



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS RACING BOARD

Compliance Examination
 For the Two Years Ended June 30, 2018

Release Date: June 4, 2019

FINDINGS THIS AUDIT: 11	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	2	2	2016	2	4, 5, 6, 7, 9	
Category 2:	2	7	9	2014	1		
Category 3:	0	0	0	2012		8	
TOTAL	2	9	11	2010		3	
FINDINGS LAST AUDIT: 21							

SYNOPSIS

- **(18-01)** The Board did not comply with, or enforce compliance with, provisions of the Horse Racing Act of 1975 and the Illinois Administrative Code at the racetracks.
- **(18-02)** The Board did not enforce requirements for advance deposit wagering licensees to withhold delinquent child support due from certain winning wagers.
- **(18-10)** The Board did not fully comply with the provisions of grant agreements.

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

{Expenditures and Activity Measures are summarized on next page.}

**ILLINOIS RACING BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

EXPENDITURE STATISTICS	2018	2017	2016
Total Expenditures.....	\$ 6,468,690	\$ 6,889,116	\$ 6,835,607
OPERATIONS TOTAL.....	\$ 5,309,454	\$ 5,614,616	\$ 5,687,107
% of Total Expenditures.....	82.1%	81.5%	83.2%
Personal Services.....	1,084,925	983,348	978,006
Other Payroll Costs (FICA, Retirement).....	849,288	733,732	742,383
All Other Operating Expenditures.....	3,375,241	3,897,536	3,966,718
AWARDS AND GRANTS.....	\$ 1,159,236	\$ 1,274,500	\$ 1,148,500
% of Total Expenditures.....	17.9%	18.5%	16.8%
Total Receipts.....	\$ 2,884,236	\$ 2,209,264	\$ 2,247,475
Average Number of Employees.....	49	48	48

SELECTED ACTIVITY MEASURES (Not Examined)	Calendar Year 2017	Calendar Year 2016	Calendar Year 2015
Total Handle, Combined Live Racing and Simulcasts	396,407,330	404,507,836	449,404,482
Total Handle, Advanced Deposit Wagering.....	190,284,415	165,999,799	144,019,399
Total Handle within the State of Illinois.....	586,691,745	570,507,635	593,423,881
Payout to the Public.....	455,868,874	443,462,514	459,300,856
Total Purses Distributed.....	33,793,350	32,560,953	39,227,761
Live Races Run.....	2,300	2,638	3,687
Racetrack Attendance.....	986,449	1,082,657	1,403,601

SELECTED ACTIVITY MEASURES (Continued)	Fiscal Year 2018	Fiscal year 2017	Fiscal Year 2016
Number of steward rulings issued.....	241	268	314
Total number of race lab samples sent for lab testing.	8935	7937	8161

AGENCY DIRECTOR	
During Examination Period:	Mr. Domenic DiCera
Currently:	Mr. Domenic DiCera

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NONCOMPLIANCE WITH RACING LAWS AND REGULATIONS

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

During testing, we noted the following:

- The Board did not ensure race officials at all three racetracks visited had active licenses prior to the first race day. These individuals oversee certain race-related functions at the racetracks. Specifically, we noted:

Race officials obtained annual occupation licenses late

- Three of 29 (10%) race officials tested at one thoroughbred racetrack obtained their annual occupation license from the Board one day late.
- Seven of 36 (19%) race officials tested at a racetrack that runs both thoroughbred and standardbred obtained their annual occupation license from the Board from one to 127 days late.
- Two of 15 (13%) race officials tested at another thoroughbred racetrack obtained their annual occupation license from the Board one day late.

Request for racing officials approval did not contain license information

- In our review of the list of racing officials requested by organization licensees for Board approval, the email request for approval of racing officials for the two thoroughbred racetracks did not indicate whether the nominees had previously been licensed in the State of Illinois.

Inadequate controls over controlled substances at racetracks

- At the two (100%) thoroughbred racetracks visited, the Board did not have adequate control over the Board's controlled substances, specifically euthanasia drugs. We noted the following:

- The veterinarians at one thoroughbred racetrack did not keep a complete and accurate log of controlled substances. The invoice for the latest purchase of the drugs did not indicate how many vials were kept at each racetrack.

Accurate log of controlled substances not maintained

- The controlled substance log maintained by the veterinarians at another thoroughbred racetrack was not properly maintained to accurately account for the usage and balance of the drugs.

Accurate usage and balance of drugs not maintained

- At one of three (33%) racetracks visited, the Board was not monitoring the arrival time of the Association Steward in a thoroughbred racetrack.
- At three of three (100%) racetracks visited, the Board’s staff members did not have current, formal operating procedures regarding the roles and responsibilities Board staff must fulfill to conduct race dates in accordance with management directives.

Current, formal operating procedures not maintained

- At two of three (67%) racetracks visited, the racing programs provided by racetracks to the general public did not contain all required elements. We noted the following:
 - The racing program at one thoroughbred racetrack did not include a required statement that “wagers are to be made by program number and not by post position.”

Racing programs did not contain all required elements

- The racing program at another thoroughbred racetrack did not contain the statement “If you or someone you know has a gambling problem, crisis counseling and referral services can be accessed by calling 1-800-GAMBLER (1-800-426-2537).” (Finding 1, pages 13-16) **This finding has been repeated since 2014.**

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

Board officials concurred and stated they have initiated corrective action procedures during the current examination reporting period. *(For the previous Board response, see Digest Footnote #1)*

FAILURE TO ENFORCE WITHHOLDING OF CHILD SUPPORT DUE

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

Board agrees with the recommendation

During our testing, we noted the ADW licensees had not implemented a process to withhold delinquent child support from winning wagers subject to reporting to the Internal Revenue Service (IRS) and withholding on a Form W-2G during Fiscal Years 2017 and 2018.

According to the Board’s annual reports, ADW licensees paid out \$132.04 million, \$156.02 million, and \$163.8 million in winning wagers to the public during Calendar Year 2016, Calendar Year 2017, and Calendar Year 2018, respectively. (Finding 2, pages 17-18) **This finding has been repeated since 2016.**

Advance Deposit Wagering licensees did not implement a process to withhold delinquent child support

We recommended the Board enforce the Act's requirements to withhold delinquent child support from winning wagers subject to the IRS and withholding on a Form W-2G.

Board officials concurred and stated they have initiated corrective action procedures during the current examination reporting period. They further stated they continue to work with HFS and monitor the active participation and the progress required by the technical divisions of HFS and individual ADW licensees. *(For the previous Board response, see Digest Footnote #2.)*

INADEQUATE MONITORING OF GRANT AGREEMENTS

The Illinois Racing Board (Board) did not fully comply with the provisions of grant agreements under its purview during the examination period.

Board concurs with the recommendation

The Board awarded a total of \$1.5 million in grant funds from the Illinois Racing Board Charity Fund to a recipient during Calendar Years 2017 and 2018. During our testing, we noted the Board received the recipient's audited financial statements for Calendar Years 2015 and 2016 but did not have any documentation regarding whether the recipient's external auditor had identified and communicated any material weaknesses within the recipient's internal controls for Calendar Years 2015 and 2016, during Fiscal Years 2017 and 2018.

The Board awarded a total of \$733,736 in grant funds from the Standardbred Horse Purse Fund to a recipient during Fiscal Years 2017 and 2018. During our testing, we noted the following:

- The Board did not perform an audit at the end of the grant period for Calendar Years 2016 and 2017.
- The Board could not locate the Calendar Year 2016 4th quarter report submitted by the grantee. (Finding 10, pages 34-35)

Documentation not maintained for grant recipient's audit

We recommended the Board strengthen its control over the monitoring of its grant agreements to ensure compliance with the requirements and the Illinois Administrative Code.

Board officials concurred with the recommendation and stated they have strengthened their procedures, as recommended, during the current examination reporting period.

Audit not performed

Grantee's quarterly report not located

OTHER FINDINGS

The remaining findings pertain to inadequate controls over personal services and admission tax, failure to monitor a racetrack's cash receipts, handle allocations, and racing requirements, noncompliance with reconciliation requirements and non-live racing requirements, and an outdated records retention schedule. We will review the Board's

progress towards the implementation of our recommendations in our next compliance examination.

Board concurs with the recommendation

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Board for the two years ended June 30, 2018, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2018-001 and 2018-002. Except for the noncompliance described in these findings, the accountants stated the Board complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Adelfia LLC.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:PH

DIGEST FOOTNOTES

#1 – NONCOMPLIANCE WITH RACING LAWS AND REGULATIONS

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

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

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

**#2 – FAILURE TO ENFORCE WITHHOLDING OF CHILD SUPPORT
DUE**

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