point to IRS guidance not cited by us as merely a "safe harbor". In our opinion, State agencies should implement controls now to comply with IRS guidance as opposed to waiting for the IRS to note the problem.

In regards to #2, purchase requisitions should properly report the quantity of goods received by the Board so it can be matched up to the vendor's invoice. This basic internal control mechanism calls for further inquiry when the reported quantity delivered does not agree with the quantity ordered, with any errors corrected before an invoice is submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-012. **FINDING** (Inadequate Control over Voucher Processing) (continued)

In regards to #3, SAMS (Procedure 17.10.20) notes electronic voucher submissions still require a signed Agency Filing Balancing Report to be submitted to the State Comptroller and that the agencies are still responsible for maintaining all supporting documentation necessary to support the transaction. The Board states they maintain a copy of this document. We could not ascertain the approval/authorization of the Agency Filing Balancing Report due to the lack of a signature and we do not hold that the “copy” retained by the Board as documentation supported what the Board purportedly submitted to the State Comptroller.

In regards to #4, the Board’s response does not address the problem identified in our examination. First, the eight vouchers were not related to fuel purchases. Second, these eight vouchers were not cited for not being provided to us timely; these eight vouchers were noted for not having been reviewed by the Board in a timely manner when the vendor originally submitted its invoice to the Board. To the extent the response then addresses the subsequent bullet point, the Board’s own *Vehicle Use Policy* requires the Board’s staff to handle fuel receipts in the manner described in the finding. If the Board wants to follow a different process, the Board should redraft its *Vehicle Use Policy* and resubmit it to the Department of Central Management Services in accordance with the State Vehicle Use Act (30 ILCS 617/10(b)).

In regards to #6 and #7, we do not understand the point the Board is attempting to make. The first bullet point notes the voucher’s supporting documentation did not have evidence of review by the Board, which should have happened before the vendor’s invoice was sent to Shared Services. The second exception addresses the date of when the Board received an invoice from the vendor, which the Board must record to both determine the start date of interest accrual under the State Prompt Payment Act and show compliance with voucher processing timeframes set by the Illinois Administrative Code.

In regards to #8, the Board is solely responsible for the calculation and payment of interest accrued to vendors under the State Prompt Payment Act (30 ILCS 540/3-2).

In regards to #9 and #10, the Board did not code the noted vouchers correctly to properly report its expenditure data. It is not relevant whether the State Comptroller processed the voucher.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-013. **FINDING** (Noncompliance with Non-Live Racing Requirements)

The Illinois Racing Board (Board) has not appointed a Director to oversee non-live racing and has not adopted administrative rules specifying the Director's method of appointment and powers, authority, and duties.

During testing, we noted the following:

- The Board has not appointed a Director of inter-track wagering and simulcast wagering by inter-track licensees and inter-track wagering location licensees.
- The Board has not adopted administrative rules specifying the method of appointing this Director or the Director's powers, authority, and duties.

The Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/26(h)(12)(F)) states:

The Board shall name and appoint a State director of this wagering who shall be a representative of the Board and whose duty it shall be to supervise the conduct of inter-track wagering as may be provided for by the rules and regulations of the Board; such rules and regulation shall specify the method of appointment and the Director's powers, authority and duties.

The "this wagering" referred to by the statutory citation means inter-track wagering and simulcast wagering by inter-track licensees and inter-track wagering location licensees, as noted in the Act (230 ILCS 5/26(h)(12)). Pursuant to the Act (230 ILCS 5/3.072), inter-track licensees are racetracks that accept legal wagers on televised races which are not simultaneously occurring live at the racetrack. Further, pursuant to the Act (230 ILCS 5/3.073), inter-track wagering location licensees, commonly referred to as off-track betting parlors, means locations outside of a racetrack where an entity that owns a racetrack accepts legal wagers on televised races.

Board officials stated they believe this position is already covered by the State Director of Mutuels.

Failure to adopt administrative rules governing the appointment, powers, authority, and duties of a Director of inter-track wagering and simulcast wagering by inter-track licensees and inter-track wagering location licensees and failure to appoint this Director represents noncompliance with the Act and limits the Board's ability to provide direct oversight of these licensees as intended by the General Assembly. (Finding Code No. 2016-013)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-013. **FINDING** (Noncompliance with Non-Live Racing Requirements) (continued)

RECOMMENDATION

We recommend the Board appoint a Director of inter-track wagering and simulcast wagering by inter-track licensees and inter-track wagering location licensees and define that individual's powers, authority, and duties by administrative rule, or seek a legislative remedy.

BOARD RESPONSE

Board officials stated the position has been occupied and believe this position is covered by the State Director of Mutuels, who oversees all forms of pari-mutuel wagering, including inter-track wagering, simulcast wagering, and advanced deposit wagering.

With enactment of the Illinois Horse Racing Act of 1975, the State Director of Mutuels oversaw all aspects of pari-mutuel wagering for live horse racing. Upon amendment of the Illinois Horse Racing Act of 1975 in 1994 to enact simulcast and inter-track wagering, such pari-mutuel related responsibilities were included under the State Director of Mutuels title. Again, in 2009 when advanced deposit wagering was enacted, such pari-mutuel wagering responsibilities were also included under the purview of the State Director of Mutuels. The same individual has been the State Director of Mutuels for the Board since 1975, thus, although the Illinois Horse Racing Act of 1975 requires rules to hire the individual that oversees simulcast and intertrack wagering, they were not needed because no new director has been hired since then. In addition, the State Director of Mutuels' job description includes all of the responsibilities covered by this finding. However, the Board will either pursue a legislative change or rulemaking required by the Illinois Horse Racing Act of 1975.

ACCOUNTANT'S COMMENT

In the Act, the General Assembly has specifically defined the Director of Mutuels' position and responsibilities in supervising and verifying pari-mutuel pools (230 ILCS 5/3.04) and established the Director of Mutuels' appointment process by the Board (230 ILCS 5/9(h)). If the General Assembly had intended for this position to be filled by the Director of Mutuels, it would have stated such in the statute. The primary responsibility of State agencies is to administer the functions given to them by the General Assembly in accordance with State law as written. If the Board believes this position does not need to exist, it should seek a legislative remedy.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-014. **FINDING** (Excessive Commuting Mileage)

The Illinois Racing Board (Board) incurred excessive commuting mileage on its vehicles.

During testing, we noted the Board reported the following business mileage and commuting mileage to the Department of Central Management Services, by driver:

Fiscal Year	Business Miles	Commuting Miles	Total Miles	Commuting Percentage
2015	3,972	5,636	9,608	59%
2015	945	7,562	8,507	89%
2015	7,849	4,608	12,457	37%
2015	5,995	10,164	16,159	63%
2015	11,392	6,555	17,947	37%
2016	4,010	6,426	10,436	62%
2016	6,760	7,751	14,511	53%
2016	4,690	10,923	15,613	70%
2016	6,819	4,896	11,715	42%
	52,432	64,521	116,953	55%

Further, we were not provided with an analysis of the Board’s vehicles to determine whether maintaining each vehicle represents the best interests of the State given the Board’s specific operating needs. While we did not note any reimbursement to the State for these costs, we did note the Board followed Internal Revenue Service guidance on including the commuting mileage as a taxable fringe benefit.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.350(a)(7)) only authorizes commuting miles for the Board’s employees assigned vehicles when the Board’s Executive Director determines in writing that an “employee’s work assignment requires traveling to numerous locations over a considerable territory with infrequent stops at the employee’s headquarters” under the individual vehicle assignment provisions of the Code (44 Ill. Admin. Code 5040.340(b)). In addition, the Governor’s *Policy Regarding Individual Assignment of State Vehicles* notes “as a general matter, unless it is in the best interests of the State, commuting miles should not exceed 30% of miles driven.” Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance its resources are utilized efficiently, effectively, and in compliance with applicable law.

Board officials stated this problem was due to oversight.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-014. **FINDING** (Excessive Commuting Mileage) (continued)

Failure to perform an analysis of each State-owned vehicle to determine if its individual assignment is in the State's best interest represents noncompliance with State laws, rules, and regulations and may have resulted in the Board incurring excess costs during the examination period. (Finding Code No. 2016-014)

RECOMMENDATION

We recommend the Board perform an analysis of the Board's vehicles to determine whether each vehicle can be justified as the most cost effective solution for the Board's specific operational needs without incurring excessive commuting miles.

BOARD RESPONSE

In accordance with Illinois Administrative Code (44 Ill. Admin. Code 5040.350(a)(7)), the Board's Executive Director has determined that "an employee's work assignment requires traveling to numerous locations over considerable territory with infrequent stops at the employee's headquarters." The weekend and evening race schedules creates the need for employees to attend to security, pari-mutuel, or racing regulated matters when called on by the Board's field managers. The Board continues to analyze the use efficiency of State-assigned vehicles. The Board analyzed its cost to reimburse its employees for business-related miles versus the cost of the Board's current vehicle maintenance program. The approximate cost for mileage reimbursement is \$28,612.08 versus approximately \$34,800 for the Board's maintenance program. The variance does not allow for the need to travel to various locations in a day or evening or on short notice as required, thus making the current arrangement most effective solution for the Board. The Board has not incurred excessive costs as outlined in this finding.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-015. **FINDING** (Noncompliance with the Illinois Vehicle Code)

The Illinois Racing Board (Board) did not exercise adequate control over personal liability insurance certifications from personnel assigned a State vehicle.

During testing, we noted the following problems with four of the ten (40%) required instances where a personal liability insurance certification was required to be filed by Board personnel during the examination period:

- One individual's Fiscal Year 2015 certification was filed 322 days late and their Fiscal Year 2016 certification was filed 229 days late.
- One individual did not file their Fiscal Year 2015 certification.
- One individual did not file a new certification upon receiving a new vehicle assignment.

The Illinois Vehicle Code (625 ILCS 5/7-601(c)) requires Board personnel assigned a specific vehicle owned or leased by the State on an ongoing basis provide an annual certification during July or within 30 days of receiving a new vehicle assignment, whichever is later, affirming the employee is duly licensed to drive and the employee either has liability coverage extending to the employee when the assigned vehicle is used for other than official State business or the employee has filed a bond with the Secretary of State as proof of financial responsibility.

Board officials stated these problems were due to oversight.

Failure to obtain personal liability insurance certifications from Board personnel assigned to a vehicle owned or leased by the State represents noncompliance with the Illinois Vehicle Code and could subject the State to unnecessary legal costs and risk of loss. (Finding Code No. 2016-015)

RECOMMENDATION

We recommend the Board implement a process to ensure all personnel assigned to a vehicle owned or leased by the State provide their personal liability insurance certifications to the Board's Executive Director in the manner required by the Illinois Vehicle Code.

BOARD RESPONSE

The Board acknowledges this finding and has assigned the responsibility to manage the Illinois Vehicle Code of assigned State vehicles and its requirements to a recently hired employee after the unexpected separations of employees overseeing this area during the examination period.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-016. **FINDING** (Noncompliance with Reconciliation Requirements)

The Illinois Racing Board (Board) did not comply with reconciliation requirements for the Monthly Appropriation Status Report (SB01) or the Monthly Cash Report (SB05) established within the Statewide Accounting Management System (SAMS).

During testing, we noted the following:

Standardbred Purse Fund (217)

- Three of 30 (10%) SB01 reconciliations for June 2016 through August 2016 were not prepared by the Board until April 2017.
- One of 30 (3%) SB01 reconciliations for September 2016 was not prepared by the Board.
- One of 24 (4%) SB05 reconciliations for June 2016 was not prepared by the Board until June 2017.

Illinois Racing Board Charity Fund (271)

- Three of 30 (10%) SB01 reconciliations for June 2016 through August 2016 were not prepared by the Board until April 2017.
- One of 30 (3%) SB01 reconciliations for September 2016 was not prepared by the Board.
- One of 24 (4%) SB05 reconciliations for June 2016 was not prepared by the Board.

Horse Racing Fund (632)

- 14 of 30 (47%) SB01 reconciliations from July 2015 through August 2016 were not prepared by the Board until April 2017.
- One of 30 (3%) SB01 reconciliations for September 2016 was not prepared by the Board.
- One of 24 (4%) SB05 reconciliations for June 2016 was not prepared by the Board until June 2017.

Quarter Horse Purse Fund (785)

- Three of 30 (10%) SB01 reconciliations for June 2016 through August 2016 were not prepared by the Board until April 2017.
- One of 30 (3%) SB01 reconciliations for September 2016 was not prepared by the Board.
- One of 24 (4%) SB05 reconciliations for June 2016 was not prepared by the Board.

SAMS (Procedure 09.40.30 and Procedure 11.40.20) requires the Board to prepare a monthly reconciliation of the SB05 Report and SB01 Report, respectively.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-016. **FINDING** (Noncompliance with Reconciliation Requirements) (continued)

Further, the State Records Act (Act) (5 ILCS 160/8) requires the Board make and preserve adequate and proper records of the procedures and essential transactions of the Board to furnish information to protect the legal and financial rights of the State and persons directly affected by the Board's activities.

Board officials stated these problems were due to oversight.

Failure to perform and retain required reconciliation documentation represents noncompliance with SAMS and the Act. In addition, timely reconciliations of the Board's records to the State Comptroller's records can help the Board identify and correct errors and omissions. (Finding Code No. 2016-016)

RECOMMENDATION

We recommend the Board perform reconciliations in accordance with requirements established within SAMS.

BOARD RESPONSE

Since the dissolution of Shared Services, the Board has been properly performing all reconciliations required by SAMS.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-017. **FINDING** (Inadequate Monitoring of Racing Requirements)

The Illinois Racing Board (Board) did not always enforce specific statutory racing requirements for thoroughbred organization licensees (racetracks).

While we noted significant improvements in the Board's monitoring of statutory racing requirements at standardbred races since our last examination, we continued to note several exceptions at the thoroughbred racetracks. During testing of 25 weeks (70 unique days) of thoroughbred racing, we noted the following:

- For 6 of 25 (24%) race weeks tested, two racetracks did not offer six races a week limited to Illinois-bred horses.
- For 1 of 25 (4%) race weeks tested, the Board did not document within the Stewards' daily minutes that six races were offered by the racetrack during the week limited to Illinois-bred horses.
- For 4 of 70 (6%) race dates tested, the Board did not document within the Stewards' daily minutes either that two races were offered by the racetrack limited to Illinois-bred horses or its consent to eliminate and/or substitute races for Illinois-bred horses on a given day due to insufficient competition among the horse population, as allowed for by the Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/30(c)).

The Act (230 ILCS 5/30(b)) requires the thoroughbred racetracks to provide a minimum of two races per day and six races per week limited to Illinois-bred horses. In addition, the Act (230 ILCS 5/9(c)) vests the Board with all powers necessary and proper to fully and effectively execute the provisions of the Act, including entering the facilities and other places of business of any licensee to determine the licensee has complied with applicable laws, rules, and regulations. Finally, the State Records Act (5 ILCS 160/8) requires the Board to make and preserve adequate and proper records of the decisions of the Board to furnish information to protect the legal and financial rights of the State and persons directly affected by the Board's activities.

Board officials stated these problems were due to human error.

Failure to enforce the statutory racing requirements for thoroughbred horses among the racetracks represents noncompliance with the Act and may reduce racing opportunities for Illinois-bred horses. (Finding Code No. 2016-017, 2014-012, 12-11)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-017. **FINDING** (Inadequate Monitoring of Racing Requirements) (continued)

RECOMMENDATION

We recommend the Board implement a formal monitoring process to ensure the racetracks comply with State law and maintain records documenting the Stewards' conclusion that a required race may be waived due to insufficient competition.

BOARD RESPONSE

The Board continues to remedy this finding during the examination and will continue to implement processes to monitor its employees and the operations of its organizational licensees (racetracks) and occupation licensees.

For instance, the Board has had the following procedure in place to ensure compliance with the Illinois restricted race statutory requirements: The Racing Secretary for both breeds is required to submit to the Stewards, prior to the draw, a Board generated form for insuring Illinois restricted race compliance.

This Board form indicates the following:

- The number of restricted races for the given card.
- The conditions of those races.
- The races requested to be waived due to insufficient competition.

The Stewards are required to approve/disapprove the requests and certify the rule compliance. This information is then recorded in the daily minutes.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-018. **FINDING** (Outdated Records Retention Schedule)

The Illinois Racing Board (Board) has not updated its records retention schedule.

During testing, we noted the Board's latest records retention schedule was approved by the State Records Commission (Commission) on August 15, 1990.

The State Records Act (5 ILCS 160/18) requires the Board's Executive Director to submit lists or schedules of records with a proposed time period for retaining each series in accordance with the regulations of the Commission. The Commission's adopted regulations within the Illinois Administrative Code (Code) (44 Ill. Admin. Code 4400.30(b)) require new lists or schedules whenever the information contents of a series have changed.

In response to this exception, the Board provided us with an e-mail submitted to the Commission on March 3, 2015, requesting to change its retention methodology for certain records series from microfilm to digital. We noted the Board:

- 1) did not follow the Commission's written process for establishing a records retention schedule as described in the Commission's *Records Management Reference Manual for Illinois State Government Agencies*;
- 2) did not submit to the Commission a revised "Application for Authority to Dispose of State Records" reflecting this proposed change on forms from the Commission as required by the Code (44 Ill. Admin. Code 4400.30(c));
- 3) did not include an analysis of the costs and benefits of converting to digital from microfilm, as the Commission's website notes (1) the costs of scanning are frequently higher than maintaining paper records and (2) scanning may not be preferable for long-term retention when compared to the storage, cost, and maintenance of microfilming; and,
- 4) did not address whether any changes had occurred to the Board's records series in the intervening 24½ years.

Board officials stated this problem was due to other competing priorities.

Failure to review the records retention schedule for potential updates on a routine basis could result in records with administrative, legal, fiscal, or archival value not being identified and retained, hinders governmental oversight, and represents noncompliance with State law. (Finding Code No. 2016-018)

RECOMMENDATION

We recommend the Board review its records retention schedule, update it to reflect the Board's current environment, and submit it to the Commission.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-018. **FINDING** (Outdated Records Retention Schedule) (continued)

BOARD RESPONSE

The Board will continue to review its record retention schedule again and request updates. The Board began its most recent record retention review in 2017 before this issue was raised by the auditors.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-019. **FINDING** (Inaccurate Agency Fee Imposition Reports)

The Illinois Racing Board (Board) did not submit accurate Agency Fee Imposition Reports to the Office of the State Comptroller.

During testing, we noted the Board incorrectly reported cash receipts generated by its fees, as noted below:

FY	Fee Imposition Reports		Cash Receipts Journals		Difference
	Name	Amount	Name	Amount	
2015	Organization Fee	\$ 84,160	Organization License	\$ 84,260	(100)
2015	Occupation Fee	\$ 170,725	Occupation License	\$ 175,375	(4,650)
2015	Photo Fee	\$ 140	Photo Identification Fee	\$ 145	(5)
2015	Fingerprint Fee	\$ 26,572	Fingerprint Fees	\$ 27,756	(1,184)
2016	Occupation Fee	\$ 148,300	Occupation License	\$ 148,950	(650)
2016	Fingerprint Fee	\$ 21,085	Fingerprint Fees	\$ 21,179	(94)

The State Comptroller Act (15 ILCS 405/16.2(a)) requires all State agencies that impose and collect fees to prepare the Agency Fee Imposition Report Form. The Statewide Accounting Management System (Procedure 33.16.10) states the form shall list and describe the fees imposed by the Board, the purpose of the fees, the amount of revenue generated by each fee, and the funds into which the fees are deposited.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system of fiscal and administrative controls to provide assurance that revenues and resources 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.

Board officials stated these problems are due to the Board not having its receipt records finalized in time to meet this reporting requirement.

Failure to file accurate Agency Fee Imposition Reports with the Office of the State Comptroller lessens governmental oversight and represents noncompliance with the State Comptroller Act and the Statewide Accounting Management System. (Finding Code No. 2016-019, 2014-011, 12-10)

RECOMMENDATION

We recommend the Board file accurate Agency Fee Imposition Reports.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-019. **FINDING** (Inaccurate Agency Fee Imposition Reports) (continued)

BOARD RESPONSE

The Board will continue to ensure preparation of accurate Fee Imposition Reports.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-020. **FINDING** (Failure to Report Grant Information)

The Illinois Racing Board (Board) did not work with the State's Chief Information Officer to post information about its grant awards on the website data.illinois.gov.

During testing, we noted the Board did not publish grant awards on data.illinois.gov for the following grant programs:

- Purse Supplement Grants from the Quarter Horse Purse Fund, with total grant awards of \$159,500 during the examination period;
- Purse Supplement Grants from the Standardbred Purse Fund, with total grant awards of \$695,147 during the examination period; and,
- annual charity grants for medical, dental, social, addiction, and compulsive gambling services from the Illinois Racing Board Charity Fund, with total grant awards of \$1,500,000 during the examination period.

The Grant Information Collection Act (30 ILCS 707/10) requires the Board to coordinate with the State's Chief Information Officer to provide for the publication of data sets on the website data.illinois.gov containing information regarding the Board's award of grant funds during the previous fiscal year, including, at a minimum, the following data:

- 1) the name and postal zip code of each grantee;
- 2) a short description of the purpose of the Board's award of grant funds;
- 3) the amount of each award of grant funds;
- 4) the date of each award of grant funds; and,
- 5) the duration of the award of grant funds.

Board officials stated these problems were due to delays arising from difficulties in obtaining assistance in learning to navigate and load information to the website.

Failure to publish data regarding the Board's grant awards represents noncompliance with the Grant Information Collection Act and hinders public disclosure of the Board's grant awards. (Finding Code No. 2016-020)

RECOMMENDATION

We recommend the Board work with the State's Chief Information Officer to post information about its grant awards on the website data.illinois.gov.

BOARD RESPONSE

The Board is now publishing grant awards in data.illinois.gov. However, the Board disagrees with the auditor that it failed to work with the State's Chief Information Officer. The Board provided the auditor with correspondence and attempts by the Board to access the portal.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-020. **FINDING** (Failure to Report Grant Information) (continued)

Please note, Section 10 of the Grant Information Collection Act also states in pertinent part, “The Chief Information Officer of the State, as designated by the Governor, shall coordinate with each State agency to develop...”

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-021. **FINDING** (Noncompliance with the Illinois Grant Funds Recovery Act)

The Illinois Racing Board (Board) did not require grant applicants to submit an application, as required by the Illinois Grant Funds Recovery Act (Act).

During testing, we noted the Board did not require grant applicants to submit an application for distributions from the Quarter Horse Purse Fund, totaling \$159,500, and the Standardbred Purse Fund, totaling \$695,147, during the examination period.

The Act (30 ILCS 705/4(a)) requires any person or organization desiring to receive grant funds from the Board to submit a grant application on forms prescribed by the Board with, at a minimum, the following provisions:

- 1) the name, address, chief officers, and general description of the applicant;
- 2) a general description of the program, project, or use for which grant funding is requested;
- 3) such plans, equipment lists, and other documents as may be required to show the type, structure, and general character of the program, project, or use for which grant funding is requested;
- 4) cost estimates of developing, constructing, operating, or completing the program, project, or use for which grant funding is requested; and,
- 5) a program of proposed expenditures for the grant funds.

Board officials stated they did not originally consider these transactions grants.

Failure to require applicants to submit a grant application represents noncompliance with the Act. (Finding Code No. 2016-021)

RECOMMENDATION

We recommend the Board ensure its applicants for grant funds submit a grant application, as required by the Act.

BOARD RESPONSE

In addition to the Board's application for annual race dates, which requests such information from all Organization Licensee applicants, the Board has prepared and will require applicants to complete grant specific applications or include such questions in its annual race dates application.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2016

A. **FINDING** (Lack of Policies and Procedures over Shared Services)

During the prior examination, the Illinois Racing Board (Board) did not have adequate detailed procedures with the Administrative and Regulatory Shared Services Center at the Department of Revenue (Shared Services) detailing each entity's responsibilities for the daily operations of the Board.

During the current examination, we noted the Board and Shared Services began documenting each party's responsibilities for the daily operations of the Board. In addition, we noted Shared Services dissolved as of June 30, 2016. (Finding Code No. 2014-001, 12-1, 10-1)

B. **FINDING** (Inadequate Control over Occupational Licensee Records)

During the prior examination, the Illinois Racing Board (Board) was unable to provide adequate records substantiating the population of individuals who received occupation licenses during the examination period.

During the current examination, our testing indicated the Board's population of occupation licensees issued during the examination period was sufficiently complete and accurate for our purposes. (Finding Code No. 2014-004)

C. **FINDING** (Tax Collection and Distribution Deficiencies)

During the prior examination, the Illinois Racing Board (Board) lacked sufficient internal control over the collection of taxes due to the State and the remittance of taxes collected on behalf of local governments.

During the current examination, our testing indicated the Board's tax collection and distribution processes had significantly improved; however, we continued to note certain immaterial conditions of noncompliance. As such, this matter was reported in the Board's *Report of Immaterial Findings*. (Finding Code No. 2014-005)

D. **FINDING** (Inadequate Monitoring of Pari-Mutuel Tax Allocations)

During the prior examination, the Illinois Racing Board (Board) did not ensure the proper allocation of receipts between the Horse Racing Fund and the Illinois Racing Quarter Horse Breeders Fund.

During the current examination, our testing indicated the Board corrected certain prior period errors and implemented a reconciliation process for this allocation of cash receipts. (Finding Code No. 2014-006, 12-7)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2016

E. **FINDING** (Inadequate Control over State Vehicles)

During the prior examination, the Illinois Racing Board (Board) did not maintain adequate control over its State-owned vehicles. Specifically, we noted problems with the Board's reports submitted to the Department of Central Management Services (CMS), significant commuting mileage incurred, records retention, and maintenance monitoring.

During the current examination, our testing indicated improvement within the Board's controls over its reports to CMS, records retention, and maintenance. However, we continued to note problems with the Board's significant percentage of commuting mileage, as noted in Finding 2016-014. (Finding Code No. 2014-013)

F. **FINDING** (Need to Enhance Control over Confidential Information)

During the prior examination, the Illinois Racing Board (Board) did not adequately secure and control confidential and personal information.

During the current examination, our testing indicated the Board's confidential and personal information controls had significantly improved; however, we continued to note certain immaterial problems. As such, this matter was reported in the Board's *Report of Immaterial Findings*. (Finding Code No. 2014-015, 12-16, 10-8)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis (Not Examined):
 - Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2016 (Not Examined)
 - Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2015 (Not Examined)
 - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances (Not Examined)
 - Schedule of Changes in State Property (Not Examined)
 - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller (Not Examined)

- Analysis of Operations (Not Examined):
 - Board Functions and Planning Program (Not Examined)
 - Analysis of Significant Variations in Expenditures (Not Examined)
 - Analysis of Significant Variations in Receipts (Not Examined)
 - Analysis of Significant Lapse Period Spending (Not Examined)
 - Analysis of Accounts Receivable (Not Examined)
 - Average Number of Employees (Not Examined)
 - Budget Impasse Disclosures (Not Examined)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
 - Interest Costs on Fiscal Year 2016 Invoices
 - Horse Racing Statistics (Not Examined)
 - Calendar Year 2006 - 2015 Purses, Commissions, and State Revenue (Not Examined)
 - Calendar Year 2015 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Not Examined)
 - Calendar Year 2015 Advance Deposit Wagering Statistics (Not Examined)
 - Calendar Year 2015 Activity from All Locations (Not Examined)
 - Calendar Year 2014 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Not Examined)
 - Calendar Year 2014 Advance Deposit Wagering Statistics (Not Examined)
 - Calendar Year 2014 Activity from All Locations (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that because of the significance of the matters described in items 2016-001 through 2016-010 in the accompanying schedule of findings, it is inappropriate to, and we do not, express an opinion on the supplementary information.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2016

SCHEDULE 1

Fourteen Months Ended August 31, 2016

(NOT EXAMINED)

Court-Ordered Expenditures and Public Act 99-0524	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed
FISCAL YEAR 2016					
APPROPRIATED FUNDS					
Horse Racing Fund - 632					
Personal Services	\$ 1,102,000	\$ 937,581	\$ 40,425	\$ 978,006	\$ 123,994
Employee Retirement					
Contributions Paid by Employer	502,500	428,920	18,464	447,384	55,116
State Contributions to Social Security	84,300	69,308	2,982	72,290	12,010
Group Insurance	248,600	213,755	8,954	222,709	25,891
Contractual Services	165,000		150,991	150,991	14,009
Travel	15,000	-	5,333	5,333	9,667
Commodities	1,500	-	1,460	1,460	40
Printing	1,000	-	-	-	1,000
Equipment	1,000	-	-	-	1,000
Electronic Data Processing	50,000	-	47,517	47,517	2,483
Telecommunications	50,000	-	49,218	49,218	782
Operation of Automotive Equipment	10,000	-	4,956	4,956	5,044
Refunds	600	-	-	-	600
Expenses Related to the Laboratory Program	974,200	-	872,301	872,301	101,899
Expenses Related to the Regulation of Racing	2,676,200	2,176,442	274,105	2,450,547	225,653
Distributions to Local Governments	340,000	-	248,025	248,025	91,975
Expenses Related to Shared Services	155,400	131,720	4,650	136,370	19,030
Total, Horse Racing Fund	<u>\$ 6,377,300</u>	<u>\$ 3,957,726</u>	<u>\$ 1,729,381</u>	<u>\$ 5,687,107</u>	<u>\$ 690,193</u>
SUB-TOTAL, APPROPRIATED FUNDS	<u><u>\$ 6,377,300</u></u>	<u><u>\$ 3,957,726</u></u>	<u><u>\$ 1,729,381</u></u>	<u><u>\$ 5,687,107</u></u>	<u><u>\$ 690,193</u></u>

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2016

SCHEDULE 1

Fourteen Months Ended August 31, 2016

(NOT EXAMINED)

Court-Ordered Expenditures and Public Act 99-0524	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed
FISCAL YEAR 2016					
NONAPPROPRIATED FUNDS					
Standardbred Purse Fund - 217					
Awards and Grants		\$ 299,064	\$ 50,936	\$ 350,000	
Total, Standardbred Purse Fund		<u>\$ 299,064</u>	<u>\$ 50,936</u>	<u>\$ 350,000</u>	
Illinois Racing Board Charity Fund - 271					
Grant to a Non-Profit Organization		\$ 750,000	\$ -	\$ 750,000	
Total, Illinois Racing Board Charity Fund		<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>	
Quarter Horse Purse Fund - 785					
Awards and Grants		\$ 48,500	\$ -	\$ 48,500	
Total, Quarter Horse Purse Fund		<u>\$ 48,500</u>	<u>\$ -</u>	<u>\$ 48,500</u>	
SUB-TOTAL, NONAPPROPRIATED FUNDS		<u>\$ 1,097,564</u>	<u>\$ 50,936</u>	<u>\$ 1,148,500</u>	
TOTAL - ALL FUNDS, FISCAL YEAR 2016		<u>\$ 5,055,290</u>	<u>\$ 1,780,317</u>	<u>\$ 6,835,607</u>	

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2016

SCHEDULE 1

Fourteen Months Ended August 31, 2016

(NOT EXAMINED)

- Note 3: During Fiscal Year 2016, the Board operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay.” As such, the Board's court-ordered payroll payments were merged into the enacted appropriation for Fund 632. Further, the Board incurred non-payroll obligations within Fund 632, which the Board was unable to pay until the passage of Public Act 99-0524.
- Note 4: Public Act 99-524 authorized the Board to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 104 includes information from Board management about the number of invoices and the total dollar amount of invoices held by the Board submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

SCHEDULE 2

Fourteen Months Ended August 31, 2015

(NOT EXAMINED)

Public Act 98-0679	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed
FISCAL YEAR 2015					
APPROPRIATED FUNDS					
Horse Racing Fund - 632					
Personal Services	\$ 1,112,200	\$ 994,071	\$ 32,087	\$ 1,026,158	\$ 86,042
Employee Retirement					
Contributions Paid by Employer	470,900	422,400	13,628	436,028	34,872
State Contributions to Social Security	85,200	73,572	2,372	75,944	9,256
Group Insurance	368,000	237,265	7,508	244,773	123,227
Contractual Services	185,200	134,138	9,231	143,369	41,831
Travel	24,000	10,917	4,250	15,167	8,833
Commodities	1,500	969	-	969	531
Printing	1,000	-	-	-	1,000
Equipment	2,300	750	-	750	1,550
Electronic Data Processing	60,000	38,097	17,368	55,465	4,535
Telecommunications	85,000	59,262	11,212	70,474	14,526
Operation of Automotive Equipment	12,000	7,443	711	8,154	3,846
Refunds	1,500	100	-	100	1,400
Expenses Related to the Laboratory Program	1,675,000	1,130,745	109,040	1,239,785	435,215
Expenses Related to the Regulation of Racing	3,574,400	2,928,954	177,025	3,105,979	468,421
Distributions to Local Governments	384,000	279,568	24,024	303,592	80,408
Expenses Related to Shared Services	154,500	146,440	-	146,440	8,060
Total, Horse Racing Fund	<u>\$ 8,196,700</u>	<u>\$ 6,464,691</u>	<u>\$ 408,456</u>	<u>\$ 6,873,147</u>	<u>\$ 1,323,553</u>
SUB-TOTAL, APPROPRIATED FUNDS	<u><u>\$ 8,196,700</u></u>	<u><u>\$ 6,464,691</u></u>	<u><u>\$ 408,456</u></u>	<u><u>\$ 6,873,147</u></u>	<u><u>\$ 1,323,553</u></u>

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

SCHEDULE 2

Fourteen Months Ended August 31, 2015

(NOT EXAMINED)

Public Act 98-0679	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed
FISCAL YEAR 2015					
NONAPPROPRIATED FUNDS					
Standardbred Purse Fund - 217					
Awards and Grants		\$ 320,482	\$ 24,666	\$ 345,148	
Total, Standardbred Purse Fund		<u>\$ 320,482</u>	<u>\$ 24,666</u>	<u>\$ 345,148</u>	
Illinois Racing Board Charity Fund - 271					
Grant to a Non-Profit Organization		\$ 750,000	\$ -	\$ 750,000	
Total, Illinois Racing Board Charity Fund		<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>	
Quarter Horse Purse Fund - 785					
Awards and Grants		\$ 100,000	\$ 11,000	\$ 111,000	
Total, Quarter Horse Purse Fund		<u>\$ 100,000</u>	<u>\$ 11,000</u>	<u>\$ 111,000</u>	
SUB-TOTAL, NONAPPROPRIATED FUNDS		<u>\$ 1,170,482</u>	<u>\$ 35,666</u>	<u>\$ 1,206,148</u>	
TOTAL - ALL FUNDS, FISCAL YEAR 2015		<u>\$ 7,635,173</u>	<u>\$ 444,122</u>	<u>\$ 8,079,295</u>	

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of August 31, 2015, and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**

SCHEDULE 3

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

	Fiscal Year		
	2016	2015	2014
	Court-Ordered Expenditures and P.A. 99-0524	P.A. 98-0679	P.A. 98-0064 P.A. 98-0591
<u>APPROPRIATED FUNDS</u>			
Horse Racing Fund - 632			
Appropriations	\$ 6,377,300	\$ 8,196,700	\$ 8,431,300
<u>Expenditures</u>			
Personal Services	\$ 978,006	\$ 1,026,158	\$ 983,623
Employee Retirement			
Contributions Paid by Employer	447,384	436,028	397,879
State Contributions to Social Security	72,290	75,944	72,040
Group Insurance	222,709	244,773	295,481
Contractual Services	150,991	143,369	156,911
Travel	5,333	15,167	24,333
Commodities	1,460	969	2,873
Printing	-	-	664
Equipment	-	750	-
Electronic Data Processing	47,517	55,465	59,934
Telecommunications	49,218	70,474	79,341
Operation of Automotive Equipment	4,956	8,154	10,836
Refunds	-	100	250
Expenses Related to the Laboratory Program	872,301	1,239,785	1,457,743
Expenses Related to the Regulation of Racing	2,450,547	3,105,979	2,991,215
Distributions to Local Governments	248,025	303,592	320,469
Expenses Related to Shared Services	136,370	146,440	105,107
Total Horse Racing Fund Expenditures	<u>\$ 5,687,107</u>	<u>\$ 6,873,147</u>	<u>\$ 6,958,699</u>
Lapsed Balances	<u>\$ 690,193</u>	<u>\$ 1,323,553</u>	<u>\$ 1,472,601</u>

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**

SCHEDULE 3

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

	Fiscal Year		
	2016	2015	2014
	Court-Ordered Expenditures and P.A. 99-0524	P.A. 98-0679	P.A. 98-0064 P.A. 98-0591
<u>APPROPRIATED FUNDS (continued)</u>			
Horse Racing Equity Fund - 630			
Appropriations	\$ -	\$ -	\$ 23,000,000
<u>Expenditures</u>			
Disbursement of Receipts to Eligible Tracks	\$ -	\$ -	\$ 23,000,000
Total Horse Racing Equity Fund Expenditures	\$ -	\$ -	\$ 23,000,000
Lapsed Balances	\$ -	\$ -	\$ -
Racing Board Fingerprint Fund - 248			
Appropriations	\$ -	\$ -	\$ 135,000
<u>Expenditures</u>			
For Deposit into the Horse Racing Fund	\$ -	\$ -	\$ 134,908
Total Racing Board Fingerprint Fund Expenditures	\$ -	\$ -	\$ 134,908
Lapsed Balances	\$ -	\$ -	\$ 92
<u>TOTAL - APPROPRIATED FUNDS</u>			
Total Appropriations	\$ 6,377,300	\$ 8,196,700	\$ 31,566,300
Total Appropriated Expenditures	\$ 5,687,107	\$ 6,873,147	\$ 30,093,607
Lapsed Balances	\$ 690,193	\$ 1,323,553	\$ 1,472,693

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**

SCHEDULE 3

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

	Fiscal Year		
	2016	2015	2014
	Court-Ordered Expenditures and P.A. 99-0524	P.A. 98-0679	P.A. 98-0064 P.A. 98-0591
<u>NONAPPROPRIATED FUNDS</u>			
Standardbred Purse Fund - 217			
<u>Expenditures</u>			
Awards and Grants	\$ 350,000	\$ 345,148	\$ 332,426
Total Standardbred Purse Fund Expenditures	<u>\$ 350,000</u>	<u>\$ 345,148</u>	<u>\$ 332,426</u>
Illinois Racing Board Charity Fund - 271			
<u>Expenditures</u>			
Grant to a Non-Profit Organization	\$ 750,000	\$ 750,000	\$ 750,000
Total Illinois Racing Board Charity Fund Expenditures	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>
Quarter Horse Purse Fund - 785			
<u>Expenditures</u>			
Awards and Grants	\$ 48,500	\$ 111,000	\$ 40,500
Total Quarter Horse Purse Fund Expenditures	<u>\$ 48,500</u>	<u>\$ 111,000</u>	<u>\$ 40,500</u>
<u>TOTAL - NONAPPROPRIATED FUNDS</u>			
Total Nonappropriated Expenditures	<u>\$ 1,148,500</u>	<u>\$ 1,206,148</u>	<u>\$ 1,122,926</u>
<u>GRAND TOTAL - ALL FUNDS</u>			
Total Expenditures	<u>\$ 6,835,607</u>	<u>\$ 8,079,295</u>	<u>\$ 31,216,533</u>

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**

SCHEDULE 3

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

	Fiscal Year		
	2016	2015	2014
<u>STATE OFFICERS' SALARIES</u>			
Horse Racing Fund - 632 (State Comptroller)			
Appropriations		\$ 197,400	\$ 201,400
<u>Expenditures</u>			
Members' Per Diem	\$ 21,300	\$ 33,600	\$ 32,400
Employee Retirement			
Contributions Paid by Employer	3,830	9,399	12,456
State Contributions to Social Security	1,629	2,570	2,479
Total Horse Racing Fund Expenditures	<u>\$ 26,759</u>	<u>\$ 45,569</u>	<u>\$ 47,335</u>
Lapsed Balances		<u>\$ 151,831</u>	<u>\$ 154,065</u>

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and August 31, 2015, and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

Note 3: During Fiscal Year 2016, the Board operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Board's court-ordered payroll payments were merged into the enacted appropriation for Fund 632. Further, the Board incurred non-payroll obligations within Fund 632, which the Board was unable to pay until the passage of Public Act 99-0524.

Note 4: Public Act 99-524 authorized the Board to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 104 includes information from Board management about the number of invoices and the total dollar amount of invoices held by the Board submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
SCHEDULE OF CHANGES IN STATE PROPERTY

SCHEDULE 4

(NOT EXAMINED)

For the Two Years Ended June 30, 2016

		Equipment
Balance at July 1, 2014	\$	370,618
Additions		2,542
Deletions		(1,989)
Net Transfers		(48,709)
Balance at June 30, 2015	\$	<u>322,462</u>
Balance at July 1, 2015	\$	322,462
Additions		1,679
Deletions		(9,393)
Net Transfers		(20,618)
Balance at June 30, 2016	\$	<u>294,130</u>

Note: This schedule has been derived from Board records, which were reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**

SCHEDULE 5

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

	Fiscal Year		
	2016	2015	2014
Illinois Racing Board Charity Fund - 271			
Annual Charity Assessment	\$ 750,000	\$ 750,000	\$ 750,000
Total Receipts - Fund 271	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>
Receipts, per Board Records	\$ 750,000	\$ 750,000	\$ 750,000
Add: Deposits in Transit, Beginning of the Year	-	-	-
Less: Deposits in Transit, End of the Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>
Horse Racing Fund - 632			
Admission Tax - Racetracks	\$ 68,913	\$ 71,837	\$ 77,577
Admission Tax - OTBs	247,831	301,322	322,133
Fines and Penalties	47,022	64,054	75,275
Occupation Licenses	148,950	175,375	191,450
Organization Licenses	73,240	84,260	90,085
Miscellaneous	73	201	2,337
Fingerprinting Fees	21,179	27,756	41,950
Photo Identification Fee	100	145	644
0.2% Winning Wager Surcharge	801,167	801,394	364,989
Transfer from the Racing Board Fingerprint Fund	-	-	134,908
Reimbursements, Jury Duty, and Recoveries	-	17	27
Total Receipts - Fund 632	<u>\$ 1,408,475</u>	<u>\$ 1,526,361</u>	<u>\$ 1,301,375</u>
Receipts, per Board Records	\$ 1,408,475	\$ 1,526,361	\$ 1,301,375
Add: Deposits in Transit, Beginning of the Year	64,385	27,874	12,546
Less: Deposits in Transit, End of the Year	30,364	64,385	27,874
Deposits, Recorded by the State Comptroller	<u>\$ 1,442,496</u>	<u>\$ 1,489,850</u>	<u>\$ 1,286,047</u>
Quarter Horse Purse Fund - 785			
0.2% Winning Wager Surcharge	\$ 89,000	\$ 99,113	\$ 52,387
Total Receipts - Fund 785	<u>\$ 89,000</u>	<u>\$ 99,113</u>	<u>\$ 52,387</u>
Receipts, per Board Records	\$ 89,000	\$ 99,113	\$ 52,387
Add: Deposits in Transit, Beginning of the Year	11,000	-	-
Less: Deposits in Transit, End of the Year	2,438	11,000	-
Deposits, Recorded by the State Comptroller	<u>\$ 97,562</u>	<u>\$ 88,113</u>	<u>\$ 52,387</u>

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**

SCHEDULE 5

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

	Fiscal Year		
	2016	2015	2014
GRAND TOTAL - ALL FUNDS			
Total Cash Receipts, per Board Records	\$ 2,247,475	\$ 2,375,474	\$ 2,103,762
Add: Deposits in Transit, Beginning of the Year	75,385	27,874	12,546
Less: Deposits in Transit, End of the Year	32,802	75,385	27,874
Total Deposits, Recorded by the State Comptroller	\$ 2,290,058	\$ 2,327,963	\$ 2,088,434

Note 1: The Board's cash receipts journals do not reflect the actual date when cash is received by the Board's officials and employees, as noted in Finding 2016-001.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
BOARD FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Board Functions

The Illinois Racing Board (Board) is a regulatory agency charged by the General Assembly with ensuring “public confidence and trust in the credibility and integrity of racing operations and the regulatory process.” The jurisdiction, supervision, powers, and duties of the Board are enumerated in the Illinois Horse Racing Act of 1975 (230 ILCS 5).

The primary duties of the Board include:

- enforcing the Illinois Horse Racing Act of 1975 and the Board’s adopted regulations through disciplinary action, imposing civil penalties, and/or initiating legal action;
- promulgating reasonable rules and regulations to govern meetings and wagering in the State;
- issuing occupation, organization, advance deposit wagering, inter-track wagering, and inter-track wagering location licenses to conduct horse race meetings and wagering in the State;
- operating laboratory testing facilities to prevent illegal drug use in horse racing;
- verifying the accuracy of taxes paid by licensees to the Department of Revenue;
- collecting and processing the inter-track wagering location admission fees on behalf of local governments and the \$0.15 State admission tax from a ticket of admission;
- investigating allegations of animal abuse;
- ejecting or excluding from a horse race meeting or licensee’s facilities persons whose conduct or reputation may call into question the integrity of wagers;
- distributing and monitoring grants to licensees and non-profit organizations; and,
- entering the places of business of licensees to determine compliance with the Illinois Horse Racing Act of 1975 and the Board’s Administrative Rules.

Currently, the Board oversees live racing at three racetracks, the Illinois State Fair, the DuQuoin State Fair, and the Brown County Fair. The Board is responsible for regulation of 22 inter-track wagering facilities and six advance deposit wagering licensees.

Planning Program

The Board conducts biannual planning in anticipation of publishing the Board’s January and July Regulatory Agendas. The Board reviews changes within the horse racing industry, particularly in the area of performance enhancing drugs, to have the Board’s regulations align with current industry practices and best practices. In addition to regulatory planning, the Board and its staff work to develop plans to identify and reduce incidents of noncompliance among licensees.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2015 AND 2016

Horse Racing Fund - 632

Telecommunications

During Fiscal Year 2016, Maywood Park and Balmoral Park were shut down, which allowed the Board to dismantle its telecommunications infrastructure at both locations. As a result, the Board experienced a decrease in telecommunications expenditures.

Expenses Related to the Laboratory Program

During Fiscal Year 2016, Maywood Park and Balmoral Park were shut down, which reduced the total number of samples tested at the Laboratory. As a result, the Board experienced a decrease in laboratory testing expenses.

Expenses Related to the Regulation of Racing

During Fiscal Year 2016, Maywood Park and Balmoral Park were shut down, which reduced the total number of race dates. As a result, the Board incurred less payroll costs associated with its per diem employees stationed at the racetrack.

Quarter Horse Purse Fund - 785

Awards and Grants

The decrease in grant activity during Fiscal Year 2016 was largely due to timing differences between when Fairmount Park requested disbursements and when the Board approved those requests. The amount to disburse to Fairmount Park is determined on a calendar year basis, as opposed to a fiscal year variance.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2014 AND 2015

Horse Racing Equity Fund - 630

Disbursement of Receipts to Eligible Tracks

During Fiscal Year 2014, the Board made a one-time \$23 million distribution to the racetracks, purse accounts, and the State's fairs run by the Department of Agriculture. The cash to distribute from the Horse Racing Equity Fund came from a one-time transfer from the State Gaming Fund pursuant to Public Act 098-0018, which was codified within the Riverboat Gambling Act (230 ILCS 10/13(c-30)).

Racing Board Fingerprint Fund - 248 (Appropriated Expenditures)

For Deposit into the Horse Racing Fund

During Fiscal Year 2014, the Board made a one-time transfer of the remaining cash within the Racing Board Fingerprint Fund after the Board settled the Racing Board Fingerprint Fund's final obligations as required by Public Act 098-0591. Currently, the Board collects fingerprint fees from licensees and distributes collections to the Department of State Police for completed background checks from the Horse Racing Fund as required by the Illinois Horse Racing Act of 1975 (230 ILCS 5/28(h)).

Horse Racing Fund - 632

Expenses Related to Shared Services

During Fiscal Year 2015, Shared Services began to cover an additional employee compared to Fiscal Year 2014, resulting in increased relative cost. When this lump sum appropriation ran out of available expenditure authority in March 2015, the Board shifted the costs of Shared Services to its Regulation of Racing appropriation.

Quarter Horse Purse Fund - 785

Awards and Grants

The increase in grant activity during Fiscal Year 2015 was largely due to timing differences between when Fairmount Park requested disbursements and when the Board approved those requests. The amount to disburse to Fairmount Park is determined on a calendar year basis, as opposed to a fiscal year basis.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2015 AND 2016

Horse Racing Fund - 632

Fines and Penalties

The decrease in fines and penalties is due to the declining number of racing opportunities within the State resulting in a decline in the number of noted violations of the Board's rules.

Fingerprinting Fees

The decrease in fingerprinting fees is due to the declining number of racing opportunities within the State resulting in a decline in the number of fingerprint background checks.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2014 AND 2015

Horse Racing Fund - 632

Fingerprinting Fees

The decrease in fingerprinting fees is due to the declining number of racing opportunities within the State resulting in a decline in the number of fingerprint background checks.

Transfer from the Racing Board Fingerprint Fund

During Fiscal Year 2014, the Board made a one-time transfer of the remaining cash within the Racing Board Fingerprint Fund after the Board settled the Racing Board Fingerprint Fund's final obligations as required by Public Act 098-0591. Beginning Fiscal Year 2015, the Board collected fingerprint fees from licensees and distributed collections to the Department of State Police for completed background checks from the Horse Racing Fund as required by the Illinois Horse Racing Act of 1975 (230 ILCS 5/28(h)).

0.2% Winning Wager Surcharge

Public Act 098-0624, effective January 29, 2014, imposed a surcharge of 0.2% on all winning wagers within the State with the Board allocating \$100,000 annually to the Quarter Horse Purse Fund and the remainder to the Horse Racing Fund. As such, the increase in receipts was due to the Board depositing a full year of receipts for Fiscal Year 2015 and only about five months of cash receipts for Fiscal Year 2014.

Quarter Horse Purse Fund - 785

0.2% Winning Wager Surcharge

Public Act 098-0624, effective January 29, 2014, imposed a surcharge of 0.2% on all winning wagers within the State with the Board allocating \$100,000 annually to the Quarter Horse Purse Fund and the remainder to the Horse Racing Fund. As such, the increase in receipts was due to the Board depositing a full year of receipts for Fiscal Year 2015 and only about five months of cash receipts for Fiscal Year 2014.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

FISCAL YEAR 2016

Horse Racing Fund - 632

Contractual Services, Travel, Commodities, Electronic Data Processing, Telecommunications, Operation of Automotive Equipment, Expenses Related to the Laboratory Program, and Distributions to Local Governments

The significant spending was due to the Board processing invoices received during Fiscal Year 2016 after the passage of Public Act 099-0524 on June 30, 2016.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

FISCAL YEAR 2015

Horse Racing Fund - 632

Travel

The significant spending was due to the Board holding its May 2015 meeting at Fairmount Park, which resulted in several travel vouchers getting submitted in June and paid out during July.

Electronic Data Processing

The significant spending was due to the Board's internal control structure not identifying three invoices from the Department of Central Management Services (CMS) for services provided by the Statistical Services Revolving Fund. Upon discussing this matter with Board officials, it was determined the Board was unaware CMS had changed systems to provide agencies with invoices electronically, as opposed to mailing out paper invoices (see Finding 2016-012).

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
ANALYSIS OF ACCOUNTS RECEIVABLE

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

	Fiscal Year		
	2016	2015	2014
<hr/>			
Horse Racing Fund - 632			
NOT IN PROTEST (in thousands)			
Receivables Not Past Due	\$ 47	\$ 13	\$ 20
1 - 90 Days	5	1	1
91 - 180 Days	-	1	-
181 Days - 1 Year	-	-	2
1 Year <= 2 Years	7	3	1
2 Years <= 3 Years	2	1	2
3 Years <= 4 Years	1	2	-
4 Years <= 5 Years	2	-	1
5 Years <= 10 Years	7	7	6
> 10 Years	-	-	-
	<hr/>	<hr/>	<hr/>
Gross Receivables - Fund 632	\$ 71	\$ 28	\$ 33
Less: Allowance for Doubtful Accounts	<hr/> 19	<hr/> 13	<hr/> 10
Net Receivables - Fund 632	<hr/> <u>\$ 52</u>	<hr/> <u>\$ 15</u>	<hr/> <u>\$ 23</u>
<hr/>			
Horse Racing Fund - 632			
IN PROTEST (in thousands)			
Receivables Not Past Due	\$ -	\$ -	\$ -
1 - 90 Days	-	-	-
91 - 180 Days	-	-	-
181 Days - 1 Year	-	-	-
1 Year <= 2 Years	-	-	-
2 Years <= 3 Years	-	-	-
3 Years <= 4 Years	-	-	-
4 Years <= 5 Years	-	-	-
5 Years <= 10 Years	-	-	-
> 10 Years	-	-	-
	<hr/>	<hr/>	<hr/>
Gross Receivables - Fund 632	\$ -	\$ -	\$ -
Less: Allowance for Doubtful Accounts	<hr/> -	<hr/> -	<hr/> -
Net Receivables - Fund 632	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
ANALYSIS OF ACCOUNTS RECEIVABLE

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

	Fiscal Year		
	2016	2015	2014
<hr/>			
Illinois Racing Board Charity Fund - 271			
NOT IN PROTEST (in thousands)			
Receivables Not Past Due	\$ 750	\$ 750	\$ 750
1 - 90 Days	-	-	-
91 - 180 Days	-	-	-
181 Days - 1 Year	-	-	-
1 Year <= 2 Years	-	-	-
2 Years <= 3 Years	-	-	-
3 Years <= 4 Years	-	-	-
4 Years <= 5 Years	-	-	-
5 Years <= 10 Years	-	-	-
> 10 Years	-	-	-
	<hr/>	<hr/>	<hr/>
Gross Receivables - Fund 271	\$ 750	\$ 750	\$ 750
Less: Allowance for Doubtful Accounts	<hr/> -	<hr/> -	<hr/> -
Net Receivables - Fund 271	<hr/> <u>\$ 750</u>	<hr/> <u>\$ 750</u>	<hr/> <u>\$ 750</u>

- Note 1: For the accounts receivable reported on page 100, the not-in-protest amounts represent receivables related to the racetrack admission tax, excess daily handle tax, fines imposed by the Board, and inter-track wagering location admission fees imposed by local governments. In-protest amounts represent receivables related to fines imposed by the Board for noted violations of the Illinois Horse Racing Act of 1975 or the Board's adopted regulations where the licensee is protesting the penalty.
- Note 2: For the accounts receivable reported on page 101, the not-in-protest amounts represent receivables related to the annual charity assessment of \$750 thousand imposed upon the racetracks by the Illinois Horse Racing Act of 1975 (230 ILCS 5/31.1) billed before June 30 and collected in July.
- Note 3: The Board's current methodology of assuming all accounts receivable are collectible until one year has passed is not a reasonable estimation of uncollectible accounts (see Finding 2014-006 for more information).

STATE OF ILLINOIS
 ILLINOIS RACING BOARD
 COMPLIANCE EXAMINATION
AVERAGE NUMBER OF EMPLOYEES
 For the Two Years Ended June 30, 2016

(NOT EXAMINED)

The following table, prepared from the Board's records, presents the average number of employees, by location, for the Fiscal Year Ended June 30,

<u>Division</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Full-Time, Central Office	13	14	14
Part-Time, Central Office	1	1	0
Per Diem, Upstate Racetracks	25	25	23
Per Diem, Downstate Racetrack	9	10	12
Total Board Employees	<u>48</u>	<u>50</u>	<u>49</u>

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
BUDGET IMPASSE DISCLOSURES
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Payment of Fiscal Year 2016 Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Illinois Racing Board (Board) to pay Fiscal Year 2016 costs using the Board's Fiscal Year 2017 appropriations for non-payroll expenditures. The Board did not have any outstanding invoices from Fiscal Year 2016 unpaid after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016. Therefore, the Board does not intend to use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Transactions Involving the Illinois Finance Authority

The Illinois Racing Board and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Illinois Racing Board's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2015 and Fiscal Year 2016.

STATE OF ILLINOIS
 ILLINOIS RACING BOARD
 COMPLIANCE EXAMINATION
INTEREST COSTS ON FISCAL YEAR 2016 INVOICES
 For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Prompt Payment Interest Costs

The Illinois Racing Board (Board) plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Board. The following chart shows the Board's prompt payment interest incurred related to Fiscal Year 2016 invoices, calculated on the accrual basis of accounting, through June 30, 2016, by fund:

PROMPT PAYMENT INTEREST INCURRED

Year Ended June 30, 2016

Fund #	Fund Name	Invoices	Vendors	Dollar Value
632	Horse Racing Fund	60	27	\$ 3,001
		60	27	\$ 3,001

Note: Users of this schedule should consider the impact of Finding 2016-014.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2006 – 2015 Purses, Commissions, and State Revenue

	<u>HARNESS PURSES DISTRIBUTED</u>	<u>THOROUGHBRED PURSES DISTRIBUTED</u>	<u>TOTAL PURSES DISTRIBUTED</u>	<u>TRACK/OTB COMMISSIONS FROM TAKEOUT</u>
2006	\$ 31,810,706	\$ 57,314,077	\$ 89,124,783	\$ 84,895,542
2007	\$ 31,307,830	\$ 54,064,946	\$ 85,372,776	\$ 83,365,559
2008	\$ 29,256,533	\$ 50,490,454	\$ 79,746,987	\$ 73,222,359
2009	\$ 23,857,985	\$ 48,949,553	\$ 72,807,538	\$ 64,263,913
2010	\$ 15,598,812	\$ 38,792,651	\$ 54,391,463	\$ 58,298,618
2011	\$ 18,990,581	\$ 44,263,896	\$ 63,254,477	\$ 53,951,487
2012	\$ 24,325,816	\$ 54,189,232	\$ 78,515,048	\$ 51,735,828
2013	\$ 23,677,385	\$ 48,359,376	\$ 72,036,761	\$ 49,103,370
2014	\$ 16,578,130	\$ 40,172,846	\$ 56,750,976	\$ 45,330,951
2015	\$ 11,334,487	\$ 27,893,274	\$ 39,227,761	\$ 41,457,576

	<u>% OF HANDLE ON IL. RACES</u>	<u>ILLINOIS HANDLE</u>	<u>STATE REVENUE</u>	<u>PAYOUT TO THE PUBLIC</u>
2006	27%	\$ 952,119,485	\$ 10,347,144	\$ 736,885,775
2007	27%	\$ 928,898,436	\$ 8,939,122	\$ 720,155,792
2008	27%	\$ 818,655,036	\$ 7,950,361	\$ 634,543,073
2009	26%	\$ 736,740,493	\$ 7,138,525	\$ 570,551,890
2010	22%	\$ 725,792,958	\$ 7,440,095	\$ 562,772,095
2011	23%	\$ 687,899,890	\$ 7,819,520	\$ 533,744,072
2012	24%	\$ 672,902,967	\$ 7,459,312	\$ 522,992,947
2013	23%	\$ 617,943,710	\$ 6,382,511	\$ 479,776,526
2014	19%	\$ 623,983,058	\$ 7,482,717	\$ 483,488,312
2015	15%	\$ 593,423,881	\$ 6,848,888	\$ 459,300,856

Note 1: The total handle after October 2009 includes Advance Deposit Wagering.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2015 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts

THOROUGHBRED		TOTAL HANDLE	ON TRACK		INTER TRACK		OFF TRACK	
%	MEETS		%	%	%	%		
Arlington International Racecourse								
37.3%	WIN, PLACE, SHOW	\$ 67,063,368	\$ 23,785,351	35.5%	\$ 12,444,041	18.6%	\$ 30,833,976	46.0%
27.2%	2-HORSE	\$ 48,841,281	\$ 10,681,764	21.9%	\$ 9,991,224	20.5%	\$ 28,168,293	57.7%
35.5%	3-HORSE	\$ 63,771,528	\$ 12,994,993	20.4%	\$ 12,247,811	19.2%	\$ 38,528,724	60.4%
	TOTAL HANDLE	\$ 179,676,177	\$ 47,462,108	26.4%	\$ 34,683,076	19.3%	\$ 97,530,993	54.3%
Hawthorne Racecourse								
32.4%	WIN, PLACE, SHOW	\$ 50,211,693	\$ 8,108,668	16.1%	\$ 12,770,389	25.4%	\$ 29,332,636	58.4%
29.3%	2-HORSE	\$ 45,490,219	\$ 5,329,966	11.7%	\$ 11,169,399	24.6%	\$ 28,990,854	63.7%
38.3%	3-HORSE	\$ 59,300,058	\$ 5,707,061	9.6%	\$ 14,943,024	25.2%	\$ 38,649,973	65.2%
	TOTAL HANDLE	\$ 155,001,970	\$ 19,145,695	12.4%	\$ 38,882,812	25.1%	\$ 96,973,463	62.6%
Fairmount Park								
47.7%	WIN, PLACE, SHOW	\$ 2,964,012	\$ 2,557,695	86.3%	\$ 123,068	4.2%	\$ 283,249	9.6%
26.7%	2-HORSE	\$ 1,656,131	\$ 1,291,270	78.0%	\$ 84,033	5.1%	\$ 280,828	17.0%
25.6%	3-HORSE	\$ 1,591,691	\$ 1,191,000	74.8%	\$ 86,734	5.4%	\$ 313,957	19.7%
	TOTAL HANDLE	\$ 6,211,834	\$ 5,039,965	81.1%	\$ 293,835	4.7%	\$ 878,034	14.1%
THOROUGHBRED TOTAL								
35.3%	WIN, PLACE, SHOW	\$ 120,239,073	\$ 34,451,714	28.7%	\$ 25,337,498	21.1%	\$ 60,449,861	50.3%
28.2%	2-HORSE	\$ 95,987,631	\$ 17,303,000	18.0%	\$ 21,244,656	22.1%	\$ 57,439,975	59.8%
36.5%	3-HORSE	\$ 124,663,277	\$ 19,893,054	16.0%	\$ 27,277,569	21.9%	\$ 77,492,654	62.2%
	TOTAL HANDLE	\$ 340,889,981	\$ 71,647,768	21.0%	\$ 73,859,723	21.7%	\$ 195,382,490	57.3%

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2015 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts

<u>%</u>	<u>HARNESS MEETS</u>	<u>TOTAL HANDLE</u>	<u>ON TRACK</u>	<u>%</u>	<u>INTER TRACK</u>	<u>%</u>	<u>OFF TRACK</u>	<u>%</u>
Balmoral Racing Club								
29.8%	WIN, PLACE, SHOW	\$ 22,133,541	\$ 2,635,401	11.9%	\$ 6,277,725	28.4%	\$ 13,220,415	59.7%
25.0%	2-HORSE	\$ 18,552,428	\$ 1,935,954	10.4%	\$ 4,811,078	25.9%	\$ 11,805,396	63.6%
45.2%	3-HORSE	\$ 33,496,662	\$ 4,069,986	12.2%	\$ 7,960,720	23.8%	\$ 21,465,956	64.1%
	TOTAL HANDLE	\$ 74,182,631	\$ 8,641,341	11.6%	\$ 19,049,523	25.7%	\$ 46,491,767	62.7%
Maywood Park Trotting Association								
30.2%	WIN, PLACE, SHOW	\$ 10,235,583	\$ 1,553,216	15.2%	\$ 2,427,569	23.7%	\$ 6,254,798	61.1%
25.5%	2-HORSE	\$ 8,641,457	\$ 1,155,949	13.4%	\$ 1,816,477	21.0%	\$ 5,669,031	65.6%
44.3%	3-HORSE	\$ 15,000,088	\$ 1,886,937	12.6%	\$ 3,213,311	21.4%	\$ 9,899,840	66.0%
	TOTAL HANDLE	\$ 33,877,128	\$ 4,596,102	13.6%	\$ 7,457,357	22.0%	\$ 21,823,669	64.4%
Illinois State Fair (Springfield)								
36.5%	WIN, PLACE, SHOW	\$ 125,072	\$ 106,439	85.1%	\$ 7,752	6.2%	\$ 10,881	8.7%
27.1%	2-HORSE	\$ 93,152	\$ 70,358	75.5%	\$ 6,816	7.3%	\$ 15,978	17.2%
36.4%	3-HORSE	\$ 125,119	\$ 89,353	71.4%	\$ 8,358	6.7%	\$ 27,408	21.9%
	TOTAL HANDLE	\$ 343,343	\$ 266,150	77.5%	\$ 22,926	6.7%	\$ 54,267	15.8%
DuQuoin State Fair								
38.8%	WIN, PLACE, SHOW	\$ 36,668	\$ 30,190	82.3%	\$ 1,622	4.4%	\$ 4,856	13.2%
29.5%	2-HORSE	\$ 27,886	\$ 20,988	75.3%	\$ 2,899	10.4%	\$ 3,999	14.3%
31.7%	3-HORSE	\$ 30,033	\$ 20,279	67.5%	\$ 2,823	9.4%	\$ 6,931	23.1%
	TOTAL HANDLE	\$ 94,587	\$ 71,457	75.5%	\$ 7,344	7.8%	\$ 15,786	16.7%

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2015 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts

HARNESS MEETS		TOTAL HANDLE	ON TRACK		INTER TRACK		OFF TRACK		
%	(continued)		%	%	%	%			
Brown County Fair									
57.4%	WIN, PLACE, SHOW	\$ 9,649	\$ 9,649	100.0%	\$ -	0.0%	\$ -	0.0%	
21.4%	2-HORSE	\$ 3,601	\$ 3,601	100.0%	\$ -	0.0%	\$ -	0.0%	
21.2%	3-HORSE	\$ 3,563	\$ 3,563	100.0%	\$ -	0.0%	\$ -	0.0%	
	TOTAL HANDLE	\$ 16,813	\$ 16,813	100.0%	\$ -	0.0%	\$ -	0.0%	
HARNESS TOTAL									
30.0%	WIN, PLACE, SHOW	\$ 32,540,513	\$ 4,334,895	13.3%	\$ 8,714,668	26.8%	\$ 19,490,950	59.9%	
25.2%	2-HORSE	\$ 27,318,524	\$ 3,186,850	11.7%	\$ 6,637,270	24.3%	\$ 17,494,404	64.0%	
44.8%	3-HORSE	\$ 48,655,464	\$ 6,070,118	12.5%	\$ 11,185,212	23.0%	\$ 31,400,134	64.5%	
	TOTAL HANDLE	\$ 108,514,501	\$ 13,591,863	12.5%	\$ 26,537,150	24.5%	\$ 68,385,488	63.0%	
TOTAL - ALL MEETS									
34.0%	WIN, PLACE, SHOW	\$ 152,779,586	\$ 38,786,609	25.4%	\$ 34,052,166	22.3%	\$ 79,940,811	52.3%	
27.4%	2-HORSE	\$ 123,306,155	\$ 20,489,851	16.6%	\$ 27,881,925	22.6%	\$ 74,934,379	60.8%	
38.6%	3-HORSE	\$ 173,318,741	\$ 25,963,171	15.0%	\$ 38,462,782	22.2%	\$ 108,892,788	62.8%	
	TOTAL HANDLE	\$ 449,404,482	\$ 85,239,631	19.0%	\$ 100,396,873	22.3%	\$ 263,767,978	58.7%	

Total Handle - All Meets (above)..... \$ 449,404,482
 Total Handle - Advance Deposit Wagering..... \$ 144,019,399
TOTAL ILLINOIS HANDLE..... \$ 593,423,881

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2015 Advance Deposit Wagering Statistics

Advance Deposit Wagering (ADW) officially began on October 13, 2009. Five companies were licensed in 2015 as ADW providers. Patrons place funds into an account and then wager on races using a telephone or internet device such as a computer or personal digital assistant. Each ADW provider must have a contract with a racetrack and their affiliated horsemen association within the State.

<u>ADW Provider (Track)</u>	<u>Total Handle</u>	<u>Average Daily Handle</u>	<u>State Tax</u>	<u>Daily Tax Average</u>
Twin Spires (Arlington)	\$ 71,024,594	\$ 194,588	\$ 1,242,914	\$ 3,405
TVG (Fairmount)	48,172,306	131,979	842,998	2,310
Xpressbet (Hawthorne)	17,679,053	48,436	309,363	848
Betzotic (Balmoral/Maywood/Hawthorne)	1,622,937	4,446	28,389	78
Club Hawthorne (Hawthorne)	5,520,509	24,536	96,594	429
TOTAL, ALL RACES:	\$ 144,019,399	\$ 394,574	\$ 2,520,258	\$ 6,905

<u>Illinois Races vs. Out-of-State Races</u>	<u>Total Handle</u>	<u>Percentage</u>
ADW Handle from Arlington	\$ 4,611,059	
ADW Handle from Hawthorne	2,820,933	
ADW Handle from Balmoral	2,568,307	
ADW Handle from Maywood	1,218,076	
ADW Handle from Fairmount	442,884	
ADW Handle from Illinois State Fair	25,945	
ADW Handle from DuQuoin State Fair	13,289	
TOTAL, ILLINOIS RACES:	11,700,493	8.12%
ADW Handle on Out-of-State Races:	132,318,906	91.88%
TOTAL, ALL RACES:	\$ 144,019,399	100.00%

<u>ADW Wagering Pools</u>	<u>Total Handle</u>	<u>Percentage of Total Handle</u>
Win, Place, Show	\$ 54,135,276	37.59%
2-Horse	35,933,563	24.95%
3-Horse	53,950,560	37.46%
	\$ 144,019,399	100.00%

Note 1: Club Hawthorne began operations on May 21, 2015.

Note 2: Xpressbet was associated with Hawthorne until May 20, 2015.

Note 3: Xpressbet was associated with Balmoral and Maywood after May 20, 2015.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2015 Activity from All Locations

	THOROUGHbred <u>MEETS</u>	HARNESS <u>MEETS</u>	ADVANCE DEPOSIT <u>WAGERING</u>	ALL <u>MEETS</u>
Live Programs Raced.....	6,729	5,609		12,338
Total Live Programs Raced + Dark Days.....	415	368		783
Live Races Run.....	1,731	1,956		3,687
Attendance.....	1,088,204	315,397		1,403,601
Admission Tax.....	\$ 64,325	\$ 3,114		67,439
License Fee.....	\$ 26,540	\$ 23,120		\$ 49,660
License Fee - Daily Handle.....	\$ 1,900	\$ -		\$ 1,900
Purses Distributed.....	\$ 27,893,274	\$ 11,334,487		\$ 39,227,761
Uncashed Tickets (2013).....	\$ 2,018,707	\$ 673,623		\$ 2,692,330
Track Commission.....	\$ 27,626,230	\$ 10,182,332	\$ 3,649,014	\$ 41,457,576
Purses Earned.....	\$ 26,304,003	\$ 8,998,463	\$ 3,649,014	\$ 38,951,480
Out-of-State Simulcast Fee.....	\$ 11,742,782	\$ 2,582,402	\$ 9,661,614	\$ 23,986,798
Pari-Mutuel Tax.....	\$ 4,838,334	\$ 1,562,081	\$ 2,520,258	\$ 8,920,673
Advance Deposit Wagering Fee.....	\$ -	\$ -	\$ 9,182,020	\$ 9,182,020
Commission (Take Out).....	\$ 70,511,349	\$ 23,325,278	\$ 28,661,920	\$ 122,498,547
Breakage.....	\$ 2,152,627	\$ 380,472	\$ 453,025	\$ 2,986,124
Surcharge.....	\$ 6,062,815	\$ 2,139,620	\$ 435,918	\$ 8,638,353
Payout to Public.....	\$ 262,163,190	\$ 82,669,130	\$ 114,468,536	\$ 459,300,856
Public Pool.....	\$ 270,378,632	\$ 85,189,222	\$ 115,357,479	\$ 470,925,333
Combined Handle.....	\$ 340,889,981	\$ 108,514,500	\$ 144,019,399	\$ 593,423,880

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2014 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts

THOROUGHBRED		TOTAL HANDLE	ON TRACK		INTER TRACK		OFF TRACK	
%	MEETS		%	%	%	%		
Arlington International Racecourse								
37.9%	WIN, PLACE, SHOW	\$ 72,774,587	\$ 27,054,388	37.2%	\$ 12,829,536	17.6%	\$ 32,890,663	45.2%
27.6%	2-HORSE	\$ 52,855,470	\$ 13,110,046	24.8%	\$ 10,465,521	19.8%	\$ 29,279,903	55.4%
34.5%	3-HORSE	\$ 66,176,615	\$ 15,035,226	22.7%	\$ 12,440,889	18.8%	\$ 38,700,500	58.5%
	TOTAL HANDLE	\$ 191,806,672	\$ 55,199,660	28.8%	\$ 35,735,946	18.6%	\$ 100,871,066	52.6%
Hawthorne Racecourse								
33.3%	WIN, PLACE, SHOW	\$ 55,563,572	\$ 9,655,383	17.4%	\$ 14,108,624	25.4%	\$ 31,799,565	57.2%
29.3%	2-HORSE	\$ 48,829,401	\$ 5,852,308	12.0%	\$ 11,936,787	24.4%	\$ 31,040,306	63.6%
37.4%	3-HORSE	\$ 62,432,888	\$ 6,095,368	9.8%	\$ 16,037,502	25.7%	\$ 40,300,018	64.5%
	TOTAL HANDLE	\$ 166,825,861	\$ 21,603,059	12.9%	\$ 42,082,913	25.2%	\$ 103,139,889	61.8%
Fairmount Park								
47.0%	WIN, PLACE, SHOW	\$ 3,253,377	\$ 2,782,440	85.5%	\$ 141,974	4.4%	\$ 328,963	10.1%
26.7%	2-HORSE	\$ 1,848,950	\$ 1,416,410	76.6%	\$ 112,568	6.1%	\$ 319,972	17.3%
26.3%	3-HORSE	\$ 1,819,711	\$ 1,330,292	73.1%	\$ 116,344	6.4%	\$ 373,075	20.5%
	TOTAL HANDLE	\$ 6,922,038	\$ 5,529,142	79.9%	\$ 370,886	5.4%	\$ 1,022,010	14.8%
THOROUGHBRED TOTAL								
36.0%	WIN, PLACE, SHOW	\$ 131,591,536	\$ 39,492,211	30.0%	\$ 27,080,134	20.6%	\$ 65,019,191	49.4%
28.3%	2-HORSE	\$ 103,533,821	\$ 20,378,764	19.7%	\$ 22,514,876	21.7%	\$ 60,640,181	58.6%
35.7%	3-HORSE	\$ 130,429,214	\$ 22,460,886	17.2%	\$ 28,594,735	21.9%	\$ 79,373,593	60.9%
	TOTAL HANDLE	\$ 365,554,571	\$ 82,331,861	22.5%	\$ 78,189,745	21.4%	\$ 205,032,965	56.1%

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2014 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts

<u>%</u>	<u>HARNESS MEETS</u>	<u>TOTAL HANDLE</u>	<u>ON TRACK</u>	<u>%</u>	<u>INTER TRACK</u>	<u>%</u>	<u>OFF TRACK</u>	<u>%</u>
Balmoral Racing Club								
30.7%	WIN, PLACE, SHOW	\$ 23,946,561	\$ 2,611,435	10.9%	\$ 7,239,643	30.2%	\$ 14,095,483	58.9%
25.4%	2-HORSE	\$ 19,779,416	\$ 1,897,575	9.6%	\$ 5,685,235	28.7%	\$ 12,196,606	61.7%
43.9%	3-HORSE	\$ 34,206,877	\$ 3,374,779	9.9%	\$ 8,895,241	26.0%	\$ 21,936,857	64.1%
	TOTAL HANDLE	\$ 77,932,854	\$ 7,883,789	10.1%	\$ 21,820,119	28.0%	\$ 48,228,946	61.9%
Maywood Park Trotting Association								
31.9%	WIN, PLACE, SHOW	\$ 13,925,600	\$ 2,170,792	15.6%	\$ 3,351,008	24.1%	\$ 8,403,800	60.3%
25.6%	2-HORSE	\$ 11,196,518	\$ 1,540,369	13.8%	\$ 2,423,922	21.6%	\$ 7,232,227	64.6%
42.5%	3-HORSE	\$ 18,572,613	\$ 2,336,856	12.6%	\$ 3,988,316	21.5%	\$ 12,247,441	65.9%
	TOTAL HANDLE	\$ 43,694,731	\$ 6,048,017	13.8%	\$ 9,763,246	22.3%	\$ 27,883,468	63.8%
Illinois State Fair (Springfield)								
36.0%	WIN, PLACE, SHOW	\$ 133,541	\$ 111,149	83.2%	\$ 7,100	5.3%	\$ 15,292	11.5%
28.7%	2-HORSE	\$ 106,743	\$ 80,541	75.5%	\$ 8,081	7.6%	\$ 18,121	17.0%
35.3%	3-HORSE	\$ 131,280	\$ 94,753	72.2%	\$ 9,789	7.5%	\$ 26,738	20.4%
	TOTAL HANDLE	\$ 371,564	\$ 286,443	77.1%	\$ 24,970	6.7%	\$ 60,151	16.2%
DuQuoin State Fair								
36.5%	WIN, PLACE, SHOW	\$ 34,870	\$ 26,293	75.4%	\$ 2,628	7.5%	\$ 5,949	17.1%
36.6%	2-HORSE	\$ 34,973	\$ 25,021	71.5%	\$ 3,710	10.6%	\$ 6,242	17.8%
26.9%	3-HORSE	\$ 25,770	\$ 15,544	60.3%	\$ 3,250	12.6%	\$ 6,976	27.1%
	TOTAL HANDLE	\$ 95,613	\$ 66,858	69.9%	\$ 9,588	10.0%	\$ 19,167	20.0%

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2014 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts

HARNESS MEETS		TOTAL	ON		INTER		OFF	
%	(continued)	HANDLE	TRACK	%	TRACK	%	TRACK	%
Brown County Fair								
59.9%	WIN, PLACE, SHOW	\$ 9,607	\$ 9,607	100.0%	\$ -	0.0%	\$ -	0.0%
36.6%	2-HORSE	\$ 5,867	\$ 5,867	100.0%	\$ -	0.0%	\$ -	0.0%
3.5%	3-HORSE	\$ 557	\$ 557	100.0%	\$ -	0.0%	\$ -	0.0%
	TOTAL HANDLE	\$ 16,031	\$ 16,031	100.0%	\$ -	0.0%	\$ -	0.0%
HARNESS TOTAL								
31.2%	WIN, PLACE, SHOW	\$ 38,050,179	\$ 4,929,276	12.9%	\$ 10,600,379	27.9%	\$ 22,520,524	59.2%
25.4%	2-HORSE	\$ 31,123,517	\$ 3,549,373	11.4%	\$ 8,120,948	26.1%	\$ 19,453,196	62.5%
43.4%	3-HORSE	\$ 52,937,097	\$ 5,822,489	11.0%	\$ 12,896,596	24.4%	\$ 34,218,012	64.6%
	TOTAL HANDLE	\$ 122,110,793	\$ 14,301,138	11.7%	\$ 31,617,923	25.9%	\$ 76,191,732	62.4%
TOTAL - ALL MEETS								
34.8%	WIN, PLACE, SHOW	\$ 169,641,715	\$ 44,421,487	26.2%	\$ 37,680,513	22.2%	\$ 87,539,715	51.6%
27.6%	2-HORSE	\$ 134,657,338	\$ 23,928,137	17.8%	\$ 30,635,824	22.7%	\$ 80,093,377	59.5%
37.6%	3-HORSE	\$ 183,366,311	\$ 28,283,375	15.4%	\$ 41,491,331	22.6%	\$ 113,591,605	62.0%
	TOTAL HANDLE	\$ 487,665,364	\$ 96,632,999	19.8%	\$ 109,807,668	22.5%	\$ 281,224,697	57.7%

Total Handle - All Meets (above)..... \$ 487,665,364
 Total Handle - Advance Deposit Wagering..... \$ 136,317,694
TOTAL ILLINOIS HANDLE..... \$ 623,983,058

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2014 Advance Deposit Wagering Statistics

Advance Deposit Wagering (ADW) officially began on October 13, 2009. Four companies were licensed in 2015 as ADW providers. Patrons place funds into an account and then wager on races using a telephone or internet device such as a computer or personal digital assistant. Each ADW provider must have a contract with a racetrack and their affiliated horsemen association within the State.

<u>ADW Provider (Track)</u>	<u>Total Handle</u>	<u>Average Daily Handle</u>	<u>State Tax</u>	<u>Daily Tax Average</u>
Twin Spires (Arlington)	\$ 74,708,465	\$ 196,462	\$ 1,254,878	\$ 3,438
TVG (Fairmount)	43,309,753	118,657	757,906	2,076
Xpressbet (Hawthorne)	19,515,518	53,467	341,502	936
Betzotic (Balmoral/Maywood)	17,833,958	4,888	31,205	85
TOTAL, ALL RACES:	<u>\$ 155,367,694</u>	\$ 373,473	<u>\$ 2,385,491</u>	\$ 6,536

<u>Illinois Races vs. Out-of-State Races</u>	<u>Total Handle</u>	<u>Percentage</u>
ADW Handle from Arlington	\$ 6,387,193	
ADW Handle from Hawthorne	3,406,113	
ADW Handle from Balmoral	2,893,425	
ADW Handle from Maywood	1,411,815	
ADW Handle from Fairmount	464,849	
ADW Handle from Illinois State Fair	24,888	
ADW Handle from DuQuoin State Fair	16,684	
TOTAL, ILLINOIS RACES:	14,604,967	10.71%
ADW Handle on Out-of-State Races:	121,712,727	89.29%
TOTAL, ALL RACES:	<u>\$ 136,317,694</u>	<u>100.00%</u>

<u>ADW Wagering Pools</u>	<u>Total Handle</u>	<u>Percentage of Total Handle</u>
Win, Place, Show	\$ 49,495,274	36.31%
2-Horse	32,977,638	24.19%
3-Horse	53,844,782	39.50%
	<u>\$ 136,317,694</u>	<u>100.00%</u>

Note 1: On January 29, 2014, ADW was reauthorized for three additional years.

Note 2: Beginning on January 29, 2014, an extra 0.2% surcharge was applied to winning wagers.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
HORSE RACING STATISTICS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Calendar Year 2014 Activity from All Locations

	THOROUGHbred <u>MEETS</u>	HARNESS <u>MEETS</u>	ADVANCE DEPOSIT <u>WAGERING</u>	ALL <u>MEETS</u>
Live Programs Raced.....	7,437	6,537		13,974
Total Live Programs Raced + Dark Days.....	415	368		783
Live Races Run.....	2,008	2,257		4,265
Attendance.....	1,180,813	334,889		1,515,702
Admission Tax.....	\$ 67,935	\$ 3,193		71,128
License Fee.....	\$ 29,510	\$ 26,750		\$ 56,260
License Fee - Daily Handle.....	\$ 3,600	\$ -		\$ 3,600
Purses Distributed.....	\$ 40,172,846	\$ 16,578,130		\$ 56,750,976
Uncashed Tickets (2012).....	\$ 1,944,857	\$ 696,140		\$ 2,640,997
Track Commission.....	\$ 30,143,502	\$ 11,428,443	\$ 3,759,006	\$ 45,330,951
Purses Earned.....	\$ 28,255,775	\$ 9,998,775	\$ 3,759,006	\$ 42,013,556
Out-of-State Simulcast Fee.....	\$ 12,027,695	\$ 2,928,927	\$ 8,907,034	\$ 23,863,656
Pari-Mutuel Tax.....	\$ 5,210,395	\$ 1,757,935	\$ 2,385,491	\$ 9,353,821
Advance Deposit Wagering Fee.....	\$ -	\$ -	\$ 8,702,626	\$ 8,702,626
Commission (Take Out).....	\$ 75,637,367	\$ 26,114,080	\$ 27,513,163	\$ 129,264,610
Breakage.....	\$ 1,821,194	\$ 452,182	\$ 479,474	\$ 2,752,850
Surcharge.....	\$ 5,825,440	\$ 2,269,502	\$ 382,343	\$ 8,477,285
Payout to Public.....	\$ 282,270,570	\$ 93,275,029	\$ 107,942,714	\$ 483,488,313
Public Pool.....	\$ 289,917,204	\$ 95,996,713	\$ 108,804,531	\$ 494,718,448
Combined Handle.....	\$ 365,554,571	\$ 122,110,793	\$ 136,317,694	\$ 623,983,058

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Mission Statement:

To ensure the honesty and integrity of thoroughbred, standardbred, and quarter horse races and pari-mutuel wagering through the enforcement of the Illinois Horse Racing Act of 1975.

Program Goals:

Objectives:

- 1) Ensure that horse racing is conducted in a fair and competitive manner and is in strict compliance with all rules and regulations of the Board.
- 2) Enforce the Illinois Racing Board's medication rules through drug testing to ensure races are conducted without the presence of prohibited substances and are within the limits of permissible race day medication.
- 3) Protect and maintain the integrity of the pari-mutuel wagering system.
- 4) Encourage, promote, and stimulate growth within the horse racing industry.

Funds:

Horse Racing Fund

Statutory Authority:

Illinois Horse Racing Act of 1975 (230 ILCS 5)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Fund: Horse Racing Fund

	Fiscal Year					
	2015		2016		2017	
	2014 Actual	2015 Target/ Projected	2015 Actual	2016 Target/ Projected	2016 Actual	2017 Target/ Projected
<u>Input Indicators</u>						
Total expenditures - State appropriated funds (in thousands)	\$30,093.6	\$ 8,197.0	\$ 6,873.1	\$ 7,454.1	\$ 5,687.1	\$ 6,900.4
Average monthly full-time equivalents	48.5	52.0	45.0	52.0	46.0	52.0
<u>Output Indicators</u>						
Total number of steward rulings issued	512	600	387	450	314	350
Total number of race lab samples sent for lab testing (see Note)	12,652	15,100	11,747	12,000	8,161	9,861
<u>Outcome Indicators</u>						
Total number of administrative appeals of steward's rulings	9	15	5	15	18	15
Number of live races per steward rulings issued	8.9	8.0	11.3	10.0	9.6	10.0
Horse laboratory proficiency testing score (test sample accuracy)	75%	100%	100%	100%	90%	100%
Live race related rulings as a percent of total steward rulings	39%	33%	52%	33%	37%	35%
Instances of performance enhancing substance found	25	30	29	25	68	70
Instances of non-performance enhancing substance exceeding allowable levels	43	36	25	25	13	25

Note: This is the total number of equine blood and urine samples sent and includes both pre-race and post-race samples.