



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS GAMING BOARD

**Financial Audit – State Gaming Fund
 For the Year Ended June 30, 2017**

Release Date: January 9, 2018

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: 0							

INTRODUCTION

This digest covers the financial statement audit of the Illinois Gaming Board (Board), State Gaming Fund, as of and for the year ended June 30, 2017.

SYNOPSIS

- (17-1) The Board had weaknesses in its preparation of financial statements for the State Gaming Fund and its GAAP Package reports filed with the Comptroller.

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

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

ILLINOIS GAMING BOARD
FINANCIAL AUDIT - STATE GAMING FUND
For the Year Ended June 30, 2017

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (in thousands)	2017	2016
Revenues		
Riverboat taxes.....	\$ 475,299	\$ 485,024
Licenses and fees.....	5,175	4,503
Other.....	2	68
Total revenues.....	<u>480,476</u>	<u>489,595</u>
Expenditures		
Public protection and justice.....	46,556	49,245
Intergovernmental.....	90,850	92,665
Health and social services.....	647	496
Capital outlays.....	323	-
Total expenditures.....	<u>138,376</u>	<u>142,406</u>
Other sources (uses) of financial resources		
Transfers-out to Education Assistance Fund.....	<u>(342,100)</u>	<u>(347,189)</u>
Change in fund balance.....	<u>\$ -</u>	<u>\$ -</u>
BALANCE SHEET (in thousands)	2017	2016
Assets		
Cash equity with State Treasurer.....	\$ 49,754	\$ 49,004
Taxes and other receivables, net.....	3,022	1,844
Total assets.....	<u>\$ 52,776</u>	<u>\$ 50,848</u>
Liabilities		
Accounts payable and accrued liabilities.....	\$ 1,049	\$ 1,691
Intergovernmental payables.....	9,869	9,470
Due to other State fiduciary funds.....	328	339
Due to other funds.....	41,530	39,348
Total liabilities.....	<u>52,776</u>	<u>50,848</u>
Committed fund balance.....	<u>\$ -</u>	<u>\$ -</u>
BOARD ADMINISTRATOR		
During the Audit Period and Currently: Mr. Mark Ostrowski		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**FINANCIAL STATEMENT PREPARATION
WEAKNESSES**

The Illinois Gaming Board (Board) had weaknesses in its preparation of financial statements for the State Gaming Fund (Fund) and its corresponding generally accepted accounting principles (GAAP) Package reports filed with the Office of the State Comptroller (Comptroller).

During testing, we noted the following:

**\$122 thousand in accounts payables
not properly accrued**

Financial statements were corrected

**\$338 thousand in contingent
liabilities were not recorded**

**Deemed immaterial and financial
statements were not corrected**

- The Board did not adequately monitor activity of the Department of Human Services (Department) to ensure the proper accrual of Lapse Period payables paid from the Fund, totaling \$122 thousand. While the Department is responsible for accruing its expenditures and reporting the accrual entry to the Board as required by the Statewide Accounting Management System (SAMS) (Procedure Exhibit 27.50.10-A), the Board is ultimately responsible for reporting the activities of the Fund. As a result, accounts payable and expenditures for health and social services were understated by \$122 thousand and due to the Education Assistance Fund and transfers out were overstated by \$122 thousand. Board management corrected this error in the Fund's final financial statements.
- The Board did not record two contingent liabilities, totaling \$338 thousand, which were deemed probable for loss by the Office of the Attorney General (Attorney General) as of June 30, 2017. As a result, accounts payable and expenditures for public protection and justice were understated by \$338 thousand and due to the Education Assistance Fund and transfers out were overstated by \$338 thousand. This amount was deemed immaterial by Board management and was not corrected in the Fund's final financial statements; however, the auditors determined this exception represented a significant deficiency in the Board's internal control over financial reporting.

Failure to ensure all transactions are properly reported could result in a material misstatement of the Fund's financial statements and reduces the overall reliability of Statewide financial reporting. (Finding 1, pages 16-17).

We recommended the Board work with the Department to ensure the proper reporting of accounts payable during the Lapse Period. In addition, we recommended the Board work

with the Attorney General to ensure the proper reporting of contingent liabilities.

The Board agreed with the finding and will attempt to work with both the Department of Human Services as well as the Attorney General to ensure the proper reporting of contingent liabilities.

AUDITOR'S OPINION

The auditors stated the financial statements of the Board' State Gaming Fund as of and for the year ended June 30, 2017 are presented fairly in all material respects.

This financial audit was conducted by BKD LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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