

**STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION**

For the Year Ended June 30, 2010

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2010

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AGENCY OFFICIALS

ILLINOIS RACING BOARD

Illinois Racing Board Membership

As of June 30, 2010

Chairman	Joseph J. Sinopoli
Commissioner	W. Jack Chamblin
Commissioner	Angelo Ciambrone
Commissioner	William H. Farley, Jr.
Commissioner	Timothy P. Martin
Commissioner	Jonathan P. Metcalf
Commissioner	Allan M. Monat
Commissioner	Michael E. Murphy
Commissioner	Paul B. Smith
Commissioner	Robert C. Winchester
Commissioner	Vacant

Illinois Racing Board Management

Executive Director	Marc Laino
Chief Fiscal Officer and Labor Relations	Jackie Clisham (10/01/09 – Current) Vacant (07/01/09 – 09/30/09)
General Counsel	Shelley Kalita (07/01/09 – 01/02/11) Vacant (01/03/11 – Current)
State Director of Mutuels	Bob Lang
Director of Field Operations	Dominic DiCera
Director of Security	Ed Mingley
Director of Licensing	Vacant (09/01/09 – Current) Patricia Rocco (07/01/09 – 08/31/09)
Projects Manager	Mickey Ezzo

Agency offices are located at:

Chicago, Illinois

James R. Thompson Center
100 W. Randolph Street, Suite 7-701
Chicago, Illinois 60601

Arlington Park

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

Balmoral Park

Upstate Harness
26435 S. Dixie Highway
Crete, Illinois 60417

Fairmont Park

Downstate Thoroughbred
9301 Collinsville Road
Collinsville, Illinois 62234

Hawthorne Race Course

Upstate Thoroughbred
3501 S. Laramie Avenue
Cicero, Illinois 60804

Maywood Park

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



ILLINOIS RACING BOARD

Honorable William G. Holland
Auditor General
Iles Park Plaza
740 E. Ash Street
Springfield, Illinois 62703-3154

August 23, 2011

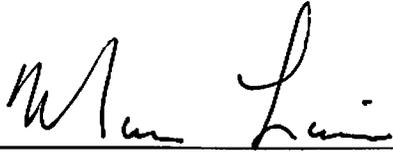
Dear Mr. Holland:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois 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 Illinois Racing Board's compliance with the following assertions during the one-year period ended June 30, 2010. Based on this evaluation, we assert that during the year ended June 30, 2010, the Illinois Racing Board has materially complied with the assertions below.

- A. The 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 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 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 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.
- E. Money or negotiable securities or similar assets handled by the Illinois Racing Board on behalf of the State or held in trust by the Illinois Racing Board have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

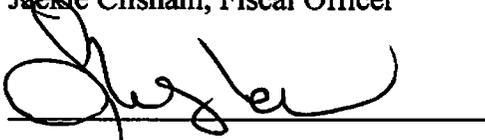
Illinois Racing Board

Handwritten signature of Marc Laino in cursive script, positioned above a horizontal line.

Marc Laino, Executive Director

Handwritten signature of Jackie Clisham in cursive script, positioned above a horizontal line.

Jackie Clisham, Fiscal Officer

Handwritten signature of Shelley Kalita in cursive script, positioned above a horizontal line.

Shelley Kalita, Senior Legal Advisor

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.

ACCOUNTANTS' REPORTS

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	8	*
Repeated findings	*	*
Prior recommendations implemented or not repeated	*	*

Details of findings are presented in the separately tabbed report section of this report.

* Effective July 1, 2009, Executive Order 5 (2009) transferred all of the functions and associated powers, duties, rights, and responsibilities of the Illinois Racing Board that were provided by the Department of Revenue, except for any functions provided by the Administrative and Regulatory Shared Services Center at the Department of Revenue, to the Illinois Racing Board as a separate agency. As such, comparative data for fiscal years prior to July 1, 2009 is unavailable.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (STATE COMPLIANCE)

10-1	10	Lack of Formal Policies and Procedures over Shared Services	Material Weakness and Material Noncompliance
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10-2	13	Inadequate Controls over Receipts	Material Weakness and Material Noncompliance
10-3	17	Inaccurate Deposits and Improper Expenditures	Significant Deficiency and Noncompliance
10-4	20	Inadequate Controls over Accounts Receivable	Material Weakness and Material Noncompliance
10-5	25	Inadequate Controls over Awards and Grants	Significant Deficiency and Noncompliance
10-6	28	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance
10-7	31	Inadequate Controls over Voucher Processing	Significant Deficiency and Noncompliance
10-8	33	Need to Enhance Controls over Confidential Information	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on August 8, 2011. Attending were:

Illinois Racing Board

Marc Laino	Executive Director
Jackie Clisham	Fiscal Officer and Labor Relations

Office of the Auditor General

Daniel J. Nugent, CPA	Audit Manager
Janis Van Durme	State Auditor
Chase Kailer	State Auditor

Responses to the recommendations were provided by Jackie Clisham, Chief Fiscal Officer and Labor Relations, in correspondences dated August 15, 2011.

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FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Illinois Racing Board's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2010. 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.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Illinois Racing Board on behalf of the State or held in trust by the State of Illinois, Illinois Racing Board have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about

the State of Illinois, Illinois Racing Board's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Racing Board's compliance with specified requirements.

As described in findings 10-1 and 10-4 in the accompanying schedule of findings, the State of Illinois, Illinois Racing Board did not comply with requirements regarding applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in finding 10-2 in the accompanying schedule of findings, the State of Illinois, Illinois Racing Board did not comply with requirements regarding ensuring State revenues and receipts collected were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Racing Board to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Illinois Racing Board complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2010. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 10-3 and 10-5 through 10-8.

Internal Control

The management of the State of Illinois, Illinois Racing Board is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Illinois Racing Board's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures 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 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as items 10-1, 10-2, and 10-4 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 10-3 and 10-5 through 10-8 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 findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Illinois Racing Board's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2010 Supplementary Information for State Compliance Purposes, except for the Horse Racing Statistics and the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

As reported in Finding 10-2, we were not able to determine whether the State of Illinois, Illinois Racing Board's cash receipt records at June 30, 2010 were complete and appropriately reported. Therefore, we were unable to conclude whether the Comparative Schedule of Cash Receipts and related reconciliation on pages 41-43 were complete. Furthermore, as reported in Finding 10-4, the State of Illinois, Illinois Racing Board does not maintain and properly report all accounts receivable to the Office of the State Comptroller. Therefore, the Analysis of Accounts Receivable on page 47 is incomplete.

We have not applied procedures to the 2000-2009 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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

A handwritten signature in blue ink that reads "Bruce L. Bullard". The signature is written in a cursive style with a horizontal line underneath the name.

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

August 23, 2011

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2010

10-1. **FINDING** (Lack of Formal Policies and Procedures over Shared Services)

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

When the Board separated from the Department of Revenue on July 1, 2009, Executive Order 5 (2009) required the Board to continue using the Shared Services Center for any functions being provided by Shared Services. While the Board entered into an Interagency Agreement with Shared Services, the agreement does not detail out specific functions, duties, or responsibilities to be performed by either party.

Throughout the examination, we noted confusion regarding the Board and Shared Services' responsibilities for the Board's operations, including:

- During accounts receivable testing, we noted the Board does not make any attempts to collect past-due receivables, place debts owed to the State on the State Comptroller's Offset System, or refer delinquent debt to the Department of Revenue's Debt Collection Bureau. The Board responded by stating the collection of past due debt was the responsibility of Shared Services, while Shared Services stated they were responsible for preparing the Board's quarterly accounts receivable reports to the State Comptroller (see Finding 10-4 for additional information).
- During voucher testing, we noted:
 - 21 of 113 (19%) vouchers tested were not approved within 30 days of the Board's receipt of a proper bill. In following up on these exceptions, Board management stated the invoices were sent to Shared Services in a timely manner; however, Shared Services did not process the invoice in a timely manner (see Finding 10-7 for additional information).
 - Board management and Shared Services' management disagreed upon the proper amount to voucher for an expenditure relating to an employee reimbursement, with Shared Services ultimately submitting a voucher for payment to the Office of the State Comptroller for an amount \$184 above the expenditure amount verified by the Board. This reimbursement above the amount requested by the employee and verified to Shared Services by the Board was ultimately reimbursed to the State (see Finding 10-7 for additional information).

Further, we noted Board management was not adequately monitoring Shared Services' activities, leading to the following noted internal control deficiencies:

- In response to inquiries regarding which employees have access to enter account adjustments, the Board's Chief Fiscal Officer stated any employee could potentially cancel or make adjustments to an account; however, this would not be a concern due to adjustments to accounts receivable are performed by Shared Services. In following up with Shared Services, they stated they did not adjust accounts and only prepared the quarterly accounts receivable reports (see Finding 10-4 for additional information).

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For the Year Ended June 30, 2010

- During voucher testing, the auditors noted three vouchers, totaling \$5,314, were not expenditures of the Board. Per the vouchers, the Board's management did not approve the expenditures and the vouchers were approved by staff at the Department of Revenue. The Board and Department of Revenue ultimately submitted an expenditure adjustment to the Office of the State Comptroller to apply the expenditure to the proper fund and agency (see Finding 10-7 for additional information).
- One of four (25%) contracts tested was not filed timely with the Office of the State Comptroller. At the time, the Illinois Procurement Code (30 ILCS 500/20-80(d)) required the Board submit professional and artistic contracts involving an expenditure of more than \$5,000 to the Office of the State Comptroller within 15 days of execution. The Board stated the contract was sent to Shared Services; however, they were unaware Shared Services had not filed the contract.

The Board is ultimately responsible for the activities Shared Services conducts on its behalf. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Board personnel stated Executive Order 5 (2009) requires the Board to utilize Shared Services for accounting and reporting functions. Prior to separation from the Department of Revenue (Department), all fiscal, personnel, and labor functions for the Board were handled by the Department. Due to a lack of communication prior to and during the separation, the Board did not have a clear understanding of what services were previously performed by Shared Services and what services were provided by the Department, but not as a Shared Services function. Further, Board personnel stated the multi-party agreement entered into by the Board with Shared Services was not tailored to the Board's needs.

Failure to develop formal, written policies and procedures detailing the relationship between the Board and Shared Services led to noncompliance with State laws, rules, and regulations. (Finding Code No. 10-1)

RECOMMENDATION

We recommend the Board work with the Department of Revenue's Administrative and Regulatory Shared Services Center to delineate and reduce to writing each entity's responsibilities in performing the daily operations of the Board.

BOARD RESPONSE

The Board believes that the Executive Order was not followed in respect to the transfer of headcount required to take back work done by Revenue. Additionally, it took several months to obtain approval to bring on a CFO/Director of Labor & Personnel. This gap did not facilitate a smooth transition. The Board has been working with Shared Services to

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2010

understand what processes and tasks are being done by Shared Services and what portions need to be done by the Board.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2010

10-2. **FINDING** (Inadequate Controls 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 fieldwork, we noted the following:

- The Board lacked adequate cash management procedures designed to timely and efficiently expedite cash deposits into the State Treasury.
 - 11 of 25 (44%) receipts tested, totaling \$739, were deposited into the State Treasury between one and seven business days late. These receipts were all collected by Board staff at the racetracks. Further, we noted the Board would send several days of cash receipts to the Department of Revenue in one mailing. \$25,546 of \$26,826 (95%) of cash receipts within the mailing bundles containing the tested receipts were deposited between one and 17 business days late.
 - The Board executed an interagency agreement with the Department of Revenue to continue performing the Board's receipt deposit process during FY10. The Board mailed a FedEx package containing checks to the Department of Revenue's Springfield office. While the Board expended \$1,201 for this service from the racetracks during FY10, this amount would have been significantly higher had the Board complied with the State's receipt deposit timelines.

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. Further, good business practices would require the Board review their transaction process flows to identify methods to reduce the cost of expediting receipts to the State Treasury within the deposit timeframes specified in the State Officers and Employees Money Disposition Act.

Board personnel stated they believe the Department of Revenue's deposit extension from the State Comptroller and State Treasurer for the period December 31, 2009 through December 31, 2011 also applies to the Board's receipts.

- At June 30, 2010, the Board reported no deposits in transit for the General Revenue Fund and the Illinois Racing Board Fingerprint License Fund. During the year, the Board reported cash collections into both of these funds from fees and fines remitted by licensees. The Board's ledger system was maintained by the Department of Revenue, and only reflects receipts received and recorded by the Department and in-transit to the State Treasury at the end of the fiscal year. In following up on this matter, the Board management stated the Board has not tracked receipts collected by the Board, but which were in transit to the Department of Revenue at year-end.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires the Board maintain a detailed record of cash receipts. The Fiscal Control and Internal

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2010

Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Due to this limitation, we were unable to conclude whether the Board's cash receipt records at June 30, 2010 were complete and appropriately reported.

- The Board's receipt source descriptions within the Statewide Accounting Management System (SAMS) did not adequately describe the cash collections of the Board. We noted the following:
 - SAMS Source Code 0002, "Admission Tax, Harness Racing" for "Admission Tax" records receipts for the \$1 Inter-Track Wagering Location (OTB) admission fees imposed by local governments and collected by the Board, and not the State's \$0.15 admission tax on racetrack admissions collected at Harness racetracks.
 - SAMS Source Code 0806, "Horsemen Thoroughbred" for "Fines, Penalties, and Violations" record fines paid by licensees imposed by the Board for violations of the Illinois Horse Racing Act of 1975 or the Board's Administrative Rules. The Board's stewards imposed fines to both thoroughbred and harness licensees; however, the Board's receipt codes do not appear to have a similar code for harness horsemen. Further, the code does not differentiate between fines imposed on different types of other licensees (i.e. organizational) regulated by the Board.
 - SAMS Source Code 1365, "Horsemen Thoroughbred" for "Licenses, Fees, or Registrations" records receipts from horsemen for their licenses and fees. The Board licenses both thoroughbred and harness licensees; however, the Board's receipt codes do not appear to have a similar code for harness horsemen.
 - SAMS Source Code 1368, "Thoroughbred Racing" for "Licenses, Fees, or Registrations" appears to record receipts from organization licensees for their licenses and fees. The Board licenses thoroughbred, harness, and other types (inter-track wagering locations) of licensees; however, the Board's receipt codes do not appear to have a similar code for the various other types of licensees.
 - The State Comptroller's report of Revenues by Revenue Source for the Board has SAMS Source Code 0517, "Uncashed Pari-Mutual Tickets." In accordance with the Illinois Horse Racing Act of 1975 (230 ILCS 5/26(c-5)), the Board has not collected receipts for this SAMS Source Code since January 1, 2000.

SAMS, Procedure 25.20.30, requires the Board to submit the Chart of Accounts Maintenance and Inquiry Form (Form C-45) to the Office of the State Comptroller to request additions or deletions to the State's Chart of Accounts.

- The Board did not exercise adequate internal controls over collecting receipts. We noted the following:
 - One of 25 (4%) receipts tested, totaling \$25, did not have adequate supporting documentation detailing the date the receipt was received by the Board.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
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- Two of 25 (8%) receipts tested were reported on an improperly completed Receipt Deposit Transmittal, resulting in the Board not ordering \$17 into the State Treasury from receipts collected and deposited into the State Treasurer's clearing account.

The State Records Act (5 ILCS 160/8) requires the Board's Executive Director to "cause to be made and preserved records containing adequate and proper documentation of the ... essential transactions of the agency." Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of fiscal and administrative controls to provide assurance that revenues 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 personnel stated the Board does not have sufficient staff to perform all administrative functions, with management picking up the additional work since the separation. The Board is unable to increase headcount to compensate for employee losses from when the Board originally integrated into the Department of Revenue.

Failure to review transaction process flows to ensure compliance with the State Officers and Employees Money Disposition Act led to the untimely deposit of cash receipts into the State Treasury – reducing the amount of cash available to pay current costs – and resulted in the Board utilizing an expensive cash receipt deposit process. Failure to report receipts collected at the racetracks, but not deposited into the State Treasury, as in transit may have resulted in the Board not reporting all cash collections in the proper fiscal year. SAMS Receipt Code descriptions that do not reflect the actual receipts recorded under that code reduces the reliability of Statewide financial information. (Finding Code No. 10-2)

RECOMMENDATION

We recommend the Board:

- work with the Office of the State Comptroller and Office of the State Treasurer to determine a deposit process which is efficient and expedites cash receipts to the State Treasury in accordance with the State Officers and Employees Money Disposition Act;
- record cash in-transit amounts from the racetracks to accurately report cash balances;
- work with the Office of the State Comptroller to review and update the Board's receipt codes; and,
- enhance internal controls over receipts by ensuring the receipt date is collected for all receipts and Receipt Deposit Transmittals are properly completed.

BOARD RESPONSE

Cash Deposits and Shipping Expenditures – The Board has an exception for all receipts via DOR and is in compliance with 30 ILCS 230/2. As for costs, the Board will assess its means of submitting receipts with the Treasurer to determine if there is a less expensive means.

STATE OF ILLINOIS
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For the Year Ended June 30, 2010

Deposits in Transit (from track staff) – The Board believes this amount to be de minimis, but will make sure these receipts are reported going forward.

Receipt Source Descriptions – The Board agrees that the source codes are outdated and need to be updated.

AUDITOR’S COMMENT

The two-year receipt deposit extension jointly granted by the State Comptroller and State Treasurer to the Department of Revenue began December 31, 2009, **six months after** the Board’s separation from the Department of Revenue. We continue to recommend the Board work with the Office of the State Comptroller and Office of the State Treasurer to determine a deposit process which is efficient and expedites cash receipts to the State Treasury in accordance with the State Officers and Employees Money Disposition Act.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2010

10-3. **FINDING** (Inaccurate Deposits and Improper Expenditures)

The Illinois Racing Board (Board) did not exercise adequate control over disbursements and receipts from the proper fund in the State Treasury. During testing, we noted the following:

\$1 Inter-Track Wagering Location Admission Fees (Admission Fee)

- The Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/27(f)) requires the Board to collect and distribute the Admission Fee on behalf of local governments imposing the fee. During FY10, receipts totaling \$580,875 were deposited by the Board into the Illinois Racing Board Grant Fund.

The Act (230 ILCS 5/28.1(a)) requires the Board deposit moneys collected pursuant to Section 27 of the Act into the Horse Racing Fund.

- As the Board deposited collections from the Admission Fee into the nonappropriated Illinois Racing Board Grant Fund, the Board distributed moneys due to the local governments, totaling \$582,724 during FY10, from the fund. These expenditures should have been paid from the Horse Racing Fund pursuant to an appropriation from the General Assembly.

The Act (230 ILCS 5/28.1(b)) requires expenditures from the Horse Racing Fund to be appropriated by the General Assembly. The State Constitution (Article VIII, Section 2(b)) states, “[t]he General Assembly by law shall make appropriations for all expenditures of public funds by the State.”

- The Statewide Accounting Management System (SAMS), Procedure 09.50.50, states the Illinois Racing Board Grant Fund’s statutory authority is the Act (230 ILCS 5/31(i)). This section was amended by the General Assembly in 1992 and removed any statutory reference, receipts, or disbursements for the Illinois Racing Board Grant Fund, a State Trust Fund.

SAMS, Procedure 09.20.20, requires State agencies to monitor, review, and notify the State Comptroller at the time a State Trust Fund may be dissolved. In addition, SAMS, Procedure 09.10.40, allows administering agencies to initiate fund dissolutions for State Trust Funds.

Board personnel stated the Board cannot deposit and pay admission fees to local governments from the Horse Racing Fund, as the Horse Racing Fund is currently on cash management and amounts due to local governments may then be used to meet the Board’s payroll. A fund on cash management has expenditures controlled to ensure the fund can meet payroll obligations to State employees. After meeting the fund’s payroll obligations, the remaining cash balance is used to pay the other remaining obligations of the fund. If cash is insufficient to pay both payroll and other vouchers presented for payment, the State Comptroller will hold vouchers to continue meeting payroll.

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\$500 Inter-Track Wagering Location License Fees

- The Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/26(h)(1)) requires the Board collect a \$500 inter-track wagering location license fee. During FY10, receipts totaling \$14,000 were deposited by the Board into the General Revenue Fund.

The Act (230 ILCS 5/28.1(a)) requires the Board deposit moneys collected pursuant to Section 26 of the Act into the Horse Racing Fund.

Board personnel stated the fee was incorrectly deposited due to oversight.

Fingerprint Fee

We reviewed the statutory authority for the Illinois Racing Board Fingerprint Fund. SAMS, Procedure 09.50.50, states the fund was created by the Act (230 ILCS 5/15(e-f)). This section requires occupational licensee applicants to submit a set of their fingerprints to the Department of State Police (Department) for a background check against fingerprint records maintained by the Federal Bureau of Investigation (FBI) and the Department. The Act requires the Department charge a fee which “shall not exceed the actual cost of the records check” for deposit into the State Police Services Fund. The Department is required to furnish any records of conviction to the Board. This section does not mention the Illinois Racing Board Fingerprint Fund.

The Act (230 ILCS 5/15(e-f)) authorizes the Board to require applicants appear in person at a location designated by the Board for submitting fingerprints and waive the fingerprinting requirement if the applicant is recognized in another racing jurisdiction that required a FBI fingerprint background check. Further, the Board and the Department have entered into an interagency agreement authorizing the Board to collect fingerprints and sets forth a fingerprint fee schedule.

We noted the following noncompliance and internal control deficiencies:

- The Board collects a \$45 fee and deposits the fee into the Illinois Racing Board Fingerprint Fund. The Act does not authorize the Board to collect a fee.
- The Board makes expenditures from the Illinois Racing Board Fingerprint Fund. The Act (230 ILCS 5/28.1(b)) requires “all expenses of the Board incident to the administration of this Act” to be paid from the Horse Racing Fund.
- The Department bills the Board \$34.25 for an electronic fingerprint check (\$39.25 for paper forms) against State and FBI criminal history record databases. Fingerprint fees collected have exceeded actual costs. As a result, the Illinois Racing Board Fingerprint Fund has developed an excess cash balance of \$102,672 at June 30, 2010.

Board personnel stated the Act only places a limitation on the fee’s amount imposed by the Department of State Police, not on the amount the Board can charge for the fee. In addition, Board personnel stated electronic fingerprinting requires expensive LiveScan machines, which

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the Board believes they can pay for through the excess funds. The auditors noted that even if the Board can impose an additional amount for the fingerprint fee, the amount must be deposited into the General Revenue Fund in accordance with the State Officers and Employees Money Disposition Act (30 ILCS 230/2).

Failure to exercise adequate control over disbursements and receipts from the proper fund in the State Treasury is noncompliance with State law, reduces the reliability of Statewide financial information, and resulted in excess cash without a disposition in the Illinois Racing Board Fingerprint Fund. (Finding Code No. 10-3)

RECOMMENDATION

We recommend the Board:

- deposit and distribute Inter-Track Wagering Location admission fees due to local governments from the Horse Racing Fund as required by State law, or seek a legislative remedy to the statutory requirement;
- deposit Inter-Track Wagering Location license fees into the Horse Racing Fund as required by State law; and,
- conform its fingerprint operations to existing State law, or seek a legislative remedy to the statutory requirement.

BOARD RESPONSE

Admission Tax Collection – The Board will dissolve the Racing Board Grant Fund and deposit all admission fees into the Horse Racing Fund beginning with FY13 when it can next request the appropriation that would be necessary to pay these fees out to the City of Chicago and Cook County.

\$500 Inter-Track Wagering Location License Fees – The Board has directed staff and Shared Services to start depositing these receipts into the Horse Racing Fund.

Fingerprint Fee – The Board will propose amendment to this portion of the Horse Racing Act so as to make clearer the roles and abilities of the parties, as well as allow for a separate fund and adequate fees to cover expenditures that did not exist when this Section of the Act was written. As for the excess, the Board will evaluate its current fingerprint processing fees and processing expenditures and update as needed.

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10-4. **FINDING** (Inadequate Controls over Accounts Receivable)

The Illinois Racing Board (Board) did not exercise adequate control over accounts receivable collection activities or preparing its Quarterly Accounts Receivable Reports (Reports) for the Office of the State Comptroller.

During accounts receivable testing, we noted the following:

- The Board does not appear to make any attempts to collect past-due receivables, place debts owed to the State on the State Comptroller’s Offset System, or refer delinquent debt to the Department of Revenue’s Debt Collection Bureau.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/3) states it is the “public policy of this State to aggressively pursue the collection of accounts or claims due and payable to the State of Illinois through all reasonable means.” The Statewide Accounting Management System (SAMS), Procedure 26.40.20, establishes procedures to notify the State Comptroller to withhold claims due to the State from warrants payable from the State Treasury. Further, the Act (30 ILCS 210/5(g)) requires State agencies to refer qualifying delinquent debt to the Department of Revenue’s Debt Collection Bureau.

- The Board does not complete accounts receivable reports for the Horse Racing Equity Trust Fund for wagering taxes paid by casinos. These quarterly reports should show taxes earned on the last three days of each quarter that have not yet been received by the Board. The following table shows the amounts the Board should have reported as receivables for wagering taxes paid by casinos into the Horse Racing Equity Trust Fund:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Taxes Earned, but not Received	\$177,467	\$265,571	\$214,574	\$190,346

Further, the Board did not complete accounts receivable reports or notify other agencies of receivables amounts for other funds with similar activity, specifically including:

- the Illinois Racing Board Grant Fund for Inter-Track Wagering Location (OTB) admission fees earned during the last days of each quarter that have not been received by the Board;
- the General Revenue Fund for \$0.15 admission fees earned during the last days of each quarter that have not been received by the Board; and,
- the Horse Racing Fund, the Quarter Horse Purse Fund, and the Quarter Horse Breeders Fund (reported by the Department of Agriculture) for privilege taxes earned during the last days of each quarter that have 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 tax payments into all three funds. Further, the Board is responsible for notifying the Department of Revenue of necessary receipt adjustments to ensure quarter horse racing receipts are deposited into the Quarter Horse Breeders Fund.

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The Statewide Accounting Management System (SAMS), Procedure 26.20.10, states that for interim reporting purposes, taxes receivable will be limited to those amounts due to the State as actually assessed at the time of reporting. SAMS, Procedure 26.30.10, continues to state, “Quarterly receivables reporting will include only those amounts which are due 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 self-assesses taxes due when each day ends and the accounts receivable reports are filed after the amounts for the day can be reasonably obtained, the Board should recognize the State’s claims to these funds in each quarterly report.

- The Board does not report receivables for the Illinois Racing Board Charity Fund for charity assessments billed to organizational licensees in accordance with the Illinois Horse Racing Act of 1975 (230 ILCS 5/31.1). Further, the Board does not report any receivables for returned non-sufficient funds checks in either the General Revenue Fund or Illinois Racing Board Fingerprint Fund for fees imposed upon licensees.

SAMS, Procedure 26.20.10, defines receivables 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 26.30.20, requires State agencies enter receivables recognized on the *Quarterly Summary of Accounts Receivable* and report collections occurring during the quarter.

- During testing of the Board’s quarterly accounts receivable reports for fines due to the General Revenue Fund, the auditors noted the following:
 - The Board did not file a *Quarterly Summary of Accounts Receivable* (Form C-97) for “in-protest” fines imposed for rule violations by the Board’s stewards (thereby meeting the recognition criteria established by SAMS), but are under appeal to the full membership of the Board.

SAMS, Procedure 26.20.10, states that receivables that are protested are a special category since they are disputed; however, the protest process should not be considered an “unconsummated act,” as their monetary value has been reasonably estimated and is subject to accounts receivable reporting.

- The Board did not provide support from the Pari-Mutual Information and Tracking System for protested rulings or unpaid fines in the Second and Third Quarters and payments, outstanding fines, and new fines for the Second Quarter.

The State Records Act (5 ILCS 160/8) requires the Board’s Executive Director to preserve “records containing adequate and proper documentation of the ... essential transactions of the agency.”

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- The Board's final receivables balance for the Third Quarter was \$29,459; however, the Board's supporting documentation listed the outstanding receivables as \$44,259. In addition, the Board reported collections during the Third Quarter of \$27,925; however, the Board's supporting documentation listed collections as \$25,325. Further, the Board did not report two outstanding fines, totaling \$2,600, as gross receivables during the First and Fourth Quarters.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- The Board's accounts receivable reports contained references to the Department of Revenue throughout the report and were filed with the State Comptroller using the Department of Revenue's agency number.

SAMS, Procedure 26.30.20, requires the agencies submitting accounts receivable quarterly reports enter their three digit agency number assigned by the State Comptroller. SAMS, Procedure 11.50.40, states the Board's assignment code (number) is 579.

- In response to inquiries regarding which employees have access to enter account adjustments, the Chief Fiscal Officer stated any employee could potentially cancel or make adjustments to accounts receivable; however, this would not be a concern due to adjustments to accounts receivable are performed by Shared Services. In following up with Shared Services, they stated they did not adjust accounts and only prepared the quarterly accounts receivable reports. Further, the Board does not have an adequate method for a periodic review of receivables by management.

State agencies should implement adequate internal control procedures to ensure proper segregation of duties and supervisory review. In addition, well designed and well-managed controls to protect accounts from improper adjustments should be implemented. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of fiscal and administrative controls to provide assurance that "funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation."

Board personnel stated these errors are the result of oversight by several agencies.

Failure to exercise adequate controls over accounts receivable led to reporting errors reducing the reliability of Statewide financial information and could have resulted in lost revenue to the State. (Finding Code No. 10-4)

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RECOMMENDATION

We recommend the Board:

- implement procedures to pursue the collection of receivables due to the State;
- report receivables to the State Comptroller in accordance with the provisions of the Statewide Accounting Management System; and,
- implement controls to ensure account adjustments are only entered by employees approved by management with adequate supervisory review.

BOARD RESPONSE

Past-due Receivables – Fines imposed are recorded and tracked by the Stewards' office. Typically, licensees are given 10 days to remit payment or make arrangements. If they do not, their license is suspended until payment is received by the Board. More often than not, if a licensee owes us money and is not paying, they will leave the state and not return. Although the receivable is eventually written off as bad debt for financial reporting purposes, the fine remains on the system as a red flag in the event the individual returns. No license will be issued as long as there is a past due balance. The Board will make arrangements to place debts owed to the State on the State Comptroller's Offset System as well as refer to DOR for collection.

Horse Racing Equity Trust Fund – This fund is no longer receiving money from casinos, therefore there is no remedy going forward.

Racing Board Grant Fund – This fund will be abolished after FY12. The Board will see that the Quarterly reports reflect these receivables going forward.

Horse Racing Fund, Quarter Horse Purse Fund, and the Quarter Horse Breeders Fund – This information has been and is available to DOR. The Board will work with Shared Services to ensure that this information is being provided in quarterly receivables reports.

Racing Board Charity Fund – Assessments are issued in June, totaling \$750,000. Checks are received in July. The Board will ensure that year-end reports reflect this receivable and payable.

NSFs – The Board will ensure that this information is included in quarterly receivables reports.

In-Protest Fines – This information has been and is available. The Board will work with Shared Services to ensure that this information is being provided in quarterly receivables reports.

Wrong agency code – The same spreadsheets that were being used by DOR were being used after the split and were eventually corrected by Shared Services to reflect the Board's agency code.

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A/R Adjustments – The PITS database administrator alone has access to change, add or remove any record in any database. When making adjustments for staff he keeps a copy of the request on file.

AUDITOR’S COMMENT

In regards to adjustments to accounts receivable, the Board does not have adequate controls over identifying individuals with the authority to adjust accounts. In the Board’s response to the past due receivables, they state the Steward’s are entering accounts receivable and during the Exit Conference the Board’s management was unable to identify the process for adjusting an account receivable in the event a fine imposed through a Steward’s Ruling was adjusted by the voting membership of the Illinois Racing Board. The Board needs to identify and monitor employees making adjustments to accounts receivable in order to ensure accurate accounting of accounts receivable.

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10-5. **FINDING** (Inadequate Controls over Awards and Grants)

The Illinois Racing Board (Board) did not exercise adequate control over Awards and Grants.

During testing, we noted:

- The Board did not enter into a grant agreement with two of two (100%) grantees requiring a formal, written grant agreement. The two grants were paid from the Illinois Racing Board Charity Fund and the Quarter Horse Purse Fund.

The Illinois Grant Funds Recovery Act (30 ILCS 705/4(b)) states: “Grant funds may not be used except pursuant to a written grant agreement, and any disbursement of grant funds without a grant agreement is void.”

Board personnel stated the grant agreements were not completed due to oversight.

- The Board did not exercise adequate controls over the annual charity distribution to a non-profit organization(s) that provides medical and family services to persons on the backstretch of racetracks. Specifically,
 - The Board did not require the application for the Racing Board Charitable Grant to be completed and filed by October 1. The lone applicant submitted the application 29 days late.
 - The Board did not require the grantee to file audited financial statements no later than 120 days after the end of its fiscal year. The audited financial statements were submitted 173 days late.

The Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/31.1(b)) requires qualified charitable organizations seeking a grant submit an application to the Board by October 1. The Illinois Administrative Code (11 Ill. Admin. Code 208.120) requires charitable organizations submit an audited annual report to the Board within 120 days after the close of the recipient’s fiscal year. State agencies should implement adequate internal control procedures to ensure proper segregation of duties and supervisory review, to help detect and prevent errors or other irregularities.

Board personnel stated the Board does not have sufficient staff to perform all administrative functions, with management picking up the additional work since the separation. The Board is unable to increase headcount to compensate for employee losses from when the Board originally integrated into the Department of Revenue.

- The Board did not timely distribute moneys from the Horse Racing Equity Trust Fund. Specifically, we noted:
 - The Board distributed cash receipts and transfers-in from the Protest Fund, totaling \$113,202,385, to the racetracks between two and 10 days late.
 - The Board incorrectly calculated the June 28, 2010 cash distribution, resulting in a \$30,000 underpayment to the racetracks.

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The Act (230 ILCS 5/54.75(b)) requires the Board distribute deposits into the fund within ten days after receipt to the racetracks pursuant to a statutory formula. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Board personnel stated the initial disbursements to the racetracks were not timely due to difficulties in processing the expenditures to each racetrack's escrow account as required by the Court.

- The Board did not request Inter-Track Wagering Location (OTB) licensees who are required to remit the \$1 Inter-Track Wagering Location Admission Fee to the Board for distribution to local governments to prepare a report similar to the "I.R.B. Admission Tax and Daily License Fee Report." The State Director of Mutuels uses the "I.R.B. Admission Tax and Daily License Fee Report" to reconcile cash payments sent to the Department of Revenue to amounts required to be remitted by the licensees.

The State Records Act (5 ILCS 160/8) requires the Board's Executive Director to "cause to be made and preserved records containing adequate and proper documentation of the ... essential transactions of the agency."

Failure to require written grant agreements, exercise adequate controls over the Illinois Racing Board Charitable Grants, accurately and timely distribute moneys deposited into the Horse Racing Equity Trust Fund, and require OTB licensees to submit a return showing total admissions and fees remitted to the Board on behalf of local governments is noncompliance with State laws and regulations. (Finding Code No. 10-5)

RECOMMENDATION

We recommend the Board:

- enter into formal, written grant agreements with grantees receiving moneys from the Illinois Racing Board Charity Fund and the Quarter Horse Purse Fund to comply with the Illinois Grant Funds Recovery Act;
- require charitable organizations seeking a Racing Board Charitable Grant file a grant application by October 1 of each year as required by State law;
- require charitable organizations who received a Racing Board Charitable Grant file an audited annual report within 120 days of the close of the grantee's fiscal year as required by State regulations;
- establish appropriate internal controls related to the functions regarding the Racing Board Charitable Grant;
- accurately distribute moneys from the Horse Racing Equity Trust Fund to the racetracks within 10 days of receipt; and,

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- require OTB licensee's collecting the \$1 Inter-Track Wagering Location Admission Fee to prepare and submit a report similar to the "I.R.B. Admission Tax and Daily License Fee Report" for the State Director of Mutuels to reconcile cash payments sent to the Department of Revenue to amounts required to be remitted by the licensees.

BOARD RESPONSE

Grant Agreements for Charity Fund and Quarter Horse Purse Fund – The Board has been overseeing the charity fund for 30 years. The Board will generate grant agreements for this year's Charity grant and subsequent Quarter Horse disbursements.

Controls Over Charity Fund – The Board agrees to enforce grant deadlines.

Horse Racing Equity Trust Fund Distributions – The Board and Shared Services did everything in their respective powers to execute the initial payments in a timely manner. Due to the fact that these moneys had to be placed in trust accounts pursuant to court order and not be spent, after 6 years of litigation, this created difficulties in processing especially for the Comptroller. There was too much uncertainty as to what was going to be done (by the courts) to know what had to be done by the Board and the tracks. As soon as the order was received, the Board and Shared Services processed documents to facilitate EFT transfers. There were system compatibility issues between AIS and the Comptroller that ultimately required paper warrants to be issued in the end and thereafter. Once the initial process was set, however, no other distributions were late.

\$30,000 discrepancy – DOR reported the wrong number to IRB and Shared Services. It was not corrected in FY10.

OTB Admission Fee Reporting – The Board will ensure that the OTB's submit a similar report for the \$1.00 admission fee as the tracks do for the \$0.15 tax.

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10-6. **FINDING** (Inadequate Controls over Personal Services)

The Illinois Racing Board (Board) did not exercise adequate control over personal services.

During testing, we noted:

- 14 of 14 (100%) employees tested did not complete an annual employee performance evaluation in a timely manner. Specifically,
 - 12 employees did not have an annual performance evaluation during FY10;
 - one new employee did not have any probationary evaluations during FY10; and,
 - one employee's annual performance evaluation was 18 days late.

The Board used the Department of Revenue's Employee Handbook (Handbook) during the examination period. The Handbook states initial probationary employees are evaluated twice during the six-month probationary period, with one evaluation at the midpoint of the period and one two weeks prior to the end of such probation. Certified employees are evaluated annually. In addition, good business practices require employee evaluations to be performed to communicate the employees' strengths and weaknesses in meeting their job responsibilities.

- The Board did not maintain adequate controls over employee attendance and related recordkeeping. Specifically,
 - three of 16 (19%) employees tested submitted leave slips for approval to their supervisor between 11 and 35 days after using the benefit time;
 - two of 16 (13%) employees tested did not have a leave slip for their absence;
 - the Board's employees did not sign Central Time and Attendance System (CTAS) reports to certify time spent on official State business that agreed with all of the timekeeping transactions occurring during October 2009; and,
 - the Board does not have a formal policy regarding the submission of timesheets documenting an employee's time spent on official State business.

The Illinois Administrative Code (80 Ill. Admin. Code 303.340) implemented and authorized by the Personnel Code (20 ILCS 415/1 et seq.) states that each operating agency shall maintain accurate, daily attendance records. The Handbook requires planned absences to receive approval from the employee's supervisor and employees must sign a leave form for unplanned absences "as soon as you return to work from the absence." Further, the State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)) requires the Board's employees submit timesheets documenting the time spent each day on Official State Business to the nearest quarter hour and maintain those records in the Board's fiscal office for a period of, at least, two years.

- The Board did not maintain adequate controls over payroll processing. Specifically,
 - one of 16 (6%) employees tested federal and State withholding allowances differed between the payroll voucher and employee's Form W-4; and,

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- five of five (100%) employees with the personal use of a State vehicle did not have the proper value of the fringe benefit included in the employee's taxable income.

The IRS Employer's Tax Guide (Publication 15) states employers should have a copy of each employee's Form W-4 on file. The IRS Employer's Tax Guide to Fringe Benefits (Publication 15-B) requires employers to determine the value of a vehicle they provide to an employee for commuting use by multiplying each one-way commute by \$1.50. This multiplies out to \$3 per day, or \$33 per pay period. This amount must be included in the employee's wages or be reimbursed by the employee.

Board personnel stated the Board lacks sufficient staff to efficiently and timely manage timekeeping duties, such as the processing of attendance documents. Further, Board personnel stated CTAS generated quarterly reports for Board employees prior to April 2010 that did not include all of the pages of the reports reflecting time usage for the quarter. In addition, fringe benefits reporting for State vehicles were not returned to the Board until December 2009.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Failure to have adequate controls over employee work hours and maintain accurate attendance records and supporting documentation increases the risk that the Board is paying for services not rendered by employees. In addition, failure to maintain adequate controls over payroll processing led to errors in calculating the taxable income of employees. (Finding Code No. 10-6)

RECOMMENDATION

We recommend the Board implement appropriate controls to ensure:

- employees receive required performance evaluations in a timely manner;
- timekeeping policies are adhered to and documented in a timely manner;
- written policies are developed for employees to submit timesheets and the Board retain those timesheets in accordance with the State Officials and Employees Ethics Act;
- payroll vouchers are accurate and supported by appropriate documentation; and,
- employee fringe benefits are calculated and associated taxable income is accurate.

BOARD RESPONSE

Evaluations – The Board is trying to stay on top of all administrative tasks despite having no extra headcount after separation.

Attendance and Related Recordkeeping – Beginning in December of 2009, staff were issued directives regarding the continued requirements for requesting time off and reporting time worked. These issues were greatly diminished immediately and any remaining issues were addressed with discipline. As for CTAS reports, I noticed after I arrived here that we were receiving quarterly CTAS reports, rather than monthly reports. In addition, they did not include all activity pages. For example, we would receive only some of the pages for the quarter but not all, which is why it looks like there are days missing on the reports tested. My

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first reporting period here was October-December 2009. By the time we received the reports and I had time to investigate, we were unable to begin monthly reporting until April. This was corrected within the fiscal year.

Withholding Error – Updated documentation has been secured.

Fringe Benefits Reporting – The numbers tested represent commutes for October and November for the 5 individuals in question. This was another task that was done by Revenue and not transferred back properly.

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10-7. **FINDING** (Inadequate Controls over Voucher Processing)

The Illinois Racing Board (Board) did not exercise adequate control over voucher processing.

During testing, we noted the following:

- 21 of 113 (19%) vouchers tested, totaling \$318,845, were determined to be proper bills and approved for payment between three and 191 days late.

The Illinois Administrative Code (74 Ill. Admin. Code 900.70) requires State agencies to review and approve proper bills within 30 days of receipt.

- Three of 113 (3%) vouchers tested, totaling \$5,314, were not expenditures of the Board. Per the vouchers, the Board's management did not approve the expenditures and the vouchers were approved by staff at the Department of Revenue. The Board and Department of Revenue ultimately submitted an expenditure adjustment to the Office of the State Comptroller to apply the expenditure to the proper fund and agency.
- One of 113 (1%) vouchers tested, totaling \$8,970, was charged to the incorrect fiscal year. Per the supporting documentation, a portion of the invoice was for professional services occurring prior to June 30, 2009. Further, the Contract Obligation Document (Form C-23) for this expenditure was incomplete regarding the method of compensation.
- One of 113 (1%) vouchers tested, totaling \$289, overpaid the employee reimbursement by \$184. Board management and Shared Services management disagreed upon the proper amount to voucher for expenditure relating to an employee reimbursement, with Department of Revenue's Administrative and Regulatory Shared Services Center (Shared Services) ultimately submitting a voucher for payment to the Office of the State Comptroller for an amount \$184 above the expenditure amount verified by the Board. The \$184 overpayment was ultimately reimbursed to the State.
- One of 113 (1%) vouchers tested, totaling \$1,052, was not mathematically accurate or paid in accordance with travel guidelines, resulting in an underpayment of \$5.
- One of 113 (1%) vouchers tested, totaling \$260, was a duplicate payment. The Board submitted a warrant action request to cancel the expenditure and redeposit the cash into the proper fund.
- During equipment additions testing, we noted the Board paid sales tax, totaling \$12, on a \$162 voucher. The Illinois Administrative Code (86 Ill. Admin. Code 150.330) exempts governmental bodies from use (sales) tax.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

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Board personnel stated the invoices were sent to Shared Services in a timely manner; however, Shared Services did not process the invoices in a timely manner. Further, Board personnel stated the other noted exceptions were due to human error.

Failure to review and approve vouchers timely could subject the State to unnecessary interest charges and is noncompliance with the Illinois Administrative Code. Further, failure to exercise adequate control over voucher processing led to errors, and could potentially result in unrecoverable overpayments. (Finding Code No. 10-7)

RECOMMENDATION

We recommend the Board implement appropriate controls to ensure:

- proper bills are approved within 30 days as required by the Illinois Administrative Code;
- vouchers are only presented to the State Comptroller for the Board's expenses;
- vouchers are charged to the proper fiscal year and obligation documents are complete;
- vouchers are processed and paid at an amount approved by the Board;
- vouchers are mathematically accurate and comply with applicable travel regulations;
- payments are processed and paid only once; and,
- use (sales) tax is not paid by the Board.

BOARD RESPONSE

The CFO of the Board and the CFO of Shared Services are working together to ensure accuracy and expediency of payment. Of 113 vouchers tested there were 7 errors (6%); of those 7 errors, 4 (57%) were caught by the Board CFO and corrected by Shared Services. One of the errors arose from the Dept. of Ag submitting a statement first and then an invoice later. Staff at the Board has since been instructed never to submit a statement for payment, only an original invoice, even if the statement has the same detail as an invoice. The DOR vouchers did not originate from IRB and could only have been discovered by IRB after having been entered. The Board believes that this is a DOR exception. The Board made it clear to Shared Services at the time the invoices were identified and corrected that only the Board has the ability to direct payment from the Horse Racing Fund. There have been no further issues since then.

AUDITOR'S COMMENT

In regards to the vouchers approved by the Department of Revenue for payment from the Board's appropriation authority, the Board granted Shared Services personnel the authority to certify the "goods or services specified on this voucher were for the use of this agency and that the expenditure for such goods or services was authorized and lawfully incurred..." under the State Finance Act (30 ILCS 105/9.04). The essence of Finding 10-1 and the errors noted above regarding the interaction between the Board and Shared Services is the lack of clear lines of authority and responsibility. A written agreement between both the Board and Shared Services would enhance each party's understanding of their role and responsibilities in running the day to day operations of the Board.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2010

10-8. **FINDING** (Need to Enhance Controls over Confidential Information)

The Illinois Racing Board (Board) did not adequately secure and control confidential and personal information.

During testing, we noted the following:

- The Board had not performed a risk assessment of its physical space or computing resources to identify confidential or personal information to ensure such information is protected from unauthorized disclosure.
- During a walkthrough of Balmoral Park, auditors noted a Steward's Ruling posted in a hallway where an individual's Social Security Number was not appropriately redacted and was still visible. Upon notification, Board employees redacted the information and reposted the ruling.
- The Board routinely sends confidential and personal information over the internet, primarily to the Administrative and Regulatory Shared Services Center at the Department of Revenue, without securing (encrypting) the information.

The Board has the responsibility to ensure that confidential information is protected from disclosure and that provisions in the Personal Information Protection Act (815 ILCS 530) are followed.

A comprehensive risk assessment would help the Board identify instances where confidential information is exposed and promote the implementation of encryption software on the Board's computers and confidential e-mail attachments.

Board personnel stated they lack adequate information technology and internal auditing staff.

Failure to establish effective controls over the protection of confidential information could result in identity theft or unintended use and may constitute a breach of State law. (Finding Code No. 10-8)

RECOMMENDATION

We recommend the Board complete a risk assessment of its physical and computing environment to ensure adequate security controls are applied. The Board should ensure all confidential information is properly secured (encrypted) and ensure they comply with the notification requirements outlined in the Personal Information Protection Act.

BOARD RESPONSE

The Board will initiate a risk assessment to ensure compliance with 815 ILCS 530/.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
PRIOR FINDINGS NOT REPEATED
For the Year Ended June 30, 2010

The Board did not have any prior year findings.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2010

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

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

- Analysis of Operations:

- Agency Functions and Planning Program
- Average Number of Employees
- Horse Racing Statistics (Not Examined)
- Service Efforts and Accomplishments (Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Horse Racing Statistics and Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2010

Public Act 96-0046 Fiscal Year 2010	Appropriations (Net of Transfers)	Expenditures Through June 30, 2010	Approximate Lapse Period Expenditures (July 1, 2010 - August 31, 2010)	Approximate Total Expenditures	Approximate Balances Lapsed
Horse Racing Fund (632)					
Personal Services	\$ 1,039,900	\$ 928,431	\$ 41,488	\$ 969,919	\$ 69,981
State Contributions to State Employees' Retirement System	295,100	264,547	11,809	276,356	18,744
State Contributions to Social Security	79,600	68,487	3,108	71,595	8,005
Group Insurance	270,300	170,935	6,757	177,692	92,608
Contractual Services	214,100	132,467	37,211	169,678	44,422
Travel	17,700	10,113	1,235	11,348	6,352
Commodities	7,500	2,721	376	3,097	4,403
Printing	5,000	752	-	752	4,248
Equipment	2,300	-	-	-	2,300
Electronic Data Processing	272,100	33,599	20,644	54,243	217,857
Telecommunication Services	85,000	60,224	13,957	74,181	10,819
Operation of Automotive Equipment	25,900	12,170	2,210	14,380	11,520
Refunds	300	-	-	-	300
Expenses Related to the Laboratory Program	2,014,800	1,469,010	349,397	1,818,407	196,393
Expenses Related to the Regulation of Racing Program	4,603,300	3,214,046	134,627	3,348,673	1,254,627
Total Horse Racing Fund	\$ 8,932,900	\$ 6,367,502	\$ 622,819	\$ 6,990,321	\$ 1,942,579
SUBTOTAL - All Appropriated Funds	\$ 8,932,900	\$ 6,367,502	\$ 622,819	\$ 6,990,321	\$ 1,942,579
<u>NONAPPROPRIATED EXPENDITURES</u>					
Racing Board Fingerprint License Fund (248)					
Contractual Services		\$ 24,985	\$ 29,747	\$ 54,732	
Illinois Racing Board Charity Fund (271)					
Grant to a Non-Profit Organization		\$ 750,000	\$ -	\$ 750,000	

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2010

Public Act 96-0046 Fiscal Year 2010	Appropriations (Net of Transfers)	Expenditures Through June 30, 2010	Approximate Lapse Period Expenditures (July 1, 2010 - August 31, 2010)	Approximate Total Expenditures	Approximate Balances Lapsed
Illinois Racing Board Grant Fund (280)					
Shared Revenue Payments		<u>\$ 533,080</u>	<u>\$ 49,644</u>	<u>\$ 582,724</u>	
Horse Racing Equity Trust Fund (313)					
Disbursement of Receipts to Eligible Tracks		<u>\$ 116,634,638</u>	<u>\$ 911,831</u>	<u>\$ 117,546,469</u>	
Quarter Horse Purse Fund (785)					
Awards and Grants		<u>\$ -</u>	<u>\$ 88,500</u>	<u>\$ 88,500</u>	
SUBTOTAL - Nonappropriated Expenditures		<u>\$ 117,942,703</u>	<u>\$ 1,079,722</u>	<u>\$ 119,022,425</u>	
TOTAL - ALL FUNDS, FISCAL YEAR 2010		<u>\$ 124,310,205</u>	<u>\$ 1,702,541</u>	<u>\$ 126,012,746</u>	

Notes:

- (a) Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records, which have been reconciled to the Board's records.
- (b) Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.
- (c) Approximate lapse period expenditures do not include interest payments approved for payment by the Board and submitted to the State Comptroller for payment after August 2010.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES**
For the Fiscal Year Ended June 30,

	2010	2009
	Public Act	(d)
	96-0046	(d)
<u>Horse Racing Fund (632)</u>		
Appropriations (Net of Transfers)	\$ 8,932,900	(d)
<u>Expenditures</u>		
Personal Services	\$ 969,919	(d)
State Contributions to State Employees' Retirement System	276,356	(d)
State Contributions to Social Security	71,595	(d)
Group Insurance	177,692	(d)
Contractual Services	169,678	(d)
Travel	11,348	(d)
Commodities	3,097	(d)
Printing	752	(d)
Equipment	-	(d)
Electronic Data Processing	54,243	(d)
Telecommunications	74,181	(d)
Operation of Automotive Equipment	14,380	(d)
Refunds	-	(d)
Expenses Related to the Laboratory Program	1,818,407	(d)
Expenses Related to the Regulation of Racing Program	3,348,673	(d)
Total Horse Racing Fund	\$ 6,990,321	(d)
Lapsed Balances	\$ 1,942,579	(d)
<u>TOTAL - APPROPRIATED FUNDS</u>		
Total Appropriations (Net of Transfers)	\$ 8,932,900	(d)
Total Appropriated Expenditures	\$ 6,990,321	(d)
Lapsed Balances	\$ 1,942,579	(d)
<u>NONAPPROPRIATED FUNDS</u>		
<u>Illinois Racing Board Fingerprint License Fund (248)</u>		
Contractual Services	\$ 54,732	(d)
<u>Illinois Racing Board Charity Fund (271)</u>		
Disbursement to Qualified Charity	\$ 750,000	(d)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES**
For the Fiscal Year Ended June 30,

	2010	2009
	Public Act	(d)
	96-0046	(d)
<u>Illinois Racing Board Grant Fund (280)</u>		
Shared Revenue Payments	\$ 582,724	(d)
<u>Illinois Horse Racing Equity Trust Fund (313)</u>		
Disbursement of Receipts to Eligible Tracks	\$ 117,546,469	(d)
<u>Quarter Horse Purse Fund (785)</u>		
Awards and Grants	\$ 88,500	(d)
TOTAL EXPENDITURES - NONAPPROPRIATED FUNDS	\$ 119,022,425	(d)
GRAND TOTAL EXPENDITURES - ALL FUNDS	\$ 126,012,746	(d)
<u>STATE OFFICERS' SALARIES</u>		
<u>Horse Racing Fund (632) State Comptroller</u>		
Appropriations (Net of Transfers)	\$ 173,000	(d)
<u>Expenditures</u>		
Illinois Racing Board:		
Members (11 Total) Per Diem	\$ 39,176	(d)
Total Horse Racing Fund	\$ 39,176	(d)
Lapsed Balances	\$ 133,824	(d)

Notes:

- (a) Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records, which have been reconciled to the Board's records.
- (b) Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.
- (c) Approximate lapse period expenditures do not include interest payments approved for payment by the Board and submitted to the State Comptroller for payment after August 2010.
- (d) Effective July 1, 2009, Executive Order 5 (2009) transferred all of the functions and associated powers, duties, rights, and responsibilities of the Illinois Racing Board that were provided by the Department of Revenue, except for any functions provided by the Administrative and Regulatory Shared Services Center at the Department of Revenue, to the Illinois Racing Board as a separate agency. As such, comparative data for fiscal years prior to July 1, 2009 is unavailable.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Year Ended June 30, 2010

	<u>Equipment</u>
Balance at July 1, 2009	\$ -
Additions	150
Deletions	-
Net Transfers	<u>447,235</u>
Balance at June 30, 2010	<u><u>\$ 447,385</u></u>

Note:

- (a) This schedule has been derived from Board records, which have been reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Year Ended June 30,

See Finding 10-2

General Revenue Fund - 001	2010	2009
Harness Racing Admission Tax	\$ 85,769	(b)
Horsemen-Thoroughbred Fines	101,025	(b)
Horsemen-Thoroughbred Licenses	208,528	(b)
Thoroughbred Racing Licenses	101,830	(b)
Miscellaneous	4,144	(b)
Total - Fund 001	<u>\$ 501,296</u>	<u>(b)</u>
Racing Board Fingerprint License Fund - 248		
Fingerprint Cards	\$ 64,890	(b)
Total - Fund 248	<u>\$ 64,890</u>	<u>(b)</u>
Illinois Racing Board Charity Fund - 271		
Annual Charity Assessment	\$ 750,000	(b)
Total - Fund 271	<u>\$ 750,000</u>	<u>(b)</u>
Illinois Racing Board Grant Fund - 280		
Admission Tax	\$ 580,875	(b)
Total - Fund 280	<u>\$ 580,875</u>	<u>(b)</u>
Horse Racing Equity Trust Fund - 313		
3% Adjusted Gross Receipts	\$ 5,416,556	(b)
Total - Fund 313	<u>\$ 5,416,556</u>	<u>(b)</u>
Protest Fund - 401		
3% Adjusted Gross Receipts	\$ 21,133,962	(b)
Total - Fund 401	<u>\$ 21,133,962</u>	<u>(b)</u>
TOTAL RECEIPTS - ALL FUNDS	<u>\$ 28,447,579</u>	<u>(b)</u>

Notes:

- (a) The Board's receipt codes do not adequately describe the cash collections of the Board and we could not determine if receipt records were complete (see Finding 10-2 for additional information).
- (b) Effective July 1, 2009, Executive Order 5 (2009) transferred all of the functions and associated powers, duties, rights, and responsibilities of the Illinois Racing Board that were provided by the Department of Revenue, except for any functions provided by the Administrative and Regulatory Shared Services Center at the Department of Revenue, to the Illinois Racing Board as a separate agency. As such, comparative data for fiscal years prior to July 1, 2009 is unavailable.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER**
For the Year Ended June 30,

See Finding 10-2

General Revenue Fund - 001	2010	2009
<u>Receipts, per Board Records</u>	\$ 501,296	(b)
Add: Deposits In Transit, Beginning of Year	-	(b)
Less: Deposits In Transit, End of Year	-	(b)
Deposits, Recorded by the State Comptroller	<u>\$ 501,296</u>	<u>(b)</u>
 Racing Board Fingerprint License Fund - 248		
<u>Receipts, per Board Records</u>	\$ 64,890	(b)
Add: Deposits In Transit, Beginning of Year	-	(b)
Less: Deposits In Transit, End of Year	-	(b)
Deposits, Recorded by the State Comptroller	<u>\$ 64,890</u>	<u>(b)</u>
 Illinois Racing Board Charity Fund - 271		
<u>Receipts, per Board Records</u>	\$ 750,000	(b)
Add: Deposits In Transit, Beginning of Year	-	(b)
Less: Deposits In Transit, End of Year	-	(b)
Deposits, Recorded by the State Comptroller	<u>\$ 750,000</u>	<u>(b)</u>
 Illinois Racing Board Grant Fund - 280		
<u>Receipts, per Board Records</u>	\$ 582,724	(b)
Add: Deposits In Transit, Beginning of Year	735	(b)
Less: Deposits In Transit, End of Year	2,584	(b)
Deposits, Recorded by the State Comptroller	<u>\$ 580,875</u>	<u>(b)</u>
 Horse Racing Equity Trust Fund - 313		
<u>Receipts, per Board Records</u>	\$ 5,492,265	(b)
Add: Deposits In Transit, Beginning of Year	-	(b)
Less: Deposits In Transit, End of Year	75,709	(b)
Deposits, Recorded by the State Comptroller	<u>\$ 5,416,556</u>	<u>(b)</u>

STATE OF ILLINOIS
ILLINOIS RACING BOARD
**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER**
For the Year Ended June 30,

See Finding 10-2

Protest Fund - 401	2010	2009
Receipts, per Board Records	\$ 20,975,439	(b)
Add: Deposits In Transit, Beginning of Year	158,523	(b)
Less: Deposits In Transit, End of Year	-	(b)
Deposits, Recorded by the State Comptroller	<u>\$ 21,133,962</u>	<u>(b)</u>

Notes:

- (a) The Board's deposits in transit do not reflect receipts in transit between the Board's offices at the racetracks and the Department of Revenue (see Finding 10-2 for additional information).
- (b) Effective July 1, 2009, Executive Order 5 (2009) transferred all of the functions and associated powers, duties, rights, and responsibilities of the Illinois Racing Board that were provided by the Department of Revenue, except for any functions provided by the Administrative and Regulatory Shared Services Center at the Department of Revenue, to the Illinois Racing Board as a separate agency. As such, comparative data for fiscal years prior to July 1, 2009 is unavailable.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Year Ended June 30, 2010

Effective July 1, 2009, Executive Order 5 (2009) transferred all of the functions and associated powers, duties, rights, and responsibilities of the Illinois Racing Board that were provided by the Department of Revenue, except for any functions provided by the Administrative and Regulatory Shared Services Center at the Department of Revenue, to the Illinois Racing Board as a separate agency. As such, comparative data for fiscal years prior to July 1, 2009 is unavailable.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Year Ended June 30, 2010

Effective July 1, 2009, Executive Order 5 (2009) transferred all of the functions and associated powers, duties, rights, and responsibilities of the Illinois Racing Board that were provided by the Department of Revenue, except for any functions provided by the Administrative and Regulatory Shared Services Center at the Department of Revenue, to the Illinois Racing Board as a separate agency. As such, comparative data for fiscal years prior to July 1, 2009 is unavailable.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Year Ended June 30, 2010

Horse Racing Fund (632)

Contractual Services

The Board made several payments for facilities service charges to the Department of Central Management Services during the Lapse Period due to a delay in receiving proper invoices.

Electronic Data Processing

The Board made several payments for information technology charges to the Department of Central Management Services during the Lapse Period due to a delay in receiving proper invoices.

Racing Board Fingerprint License Fund (248)

Contractual Services

The Board made several payments for fingerprinting background checks to the Department of State Police during the Lapse Period due to a delay in receiving and verifying invoices.

Quarter Horse Purse Fund (785)

Awards and Grants

The Board distributed the Quarter Horse Purse grant funds during the Lapse Period due to the qualifying races occurring in June 2010 and not being invoiced until the Lapse Period.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Year Ended June 30,

See Finding 10-4

<u>General Revenue Fund - Fund 001</u>	<u>2010</u>	<u>2009</u>
Receivables Not Past Due	\$ -	(c)
Past Due Receivables:		
1 - 90 Days	9	(c)
91 - 180 Days	-	(c)
181 Days - 1 Year	7	(c)
1 Year <= 2 Years	4	(c)
2 Years <= 3 Years	2	(c)
3 Years <= 4 Years	6	(c)
4 Years <= 5 Years	3	(c)
5 Years <= 10 Years	-	(c)
10 Years <= 20 Years	-	(c)
> 20 Years	-	(c)
Total	\$ 31	(c)
Less: Allowance for Doubtful Accounts	16	(c)
Net Accounts Receivable	<u>\$ 15</u>	<u>(c)</u>

These amounts represent receivables related to fines imposed by the Board for violations of the Illinois Horse Racing Act of 1975 or the Board's Administrative Rules.

Notes:

- (a) The amounts in this schedule are expressed in thousands.
- (b) The Board does not report all accounts receivable or in-protest amounts properly to the Office of the State Comptroller or appear to make any attempts to collect past due receivables (see Finding 10-4 for additional information).
- (c) Effective July 1, 2009, Executive Order 5 (2009) transferred all of the functions and associated powers, duties, rights, and responsibilities of the Illinois Racing Board that were provided by the Department of Revenue, except for any functions provided by the Administrative and Regulatory Shared Services Center at the Department of Revenue, to the Illinois Racing Board as a separate agency. As such, comparative data for fiscal years prior to July 1, 2009 is unavailable.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2010

AGENCY FUNCTIONS AND PLANNING PROGRAM

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” (230 ILCS 5/1.2(f)). The jurisdiction, supervision, powers, and duties of the Board are enumerated in the Illinois Horse Racing Act of 1975.

The primary duties of the Board include:

- verifying the accuracy of privilege 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;
- 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;
- promulgating reasonable rules and regulations to govern meetings and wagering in the State;
- entering the places of business of licensees to determine compliance with the Illinois Horse Racing Act of 1975 and the Board’s Administrative Rules;
- enforcing the Illinois Horse Racing Act of 1975 and the Board’s Administrative Rules through disciplinary action, imposing civil penalties, and/or initiating legal action;
- 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;
- operating laboratory testing facilities to prevent illegal drug use in horse racing; and,
- investigating allegations of animal abuse.

Currently, the Board oversees live racing at five racetracks, the Illinois State and DuQuoin State Fairs, and the Brown County Fair. In addition, the Board is responsible for regulation of 27 inter-track wagering facilities and four advance deposit wagering licensees operating since 2009.

In addition, the Board is responsible for administrating the Horse Racing Equity Trust Fund and the Horse Racing Equity Fund. The Horse Racing Equity Trust Fund receives funding from a 3% fee assessed on the current daily adjusted gross receipts of riverboat casino licensees who recorded total adjusted gross receipts of \$200 million or more during 2004. From receipt collections, the Board is to distribute collections to support purses and physically improve and market racing facilities; however, pending litigation has prevented the racetracks from using the moneys paid to them. The Horse Racing Equity Fund receives 15% of tax collections from the tenth casino license. The Illinois Gaming Board issued a decision to award the tenth license on January 14, 2009; however, the casino was not operating as of June 30, 2010.

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 Administrative Rules align with current industry practices and best practices. In addition to regulatory planning, the Board and staff work to develop plans to identify and reduce incidents of noncompliance among licensees.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
AVERAGE NUMBER OF EMPLOYEES
For the Year Ended June 30, 2010

The following table, prepared from Illinois Racing Board records, presents the average number of employees, by function for the Fiscal Year Ended June 30,

Division	2010 Average Headcount	2009 Average Headcount
Full-Time, Central Office	15	(b)
Part-Time, Central Office	1	(b)
Per Diem, Upstate Racetracks	32	(b)
Per Diem, Downstate Racetrack	11	(b)
TOTAL BOARD	59	(b)

Notes:

- (a) During FY10, the Board reduced its headcount from 68 employees to 51 employees.
- (b) Pursuant to Executive Order 5 (2009), the Illinois Racing Board was separated from the Department of Revenue on July 1, 2009. The functions and all associated powers, duties, rights and responsibilities of the Illinois Racing Board that were provided by the Department of Revenue, except any of the functions provided by the Administrative and Regulatory Shared Services Center, were transferred to the Illinois Racing Board as a separate agency. As such, comparative data for fiscal years prior to July 1, 2009 is unavailable.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

2000 - 2009 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>
2000	\$ 42,068,597	\$	65,955,254	\$	108,023,851	\$	101,185,883
2001	39,863,175		65,176,932		105,040,107		101,339,464
2002	40,177,699		79,233,651		119,411,350		103,066,740
2003	32,900,951		60,224,987		93,125,938		95,597,139
2004	40,178,599		57,231,170		97,409,769		95,847,940
2005	34,906,211		57,250,778		92,156,989		90,580,281
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

	<u>% OF HANDLE ON IL. RACES</u>		<u>ILLINOIS HANDLE</u>		<u>STATE REVENUE</u>		<u>PAYOUT TO THE PUBLIC</u>
2000	34%	\$	1,102,541,723	\$	13,338,057	\$	855,730,378
2001	33%		1,105,692,484		13,444,319		858,186,861
2002	34%		1,131,874,324		12,839,705		880,017,501
2003	29%		1,067,918,400		12,783,565		828,298,451
2004	31%		1,059,383,287		12,757,741		821,615,350
2005	30%		1,002,819,877		11,794,271		777,582,763
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

Notes:

- (a) This schedule is presented on a calendar year basis, as opposed to a fiscal year basis.
- (b) In 2002, thoroughbred purses included \$14,280,000 paid at the Arlington Park Breeder's Cup.
- (c) In 2003, there was a harness labor dispute totaling 86 days.
- (d) In 2009, \$20,111,582 of Advance Deposit Wagering handle is included in the above.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

**CALENDAR YEAR 2009 COMPARISON OF WAGERING POOLS
COMBINED LIVE RACING AND SIMULCASTS**

THOROUGHBRED		TOTAL HANDLE	ON TRACK		INTER TRACK		OFF TRACK	
%	MEETS			%		%		%
Arlington Park								
36.2%	WIN, PLACE, SHOW	\$ 106,478,764	\$ 33,932,397	31.9%	\$ 22,189,510	20.8%	\$ 50,356,857	47.3%
29.0%	2-HORSE	\$ 85,247,665	\$ 21,262,692	24.9%	\$ 17,924,034	21.0%	\$ 46,060,939	54.0%
34.8%	3-HORSE	\$ 102,453,849	\$ 25,481,712	24.9%	\$ 20,174,158	19.7%	\$ 56,797,979	55.4%
	TOTAL HANDLE	\$ 294,180,278	\$ 80,676,801	27.4%	\$ 60,287,702	20.5%	\$ 153,215,775	52.1%
Hawthorne Race Course								
33.9%	WIN, PLACE, SHOW	\$ 69,078,158	\$ 14,150,909	20.5%	\$ 17,357,929	25.1%	\$ 37,569,320	54.4%
30.0%	2-HORSE	\$ 61,235,220	\$ 8,666,062	14.2%	\$ 16,417,062	26.8%	\$ 36,152,096	59.0%
36.1%	3-HORSE	\$ 73,678,860	\$ 9,044,350	12.3%	\$ 20,011,823	27.2%	\$ 44,622,688	60.6%
	TOTAL HANDLE	\$ 203,992,238	\$ 31,861,321	15.6%	\$ 53,786,814	26.4%	\$ 118,344,104	58.0%
Fairmount Park								
45.5%	WIN, PLACE, SHOW	\$ 4,625,506	\$ 3,728,066	80.6%	\$ 279,287	6.0%	\$ 618,153	13.4%
27.2%	2-HORSE	\$ 2,764,315	\$ 1,971,783	71.3%	\$ 203,541	7.4%	\$ 588,991	21.3%
27.3%	3-HORSE	\$ 2,781,629	\$ 1,973,780	71.0%	\$ 189,561	6.8%	\$ 618,288	22.2%
	TOTAL HANDLE	\$ 10,171,450	\$ 7,673,629	75.4%	\$ 672,389	6.6%	\$ 1,825,432	17.9%
THOROUGHBRED TOTAL								
35.4%	WIN, PLACE, SHOW	\$ 180,182,428	\$ 51,811,372	28.8%	\$ 39,826,726	22.1%	\$ 88,544,330	49.1%
29.4%	2-HORSE	\$ 149,247,200	\$ 31,900,537	21.4%	\$ 34,544,637	23.1%	\$ 82,802,026	55.5%
35.2%	3-HORSE	\$ 178,914,337	\$ 36,499,842	20.4%	\$ 40,375,542	22.6%	\$ 102,038,955	57.0%
	TOTAL HANDLE	\$ 508,343,965	\$ 120,211,751	23.6%	\$ 114,746,905	22.6%	\$ 273,385,311	53.8%

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

**CALENDAR YEAR 2009 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								
30.8%	WIN, PLACE, SHOW	\$ 39,953,575	\$ 4,950,593	12.4%	\$ 12,339,932	30.9%	\$ 22,663,050	56.7%
27.0%	2-HORSE	\$ 34,956,045	\$ 3,782,113	10.8%	\$ 10,319,863	29.5%	\$ 20,854,069	59.7%
42.2%	3-HORSE	\$ 54,774,956	\$ 6,237,145	11.4%	\$ 15,517,641	28.3%	\$ 33,020,171	60.3%
	TOTAL HANDLE	\$ 129,684,576	\$ 14,969,851	11.5%	\$ 38,177,436	29.4%	\$ 76,537,290	59.0%
Maywood Park Trot. Assoc.								
30.8%	WIN, PLACE, SHOW	\$ 23,908,639	\$ 3,681,859	15.4%	\$ 6,732,754	28.2%	\$ 13,494,026	56.4%
27.1%	2-HORSE	\$ 21,063,702	\$ 2,845,725	13.5%	\$ 5,534,580	26.3%	\$ 12,683,397	60.2%
42.1%	3-HORSE	\$ 32,648,023	\$ 4,087,526	12.5%	\$ 8,426,431	25.8%	\$ 20,134,066	61.7%
	TOTAL HANDLE	\$ 77,620,364	\$ 10,615,110	13.7%	\$ 20,693,765	26.7%	\$ 46,311,489	59.7%
Springfield State Fair								
38.6%	WIN, PLACE, SHOW	\$ 207,626	\$ 160,358	77.2%	\$ 18,630	9.0%	\$ 28,638	13.8%
29.8%	2-HORSE	\$ 160,366	\$ 107,587	67.1%	\$ 16,256	10.1%	\$ 36,523	22.8%
31.5%	3-HORSE	\$ 169,369	\$ 110,930	65.5%	\$ 17,839	10.5%	\$ 40,600	24.0%
	TOTAL HANDLE	\$ 537,361	\$ 378,875	70.5%	\$ 52,725	9.8%	\$ 105,761	19.7%
DuQuoin State Fair								
41.4%	WIN, PLACE, SHOW	\$ 171,842	\$ 110,374	64.2%	\$ 23,729	13.8%	\$ 37,739	22.0%
27.3%	2-HORSE	\$ 113,446	\$ 62,400	55.0%	\$ 17,758	15.7%	\$ 33,288	29.3%
31.3%	3-HORSE	\$ 129,879	\$ 64,143	49.4%	\$ 21,968	16.9%	\$ 43,768	33.7%
	TOTAL HANDLE	\$ 415,167	\$ 236,917	57.1%	\$ 63,455	15.3%	\$ 114,795	27.7%

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

**CALENDAR YEAR 2009 COMPARISON OF WAGERING POOLS
COMBINED LIVE RACING AND SIMULCASTS**

HARNES MEETS		TOTAL HANDLE	ON TRACK		INTER TRACK		OFF TRACK	
%	(continued)			%		%		%
Brown County Fair								
64.0%	WIN, PLACE, SHOW	\$ 17,589	\$ 17,589	100.0%	\$ -	0.0%	\$ -	0.0%
33.4%	2-HORSE	\$ 9,180	\$ 9,180	100.0%	\$ -	0.0%	\$ -	0.0%
2.6%	3-HORSE	\$ 709	\$ 709	100.0%	\$ -	0.0%	\$ -	0.0%
	TOTAL HANDLE	\$ 27,478	\$ 27,478	100.0%	\$ -	0.0%	\$ -	0.0%
HARNES TOTAL								
30.9%	WIN, PLACE, SHOW	\$ 64,259,271	\$ 8,920,773	13.9%	\$ 19,115,045	29.7%	\$ 36,223,453	56.4%
27.0%	2-HORSE	\$ 56,302,739	\$ 6,807,005	12.1%	\$ 15,888,457	28.2%	\$ 33,607,277	59.7%
42.1%	3-HORSE	\$ 87,722,936	\$ 10,500,453	12.0%	\$ 23,983,878	27.3%	\$ 53,238,605	60.7%
	TOTAL HANDLE	\$ 208,284,946	\$ 26,228,231	12.6%	\$ 58,987,380	28.3%	\$ 123,069,335	59.1%

TOTAL - ALL MEETS								
34.1%	WIN, PLACE, SHOW	\$ 244,441,699	\$ 60,732,145	24.8%	\$ 58,941,771	24.1%	\$ 124,767,783	51.0%
28.7%	2-HORSE	\$ 205,549,939	\$ 38,707,542	18.8%	\$ 50,433,094	24.5%	\$ 116,409,303	56.6%
37.2%	3-HORSE	\$ 266,637,273	\$ 47,000,295	17.6%	\$ 64,359,420	24.1%	\$ 155,277,558	58.2%
	TOTAL HANDLE	\$ 716,628,911	\$ 146,439,982	20.4%	\$ 173,734,285	24.2%	\$ 396,454,644	55.3%

Total Handle - All Meets (above)..... \$ 716,628,911
 Total Handle - Advance Deposit Wagering..... \$ 20,111,582
TOTAL ILLINOIS HANDLE..... \$ 736,740,493

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

**CALENDAR YEAR 2009 COMPARISON OF WAGERING POOLS
COMBINED LIVE RACING AND SIMULCASTS**

	<u>TOTAL HANDLE</u>	<u>ON TRACK</u>	<u>%</u>	<u>INTER TRACK</u>	<u>%</u>	<u>OFF TRACK</u>	<u>%</u>
LIVE ILLINOIS RACING							
37.2% WIN, PLACE, SHOW	\$ 69,234,594	\$ 36,031,775	52.0%	\$ 10,304,819	14.9%	\$ 22,898,000	33.1%
26.9% 2-HORSE	\$ 49,977,918	\$ 20,763,551	41.5%	\$ 9,009,625	18.0%	\$ 20,204,742	40.4%
35.9% 3-HORSE	\$ 66,777,439	\$ 24,994,767	37.4%	\$ 12,569,249	18.8%	\$ 29,213,422	43.7%
TOTAL HANDLE	\$ 185,989,951	\$ 81,790,093	44.0%	\$ 31,883,693	17.1%	\$ 72,316,164	38.9%
SIMULCAST RACES							
33.0% WIN, PLACE, SHOW	\$ 175,207,105	\$ 24,700,370	14.1%	\$ 48,636,952	27.8%	\$ 101,869,783	58.1%
29.3% 2-HORSE	\$ 155,572,021	\$ 17,943,991	11.5%	\$ 41,423,469	26.6%	\$ 96,204,561	61.8%
37.7% 3-HORSE	\$ 199,859,835	\$ 22,005,527	11.0%	\$ 51,790,171	25.9%	\$ 126,064,136	63.1%
TOTAL HANDLE	\$ 530,638,961	\$ 64,649,888	12.2%	\$ 141,850,592	26.7%	\$ 324,138,480	61.1%

AVERAGE TAKEOUT RATES WHEN SIMULCASTING OUT-OF-STATE RACES

(Based on Actual Illinois Wagering Combinations on Out-of-State Races)

	<u>WIN, PLACE, SHOW</u>	<u>2- HORSE</u>	<u>3- HORSE</u>
ILLINOIS THOROUGHBRED MEETS	16.93%	20.37%	24.03%
ILLINOIS HARNESS MEETS	17.27%	20.98%	24.30%
TOTAL ILLINOIS MEETS	17.02%	20.53%	24.11%

Notes:

(a) In 2009, \$20,111,582 of Advance Deposit Wagering handle is not included in the individual meet data above.

(b) Due to rounding, the amounts shown may not add precisely.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

CALENDAR YEAR 2009 ADVANCE DEPOSIT WAGERING

Advance Deposit Wagering (ADW) officially began in Illinois on October 13, 2009. Three companies were licensed at that time, with a fourth ADW provider licensed on November 10, 2009. Illinois 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 an Illinois racetrack and their affiliated Illinois horsemen association.

<u>ADW Provider (Track)</u>	<u>Start Date</u>	<u>Total Handle</u>	<u>Average Daily Handle</u>	<u>State Tax (1.75%)</u>	<u>State Tax Daily Average</u>
Youbet (Haw., Bal., May.)	10/13/09	\$ 7,916,640	\$ 98,958	\$ 138,541	\$ 1,732
TVG (Fairmont)	10/13/09	6,539,069	82,773	114,434	1,449
Twin Spires (Arlington)	10/13/09	4,921,310	62,295	86,123	1,090
Xpressbet (Arlington)	11/10/09	734,564	14,403	12,855	252
ALL ADW PROVIDERS:		<u>\$ 20,111,582</u>	<u>\$ 251,395</u>	<u>\$ 351,953</u>	<u>\$ 4,399</u>

<u>Illinois Races vs. Out-of-State Races</u>	<u>Total Handle</u>
ADW Handle on Hawthorne Races	\$ 1,949,517
ADW Handle on Balmoral Races	699,327
ADW Handle on Maywood Races	304,658
TOTAL, ILLINOIS RACES:	<u>2,953,502</u>
ADW Handle on Out-of-State Races	17,158,080
TOTAL, ALL RACES:	<u>\$ 20,111,582</u>

<u>ADW Wagering Pools</u>	<u>Total Handle</u>	<u>Percentage of Total Handle</u>
Win, Place, Show	\$ 6,889,695	34.26%
2-Horse	5,237,938	26.04%
3-Horse	7,983,949	39.70%
TOTAL, ALL RACES:	<u>\$ 20,111,582</u>	<u>100.00%</u>

Notes:

(a) Due to rounding, the amounts shown may not add precisely.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

**SUMMARY OF SURCHARGES AND REVENUES TO LOCAL GOVERNMENTS
FROM OFF TRACK PARLORS IN CALENDAR YEAR 2009**

CITY	<u>DATE OPENED</u>	<u>DATE CLOSED</u>	<u>COUNTY</u>	<u>HANDLE</u>	<u>SURCHARGE ON WINNINGS</u>	<u>TO CITY (1% OF HANDLE)</u>	<u>TO COUNTY (1% OF HANDLE)</u>	<u>OVER/ (UNDER) TO LICENSEE</u>
Balmoral Park								
Chicago, Corliss.	04/18/91		Cook	30,716,289	572,654	307,163	307,163	(41,672)
Normal	07/13/06		McLean	4,556,805	84,589	45,568	45,568	(6,547)
Champaign	10/23/08		Champaign	7,458,397	136,003	74,584	74,584	(13,165)
Buffalo Grove	08/03/09		Lake	2,021,949	39,451	20,219	20,219	(988)
Peoria	05/03/00	11/08/09	Peoria	5,024,926	96,686	50,249	50,249	(3,813)
Maywood								
Niles	04/24/06		Cook	34,358,022	664,149	343,580	343,580	(23,011)
Mokena	05/16/03		Will	12,489,016	236,284	124,890	124,890	(13,497)
Aurora	04/08/05		DuPage	8,850,049	172,174	88,500	88,500	(4,827)
North Aurora	10/25/07		Kane	7,471,081	152,078	74,711	74,711	2,657
Chicago, W. Jackson	07/19/88	06/14/09	Cook	11,449,573	216,550	114,496	114,496	(12,441)
Quad City Downs								
Rockford	11/18/87		Winnebago	11,695,329	217,966	116,953	116,953	(15,941)
South Elgin	12/07/02		Kane	10,143,600	192,614	101,436	101,436	(10,258)
South Beloit	02/17/04		Winnebago	5,505,736	105,445	55,057	55,057	(4,669)
McHenry	12/08/05		McHenry	10,507,484	195,553	105,075	105,075	(14,597)
Lockport	01/31/07		Will	7,690,147	145,455	76,901	76,901	(8,348)

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

**SUMMARY OF SURCHARGES AND REVENUES TO LOCAL GOVERNMENTS
FROM OFF TRACK PARLORS IN CALENDAR YEAR 2009**

CITY	DATE OPENED	DATE CLOSED	COUNTY	HANDLE	SURCHARGE ON WINNINGS	TO CITY (1% OF HANDLE)	TO COUNTY (1% OF HANDLE)	OVER/ (UNDER) TO LICENSEE	
Hawthorne									
Oakbrook Terrace	09/04/92		DuPage	39,222,907	749,113	392,229	392,229	(35,345)	
Joliet	10/25/90		Will	14,589,883	281,260	145,899	145,899	(10,537)	
Crestwood	02/17/92		Cook	34,165,817	647,269	341,658	341,658	(36,048)	
Peru	03/05/92		LaSalle	3,192,616	60,695	31,926	31,926	(3,157)	
Elk Grove Village	10/19/07		Cook	9,207,668	176,215	92,077	92,077	(7,939)	
Chicago, LaSalle St.	11/19/07		Cook	21,044,392	396,480	210,444	210,444	(24,407)	
Fairmont Park									
Springfield	05/05/88		Sangamon	7,031,570	132,581	70,316	70,316	(8,051)	
Sauget	02/12/01		St. Clair	12,178,476	235,127	121,785	121,785	(8,443)	
Alton	10/03/02		Madison	6,783,752	130,250	67,838	67,838	(5,425)	
Carbondale	08/20/92	10/25/09	Jackson	2,556,154	48,135	25,562	25,562	(2,988)	
Arlington Park									
Waukegan	12/30/88		Lake	24,512,923	465,636	245,129	245,129	(24,622)	
Chicago, Weed St.	06/04/93		Cook	34,637,595	661,455	346,376	346,376	(31,297)	
Hodgkins	12/10/07		Cook	17,392,492	329,544	173,925	173,925	(18,306)	
TOTAL:					\$ 396,454,644	\$ 7,541,410	\$ 3,964,546	\$ 3,964,546	\$ (387,683)

Notes:

(a) Due to rounding, the amounts shown may not add precisely.

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

TOTAL CALENDAR YEAR 2009 ACTIVITY, ALL LOCATIONS

	THOROUGHGBRED	HARNESS	ALL
	<u>MEETS</u>	<u>MEETS</u>	<u>MEETS</u>
Live Programs Raced.....	8,521	8,568	17,089
Total Live Programs Raced + Dark Days.....	420	374	794
Live Races Run.....	2,425	3,238	5,663
Attendance.....	1,555,586	528,552	2,084,138
Admission Tax.....	\$ 74,534	\$ 10,757	\$ 85,291
License Fee.....	\$ 34,350	\$ 31,370	\$ 65,720
License Fee - Daily Handle.....	\$ 7,400	\$ -	\$ 7,400
Purses Distributed.....	\$ 48,949,553	\$ 23,857,985	\$ 72,807,538
Uncashed Tickets (2007).....	\$ 2,764,217	\$ 1,299,818	\$ 4,064,035
Combined Illinois Handle.....	\$ 508,343,965	\$ 208,284,946	\$ 716,628,911
Commission (Take Out).....	\$ 104,362,390	\$ 44,288,999	\$ 148,651,389
Track Commission.....	\$ 43,417,909	\$ 20,150,755	\$ 63,568,664
Purses Earned.....	\$ 39,832,436	\$ 17,099,597	\$ 56,932,033
Out-of-State Simulcast Fee.....	\$ 14,130,469	\$ 4,116,142	\$ 18,246,611
Pari-Mutuel Tax.....	\$ 6,981,576	\$ 2,922,506	\$ 9,904,082
Public Pool.....	\$ 403,981,576	\$ 163,995,947	\$ 567,977,523
Breakage.....	\$ 2,622,376	\$ 988,783	\$ 3,611,159
Surcharge.....	\$ 6,609,385	\$ 3,132,212	\$ 9,741,597
Payout to Public.....	\$ 394,749,815	\$ 159,874,952	\$ 554,624,767

STATE OF ILLINOIS
ILLINOIS RACING BOARD
HORSE RACING STATISTICS
For the Year Ended June 30, 2010
(Not Examined)

TOTAL CALENDAR YEAR 2009 ACTIVITY, ALL LOCATIONS

	THOROUGHBRED <u>MEETS</u>	HARNESS <u>MEETS</u>	ALL <u>MEETS</u>
LIVE RACING DAY HANDLE			
Illinois Handle on Illinois Races.....	\$ 123,883,848	\$ 62,106,103	\$ 185,989,951
Illinois Handle on Out-of-State Races.....	\$ 254,236,055	\$ 116,718,890	\$ 370,954,945
Combined Illinois Handle.....	\$ 378,119,903	\$ 178,824,993	\$ 556,944,896
Out-of-State Handle (Commingled) on Illinois Races.....	\$ 535,491,329	\$ 204,070,673	\$ 739,562,002
Total Live Racing Day Handle.....	\$ 913,611,232	\$ 382,895,666	\$ 1,296,506,898
Average Illinois Handle on Illinois Races.....	\$ 465,729	\$ 196,538	\$ 319,570
Average Illinois Handle on Out-of-State Races.....	\$ 955,775	\$ 369,364	\$ 637,380
Average Combined Illinois Handle.....	\$ 1,421,504	\$ 565,902	\$ 956,950
Average Out-of-State Handle (Commingled) on Illinois Races.....	\$ 2,013,125	\$ 645,793	\$ 1,270,725
Average Total Live Racing Day Handle.....	\$ 3,434,629	\$ 1,211,695	\$ 2,227,675
DARK DAY HANDLE (Illinois Handle on Out-of-State Races)			
Total Dark Day Handle.....	\$ 130,224,063	\$ 29,459,953	\$ 159,684,016
Average Total Dark Day Handle.....	\$ 829,453	\$ 272,777	\$ 602,581
ILLINOIS HANDLE FROM ILLINOIS FACILITIES.....	\$ 508,343,965	\$ 208,284,946	\$ 716,628,911
ILLINOIS HANDLE FROM ADVANCE DEPOSIT WAGERING.....			\$ 20,111,582
TOTAL ILLINOIS HANDLE.....			\$ 736,740,493
OUT-OF-STATE COMMINGLED HANDLE.....	\$ 535,491,330	\$ 204,070,673	\$ 739,562,003
GRAND TOTAL MEET HANDLE.....	\$ 1,043,835,295	\$ 412,355,619	\$ 1,476,302,496

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Year Ended June 30, 2010
(Not Examined)

Racing Board:

Mission Statement: To ensure the honesty and integrity of thoroughbred, standardbred and quarter horse racing 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 of all rules and regulations of the Board
2. Protect and maintain the integrity of the pari-mutuel wagering system
3. Encourage, promote and stimulate growth within the horse racing industry
4. 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

Funds: Horse Racing Fund

Statutory Authority: 230 ILCS 5

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Year Ended June 30, 2010
(Not Examined)

<u>Funds:</u> Horse Racing Fund	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Target/ Projected	Fiscal Year 2010 Actual	Fiscal Year 2011 Target/ Projected
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<u>Input Indicators</u>					
Total expenditures all sources (in thousands)	\$ -	\$ -	\$ 9,021.4	\$ 6,990.3	\$ 9,134.1
Total expenditures - State appropriated funds (in thousands)	\$ -	\$ -	\$ 9,021.4	\$ 6,990.3	\$ 9,134.1
Average monthly full-time equivalents	-	-	57.0	48.0	39.0

<u>Output Indicators</u>					
Total number of steward rulings issued	803	889	850	600	600

<u>Outcome Indicators</u>					
Horse laboratory proficiency testing score (test sample accuracy)	100%	100%	100%	100%	100%
Total number of administrative appeals of steward's rulings issued	11.0	20.0	20.0	9.0	12.0
Number of live races contested per steward ruling issued (violations)	7.9	6.6	6.5	8.0	7.5

Note: The Board was a division of the Department of Revenue prior to July 1, 2009.