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**STATE OF ILLINOIS
ILLINOIS RACING BOARD**

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

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

**STATE OF ILLINOIS
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COMPLIANCE EXAMINATION
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BOARD OFFICIALS

Chair of the Board	Mr. Jeffrey R. Brincat
Executive Director	Mr. Domenic DiCera
Chief Fiscal Officer	Mr. Vitto Ezeji-Okoye
General Counsel (11/08/18 to present)	Vacant
General Counsel (Through 11/07/18)	Mr. Michael R. Pieczonka
State Director of Mutuels (03/18/19 to present)	Mr. Michael Belmonte
State Director of Mutuels (06/01/18 to 03/17/19)	Vacant
State Director of Mutuels (Through 05/31/18)	Mr. Bob Lang
Director of Operations^^	Ms. Jackie Clisham
Director of Security and Licensing^	Mr. Ed Mingey
Projects Manager	Mr. Mickey Ezzo
Field Operations Manager	Mr. John Eddy

^ Serving as a 75-day retiree

^^ Serving as Personal Services Coordinator effective 12/01/18

BOARD MEMBERS

Commissioner	Ms. Arlene Mulder
Commissioner	Mr. Gregory W. Sronce
Commissioner	Mr. Hugh D. Scates
Commissioner (03/05/19 to present)	Vacant
Commissioner (Through 03/04/19)	Mr. Robert Muriel
Commissioner (11/16/18 to present)	Vacant
Commissioner (Through 11/15/18)	Mr. Travis Swoope
Commissioner (01/23/17 to present)	Mr. Thomas McCauley
Commissioner (Through 01/22/17)	Vacant

**STATE OF ILLINOIS
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BOARD MEMBERS (Continued)

Commissioner	Mr. Robert Lunt
Commissioner	Ms. Shelley Kalita
Commissioner (04/05/19 to present)	Vacant
Commissioner (07/01/18 to 04/04/19)	Mr. Jason Barclay
Commissioner (Through 6/30/18)	Mr. Robert G. Schiewe, Jr.
Commissioner (04/03/17 to present)	Mr. Edgar Ramirez
Commissioner (Through 04/02/17)	Vacant
Commissioner	Mr. Jeffrey R. Brincat

BOARD OFFICES

The Board's offices are located at:

Chicago, Illinois

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

Fairmount Park

Downstate Thoroughbred
9301 Collinsville Road
Collinsville, Illinois 62234

Arlington International Racecourse

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

Hawthorne Racecourse

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



ILLINOIS RACING BOARD

May 8, 2019

Adelfia LLC
400 E. Randolph Street, Suite 700
Chicago, Illinois 60601

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Racing Board. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Illinois Racing Board's compliance with the following assertions during the two-year period ended June 30, 2018. Based on this evaluation, and to the best of our knowledge and belief, we assert that during the years ended June 30, 2018 and June 30, 2017, the State of Illinois, Illinois Racing Board has materially complied with the assertions below.

A. The State of Illinois, Illinois Racing Board has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The State of Illinois, Illinois Racing Board has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. Other than what has been previously disclosed, 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, Department of Insurance have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

ILLINOIS RACING BOARD

State of Illinois, Illinois Racing Board

SIGNED ORIGINAL ON FILE

Domenic DiCera
Executive Director

SIGNED ORIGINAL ON FILE

Vitto Ezeji-Okoye
Chief Financial Officer

**STATE OF ILLINOIS
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COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Report</u>
Repeated Findings	11	21
Prior Recommendations Implemented or Not Repeated	9	9
	12	6

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2018-001	13	Noncompliance with Racing Laws and Regulations	Material weakness and Material noncompliance
2018-002	17	Failure to Enforce Withholding of Child Support Due	Material weakness and Material noncompliance
2018-003	19	Inadequate Control over Personal Services	Significant deficiency and noncompliance
2018-004	22	Failure to Monitor a Racetrack's Cash Receipts	Significant deficiency and noncompliance

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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2018-005	24	Failure to Monitor Handle Allocations	Significant deficiency and noncompliance
2018-006	26	Noncompliance with Non-Live Racing Requirements	Significant deficiency and noncompliance
2018-007	28	Noncompliance with Reconciliation Requirements	Significant deficiency and noncompliance
2018-008	30	Inadequate Monitoring of Racing Requirements	Significant deficiency and noncompliance
2018-009	32	Outdated Records Retention Schedule	Significant deficiency and noncompliance
2018-010	34	Inadequate Monitoring of Grant Agreements	Significant deficiency and noncompliance
2018-011	36	Inadequate Controls over Admission Tax	Significant deficiency and noncompliance

PRIOR FINDINGS NOT REPEATED

A	38	Inadequate Control over Receipts
B	38	Inadequate Control over Totalizator SOC Reports
C	38	Inadequate Physical Security Controls
D	38	Inadequate Control over Accounts Receivable
E	39	Unable to Distribute Collected Local Taxes

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SCHEDULE OF FINDINGS (Continued)

PRIOR FINDINGS NOT REPEATED (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
F	39	Inadequate Control over Laboratory
G	39	Inadequate Control over Voucher Processing
H	40	Excessive Commuting Mileage
I	40	Noncompliance with the Illinois Vehicle Code
J	40	Inaccurate Agency Fee Imposition Report
K	41	Failure to Report Grant Information
L	41	Noncompliance with the Illinois Grant Funds Recovery Act

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on May 6, 2019. Attending were:

Illinois Racing Board

Domenic DiCera – Executive Director
Vitto Ezeji-Okoye – Chief Financial Officer
Michael Belmonte – Director of Mutuels
Mickey Ezzo – Projects Manager
John Eddy – Field Operation Manager
Donald Marquez – Administrative Assistant
Jack Rakers – CMS Chief Internal Auditor
Denise Caldwell – CMS Internal Audit Supervisor

Office of the Illinois Auditor General

Peggy Hartson, CPA – Senior Audit Manager

Adelfia LLC

Stella Marie Santos, CPA – Partner
Gilda Priebe, CPA, CIA, CFE, CGMA – Partner
Annabelle Abueg, CISA – Principal
Melesa Lamdagan – Senior

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EXIT CONFERENCE (Continued)

The responses to the recommendations were provided by Domenic DiCera, Executive Director, in a correspondence dated May 8, 2019.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, 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 two years ended June 30, 2018. 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.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Illinois Racing Board complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Illinois Racing Board complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Racing Board's compliance with specified requirements.

Our examination disclosed the following material noncompliance with the compliance requirement listed in the first paragraph of this report during the two years ended June 30, 2018. As described in items 2018-001 through 2018-002 in the accompanying schedule of findings, the State of Illinois, Illinois Racing Board did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations (requirement C). 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 material 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 two years ended June 30, 2018. However, the results of our procedures disclosed instances of noncompliance with the requirements, 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 2018-003 through 2018-011.

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

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

Internal Control

Management of the State of Illinois, Illinois Racing Board is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Racing Board's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Racing Board's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 described in the accompanying schedule of findings as items 2018-001 through 2018-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2018-003 through 2018-011 to be significant deficiencies.

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

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

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

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2018 and June 30, 2017 in Schedules 1 through 5 and the Analysis of Operations Section 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 June 30, 2018 and June 30, 2017 accompanying supplementary information in Schedules 1 through 5. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2016 accompanying supplementary information in Schedules 3 through 5, and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
May 8, 2019

**STATE OF ILLINOIS
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CURRENT FINDINGS – STATE COMPLIANCE

2018-001. **FINDING** (Noncompliance with Racing Laws and Regulations)

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

The Code (11 Ill. Admin. Code 422.100) requires no person to serve or act as a racing official unless such person has an occupation license. The Act (230 ILCS 5/15(a)) requires occupation licenses to be obtained prior to persons engaging in their vocation at locations regulated by the Board. Finally, the Act (230 ILCS 5/9(d)) vests the Board, and any person or persons to whom it delegates this power, with authority to investigate alleged violations of the provisions of the Act, its reasonable rules and regulations, and its orders and final decisions. It further requires the Board to take appropriate disciplinary action against any licensee or occupation licensee for violations or institute appropriate legal action for the enforcement.

- 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. The Code (11 Ill. Admin. Code 422.10(b)) requires the list of names submitted to the Board for approval to indicate whether the nominee has previously been employed at any Illinois race track.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

- 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.
 - 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.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that resources are utilized efficiently and effectively. A good system of internal control includes ensuring that controlled substances are properly recorded, monitored, and accounted for by the Board.

- At one of three (33%) racetracks visited, the Board was not monitoring the arrival time of the Association Steward in a thoroughbred racetrack. No time records were kept to determine whether the Association Steward arrived at least three hours prior to the first race. The Code (11 Ill. Admin Code 1402.150 and 1426.20) requires thoroughbred stewards to assemble at their office at the racetrack no later than three hours prior to the post time of the first race. Further, a good system of internal control includes implementing a monitoring process to provide reasonable assurance that licensees are complying with the Board’s rules and regulations.
- 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. The FCIAA (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that resources are utilized efficiently and effectively. A good system of internal control includes ensuring operational procedures and processes are kept current and used to guide employee actions and then monitored by management for deviations.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

- 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.”
 - 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).”

The Code (11 Ill Admin Code 415.10(i)) requires the racetrack’s racing program to include a statement that wagers are to be made by program number and not by post position. In addition, the Act (230 ILCS 5/34.1(b)) requires each organization licensee to print a statement regarding obtaining assistance with gambling problems, the text of which shall be determined by rule by the Department of Human Services, on all office racing programs that the organization licensee provides to the general public.

During the prior and current engagement periods, Board officials attributed the exceptions to staffing issues, oversight, and a need to update the Board’s rules and regulations.

Failure to maintain strict adherence to the applicable provisions of the Act and Code by the Board’s employees and licensees may subject the State to unnecessary legal risks, increase the potential for errors or other irregularities, and represents noncompliance with State laws, rules and regulations. (Finding Code No. 2018-001, 2016-008, 2014-009)

RECOMMENDATION

We recommend 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.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

BOARD RESPONSE

The Board concurs with the information presented and has initiated corrective action procedures during the current examination reporting period.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-002. **FINDING** (Failure to Enforce Withholding of Child Support Due)

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

During 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.

The Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/27.2(a)) requires ADW licensees, for winning wagers subject to reporting to the IRS and withholding on a Form W-2G, to withhold up to the full amount of the winnings necessary to pay the winner’s past due child support amount as certified by the Department of Healthcare and Family Services (HFS). Pursuant to the Act (230 ILCS 5/27.2(f)), this requirement was effective on February 26, 2014, after the HFS adopted administrative rules to implement this requirement (89 Ill. Admin Code 160.70(q)). Further, the Act (230 ILCS 5/9(c)) vests the Board with all powers necessary and proper to fully and effectively execute the provisions of the Act, including entering the facilities and other places of business of any licensee to determine the licensee has complied with applicable laws, rules, and regulations. Finally, the Act (230 ILCS 5/9(d)) states the Board, and any person or persons to whom it delegates this power, is vested with the authority to investigate alleged violations of the provisions of this Act, its reasonable rules and regulations, orders and final decisions; the Board shall take appropriate disciplinary action against any licensee or occupation licensee for violation thereof or institute appropriate legal action for the enforcement thereof.

During the prior engagement period, Board officials stated the ADW licensees used a closed encrypted system that instantly pays out winnings into a winner’s account as soon as the race is declared official, which has made implementing the Act’s requirements difficult. During the current engagement period, Board officials stated the ADW licensees have different types of systems which has made the implementation of the requirements of the Act difficult, but the Board is continuously working with HFS and the ADW licensees on a different process design tailored to fit the different systems.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

Failure by ADW licensees to implement a process to withhold delinquent child support from a winning payout may result in lost opportunities to collect past due child support and represents noncompliance with the Act. (Finding Code No. 2018-002, 2016-010)

RECOMMENDATION

We recommend 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 RESPONSE

The Board concurs with the information presented and has initiated corrective action procedures during the current examination reporting period. The Board continues to work with HFS and monitor the active participation and the progress required by the technical divisions of HFS and individual ADW licensees.

**STATE OF ILLINOIS
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For the Two Years Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-003. **FINDING** (Inadequate Control over Personal Services)

The Illinois Racing Board (Board) lacked control over its personal services functions. During the examination period, the Board expended \$7,376,297 for payroll.

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

While we noted significant improvements in the Board's personal services functions, we still noted several exceptions during the current examination as follows:

Leave Requests

For the nine employees tested, we identified 99 instances of benefit leave time taken during the six months tested and noted the following:

- For 11 of 99 (11%) leave days, the employee's supervisor approved the employee's use of vacation time from one to four days after the time off.
- For 7 of 99 (7%) leave days, the employee requested the vacation time after the vacation day had already occurred (1-25 days late).

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

Monthly Timekeeping Reports

During testing of six per diem employee's Monthly Timekeeping Reports, we noted 9 of 20 (45%) Monthly Timekeeping Reports tested were not approved by the employee within a reasonable period of time, with reports approved between three and 253 days late. For this testing, all Monthly Timekeeping Reports reviewed and approved by employees during the subsequent month were considered timely.

The *Racing Board Policy Manual* (Policy 3.2.1) requires employees to promptly review the Monthly Timekeeping Report to determine whether it accurately reflects (a) time spent on official State business, and (b) authorized leave, to the nearest quarter hour. In addition, the State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)) requires the Board's employees to periodically submit time sheets documenting their time spent each day on official State business to the nearest quarter hour.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

Performance Evaluations

During our testing of performance evaluations for nine employees during Fiscal Years 2017 and 2018, we noted the following:

- Five of 16 (31%) performance evaluations were not performed.
- Five of 16 (31%) performance evaluations were performed from 6 to 277 days late. For this testing, all evaluations performed within 45 days after the end of the evaluation period were considered timely.

The Illinois Administrative Code (80 Ill. Admin. Code 302.270(d)) requires performance records to include an evaluation of employee performance prepared by each agency with such evaluation performed not less often than annually. In addition, prudent business practices require employee performance evaluations to be performed to communicate to employees the strengths and deficiencies in meeting their job responsibilities.

During the prior engagement period, Board officials stated the exceptions noted were due to human error and a lack of a timekeeping system adequate to manage the Board's employee structure. During the current engagement period, Board officials stated these exceptions were due to manual errors and employee's lack of attention.

Failure to establish and maintain internal controls over personal services increases the risk that errors or irregularities could occur and not be found within the normal course of operation and represents noncompliance with laws, rules, and regulations. Employee performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance, and areas for improvement and current year's performance goals and objectives may not be identified and communicated in a timely manner. (Finding Code No. 2018-003, 2016-002, 2014-003, 12-14, 10-6)

RECOMMENDATION

We recommend the Board continue to monitor and review employee's time reporting to ensure time reports and leave forms are reviewed and approved timely. In addition, the Board should also evaluate its procedures for monitoring performance evaluations to ensure performance appraisals are completed timely.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

BOARD RESPONSE

The Board concurs with the information presented and has initiated corrective action procedures during the current examination reporting period and the Board will continue to monitor and review employee's time reporting to ensure time reports and leave request forms are reviewed and approved timely.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-004. **FINDING** (Failure to Monitor a Racetrack’s Cash Receipts)

The Illinois Racing Board (Board) did not adequately monitor a racetrack’s allocation of moneys derived by the racetrack from simulcast wagering and intertrack wagering.

During testing, we noted one of the racetracks pursued a retroactive legislative change to address the racetrack’s allocation of moneys derived from simulcast wagering and inter-track wagering. Public Act 100-1152 was effective on December 14, 2018, and included an amendment to the Act (230 ILCS 5/26). However, the Public Act did not fully amend Section 26 of the Act to address all identified issues in the prior examination. We still noted the following:

- The Board did not monitor a racetrack’s allocation of moneys derived by the racetrack from simulcast wagering and inter-track wagering. During the examination period, the Act (230 ILCS 5/26(g)(7.1)) states if no standardbred racing is conducted at a racetrack, all moneys derived by that racetrack from simulcast wagering and inter-track wagering that (1) are to be used for purses and (2) are generated between the hours of 6:30 p.m. and 6:30 a.m. during the calendar year shall be paid as, (A) 80% shall be paid to its thoroughbred purse account; and (B) 20% shall be deposited into the Illinois Colt Stakes Purse Distribution Fund.
- The Board did not monitor the racetrack’s deposits of the receipts into the Fund. The Act (230 ILCS 5/26(g)(7.1)(B)) requires the racetrack to remit these receipts within two weeks after the receipts were generated.

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

Board officials stated, that in response to previous audits, the Board proceeded to resolve the above issues legislatively but did not realize that all requirements were not addressed by the amendment.

Failure to monitor the racetrack’s timely allocation of the purse account’s share of receipts could result in unidentified noncompliance by the racetrack with the Act, allocation errors not being identified and corrected in a timely manner, and could result in the State not collecting revenues due to the Fund. (Finding Code No. 2018-004, 2016-005)

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

RECOMMENDATION

We recommend the Board monitor the racetrack's allocation of moneys derived from simulcast wagering and inter-track wagering for compliance with the Act.

BOARD RESPONSE

The Board concurs with the information presented and has initiated corrective action procedures to monitor compliance during the current examination reporting period.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-005. **FINDING** (Failure to Monitor Handle Allocations)

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

During our testing, we noted the Board did not have a process in place to monitor the remittance of taxes due from inter-track wagering location licensees to counties and municipalities throughout the State during Fiscal Years 2017 and 2018.

According to the Board’s annual reports, inter-track wagering location licensees should have paid \$5.1 million, \$5.1 million, and \$4.8 million in taxes to counties and municipalities across the State during Calendar Year 2016, Calendar Year 2017, and Calendar Year 2018, respectively.

The Act (230 ILCS 5/26(h)(10.1)) requires inter-track location licensees to pay 1% of the pari-mutuel handle at each location to the municipality in which such location is situated and 1% of the pari-mutuel handle at each location to the county in which such location is situated. In the event that an inter-track wagering location licensee is situated in an incorporated area of a county, such licensee shall pay 2% of the pari-mutuel handle from such location to such county.

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

During the prior engagement period, Board officials stated the problem was due to a lack of resources and no local government had ever contacted them to report discrepancies. During the current period, Board officials stated they have been working on corrective action but did not have adequate time to implement it prior to the end of the engagement period.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

Failure to monitor each inter-track wagering location's remittance of its handle to the county and municipality where the location was situated may result in unidentified noncompliance among the Board's licensees with the Act and may have resulted in a loss of revenue for counties and municipalities across the State. (Finding Code No. 2018-005, 2016-011)

RECOMMENDATION

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

BOARD RESPONSE

The Board concurs with the information presented and has initiated corrective action procedures and has already implemented controls during the current examination reporting period.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-006. **FINDING** (Noncompliance with Non-Live Racing Requirements)

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

During testing, we noted the following:

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

The Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/26(h)(12)(F)) requires the Board to name and appoint a State Director of this wagering who shall be a representative of the Board and whose duty it shall be to supervise the conduct of inter-track wagering as may be provided for by the rules and regulations of the Board; such rules and regulation shall specify the method of appointment and the Director’s powers, authority and duties.

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

During the prior engagement period, Board officials stated they believed this position was already covered by the State Director of Mutuels. During the current period, Board officials stated the Executive Director assigned all (live and dark racing, including inter-track) pari-mutuel duties to the Projects Manager following the unexpected retirement of the Director of Pari-Mutuels. The Projects Manager is serving in that role until a replacement is named.

Failure to adopt administrative rules governing the appointment, powers, authority, and duties of a Director of inter-track wagering and simulcast wagering by inter-track licensees and inter-track wagering location licensees and failure to appoint this Director represents noncompliance with the Act and limits the Board’s ability

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

to provide direct oversight of these licensees as intended by the General Assembly.
(Finding Code No. 2018-006, 2016-013)

RECOMMENDATION

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

BOARD RESPONSE

The Board partially agrees with the information presented and has submitted a rule change during the current examination period to address the auditors concern.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-007. **FINDING** (Noncompliance with Reconciliation Requirements)

The Illinois Racing Board (Board) did not comply with reconciliation requirements for the Monthly Appropriation Status Report (SB01), the Monthly Revenue Status Report (SB04), and the Monthly Cash Report (SB05) established within the Statewide Accounting Management System (SAMS).

During testing, we noted the following:

SB01 Reconciliations

- Six of 29 (21%) SB01 reconciliations for July 2016 through December 2016 for Fund 632 were prepared from 23 to 174 days after the due date.
- Ten of 27 (37%) SB01 reconciliations for July 2016 through April 2017 for Funds 217, 271, and 785 were prepared from 24 to 297 days after the due date.

SB04 Reconciliations

- Eight of 24 (33%) SB04 Reconciliations for July 2016 through February 2017 for Fund 632 were prepared from 16 to 228 days after the due date.
- Ten of 24 (42%) SB04 Reconciliations for July 2016 through April 2017 for Funds 217, 271, and 785 were prepared from 25 to 298 days after the due date.

SB05 Reconciliations

- Eight of 24 (33%) SB05 reconciliations for July 2016 through February 2017 for Fund 632 were prepared from 19 to 230 days after the due date.
- Ten of 24 (42%) SB05 reconciliations for July 2016 through April 2017 for Funds 217, 271, and 785 were prepared from 26 to 301 days after the due date.

SAMS (Procedures 09.40.30, 11.40.20, and 25.40.20) requires the Board to perform reconciliations of the SB01, SB04, and SB05 to its internal records within 60 days of month end to ensure the early detection and correction of errors.

During the prior engagement period, Board officials stated the reconciliation issues were due to oversight. During the current engagement period, Board officials stated the delay in performing required reconciliations was due to staffing issues.

Failure to perform required reconciliations in a timely manner represents noncompliance with SAMS. In addition, timely reconciliation of the Board's records to the State Comptroller's records can help the Board identify and correct errors and omissions. (Finding Code No. 2018-007, 2016-016)

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

RECOMMENDATION

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

BOARD RESPONSE

The Board concurs with the information presented and has initiated corrective action procedures and has implemented controls during the current examination reporting period.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-008. **FINDING** (Inadequate Monitoring of Racing Requirements)

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

During our testing of 28 weeks (85 unique days) of thoroughbred racing, we noted the following:

- For 8 of 85 (9%) race dates tested, two of three racetracks did not offer at least two races limited to Illinois-bred horses.
- For 6 of 28 (21%) race weeks tested, all three racetracks did not offer at least six races in a week limited to Illinois-bred horses.
- For 3 of 85 (4%) race dates tested, the Board did not document within the steward’s daily minutes for one racetrack that at least two races were offered in a day or six races in a week limited to Illinois-bred horses or its consent to eliminate and/or substitute races for Illinois-bred horses on a given day due to insufficient competition among the horse population, as required by the Act.

The Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/30(b)) requires the thoroughbred racetracks to provide a minimum of two races per day and six races per week limited to Illinois-bred horses.

In addition, the Act (230 ILCS 5/9(c)) vests the Board with all powers necessary and proper to fully and effectively execute the provisions of the Act, including entering the facilities and other places of business of any licensee to determine the licensee has complied with applicable laws, rules, and regulations. Further, the State Records Act (5 ILCS 160/8) requires the Board to make and preserve adequate and proper records of the decisions of the Board to furnish information to protect the legal and financial rights of the State and person directly affected by the Board’s activities.

During the prior engagement period, Board officials attributed the problems noted to human error. During the current period, Board officials stated the issues noted were due to diminishing horse and/or foal populations and the steward’s lack of attention.

Failure to enforce the statutory racing requirements for thoroughbred horses among the racetracks represents noncompliance with the Act and may reduce racing opportunities for Illinois-bred horses. (Finding Code No. 2018-008, 2016-017, 2014-012, 12-11)

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

RECOMMENDATION

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

BOARD RESPONSE

The Board concurs with the information presented and has enhanced its monitoring of this issue and has modified its procedures during the current examination reporting period.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-009. **FINDING** (Outdated Records Retention Schedule)

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

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

As also noted in the prior year examination, the Board’s latest records retention schedule was approved by the State Records Commission (Commission) on August 15, 1990. The Board requested from the Commission to change its retention methodology for certain records series from microfilm to digital on March 3, 2015.

During the current examination, we noted the Board started the process to review and update its records retention schedule, however, the Board still:

- 1) did not follow the Commission’s written process for establishing a records retention schedule as described in the Commission’s *Records Management Reference Manual for Illinois State Government Agencies*;
- 2) did not submit to the Commission a revised “Application for Authority to Dispose of State Records” reflecting this proposed change on forms from the Commission as required by the Code (44 Ill. Admin. Code 4400.30(c));
- 3) did not include an analysis of the costs and benefits of converting to digital from microfilm, as the Commission’s website notes (1) the costs of scanning are frequently higher than maintaining paper records and (2) scanning may not be preferable for long-term retention when compared to the storage, cost, and maintenance of microfilming; and
- 4) did not address whether any changes had occurred to the Board’s records series in the intervening 26.5 years.

Board officials stated, as they did during the prior engagement period, the delay in updating its records retention schedule was due to other competing priorities of the Board.

Failure to review the records retention schedule for potential updates on a routine basis could result in records with administrative, legal, fiscal, or archival value not being identified and retained, hinders governmental oversight, and represents noncompliance with State law. (Finding Code No. 2018-009, 2016-018)

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

RECOMMENDATION

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

BOARD RESPONSE

The Board concurs with the information presented and continues, as recommended, to review its record retention schedule. The Board has submitted during the course of the reporting period several requests to the State Records Commission.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-010. **FINDING** (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.

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 Illinois Administrative Code (Code) (11 Ill. Admin. Code 208.120(b)(5)) requires the auditor of each recipient of grant funds from the Racing Board Charity Fund to communicate any material weakness in the recipient’s internal controls.

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’s grant agreement, Section 3a, required the grantee to have an audit performed by the Board at the end of the calendar year to ensure that all monies were properly distributed. In addition, the Code (11 Ill. Admin. Code 208.120(c) requires grant recipients to be subject to audit by Board personnel to determine whether the funds awarded by the Board are being used in accordance with the proposed budget.
- The Board could not locate the Calendar Year 2016 4th quarter report submitted by the grantee. The grant agreement, Section 3c, required the grantee to file quarterly reports with the Board, describing the progress of the program, project, or use and the expenditure related to the grant funds.

Board officials stated the problems noted were due to oversight.

Failure to maintain all required documentation and adequately monitor adherence to the conditions contained within each grant agreement represents noncompliance with the terms of the grant and could have resulted in the Board being unaware of material weaknesses within a grant recipient’s internal controls and grant funds which were subject to recovery. (Finding Code No. 2018-010)

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

RECOMMENDATION

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

BOARD RESPONSE

The Board concurs with the information presented and has strengthened its procedures, as recommended, during the current examination reporting period.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

2018-011. **FINDING** (Inadequate Controls over Admission Tax)

The Illinois Racing Board (Board) did not have adequate controls over admission tax collections.

During our testing, we noted the following:

- For admission taxes paid during Fiscal Years 2017-2018, we noted the Board did not perform a review and audit of admission records of racetracks. The Board relied on the admissions report provided by the racetracks as the basis for the admission tax calculation. The Board’s Standard Operating Procedures for Field Staff Duties (SOP) states the pari-mutuel auditor is responsible for the review and audit of admission department records. In addition, the Illinois Administrative Code (Code) (11 Ill. Admin Code 1428.10(b)) requires the State Director of Mutuels to direct and supervise the conduct of the admissions department during each race meeting. The Illinois Horse Racing Act (Act) (230 ILCS 5/25) states accurate records and books shall at all time be kept and maintained by the organization licensees and inter-track wagering licensees showing the admission tickets issued and used on each racing day and the attendance thereat of each horse racing meeting. The Board or its duly authorized representative or representatives shall at all reasonable times have access to the admission records of any organization licensee and inter-track wagering licensee for the purpose of examining and checking the same and ascertaining whether or not the proper amount has been or is being paid to the State of Illinois as herein provided.

Board officials stated verification of the number of paid admissions was performed by the previous Pari-Mutuel auditor who retired during the examination period. The issue noted was due to a lack of proper turnover of responsibilities due to the vacancy in the position.

- The Board codified rules to establish a time frame for submission of its thoroughbred admissions taxes (11 Ill. Admin Code 1428.30) but has not enacted administrative rules to establish the time period for remitting the \$0.15 admission taxes for the standardbred (harness) licensees pursuant to the Act (230 ILCS 5/25). The Illinois Administrative Procedure Act (5 ILCS 100/5-10(c)) states agencies rules are not valid or effective against any person or party until it has been made available for public inspection and filed with the Secretary of State as required by this Act.

Board officials attributed the lack of rules to oversight and competing priorities.

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CURRENT FINDINGS – STATE COMPLIANCE (Continued)

Inadequate controls over verification of the admission tax reported by racetracks may lead to incomplete and inaccurate tax payments by the racetracks and results in a loss of State revenue. Failure to adopt formal regulations regarding when taxes are due from licensees represents noncompliance with State law and subjects the State to unnecessary litigation risks, and could have reduced the amount of revenues collected by the Board. (Finding Code No. 2018-011)

RECOMMENDATION

We recommend the Board review the admission records reported by racetracks to ensure the basis used for the admission tax calculation is complete and accurate. We also recommend the Board adopt a rule regarding the due date of the admission tax for harness racing licensees.

BOARD RESPONSE

The Board concurs with the information presented and has initiated corrective action procedures during the current examination reporting period by developing a schedule as recommended.

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PRIOR FINDINGS NOT REPEATED

A. **FINDING** (Inadequate Control over Receipts)

During the prior examination, the 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 in the State Treasury.

During the current examination, our sample testing showed the Board collected, reported, and timely deposited receipts in the State Treasury. (Finding Code 2016-001, 2014-002, 12-2, 10-2)

B. **FINDING** (Inadequate Control over Totalizator SOC Reports)

During the prior examination, the Illinois Racing Board (Board) did not monitor racetracks to ensure controls from service organization controls reports were implemented, did not review SOC reports for subservice organizations, and did not adequately review all SOC reports to ensure significant issues were addressed.

During the current examination, we noted the Board designated a person responsible for documenting reviews. Specifically, the Board obtained and reviewed SOC reports of the totalizator companies, and we noted the Board documented reviews, including relevant Complementary User Entity Controls (CUECs). In addition, the Board obtained bridge letters, where necessary and considered any subservice organizations. (Finding Code No. 2016-003)

C. **FINDING** (Inadequate Physical Security Controls)

During the prior examination, the Board lacked control over physical access to the Board's offices at the racetracks. Specifically, the Board's office at a racetrack was burglarized and items were missing.

During the current examination, our testing showed the racetrack re-issued keys to the Board personnel in the field and installed a security camera. (Finding Code No. 2016-004)

D. **FINDING** (Inadequate Control over Accounts Receivable)

During the prior examination, the Board did not exercise adequate internal control over preparing its Quarterly Summary of Accounts Receivable reports (quarterly reports) for the Office of the State Comptroller. Specifically, the Board did not notify the Department of Revenue or the Department of Agriculture of receivables for pari-mutuel taxes earned during the last days of each quarter that had not been received by the Department of Revenue. In addition, the Board had not reviewed

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PRIOR FINDINGS NOT REPEATED (Continued)

its accounts receivable process to determine if the method of estimating uncollectible accounts was fair and reasonable.

During the current examination, our sample testing showed the Board sent the required notifications to the Department of Revenue and Department of Agriculture and implemented a process to reasonably estimate uncollectible accounts. (Finding Code No. 2016-006, 2014-007, 12-3, 10-4)

E. **FINDING** (Unable to Distribute Collected Local Taxes)

During the prior examination, the Board was unable to distribute all inter-track wagering location admission fees to the City of Chicago and Cook County.

During the current examination, we noted the Board paid the fees owed with its Fiscal Year 2018 supplemental appropriation from the General Revenue Fund. (Finding Code No. 2016-007, 2014-008, 12-5)

F. **FINDING** (Inadequate Control over Laboratory)

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

During the current examination, our sample testing showed the Board's specimen samples were adequately secured, payments for laboratory analysis were reviewed and properly supported, and laboratory audits were performed and documented. (Finding Code No. 2016-009, 2014-010)

G. **FINDING** (Inadequate Control over Voucher Processing)

During the prior examination, the Board lacked adequate controls over its expenditure processing. The auditors noted various issues including travel vouchers were not timely submitted, vouchers were not timely reviewed or did not have all the necessary supporting documentation, and prompt pay interest was not paid.

During the current examination, our sample testing noted improvement in the Board's expenditure processing; however, we still noted exceptions during testing. This matter was reported in the Board's Report of Immaterial Findings. (Finding Code No. 2016-012)

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PRIOR FINDINGS NOT REPEATED (Continued)

H. **FINDING** (Excessive Commuting Mileage)

During the prior examination, the Board incurred excessive commuting mileage on its vehicles. Specifically, the Board incurred 42-89% commuting mileage on all four of its individually assigned vehicles. Further, the Board did not provide an analysis of the Board's vehicles to determine whether maintaining each vehicle represents the best interests of the State given the Board's specific operating needs.

During the current examination, though the Board incurred excessive commuting mileage on its vehicles, the Board performed an analysis of its vehicles for both Fiscal Years 2017 and 2018 and provided documentation why maintaining these vehicles was in the best interest of the State. (Finding Code No. 2016-014)

I. **FINDING** (Noncompliance with the Illinois Vehicle Code)

During the prior examination, the Board did not exercise adequate control over personal liability insurance certifications for personnel assigned a State vehicle. Specifically, it was noted that two individuals did not file certifications and one individual filed the certifications 322 and 299 days late.

During the current examination, we noted the Board improved controls over personal liability insurance certifications; however, we still noted exceptions so this matter was reported in the Board's Report of Immaterial Findings. (Finding Code No. 2016-015)

J. **FINDING** (Inaccurate Agency Fee Imposition Report)

During the prior examination, the Board incorrectly reported cash receipts generated by its fees as required by the State Comptroller Act for four revenue sources (organization licenses, occupation license, photo identification fees, and fingerprint fees). Specifically, the Board's Agency Fee Imposition Reports (Reports) were understated by \$5,939 and \$744 for Fiscal Years 2015 and 2016, respectively.

During the current examination, our sample testing showed the Board submitted accurate Reports to the Office of the State Comptroller. (Finding Code No. 2016-019, 2014-011, 12-10)

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

PRIOR FINDINGS NOT REPEATED (Continued)

K. **FINDING** (Failure to Report Grant Information)

During the prior examination, the Board did not work with the State's Chief Information Officer to post information about its grant awards for the Quarter Horse Purse Fund, the Standardbred Purse Fund, and charity grants on the website data.illinois.gov.

During the current examination, our sample testing showed the Board published the required information about its grant awards on the website. (Finding Code No. 2016-020)

L. **FINDING** (Noncompliance with the Illinois Grant Funds Recovery Act)

During the prior examination, the Board did not require applicants to submit an application as required by the Illinois Grant Funds Recovery Act. Specifically, there were no grant applications for distributions from the Quarter Horse Purse Fund and from the Standardbred Purse Fund.

During the current examination, the Board requested, and received, an exemption from the Governor's Compliance Office stating the Board's Quarter Horse Purse Fund and the Standardbred Purse Fund distributions were exempt from application requirements within the Grant Accountability and Transparency Act which superseded the Grant Funds Recovery Act's application requirements. (Finding Code No. 2016-021)

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

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
 - Fiscal Year 2018
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Fiscal Year 2017
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller

- Analysis of Operations (Not Examined):
 - Board Functions and Planning Program (Not Examined)
 - Analysis of Significant Variations in Expenditures (Not Examined)
 - Analysis of Significant Variations in Receipts (Not Examined)
 - Analysis of Significant Lapse Period Spending (Not Examined)
 - Analysis of Accounts Receivable (Not Examined)
 - Budget Impasse Disclosures (Not Examined)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
 - Interest Costs on Fiscal Year 2017 Invoices (Not Examined)
 - Average Number of Employees (Not Examined)
 - Horse Racing Statistics (Not Examined)
 - Calendar Year 2008 – 2017 Purses, Commissions, and State Revenue (Not Examined)
 - Calendar Year 2017 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Not Examined)
 - Calendar Year 2017 Advance Deposit Wagering Statistics (Not Examined)
 - Calendar Year 2017 Activity from All Locations (Not Examined)
 - Calendar Year 2017 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Not Examined)
 - Calendar Year 2017 Advance Deposit Wagering Statistics (Not Examined)
 - Calendar Year 2017 Activity from All Locations (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

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

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY (Continued)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2018 and June 30, 2017 accompanying supplementary information in Schedules 1 through 5. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

**STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2018**

For the Fifteen Months Ended September 30, 2018

Public Act 100-0021	Expenditure Authority (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
General Revenue Fund - 001					
Admission Tax	\$ 45,000	\$ 44,927	\$ -	\$ 44,927	\$ 73
Total General Revenue Fund	<u>\$ 45,000</u>	<u>\$ 44,927</u>	<u>\$ -</u>	<u>\$ 44,927</u>	<u>\$ 73</u>
Horse Racing Fund - 632					
Personal Services	\$ 1,125,400	\$ 1,046,142	\$ 38,783	\$ 1,084,925	\$ 40,475
Employee Retirement					
Contribution Paid by Employer	607,900	534,466	18,392	552,858	55,042
State Contributions to Social Security	86,100	76,981	2,827	79,808	6,292
Group Insurance	300,000	208,168	8,454	216,622	83,378
Contractual Services	164,000	119,972	7,039	127,011	36,989
Travel	15,000	7,923	129	8,052	6,948
Commodities	1,500	1,423	-	1,423	77
Printing	1,000	-	-	-	1,000
Equipment	2,000	301	-	301	1,699
Electronic Data Processing	62,000	59,427	-	59,427	2,573
Telecommunications	70,000	51,011	10,242	61,253	8,747
Operation of Automotive Equipment	10,000	5,166	425	5,591	4,409
Expenses Related to the Laboratory Program	1,104,000	815,972	205,650	1,021,622	82,378
Expenses Related to Regulate and Use for Making Purse Awards	2,487,600	1,732,432	137,415	1,869,847	617,753
Distribution to Local Governments	265,000	159,744	15,394	175,138	89,862
Refunds	1,000	649	-	649	351
Total Horse Racing Fund	<u>\$ 6,302,500</u>	<u>\$ 4,819,777</u>	<u>\$ 444,750</u>	<u>\$ 5,264,527</u>	<u>\$ 1,037,973</u>
SUBTOTAL - APPROPRIATED FUNDS	<u>\$ 6,347,500</u>	<u>\$ 4,864,704</u>	<u>\$ 444,750</u>	<u>\$ 5,309,454</u>	<u>\$ 1,038,046</u>

**STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2018**

For the Fifteen Months Ended September 30, 2018

Public Act 100-0021	Expenditure Authority (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed
<u>NONAPPROPRIATED FUNDS</u>					
Standardbred Purse Fund - 217					
Awards and Grants		\$ 308,736	\$ -	\$ 308,736	
Total Standardbred Purse Fund		<u>\$ 308,736</u>	<u>\$ -</u>	<u>\$ 308,736</u>	
Illinois Racing Board Charity Fund - 271					
Grant to a Non-Profit Organization		\$ 750,000	\$ -	\$ 750,000	
Total Illinois Racing Board Charity Fund		<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>	
Quarter Horse Purse Fund - 785					
Awards and Grants		\$ 100,500	\$ -	\$ 100,500	
Total Quarter Horse Purse Fund		<u>\$ 100,500</u>	<u>\$ -</u>	<u>\$ 100,500</u>	
SUBTOTAL - NONAPPROPRIATED FUNDS		<u>\$ 1,159,236</u>	<u>\$ -</u>	<u>\$ 1,159,236</u>	
GRAND TOTAL ALL FUNDS		<u>\$ 6,023,940</u>	<u>\$ 444,750</u>	<u>\$ 6,468,690</u>	

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

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

**STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017**

For the Sixteen Months Ended October 31, 2017

Public Act 99-0524	Expenditure Authority (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
Horse Racing Fund - 632					
Personal Services	\$ 1,145,200	\$ 943,196	\$ 40,152	\$ 983,348	\$ 161,852
Employee Retirement					
Contribution Paid by Employer	510,400	413,852	18,186	432,038	78,362
State Contributions to Social Security	87,700	69,280	3,008	72,288	15,412
Group Insurance	316,800	219,907	9,499	229,406	87,394
Contractual Services	180,000	139,371	8,603	147,974	32,026
Travel	20,000	5,615	383	5,998	14,002
Commodities	1,500	1,499	-	1,499	1
Printing	1,000	-	-	-	1,000
Equipment	2,000	150	-	150	1,850
Electronic Data Processing	50,000	50,000	-	50,000	-
Telecommunications	65,000	53,713	9,351	63,064	1,936
Operation of Automotive Equipment	10,000	4,087	499	4,586	5,414
Expenses Related to the Laboratory Program	1,134,000	746,588	203,994	950,582	183,418
Expenses Related to Regulate and Use for Making Purse Awards	2,845,800	1,809,184	647,029	2,456,213	389,587
Distribution to Local Governments	345,000	199,205	18,065	217,270	127,730
Refunds	1,000	-	200	200	800
Expenses Related to Shared Services	185,000	-	-	-	185,000
Total Horse Racing Fund	<u>\$ 6,900,400</u>	<u>\$ 4,655,647</u>	<u>\$ 958,969</u>	<u>\$ 5,614,616</u>	<u>\$ 1,285,784</u>
SUBTOTAL - APPROPRIATED FUNDS	<u>\$ 6,900,400</u>	<u>\$ 4,655,647</u>	<u>\$ 958,969</u>	<u>\$ 5,614,616</u>	<u>\$ 1,285,784</u>

STATE OF ILLINOIS
ILLINOIS RACING BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

For the Sixteen Months Ended October 31, 2017

Public Act 99-0524	Expenditure Authority (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed
<u>NONAPPROPRIATED FUNDS</u>					
Standardbred Purse Fund - 217					
Awards and Grants		\$ 349,980	\$ 75,020	\$ 425,000	
Total Standardbred Purse Fund		<u>\$ 349,980</u>	<u>\$ 75,020</u>	<u>\$ 425,000</u>	
Illinois Racing Board Charity Fund - 271					
Grant to a Non-Profit Organization		\$ 750,000	\$ -	\$ 750,000	
Total Illinois Racing Board Charity Fund		<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>	
Quarter Horse Purse Fund - 785					
Awards and Grants		\$ 99,500	\$ -	\$ 99,500	
Total Quarter Horse Purse Fund		<u>\$ 99,500</u>	<u>\$ -</u>	<u>\$ 99,500</u>	
SUBTOTAL - NONAPPROPRIATED FUNDS		<u>\$ 1,199,480</u>	<u>\$ 75,020</u>	<u>\$ 1,274,500</u>	
GRAND TOTAL - ALL FUNDS		<u>\$ 5,855,127</u>	<u>\$ 1,033,989</u>	<u>\$ 6,889,116</u>	

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

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

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

For Years Ended June 30, 2018, 2017 and 2016

	2018	2017	2016
	PA 100-0021	PA 99-0524	Court-Ordered Expenditures and PA 99-0524
<u>APPROPRIATED FUNDS</u>			
General Revenue Fund - 001			
Appropriations	\$ 45,000	\$ -	\$ -
<u>Expenditures</u>			
Admission Tax	\$ 44,927	\$ -	\$ -
Total General Revenue Fund Expenditures	\$ 44,927	\$ -	\$ -
Lapsed Balances	\$ 73	\$ -	\$ -
Horse Racing Fund - 632			
Appropriations	\$ 6,302,500	\$ 6,900,400	\$ 6,377,300
<u>Expenditures</u>			
Personal Services	\$ 1,084,925	\$ 983,348	\$ 978,006
Employee Retirement			
Contribution Paid by Employer	552,858	432,038	447,384
State Contributions to Social Security	79,808	72,288	72,290
Group Insurance	216,622	229,406	222,709
Contractual Services	127,011	147,974	150,991
Travel	8,052	5,998	5,333
Commodities	1,423	1,499	1,460
Equipment	301	150	-
Electronic Data Processing	59,427	50,000	47,517
Telecommunications	61,253	63,064	49,218
Operation of Automotive Equipment	5,591	4,586	4,956
Expenses Related to the Laboratory Program	1,021,622	950,582	872,301
Expenses Related to the Regulation of Racing Program	-	-	2,450,547
Expenses Related to Regulate and Use for Making Purse Awards	1,869,847	2,456,213	-
Distribution to Local Governments	175,138	217,270	248,025
Refunds	649	200	-
Expenses Related to Shared Services	-	-	136,370
Total Horse Racing Fund Expenditures	\$ 5,264,527	\$ 5,614,616	\$ 5,687,107
Lapsed Balances	\$ 1,037,973	\$ 1,285,784	\$ 690,193

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

For Years Ended June 30, 2018, 2017 and 2016

	2018	2017	2016
	PA 100-0021	PA 99-0524	Court-Ordered Expenditures and PA 99-0524
<u>TOTAL - APPROPRIATED FUNDS</u>			
Total Appropriations	\$ 6,347,500	\$ 6,900,400	\$ 6,377,300
Total Appropriated Expenditures	\$ 5,309,454	\$ 5,614,616	\$ 5,687,107
Total Lapsed Balances	\$ 1,038,046	\$ 1,285,784	\$ 690,193
<u>NONAPPROPRIATED FUNDS</u>			
Standardbred Purse Fund - 217			
<u>Expenditures</u>			
Awards and Grants	\$ 308,736	\$ 425,000	\$ 350,000
Total Standardbred Purse Fund Expenditures	\$ 308,736	\$ 425,000	\$ 350,000
Illinois Racing Board Charity Fund - 271			
<u>Expenditures</u>			
Grant to a Non-Profit Organization	\$ 750,000	\$ 750,000	\$ 750,000
Total Illinois Racing Board Charity Fund Expenditures	\$ 750,000	\$ 750,000	\$ 750,000
Quarter Horse Purse Fund - 785			
<u>Expenditures</u>			
Awards and Grants	\$ 100,500	\$ 99,500	\$ 48,500
Total Quarter Horse Purse Fund Expenditures	\$ 100,500	\$ 99,500	\$ 48,500
<u>TOTAL - NONAPPROPRIATED FUNDS</u>			
Total Nonappropriated Expenditures	\$ 1,159,236	\$ 1,274,500	\$ 1,148,500
<u>GRAND TOTAL - ALL FUNDS</u>			
Total Expenditures	\$ 6,468,690	\$ 6,889,116	\$ 6,835,607

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

For Years Ended June 30, 2018, 2017 and 2016

	2018	2017	2016
	PA 100-0021	PA 99-0524	Court-Ordered Expenditures and PA 99-0524
<u>STATE OFFICERS' SALARIES</u>			
Horse Racing Fund - 632 (State Comptroller)			
Appropriations	\$ 222,900	\$ 206,800	\$ -
<u>Expenditures</u>			
Members' Per Diem	\$ 21,300	\$ 19,800	\$ 21,300
Employee Retirement			
Contribution by Employer	2,188	2,540	3,830
State Contribution to Socia Security	1,629	1,515	1,629
Total Horse Racing Fund Expenditures	\$ 25,117	\$ 23,855	\$ 26,759
Lapsed Balances	\$ 197,783	\$ 182,945	\$ -

- Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records and have been reconciled to Board records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.
- Note 3: During Fiscal Year 2016, the Board operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Board's court-ordered payroll payments were merged into the enacted appropriation for Fund 632. Further, the Board incurred non-payroll obligations within Fund 632, which the Board was unable to pay until the passage of Public Act 99-0524.

**STATE OF ILLINOS
ILLINOIS RACING BOARD
SCHEDULE OF CHANGES IN STATE PROPERTY**

For the Two Years Ended June 30, 2018

		Equipment
Balance at July 1, 2016	\$	294,130
Additions		5,043
Deletions		(1,859)
Net Transfers		<u>(9,821)</u>
Balance at June 30, 2017	<u>\$</u>	<u>287,493</u>
Balance at July 1, 2017	\$	287,493
Additions		11,940
Deletions		(81,945)
Net Transfers		<u>(6,221)</u>
Balance at June 30, 2018	<u>\$</u>	<u>211,267</u>

Note: The above schedule has been derived from Board records which have been reconciled to property reports submitted to the Office of the Comptroller.

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

For the Fiscal Years Ended June 30, 2018, 2017 and 2016

	2018	2017	2016
<u>Illinois Racing Board Charity Fund - 271</u>			
Annual Charity Assessment	\$ 1,500,000	\$ 750,000	\$ 750,000
Total Receipts - Fund 271	<u>\$ 1,500,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>
Receipts, per Board Records	\$ 1,500,000	\$ 750,000	\$ 750,000
Add: Deposits in Transit, Beginning of the Year	-	-	-
Less: Deposits in Transit, End of the Year	234,987	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 1,265,013</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>
<u>Horse Racing Fund - 632</u>			
Admission Tax - Racetracks	\$ 63,957	\$ 68,208	\$ 68,913
Admission tax - OTBs	174,938	216,768	247,831
Fines and Penalties	36,978	46,950	47,022
Occupational Licenses	127,393	129,375	148,950
Organizational Licenses	61,590	66,060	73,240
Miscellaneous	653	495	73
Fingerprinting Fees	17,658	18,403	21,179
Photo Identification Fee	55	80	100
0.2% Winning Wager Surcharge	800,997	812,925	801,167
Reimbursements, Jury Duty and Recoveries	17	-	-
Total Receipts - Fund 632	<u>\$ 1,284,236</u>	<u>\$ 1,359,264</u>	<u>\$ 1,408,475</u>
Receipts, per Board Records	\$ 1,284,236	\$ 1,359,264	\$ 1,408,475
Add: Deposits in Transit, Beginning of the Year	41,115	30,364	64,385
Less: Deposits in Transit, End of the Year	33,552	41,115	30,364
Deposits, Recorded by the State Comptroller	<u>\$ 1,291,799</u>	<u>\$ 1,348,513</u>	<u>\$ 1,442,496</u>
<u>Quarter Horse Purse Fund - 785</u>			
0.2% Winning Wager Surcharge	\$ 100,000	\$ 100,000	\$ 89,000
Total Receipts - Fund 785	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 89,000</u>
Receipts, per Board Records	\$ 100,000	\$ 100,000	\$ 89,000
Add: Deposits in Transit, Beginning of the Year	-	2,438	11,000
Less: Deposits in Transit, End of the Year	-	-	2,438
Deposits, Recorded by the State Comptroller	<u>\$ 100,000</u>	<u>\$ 102,438</u>	<u>\$ 97,562</u>
<u>GRAND TOTAL - ALL FUNDS</u>			
Total Cash Receipts, Per Board Records	\$ 2,884,236	\$ 2,209,264	\$ 2,247,475
Add: Deposits in Transit, Beginning of the Year	41,115	32,802	75,385
Less: Deposits in Transit, End of the Year	268,539	41,115	32,802
Deposits, Recorded by the State Comptroller	<u>\$ 2,656,812</u>	<u>\$ 2,200,951</u>	<u>\$ 2,290,058</u>

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

**BOARD FUNCTIONS AND PLANNING PROGRAM
(Not Examined)**

Board Functions

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

The primary duties of the Board include:

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

Currently, the Board oversees live racing at three racetracks, the Illinois State Fair, the DuQuoin State Fair, and the Brown County Fair. The Board is responsible for regulation of 24 inter-track wagering facilities and five advance deposit wagering licensees.

Planning Program

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

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

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Not Examined)**

A comparative schedule of net appropriations, expenditures and lapsed balances is presented in Schedule 3. We considered fluctuations in excess of \$100,000 and 20% in expenditures to be significant. Explanations of significant expenditures fluctuations are as follows:

2017 AND 2018

Horse Racing Fund – 632

Employee Retirement Contributions Paid by Employer

The expenditures increased by \$120,820 or 28% due to higher State Retirement Systems (SERS) employer contribution rate from 44.57% in Fiscal Year 2017 to 54.01% in Fiscal Year 2018.

Expenses Related to Regulate and Use Exclusively for Making Purse Awards

The expenditures decreased by \$586,366 or 24% due to a one-time \$500,000 distribution made by the Board to the organization licensees' purse accounts during Fiscal Year 2017. The objective of this allocation is to redistribute the excess of tax collected and distributed to local and State governments back to the organization licensees, to promote horse racing as allowed by the Illinois Horse Racing Act (230 ILCS 5/27(g)). No reallocation made during Fiscal Year 2018.

Standardbred Purse Fund – 217

Awards and Grants

The expenditures decreased by \$116,264 or 27% due to the late signing of the contract between the Board and the recipient for Calendar Year 2018. Thus, there were no grant distributions made by the Board from March 2018 to June 2018.

2016 AND 2017

Horse Racing Fund – 632

Expenses Related to the Regulation of Racing Program

The expenditures decreased by \$2,450,547 or 100% due to transfer of appropriation for expenses related to the regulation of racing program from budget line (1910) to expenses related to regulate and use exclusively for making purse awards budget line (4900) during Fiscal Year 2017.

Expenses Related to Regulate and Use Exclusively for Making Purse Awards

The expenditures increased by \$2,456,213 or 100% due to transfer of appropriation for expenses related to the regulation of racing program from budget line (1910) to expenses related to regulate and use exclusively for making purse awards budget line (4900) during Fiscal Year 2017.

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

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)
(Not Examined)**

Expenses Related to Shared Services

The expenditures decreased by \$136,370 or 100% due to the shared services center ceasing operations in Fiscal Year 2017.

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

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(Not Examined)**

A comparative schedule of cash receipts and reconciliation of cash receipts to deposits remitted to the state comptroller is presented in Schedule 5. We considered fluctuations in total cash receipts by Fund in excess of \$100,000 and 20% to be significant. Explanations of significant receipts fluctuations are as follows:

2017 AND 2018

Illinois Racing Board Charity Fund – 271

Annual Charity Assessment

The receipts increased by \$750,000 or 100% due to the early payment by organization licensees of the Calendar Year 2018 charity assessment. Funds were received by the Board in June 2018 instead of July 2018, as compared to previous years. These funds are to be awarded in the next calendar year.

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

**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
(Not Examined)**

The schedule of appropriations, expenditures and lapsed balances for Fiscal Years 2018 and 2017 are presented in Schedules 1 and 2. We considered spending of \$100,000 and 20% to be significant. Explanations of significant lapsed period spending are as follows:

FISCAL YEAR 2018

Horse Racing Fund – 632

Expenses Related to the Laboratory Program

Lapse period expenditures were 205,650 or 20% of total expenditures. The lapse spending occurred due to a corrected May 2018 invoice related to laboratory services received by the Board towards end of June 2018 and paid during lapse.

FISCAL YEAR 2017

Expenses Related to the Laboratory Program

Lapse period expenditures were 203,994 or 21% of total expenditures. The lapse spending occurred due to a late billing of laboratory services rendered for the month of June 2017 that was received by the Board in July 2017.

Expenses Related to Regulate and Use for Making Purse Awards

Lapse period expenditures were 647,029 or 26% of total expenditures. The lapse spending occurred due to the allocation of \$500,000 in grants to line item 4900 (expenses to regulate and augment organization licensee purse accounts) pursuant to Public Act 100-0021, payment of payroll vouchers for personal services rendered on June 16 to 30, 2017 of \$131,744, and for contractual and commodity expenditures incurred prior to June 30, 2017 of \$15,285.

**STATE OF ILLINOIS
ILLINOIS RACING BOARD
ANALYSIS OF ACCOUNTS RECEIVABLE**

For the Fiscal Years Ended June 30, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Horse Racing Fund - 632</u>			
NOT IN PROTEST (in thousands)			
Receivables Not Past Due	\$ 22	\$ 19	\$ 47
1-90 Days	1	-	5
91-180 Days	-	-	-
181 Days - 1 Year	1	1	-
1 Year <= 2 Years	-	-	7
2 Year <= 3 Years	-	-	2
3 Year <= 4 Years	-	2	1
4 Year <= 5 Years	2	1	2
5 Year <= 10 Years	4	3	7
> 10 Years	6	6	-
	<hr/>	<hr/>	<hr/>
Gross Receivables - Fund 632	\$ 36	\$ 32	\$ 71
Less: Allowance for Doubtful Accounts	9	12	19
	<hr/>	<hr/>	<hr/>
Net Receivables - Fund 632, Not In Protest	<u>\$ 27</u>	<u>\$ 20</u>	<u>\$ 52</u>
<u>Horse Racing Fund - 632</u>			
IN PROTEST (in thousands)			
Receivables Not Past Due	\$ 3	\$ -	\$ -
1-90 Days	-	-	-
91-180 Days	-	-	-
181 Days - 1 Year	2	-	-
1 Year <= 2 Years	-	-	-
2 Year <= 3 Years	-	-	-
3 Year <= 4 Years	-	-	-
4 Year <= 5 Years	-	-	-
5 Year <= 10 Years	-	-	-
> 10 Years	-	-	-
	<hr/>	<hr/>	<hr/>
Gross Receivables - Fund 632	\$ 5	\$ -	\$ -
Less: Allowance for Doubtful Accounts	-	-	-
	<hr/>	<hr/>	<hr/>
Net Receivables - Fund 632, In Protest	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF ILLINOIS
ILLINOIS RACING BOARD
ANALYSIS OF ACCOUNTS RECEIVABLE**

For the Fiscal Years Ended June 30, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Illinois Racing Board Charity Fund - 271</u>			
NOT IN PROTEST (in thousands)			
Receivables Not Past Due	\$ 110	\$ 750	\$ 750
1-90 Days	-	-	-
91-180 Days	-	-	-
181 Days - 1 Year	-	-	-
1 Year <= 2 Years	-	-	-
2 Year <= 3 Years	-	-	-
3 Year <= 4 Years	-	-	-
4 Year <= 5 Years	-	-	-
5 Year <= 10 Years	-	-	-
> 10 Years	-	-	-
	<hr/>	<hr/>	<hr/>
Gross Receivables - Fund 271	\$ 110	\$ 750	\$ 750
Less: Allowance for Doubtful Accounts	-	-	-
	<hr/>	<hr/>	<hr/>
Net Receivables - Fund 271, Not In Protest	<u>\$ 110</u>	<u>\$ 750</u>	<u>\$ 750</u>

Note 1: The "not in protest" amounts under the Horse Racing Fund (Fund 632) represent receivables related to racetrack admission taxes, excess daily handle taxes, fines imposed by the Board, and inter-track wagering location admission fees imposed by local governments. The "in protest" amounts, on the other hand, represent receivables related to fines imposed by the Board for noted violations of the Illinois Horse Racing Act of 1975 or the Board's adopted regulations where the licensee is protesting the penalty.

Note 2: The "not in protest" amounts under the Illinois Racing Board Charity Fund (Fund 271) represent receivables related to the annual charity assessment of \$750,000 imposed upon the racetracks by the Illinois Horse Racing Act of 1975 (230 ILCS 5/31/1) billed before June 30 and collected in July. Advances receipt of the charity assessment was recognized by the Board in June 2018, hence the substantial decrease in the charity assessment receivable balance.

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

**BUDGET IMPASSE DISCLOSURES
(Not Examined)**

Payment of Prior Year Costs in Future Fiscal Years

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

In addition, Article 998 of Public Act 100-0021 authorized the Board to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Board's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Board did not have any outstanding invoices from Fiscal Year 2017 unpaid after the closure of the Fiscal Year 2017 Lapse Period on October 31, 2017. Therefore, the Illinois Racing Board did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs and did not intend to use either its Fiscal Year 2017 or Fiscal Year 2018 appropriations to pay its Fiscal Year 2016 or Fiscal Year 2017 costs.

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

**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATION AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS
(Not Examined)**

Transactions Involving the Illinois Finance Authority

The Illinois Racing Board and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Illinois Racing Board's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2017.

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

**INTEREST COSTS ON FISCAL YEAR 2017 INVOICES
(Not Examined)**

Prompt Payment Interest Costs

The Illinois Racing Board (Board) did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540). The Board's vendors were paid within 90 days.

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

**AVERAGE NUMBER OF EMPLOYEES
(Not Examined)**

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

<u>Division</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Full-Time, Central Office	12	12	13
Part-Time, Central Office	1	1	1
Per Diem, Upstate Racetracks	24	25	25
Per Diem, Downstate Racetracks	11	6	9
Personal Service Contracts	<u>1</u>	<u>4</u>	<u>-</u>
Total Board Employees	<u>49</u>	<u>48</u>	<u>48</u>

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

**HORSE RACING STATISTICS
(Not Examined)**

Calendar Year 2008 – 2017 Purses, Commissions, and State Revenue (Not Examined)

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	<u>HARNESS PURSES DISTRIBUTED</u>	<u>THOROUGHBRED PURSES DISTRIBUTED</u>	<u>TOTAL PURSES DISTRIBUTED</u>	<u>TRACK/OTB COMMISSIONS FROM TAKEOUT</u>
2008	\$ 29,256,533	\$ 50,490,454	\$ 79,746,987	\$ 73,222,359
2009	\$ 23,857,985	\$ 48,949,553	\$ 72,807,538	\$ 64,263,913
2010	\$ 15,598,812	\$ 38,792,651	\$ 54,391,463	\$ 58,298,618
2011	\$ 18,990,581	\$ 44,263,896	\$ 63,254,477	\$ 53,951,487
2012	\$ 24,325,816	\$ 54,189,232	\$ 78,515,048	\$ 51,735,828
2013	\$ 23,677,385	\$ 48,359,376	\$ 72,036,761	\$ 49,103,370
2014	\$ 16,578,130	\$ 40,172,846	\$ 56,750,976	\$ 45,330,951
2015	\$ 11,334,487	\$ 27,893,274	\$ 39,227,761	\$ 41,457,576
2016	\$ 8,681,252	\$ 23,879,701	\$ 32,560,953	\$ 37,564,049
2017	\$ 8,768,531	\$ 25,024,819	\$ 33,793,350	\$ 37,134,084
	<u>% OF HANDLE ON IL. RACES</u>	<u>ILLINOIS HANDLE</u>	<u>STATE REVENUE</u>	<u>PAYOUT TO THE PUBLIC</u>
2008	27%	\$ 818,655,036	\$ 7,950,361	\$ 634,543,073
2009	26%	\$ 736,740,493	\$ 7,138,525	\$ 570,551,890
2010	22%	\$ 725,792,958	\$ 7,440,095	\$ 562,772,095
2011	23%	\$ 687,899,890	\$ 7,819,520	\$ 533,744,072
2012	24%	\$ 672,902,967	\$ 7,459,312	\$ 522,992,947
2013	23%	\$ 617,943,710	\$ 6,382,511	\$ 479,776,526
2014	19%	\$ 623,983,058	\$ 7,482,717	\$ 483,488,312
2015	15%	\$ 593,423,881	\$ 6,848,888	\$ 459,300,856
2016	13%	\$ 570,507,635	\$ 6,841,939	\$ 443,462,514
2017	11%	\$ 586,691,745	\$ 7,107,303	\$ 455,868,874

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

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2017 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Not Examined)

<u>%</u>	<u>THOROUGHbred MEETS</u>	<u>TOTAL HANDLE</u>	<u>ON TRACK</u>	<u>%</u>	<u>INTER TRACK</u>	<u>%</u>	<u>OFF TRACK</u>	<u>%</u>
Arlington International Racecourse								
37.7%	WIN, PLACE AND SHOW	\$ 72,932,970	\$ 26,082,520	35.8%	\$ 9,601,368	13.2%	\$ 37,249,082	51.1%
27.7%	2-HORSE	\$ 53,553,945	\$ 12,058,957	22.5%	\$ 7,349,165	13.7%	\$ 34,145,824	63.8%
34.7%	3-HORSE	\$ 67,114,537	\$ 14,120,904	21.0%	\$ 8,196,896	12.2%	\$ 44,796,737	66.7%
	TOTAL HANDLE	\$ 193,601,452	\$ 52,262,381	27.0%	\$ 25,147,429	13.0%	\$ 116,191,643	60.0%
Hawthorne Racecourse								
32.0%	WIN, PLACE AND SHOW	\$ 35,753,468	\$ 6,049,478	16.9%	\$ 6,724,874	18.8%	\$ 22,979,116	64.3%
29.8%	2-HORSE	\$ 33,201,846	\$ 4,235,898	12.8%	\$ 5,511,668	16.6%	\$ 23,454,281	70.6%
38.2%	3-HORSE	\$ 42,634,114	\$ 4,615,889	10.8%	\$ 7,176,017	16.8%	\$ 30,842,208	72.3%
	TOTAL HANDLE	\$ 111,589,428	\$ 14,901,265	13.4%	\$ 19,412,559	17.4%	\$ 77,275,605	69.2%
Fairmount Park								
50.5%	WIN, PLACE AND SHOW	\$ 2,569,163	\$ 2,347,266	91.4%	\$ 40,397	1.6%	\$ 181,500	7.1%
24.8%	2-HORSE	\$ 1,261,270	\$ 1,060,071	84.0%	\$ 28,526	2.3%	\$ 172,673	13.7%
24.7%	3-HORSE	\$ 1,258,011	\$ 1,020,027	81.1%	\$ 34,770	2.8%	\$ 203,215	16.2%
	TOTAL HANDLE	\$ 5,088,444	\$ 4,427,364	87.0%	\$ 103,693	2.0%	\$ 557,388	11.0%
THOROUGHbred TOTAL								
35.9%	WIN, PLACE AND SHOW	\$ 111,255,601	\$ 34,479,264	31.0%	\$ 16,366,639	14.7%	\$ 60,409,698	54.3%
28.4%	2-HORSE	\$ 88,017,061	\$ 17,354,926	19.7%	\$ 12,889,359	14.6%	\$ 57,772,778	65.6%
35.8%	3-HORSE	\$ 111,006,662	\$ 19,756,820	17.8%	\$ 15,407,683	13.9%	\$ 75,842,160	68.3%
	TOTAL HANDLE	\$ 310,279,324	\$ 71,591,010	23.1%	\$ 44,663,681	14.4%	\$ 194,024,636	62.5%

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2017 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Continued) (Not Examined)

<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>
Hawthorne Race Course (Suburban)								
31.1%	WIN, PLACE AND SHOW	\$ 26,649,369	\$ 3,713,154	13.9%	\$ 4,971,748	18.7%	\$ 17,964,467	67.4%
25.9%	2-HORSE	\$ 22,252,714	\$ 2,897,364	13.0%	\$ 2,888,109	13.0%	\$ 16,467,241	74.0%
43.0%	3-HORSE	\$ 36,857,999	\$ 3,809,156	10.3%	\$ 4,621,806	12.5%	\$ 28,427,037	77.1%
	TOTAL HANDLE	\$ 85,760,082	\$ 10,419,674	12.1%	\$ 12,481,663	14.6%	\$ 62,858,745	73.3%
Springfield State Fair								
39.1%	WIN, PLACE AND SHOW	\$ 107,717	\$ 89,769	83.3%	\$ 5,836	5.4%	\$ 12,112	11.2%
25.7%	2-HORSE	\$ 70,936	\$ 49,819	70.2%	\$ 5,714	8.1%	\$ 15,403	21.7%
35.2%	3-HORSE	\$ 97,173	\$ 68,763	70.8%	\$ 6,604	6.8%	\$ 21,806	22.4%
	TOTAL HANDLE	\$ 275,826	\$ 208,351	75.5%	\$ 18,154	6.6%	\$ 49,321	17.9%
DuQuoin State Fair								
40.2%	WIN, PLACE AND SHOW	\$ 32,604	\$ 24,840	76.2%	\$ 2,570	7.9%	\$ 5,194	15.9%
25.8%	2-HORSE	\$ 20,938	\$ 13,137	62.7%	\$ 1,413	6.7%	\$ 6,388	30.5%
34.0%	3-HORSE	\$ 27,619	\$ 14,869	53.8%	\$ 1,853	6.7%	\$ 10,897	39.5%
	TOTAL HANDLE	\$ 81,161	\$ 52,846	65.1%	\$ 5,836	7.2%	\$ 22,479	27.7%
Brown County Fair								
67.8%	WIN, PLACE AND SHOW	\$ 7,412	\$ 7,412	100.0%	\$ -	0.0%	\$ -	0.0%
24.8%	2-HORSE	\$ 2,717	\$ 2,717	100.0%	\$ -	0.0%	\$ -	0.0%
7.4%	3-HORSE	\$ 808	\$ 808	100.0%	\$ -	0.0%	\$ -	0.0%
	TOTAL HANDLE	\$ 10,937	\$ 10,937	100.0%	\$ -	0.0%	\$ -	0.0%

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2017 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Continued) (Not Examined)

<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>
HARNESS TOTAL								
31.1%	WIN, PLACE AND SHOW	\$ 26,797,102	\$ 3,835,175	14.3%	\$ 4,980,154	18.6%	\$ 17,981,773	67.1%
25.9%	2-HORSE	\$ 22,347,305	\$ 2,963,037	13.3%	\$ 2,895,236	13.0%	\$ 16,489,032	73.8%
42.9%	3-HORSE	\$ 36,983,599	\$ 3,893,596	10.5%	\$ 4,630,263	12.5%	\$ 28,459,740	77.0%
	TOTAL HANDLE	\$ 86,128,006	\$ 10,691,808	12.4%	\$ 12,505,653	14.5%	\$ 62,930,545	73.1%
TOTAL – ALL MEETS								
34.8%	WIN, PLACE AND SHOW	\$ 138,052,703	\$ 38,314,439	27.8%	\$ 21,346,793	15.5%	\$ 78,391,471	56.8%
27.8%	2-HORSE	\$ 110,364,366	\$ 20,317,963	18.4%	\$ 15,784,595	14.3%	\$ 74,261,810	67.3%
37.3%	3-HORSE	\$ 147,990,261	\$ 23,650,416	16.0%	\$ 20,037,946	13.5%	\$ 104,301,900	70.5%
	TOTAL HANDLE	\$ 396,407,330	\$ 82,282,818	20.8%	\$ 57,169,335	14.4%	\$ 256,955,181	64.8%

Total Handle – All Meets (above)..... \$ 396,407,330
Total Handle – Advance Deposit Wagering..... \$ 190,284,415
TOTAL ILLINOIS HANDLE..... \$ 586,691,745

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2017 Advance Deposit Wagering Statistics (Not Examined)

Advance Deposit Wagering (ADW) officially began on October 13, 2009. Six companies were licensed in 2017 as ADW providers. Illinois patrons place funds into an account and then wager on races using a telephone or internet device such as a computer or smartphone. Each ADW provider must have a contact with an Illinois racetrack and their affiliated Illinois horsemen association.

<u>ADW Provider (Track)</u>	<u>Total Handle</u>	<u>Average Daily Handle</u>	<u>State Tax</u>	<u>Daily Tax Average</u>
Twin Spires (Arlington)	\$ 87,558,651	\$ 239,887	\$ 1,532,271	\$ 4,198
TVG (Fairmount)	60,851,994	166,718	1,064,905	2,918
Xpressbet (Hawthorne)	18,077,406	49,527	316,347	867
Club Hawthorne (Hawthorne)	17,858,322	48,927	312,511	856
Bet America (Arlington)	4,459,486	12,218	78,034	214
NYRABets (Hawthorne)	1,478,556	4,051	25,866	71
TOTAL, ALL RACES:	<u>\$190,284,415</u>	<u>\$ 521,327</u>	<u>\$ 3,329,934</u>	<u>\$ 9,123</u>

<u>Illinois Races vs. Out-of-State Races</u>	<u>Total Handle</u>	<u>Percentage</u>
ADW Handle from Arlington	\$ 5,726,798	
ADW Handle from Hawthorne	5,081,558	
ADW Handle from Fairmount	398,799	
ADW Handle from Springfield State Fair	26,827	
ADW Handle from DuQuoin Sate Fair	13,656	
TOTAL, ILLINOIS RACES:	11,247,638	6.00%
ADW Handle on Out-of-State Races	179,036,777	94.00%
TOTAL, ALL RACES:	<u>\$190,284,415</u>	<u>100.00%</u>

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

Calendar Year 2017 Advance Deposit Wagering Statistics (Continued) (Not Examined)

<u>ADW Wagering Pools</u>	<u>Total Handle</u>	Percentage Of <u>Total Handle</u>
Win, Place, Show	\$ 77,991,070	40.99%
2-Horse	46,884,139	24.64%
3-Horse	65,409,206	34.37%
TOTAL, ALL POOLS:	<u>\$190,284,415</u>	<u>100.00%</u>

Note 1: Bet America changed ownership on April 24, 2017 as they were purchased by Twin Spires from Lien Games, Arlington remained their affiliated Illinois racetrack. Under Lien Games, the handle was \$1,287,501 from January 1, 2017 through April 23, 2017.

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2017 Activity from All Locations (Not Examined)

	THOROUGHbred <u>MEETS</u>	HARNESs <u>MEETS</u>	ADVANCE DEPOSIT <u>WAGERING</u>	ALL <u>MEETS</u>
Live Programs Raced.....	4,197	2,158		6,355
Total Live Programs Raced + Dark Days.....	404	362		766
Live Races Run.....	1,392	908		2,300
Attendance.....	843,318	143,131		986,449
Admission Tax.....	\$ 61,182	\$ 6,145		\$ 67,327
License Fee.....	\$ 21,810	\$ 9,800		\$ 31,610
License Fee – Daily Handle.....	\$ 2,000	\$ -		\$ 2,000
Purses Distributed.....	\$ 25,024,819	\$ 8,768,531		\$ 33,793,350
Uncashed Tickets (2015).....	\$ 1,903,513	\$ 516,448		\$ 2,419,961
Track Commission.....	\$ 24,674,419	\$ 7,581,888	\$ 4,877,777	\$ 37,134,084
Purses Earned.....	\$ 23,832,349	\$ 7,142,234	\$ 4,877,777	\$ 35,852,360
Out-of-State Simulcast Fee.....	\$ 11,288,960	\$ 2,493,771	\$ 12,865,116	\$ 26,647,847
Pari-mutuel Tax.....	\$ 4,402,773	\$ 1,238,025	\$ 3,329,934	\$ 8,970,732
Advance Deposit Wagering Fee.....	\$ -	\$ -	\$ 12,204,079	\$ 12,204,079
Commission (Take Out).....	\$ 64,198,501	\$ 18,455,918	\$ 38,154,683	\$ 120,809,102
Breakage.....	\$ 1,294,704	\$ 318,970	\$ 470,061	\$ 2,083,735
Surcharge.....	\$ 5,616,004	\$ 1,678,901	\$ 635,129	\$ 7,930,034
Payout to Public.....	\$ 239,170,115	\$ 65,674,217	\$ 151,024,542	\$ 455,868,874
Public Pool.....	\$ 246,080,823	\$ 67,672,088	\$ 152,129,732	\$ 465,882,643
Combined Handle.....	\$ 310,279,324	\$ 86,128,006	\$ 190,284,415	\$ 586,691,745

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2016 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Not Examined)

THOROUGHbred		TOTAL HANDLE	ON TRACK		INTER TRACK		OFF TRACK	
%	MEETS		%	%	%	%	%	
Arlington International Racecourse								
37.0%	WIN, PLACE AND SHOW	\$ 71,004,751	\$ 26,162,836	36.8%	\$ 10,075,612	14.2%	\$ 34,766,303	49.0%
27.7%	2-HORSE	\$ 53,223,361	\$ 11,976,949	22.5%	\$ 7,846,923	14.7%	\$ 33,399,489	62.8%
35.3%	3-HORSE	\$ 67,833,909	\$ 14,554,026	21.5%	\$ 9,187,565	13.5%	\$ 44,092,317	65.0%
	TOTAL HANDLE	\$ 192,062,021	\$ 52,693,811	27.4%	\$ 27,110,100	14.1%	\$ 112,258,109	58.4%
Hawthorne Racecourse								
32.8%	WIN, PLACE AND SHOW	\$ 37,390,414	\$ 6,878,171	18.4%	\$ 7,897,097	21.1%	\$ 22,615,146	60.5%
29.3%	2-HORSE	\$ 33,382,195	\$ 4,797,337	14.4%	\$ 5,991,998	17.9%	\$ 22,592,860	67.7%
37.8%	3-HORSE	\$ 43,060,764	\$ 4,990,349	11.6%	\$ 7,764,290	18.0%	\$ 30,306,125	70.4%
	TOTAL HANDLE	\$ 113,833,373	\$ 16,665,857	14.6%	\$ 21,653,385	19.0%	\$ 75,514,131	66.3%
Fairmount Park								
48.6%	WIN, PLACE AND SHOW	\$ 2,445,068	\$ 2,192,039	89.7%	\$ 49,811	2.0%	\$ 203,218	8.3%
25.6%	2-HORSE	\$ 1,285,018	\$ 1,034,629	80.5%	\$ 39,865	3.1%	\$ 210,524	16.4%
25.8%	3-HORSE	\$ 1,298,054	\$ 1,028,424	79.2%	\$ 40,129	3.1%	\$ 229,501	17.7%
	TOTAL HANDLE	\$ 5,028,140	\$ 4,225,092	84.6%	\$ 129,805	2.6%	\$ 643,243	12.8%
THOROUGHbred TOTAL								
35.6%	WIN, PLACE AND SHOW	\$ 110,840,233	\$ 35,233,046	31.8%	\$ 18,022,520	16.3%	\$ 57,584,667	52.0%
28.3%	2-HORSE	\$ 87,890,574	\$ 17,808,915	20.3%	\$ 13,878,786	15.8%	\$ 56,202,873	63.9%
36.1%	3-HORSE	\$ 112,192,727	\$ 20,572,799	18.3%	\$ 16,991,984	15.1%	\$ 74,627,943	66.5%
	TOTAL HANDLE	\$ 310,923,534	\$ 73,614,760	23.7%	\$ 48,893,290	15.7%	\$ 188,415,483	60.6%

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2016 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Continued) (Not Examined)

<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>
Hawthorne Race Course (Suburban)								
31.1%	WIN, PLACE AND SHOW	\$ 29,032,751	\$ 5,014,295	17.3%	\$ 4,880,889	16.8%	\$ 19,137,567	65.9%
25.6%	2-HORSE	\$ 23,880,976	\$ 3,796,012	15.9%	\$ 3,286,947	13.8%	\$ 16,798,017	70.3%
43.3%	3-HORSE	\$ 40,406,748	\$ 5,246,142	13.0%	\$ 5,721,821	14.2%	\$ 29,438,785	72.9%
	TOTAL HANDLE	\$ 93,320,475	\$ 14,056,449	15.1%	\$ 13,889,657	14.9%	\$ 65,374,369	70.1%
Springfield State Fair								
41.3%	WIN, PLACE AND SHOW	\$ 76,458	\$ 76,458	100.0%	\$ -	0.0%	\$ -	0.0%
27.2%	2-HORSE	\$ 50,342	\$ 50,342	100.0%	\$ -	0.0%	\$ -	0.0%
31.5%	3-HORSE	\$ 58,195	\$ 58,195	100.0%	\$ -	0.0%	\$ -	0.0%
	TOTAL HANDLE	\$ 184,995	\$ 184,995	100.0%	\$ -	0.0%	\$ -	0.0%
DuQuoin State Fair								
42.9%	WIN, PLACE AND SHOW	\$ 26,963	\$ 26,963	100.0%	\$ -	0.0%	\$ -	0.0%
29.6%	2-HORSE	\$ 18,593	\$ 18,593	100.0%	\$ -	0.0%	\$ -	0.0%
27.7%	3-HORSE	\$ 17,226	\$ 17,226	100.0%	\$ -	0.0%	\$ -	0.0%
	TOTAL HANDLE	\$ 62,782	\$ 62,782	100.0%	\$ -	0.0%	\$ -	0.0%
Brown County Fair								
59.8%	WIN, PLACE AND SHOW	\$ 9,592	\$ 9,592	100.0%	\$ -	0.0%	\$ -	0.0%
29.1%	2-HORSE	\$ 4,665	\$ 4,665	100.0%	\$ -	0.0%	\$ -	0.0%
11.2%	3-HORSE	\$ 1,793	\$ 1,793	100.0%	\$ -	0.0%	\$ -	0.0%
	TOTAL HANDLE	\$ 16,050	\$ 16,050	100.0%	\$ -	0.0%	\$ -	0.0%

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2016 Comparison of Wagering Pools, Combined Live Racing, and Simulcasts (Continued) (Not Examined)

<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>
HARNESS TOTAL								
31.1%	WIN, PLACE AND SHOW	\$ 29,145,764	\$ 5,127,308	17.6%	\$ 4,880,889	16.7%	\$ 19,137,567	65.7%
25.6%	2-HORSE	\$ 23,954,576	\$ 3,869,612	16.2%	\$ 3,286,947	13.7%	\$ 16,798,017	70.1%
43.3%	3-HORSE	\$ 40,483,962	\$ 5,323,356	13.1%	\$ 5,721,821	14.1%	\$ 29,438,785	72.7%
	TOTAL HANDLE	\$ 93,584,302	\$ 14,320,276	15.3%	\$ 13,889,657	14.8%	\$ 65,374,369	69.9%
TOTAL – ALL METERS								
34.6%	WIN, PLACE AND SHOW	\$ 139,985,997	\$ 40,360,354	28.8%	\$ 22,903,409	16.4%	\$ 76,722,234	54.8%
27.6%	2-HORSE	\$ 111,845,150	\$ 21,678,527	19.4%	\$ 17,165,733	15.3%	\$ 73,000,890	65.3%
37.7%	3-HORSE	\$ 152,676,689	\$ 25,896,155	17.0%	\$ 22,713,805	14.9%	\$ 104,066,728	68.2%
	TOTAL HANDLE	\$ 404,507,836	\$ 87,935,036	21.7%	\$ 62,782,947	15.5%	\$ 253,789,852	62.7%

Total Handle – All Meets (above)..... \$ 404,507,836
Total Handle – Advance Deposit Wagering..... \$ 165,999,799
TOTAL ILLINOIS HANDLE..... \$ 570,507,635

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2016 Advance Deposit Wagering Statistics (Not Examined)

Advance Deposit Wagering (ADW) officially began on October 13, 2009. Six companies were licensed in 2016 as ADW providers. Illinois patrons place funds into an account and then wager on races using a telephone or internet device such as a computer or smartphone. Each ADW provider must have a contact with an Illinois racetrack and their affiliated Illinois horsemen association.

<u>ADW Provider (Track)</u>	<u>Total Handle</u>	<u>Average Daily Handle</u>	<u>State Tax</u>	<u>Daily Tax Average</u>
Twin Spires (Arlington)	\$ 77,786,094	\$ 213,113	\$ 1,361,240	\$ 3,729
TVG (Fairmount)	55,011,463	150,716	962,684	2,637
Xpressbet (Hawthorne)	17,756,329	48,647	310,717	851
Club Hawthorne (Hawthorne)	14,186,975	38,868	248,254	680
Bet America (Arlington)	963,240	6,736	16,847	118
NYRABets (Hawthorne)	295,698	2,366	5,170	41
TOTAL, ALL RACES:	<u>\$165,999,799</u>	\$ 454,794	<u>\$ 2,904,912</u>	\$ 7,959

<u>Illinois Races vs. Out-of-State Races</u>	<u>Total Handle</u>	<u>Percentage</u>
ADW Handle from Arlington	\$ 4,865,271	
ADW Handle from Hawthorne	5,798,989	
ADW Handle from Fairmount	398,363	
TOTAL, ILLINOIS RACES:	11,062,623	7.00%
ADW Handle on Out-of-State Races	154,937,176	93.00%
TOTAL, ALL RACES:	<u>\$165,999,799</u>	100.00%

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

Calendar Year 2016 Advance Deposit Wagering Statistics (Continued) (Not Examined)

<u>ADW Wagering Pools</u>	<u>Total Handle</u>	Percentage of <u>Total Handle</u>
Win, Place, Show	\$ 64,152,550	38.65%
2-Horse	41,365,894	24.92%
3-Horse	60,481,355	36.43%
TOTAL, ALL POOLS:	<u>\$165,999,799</u>	<u>100.00%</u>

Note 1: Bet America began operating on August 11, 2016 and NYRABets began operating on August 26, 2016.

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

**HORSE RACING STATISTICS (Continued)
(Not Examined)**

Calendar Year 2016 Activity from All Locations (Not Examined)

	THOROUGHbred <u>MEETS</u>	HARNESs <u>MEETS</u>	ADVANCE DEPOSIT <u>WAGERING</u>	ALL <u>MEETS</u>
Live Programs Raced.....	4,308	2,553		6,861
Total Live Programs Raced + Dark Days.....	406	362		768
Live Races Run.....	1,436	1,202		2,638
Attendance.....	904,101	178,556		1,082,657
Admission Tax.....	\$ 63,805	\$ 6,276		\$ 70,081
License Fee.....	\$ 22,910	\$ 15,800		\$ 37,990
License Fee – Daily Handle.....	\$ 1,800	\$ -		\$ 1,800
Purses Distributed.....	\$ 23,879,701	\$ 7,934,835		\$ 31,814,536
Uncashed Tickets (2015).....	\$ 1,852,472	\$ 572,907		\$ 2,425,379
Track Commission.....	\$ 24,957,777	\$ 8,371,522	\$ 4,234,750	\$ 37,564,049
Purses Earned.....	\$ 23,955,028	\$ 7,713,205	\$ 4,234,750	\$ 35,902,983
Out-of-State Simulcast Fee.....	\$ 10,895,427	\$ 2,590,868	\$ 11,205,482	\$ 24,691,777
Pari-mutuel Tax.....	\$ 4,402,202	\$ 1,342,471	\$ 2,904,912	\$ 8,649,585
Advance Deposit Wagering Fee.....	\$ -	\$ -	\$ 10,516,679	\$ 10,516,679
Commission (Take Out).....	\$ 64,210,434	\$ 20,018,066	\$ 33,096,573	\$ 117,325,073
Breakage.....	\$ 1,311,872	\$ 362,423	\$ 299,007	\$ 1,973,302
Surcharge.....	\$ 5,426,563	\$ 1,751,651	\$ 568,532	\$ 7,746,746
Payout to Public.....	\$ 239,974,665	\$ 71,452,162	\$ 132,035,687	\$ 443,462,514
Public Pool.....	\$ 246,713,100	\$ 73,566,236	\$ 132,903,226	\$ 453,182,562
Combined Handle.....	\$ 310,923,534	\$ 93,584,302	\$ 165,999,799	\$ 570,507,635

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

**SERVICE EFFORTS AND ACCOMPLISHMENTS
(Not Examined)**

Mission Statement:

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

Program Goals:

Objectives:

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

Funds:

Horse Racing Fund

Statutory Authority:

Illinois Horse Racing Act of 1975 (230 ILCS 5)

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

**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)
(Not Examined)**

Fund: Horse Racing Fund

	Fiscal Year					
	2017		2018		2019	
	2016 Actual	Target/ Projected	2017 Actual	Target/ Projected	2018 Actual	Target/ Projected
Input Indicators						
Total expenditures – State appropriated funds (in thousands)	\$ 5,687.1	\$ 6,900.4	\$ 5,614.6	\$ 5,700.0	\$ 5,345.5	\$ 5,441.4
Average monthly full-time equivalents	46.0	52.0	45.0	48.0	12.0	14.0
Output Indicators						
Total number of steward rulings issued	314	350	268	280	241	300
Total number of race lab samples sent for lab testing	8,161	9,861	7,937	9,079	8,935	9,079
Outcome Indicators						
Total number of administrative appeals of steward's rulings issued	18	15	7	15	8	10
Average number of live races per steward rulings issued	9.6	10.0	8.8	10.0	11.0	10.0
Racing laboratory proficiency testing score (Association of Official Racing Chemists)	90%	100%	100%	100%	100%	100%
Live race related rulings as a percent of total steward rulings	37%	35%	20%	33%	32%	33%
Instances of non-performance enhancing substance exceeding allowable levels (a)	13	25	14	65	12	15
Instances of performance enhancing substance found (a)	68	70	16	20	2	10

Footnotes:

- a. There were two main reasons for the reduction in the number of performance enhancing substances exceeding allowable levels and the number of performance enhancing substances found in Fiscal Year 2018 as follows:
 1. Less race dates in Fiscal Year 2018 resulting in less tests.
 2. Changes to the Illinois Administrative Code (11 Ill. Admin Code 603.60) resulted in many compounds that were previously zero tolerance to have threshold concentrations. Because of this, compounds that in previous years would have been reported in any amount now have minimum concentrations. These changes were in accordance with recommended thresholds by the Association of Racing Commissioners and used throughout the country.