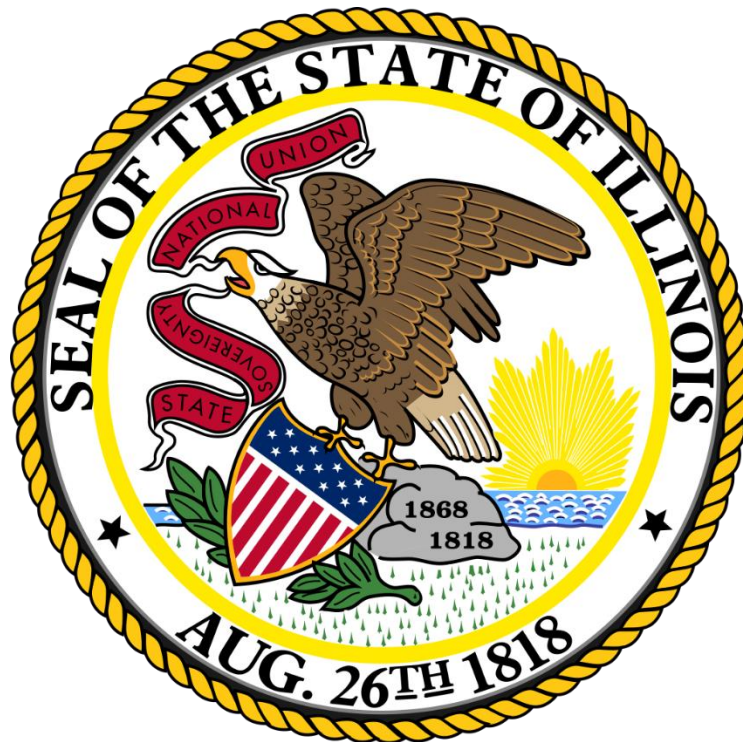


# LEGISLATIVE AUDIT COMMISSION



Review of  
Illinois Gaming Board  
Two Years Ended June 30, 2024

620 Stratton Office Building  
Springfield, Illinois 62706  
217/782-7097

**REVIEW: #4607 Illinois Gaming Board - FY23-24 Compliance Examination**

**REVIEW: #4607  
ILLINOIS GAMING BOARD  
TWO YEARS ENDED  
JUNE 30, 2024**

**FINDINGS/RECOMMENDATIONS – 12**

**IMPLEMENTED/PARTIALLY IMPLEMENTED – 10  
UNDER STUDY – 2**

**REPEATED RECOMMENDATIONS – 8**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 9**

This review summarizes the auditors’ report of the Illinois Gaming Board for the two years ended June 30, 2024, filed with the Legislative Audit Commission on July 29, 2025. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

The Illinois Gaming Board (IGB) is the state regulatory and law enforcement agency that regulates casino gambling, video gaming, and sports wagering in Illinois.

The agency has five Board Members appointed by the Governor and confirmed by the Senate. The IGB Administrator serves as the agency's chief executive, directing daily operations and leading the IGB’s professional staff. The IGB maintains 25 offices across Illinois, including its headquarters offices in Chicago and Springfield, and field offices within all Illinois casinos. Today, 17 authorized casinos operate across Illinois in: Alton, Aurora, Carterville, Chicago, Collinsville, Danville, Des Plaines, East Hazel Crest, East Peoria, East St. Louis, Elgin, Joliet (2), Metropolis, Rockford, Rock Island, and Waukegan.

Mr. Mark Fruchter is the Board Administrator, serving in that position since May 2019. Administrator Fruchter previously served as a senior counsel in the Securities and Exchange Commission’s Enforcement Division, where he was a member of the Cyber Unit and the Market Abuse Unit.

**Appropriations and Expenditures**

<b>Appropriations (\$ thousands)</b>	<b>FY23</b>		<b>FY24</b>	
	<b>Approp</b>	<b>Expend</b>	<b>Approp</b>	<b>Expend</b>
OTHER STATE FUNDS				
Total Personal Services & Fringe Benefits	26,834.0	24,340.9	30,715.5	28,222.1
Total Contractual Services	700.0	541.9	700.0	574.1
Total Other Operations & Refunds	2,273.0	1,535.0	2,117.0	1,994.6
<b>Designated Purposes</b>				

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Expenses Related to the IL State Police	15,286.0	9,380.2	15,000.0	9,348.0
Implementation & Admin. Of IL Gaming Act	20,000.0	783.7	20,354.1	2,044.6
Implementation & Admin. Of Sports Wagering Act	3,000.0	0.0	3,000.0	0.0
Implementation & Admin. Of Video Gaming Act	24,046.0	15,281.4	24,000.2	16,105.4
Total Designated Purposes	62,332.0	25,445.3	62,354.3	27,498.0
<b>Grants</b>				
Distribution to Local Governments for Casino Admissions & Wagering Tax	140,000.0	102,826.3	140,000.0	127,834.3
Distribution to Local Governments for 2% Sports Wagering Privilege Tax	16,000.0	105,585.9	16,000.0	11,218.5
Total Grants	<b>156,000.0</b>	<b>208,412.2</b>	<b>156,000.0</b>	<b>139,052.8</b>
<b>TOTAL</b>	<b>248,139.0</b>	<b>260,275.3</b>	<b>251,886.8</b>	<b>197,341.6</b>

### Accountants' Findings and Recommendations

Condensed below are the 12 findings and recommendations included in the audit report. Of these, eight (8) are repeated from the previous audit. The following recommendations are classified on the basis of information provided by the Illinois Gaming Board, via electronic mail received December 8, 2025.

- 1. Auditors recommend the Board design and maintain internal controls to provide assurance its data entry of key attributes into the ERP system is complete and accurate.**

**FINDING:** *Receipt Processing Internal Controls Not Operating Effectively – New*

The Illinois Gaming Board (Board) internal controls over its receipt processing function were not operating effectively during the examination period.

Due to their ability to rely upon the processing integrity of the Enterprise Resource Planning (ERP) System operated by the Board of Innovation and Technology (DoIT), auditors were able to limit receipt testing at the Board to determine whether certain key attributes were properly entered by the Board's staff into the ERP System. In order to determine the operating effectiveness of the Board's internal controls related to receipt processing, auditors selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP System based on supporting documentation. The attributes tested were (1) amount, (2) fund being deposited into, (3) date of receipt, (4) date deposited, and (5) SAMS Source Code.

Auditors then conducted an analysis of the Board's receipts data for Fiscal Years 2023 and 2024 to determine compliance with the State Officers and Employees Money Disposition Act (Act), noting the following noncompliance:

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- The Board's receipts data improperly documented a deposit date between 1 and 7 days earlier than the payment received date for 25 of 30,019 (0.1%) receipts, totaling \$49,086,299. As such, the Board entered the incorrect payment received date or deposit date into the ERP System for these receipt transactions.
- The Board did not deposit 8 receipt items, totaling \$10,000 or more, on the day received. However, auditors determined the Board incorrectly recorded the payment received date for 6 (75%) of these receipt items, totaling, \$46,234,139, and incorrectly recorded the deposit date for the remaining 2 (25%) receipt items, totaling \$176,637.

Therefore, the Board's internal controls over receipts processing **were not operating effectively**.

The Act (30 ILCS 230/2(a)) requires the Board to maintain a detailed record of all moneys received, which is to include date of receipt, the payor, purpose and amount, and the date and manner of disbursement. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to the operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Due to this condition, auditors qualified their opinion because they determined the Board had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Board management stated that the receipts data was improperly entered due to human error.

Failure to properly enter the key attributes into the State's ERP System when processing a receipt hinders the reliability and usefulness of data extracted from the ERP, which can result in improper recording of revenues and accounts receivable.

### **BOARD RESPONSE:**

The Board agrees with the recommendation. The Board is reviewing its internal procedures, and its Fiscal Division will incorporate follow-up practices to improve receipt processing.

### **UPDATED RESPONSE:**

#### **Implemented.**

The IGB now has a second review of receipt entry performed. We do not anticipate that this finding will be repeated.

- 2. Auditors recommend the Board timely conduct annual performance evaluations in accordance with the Code and Handbook, ensure compliance with annual harassment and discrimination prevention training, and revise procedures over**

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**the preparation and review of Form I-9s to ensure compliance with the USCIS requirements.**

**FINDING:** *Inadequate Controls over Personal Services – This finding has been repeated since 2012.*

The Illinois Gaming Board (Board) did not maintain adequate controls over personal services.

During testing of personnel records for 37 employees, auditors noted the following:

- Four (11%) employees were not evaluated during Fiscal Year 2023.
- Nine (24%) employees were not evaluated during Fiscal Year 2024.
- One (3%) employee's Fiscal Year 2023 evaluation was not completed in a timely manner. The evaluation was completed 170 days late.
- One (3%) employee did not complete the U.S. Citizenship and Immigration Services (USCIS) I-9 Employment Eligibility Verification (I-9) form, before the end of their first day. The employee signed Section 1 of the Form I-9 6 days late.
- One (3%) employee did not complete the required annual harassment and discrimination prevention training program.

This finding was first reported in the Board's Fiscal Year 2012 Compliance Examination. As such, Board management has failed to implement corrective actions to remedy the deficiencies.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270) and the Board's Employee Handbook (Handbook) require certified employees to be evaluated annually.

Federal law (8 U.S.C. §1324a) requires employers to complete and maintain an I-9 form to verify an individual's eligibility for employment in the United States. Further, USCIS instructions for Form I-9 require Section 1 to be completed no later than the first day of employment. After completing Section 1, the employee is required to sign their name and document the date signed. Employers are to examine the evidence of identity and employment authorization within three business days of the employee's first day of employment. The employer is required to document the hire date and their signature and date of their review in Section 2 of the I-9 form. The employer is also required to retain each employees completed Form I-9 for as long as the individual works for the employer and for a specified period after employment has ended. Employers are required to retain the pages of the form on which the employee and employer entered data. If copies of documentation presented by the employee are made, those copies must also be retained. Once the individual's employment ends, the employer must retain this form and attachments for either three years after the date of hire or one year after the date employment ended, whichever is later.

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The State Officials and Employees Ethics Act (5 ILCS 430/ 5-10.5(a-5)) requires each officer, member, and employee to complete an annual harassment and discrimination prevention training.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls.

Effective internal controls should ensure the performance appraisals and I-9 forms are properly completed and retained in employee personnel files.

Board management stated the particular performance evaluations were not properly completed due to transition of personnel and competing priorities of the involved employees and supervisors. Additionally, Board management stated the I-9 exception was due to human error. Lastly, Board management stated the employee who did not complete their required training was on leave for most of the year and the designated Board personnel in charge of monitoring training compliance did not learn of the employee's return to work in a timely manner.

Performance evaluations and harassment and discrimination prevention training are important to ensure all employees understand the duties and responsibilities assigned to them and that they are performing the duties for which they are being compensated. Failure to conduct timely evaluations is noncompliance with the Code and Handbook. In addition, failure to complete I-9 forms within the required timeframe is a violation of USCIS requirements and could expose the Board to penalties.

### **BOARD RESPONSE:**

The Board agrees with the recommendation and recognizes the importance of completing annual performance evaluations in a timely manner. The Board will continue to work with its supervisors to meet evaluation deadlines. Regarding the single I-9 exception here, the Board will implement steps to identify and correct potential human errors involving form completion and verification in a timely manner. The Board similarly understands the obligation for all agency employees to complete annual harassment and discrimination training. Following the situation here where one employee did not complete the training after returning from medical leave, the Board is implementing corrective action to ensure staff compliance with training requirements. Going forward, the Board HR Division will coordinate with designated agency personnel to ensure training is completed in a timely manner, including communicating and identifying employees who may be on administrative, medical, military, or other long-term leave for appropriate follow up.

### **UPDATED RESPONSE:**

#### **Implemented.**

The IGB continues to message to agency supervisors the importance of conducting timely annual employee evaluations.

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The IGB issues periodic checks and reminders to employees who have not completed required trainings.

Lastly, the IGB implemented an I-9 verification checklist as part of the agency onboarding process.

### **3. Auditors recommend the Board timely file its Annual Reports to the Governor each year.**

**FINDING:** *Failure to File Annual Reports – This finding is repeated since 2020.*

The Illinois Gaming Board (Board) did not timely submit 2022 and 2023 Annual Reports of its acts and doings.

During testing, auditors noted the Board filed its Annual Reports for Fiscal Years 2022 and 2023 with the Governor's Office 282 and 227 days late, respectively.

The State Finance Act (30 ILCS 105/3(a)) requires the Board to deliver to the Governor an annual report of its acts and doings for the fiscal year ending in the calendar year immediately preceding the calendar year in which the regular session of the General Assembly convenes. This report is due no later than January 7 of each year.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

Board management stated the reports were not filed timely due to limited staff resources.

Failure to timely file the Annual Reports resulted in noncompliance with the State statutes.

### **BOARD RESPONSE:**

The Board acknowledges the recommendation and recognizes the statutory inefficiencies and duplicative annual report requirements in the Illinois Gambling Act, State Finance Act, and Sports Wagering Act. As such, the Board has consolidated the reports to the Governor's Office and the General Assembly. The consolidated report is published annually by July 1, posted on the Board's website, and disseminated to the Governor's Office and the General Assembly.

The Board also notes that the information presented in its annual report is continuously updated and published on the Board's website. Annual reports for 2021 to 2024 are available on the Board's website. The Board will continue to reassess its current process and procedures to ensure compliance with the State Finance Act.

### **UPDATED RESPONSE:**

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### Implemented.

The IGB filed and published its annual report before 7/1. The annual report is available on the IGB website under the “Annual Reports” tab.

- 4. Auditors recommend the Board timely file its annual reports on sports wagering with the General Assembly, as well as collaborate with the Department of Lottery and sports wagering licensees to hold the required public annual workshop and job fair for the diversity goals for sports wagering.**

**FINDING:** *Noncompliance with the Sports Wagering Act – This finding has been repeated since 2022.*

The Illinois Gaming Board (Board) did not fully comply with the Sports Wagering Act.

During testing, auditors noted the following:

- The Board submitted its 2023 annual report on sports wagering to the General Assembly 8 days late. The report was due to the General Assembly on or before January 15, 2024.
- The Board did not participate in public annual workshop and job fairs to achieve supplier diversity goals for sports wagering during the examination period.

The Sports Wagering Act (Act) (230 ILCS 45/25-105) requires the Board to deliver to the General Assembly an annual report on sports wagering. This report is due no later than January 15 of each year. Additionally, the Act (230 ILCS 45/25-85(g)) requires the Board, Department of Lottery, and sports wagering licensees to hold a public annual workshop and job fair to collaboratively seek solutions to impediments toward supplier diversity goals for sports wagering.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State’s resource.

Board management stated the reports were not filed in a timely manner & workshops were not held due to limited staff resources. Furthermore, the Board notes that the Department of Lottery has not implemented a sport wagering program.

Failure to timely file the annual reports and hold the annual workshop and job fair negatively impacts the State’s goals to collaboratively work with companies to serve Illinois residents to improve the supplier diversity for sports wagering and resulted in noncompliance with the Sports Wagering Act.

### **BOARD RESPONSE:**

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The Board acknowledges the recommendation and recognizes the statutory inefficiencies and duplicative annual report requirements in the Illinois Gambling Act, State Finance Act, and Sports Wagering Act. As such, the Board has consolidated the reports to the Governor's Office and the General Assembly. The consolidated report is published annually by July 1, posted on the Board's website, and disseminated to the Governor's Office and the General Assembly.

The Board also notes that the information presented in its annual report is continuously updated and published on the Board's website. Annual reports for 2021 to 2024 are available on the Board's website. Additionally, the Board will work with Department of Lottery to conduct the annual workshop and job fair once the Department of Lottery has established its sports wagering program.

### **UPDATED RESPONSE:**

#### **Implemented.**

The IGB filed and published its annual report before 7/1. The annual report is available on the IGB website under the "Annual Reports" tab.

- 5. Auditors recommend the Board develop a detailed disaster recovery plan to recover all their applications and data and work in conjunction with DoIT to complete a BIA. Lastly, Auditors recommend the Board conduct detailed recovery testing at least annually.**

**FINDING:** *Inadequate Disaster Recovery Controls – This finding has been repeated since 2014.*

The Illinois Gaming Board (Board) failed to adequately plan for the recovery of their applications and data.

The Board utilized a myriad of applications to carry out its duties of regulating the casinos and sports wagering in the State. During their examination, auditors noted the Board did not complete the following related to contingency planning during the examination period:

- The Board established a contingency plan for one of its critical applications during Fiscal Year 2024. However, the Board had not implemented formal contingency plans for its remaining two critical applications during the examination period.
- The Board initiated a Business Impact Analysis (BIA) in conjunction with the Department of Innovation and Technology (DoIT) during June 2024, but the BIA was not completed and formally approved for all applications during the examination period.
- The Board did not conduct recovery testing during the examination period.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology requires entities to have an updated and

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regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Board management indicated timing constraints and competing priorities contributed to their inability to formalize their contingency plans and BIA and to conduct recovery testing during the examination period.

Failure to adequately plan for the recovery of their applications and data could result in the loss of data and inability to recover within an acceptable time period.

### **BOARD RESPONSE:**

The Board agrees with the recommendations. The Board continues to undergo migration into the DoIT infrastructure and support environment, which includes disaster recovery planning and testing. The timing of that migration is influenced by factors outside the Board's control. The Board, in partnership with DoIT, will continue to work to implement the necessary actions for a comprehensive Disaster Recovery Plan for the remaining two applications.

### **UPDATED RESPONSE:**

#### **Under Study.**

The IGB's migration into the DoIT infrastructure and support environment remains ongoing. Accordingly, the agency disaster recovery plan is under study.

#### **6. Auditors recommend the Board work with the Department of Innovation and Technology to obtain a detailed understanding of each agency's roles and responsibilities. Auditors further recommend the Board:**

- **Develop a cybersecurity plan.**
- **Develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk reducing internal controls.**
- **Develop a data classification methodology and classify its data to identify and ensure adequate protection of information.**
- **Require employees and contractors to annually acknowledge receipt of the Board's policies.**

**FINDING:** *Inadequate Controls over Cybersecurity Programs and Practices – This finding has been repeated since 2022.*

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The Illinois Gaming Board (Board) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Board is the State's regulatory and law enforcement agency regulating casino gaming and sports wagering and, therefore, responsible for ensuring the safety and integrity of the State's gaming activities. To perform their duties, the Board utilizes Information Technology (IT) applications that contain confidential and personal information.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity program and practices. During their examination of the Board's cybersecurity program, practices, and control of confidential information, auditors noted the Board made certain improvements to its internal controls; however, the Board had not:

- Developed a cybersecurity plan.
- Retained sufficient documentation to support 1 of 28 (4%) employees tested had received and read through Board's policies upon hire and signed the Policy Acknowledgement form in a timely manner. A signed Policy Acknowledgement form was not on file for the employee.
- Conducted a comprehensive risk assessment in conjunction with the Department of Innovation and Technology (DoIT) prior to the end of the examination period and, thus, had not developed corrective action plans in response to risk assessment. The risk assessment was initiated in March 2024 and completed on July 1, 2024.
- Developed a data classification methodology and classified its data to identify and ensure adequate protection of information.

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

Board management indicated a lack of resources contributed to the lack of developing a cybersecurity plan and monitoring completion of Policy Acknowledgement. In addition,

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management indicated they were unable to develop a corrective action plan in response to the comprehensive risk assessment during the examination period because the risk assessment had not been finalized by DoIT. Lastly, management indicated data classification efforts were ongoing during the examination period, but they had not formally documented their methodology and data classification results due to oversight and competing priorities.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Board's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure.

### **BOARD RESPONSE:**

The Board agrees with the recommendation. The Board continues to undergo migration into the DoIT infrastructure and support environment, which includes cybersecurity programs and practices. The timing of that migration is influenced by factors outside the Board's control. Specific to this recommendation, the Board notes the following:

- The Board is developing and implementing its cybersecurity program.
- In connection with the Board's migration into a DoIT-supported agency, DoIT initiated the risk assessment for 2024 on March 8, 2024, and concluded its assessment on July 1, 2024. The DoIT risk team recommended that the Board continue to eliminate technical debt and finalize a cybersecurity program. The Board is working with DoIT to implement that recommendation.
- The Board adopted DoIT's Enterprise Information Security Policies in September 2023. Accordingly, DoIT conducted a data classification campaign and completed it in December 2023. As noted above, DoIT also completed a data classification campaign on July 1, 2024 as part of the risk assessment for the Board.
- The Board has since obtained the signed Policy Acknowledgment form from the employee and the previously missing form is now on file.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The IGB developed a cybersecurity plan that is pending final review and implementation.

#### **7. Auditors recommend the Board ensure all service providers are identified and determine and document if a review of controls is required. If required, Auditors recommend the Board:**

- **Obtain SOC reports (or perform independent reviews) of internal controls associated with outsourced systems at least annually.**
- **Monitor and document the operation of the CUECs relevant to the Board's operations.**

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- **Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the usage of the subservice organizations would not impact the Board's internal control environment.**
- **Document its review of the SOC reports and review all significant issues with service and subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Board, and any compensating controls.**

**FINDING:** *Lack of Controls over Review of Internal Controls over Service Providers – This has been repeated since 2022.*

The Illinois Gaming Board (Board) failed to implement adequate controls over its service providers.

The Board utilized two service providers for hosting services and software as a service during the examination period.

Auditors requested the Board provide the System and Organization Control (SOC reports) covering the examination period and the Board's assessment of the SOC reports for its two service providers, and noted following:

The Board could not provide evidence to substantiate management's review of the SOC Reports or an independent internal control review for one of two (50%) of its service providers during the examination period.

While Board did obtain the SOC Report and reviewed the SOC reports for its other service provider, the Board's review was incomplete as they failed to substantiate, they monitored and documented their controls in place to comply with the Complementary User Entity Controls (CUECs).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

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Board management indicated the lack of resources resulted in the weaknesses.

Failure to implement adequate controls over service providers could result in inadequate controls within the service provider(s) environment.

### **BOARD RESPONSE:**

The Board agrees with the recommendation. The Board further notes the FY23 reviews are completed for both service providers and the FY24 reviews are on track for completion. The Board will continue to work with our contracted CPA firm to complete necessary SOC reviews.

### **UPDATED RESPONSE:**

#### **Implemented.**

All FY24 SOC reviews are complete. We anticipate the FY25 reviews will be completed before the end of FY26.

### **8. Auditors recommend the Board to work with the Department of Innovation and Technology to transition to and fully utilize the Project/Cost Accounting (Controlling) and Funds Management modules of the ERP system.**

**FINDING:** *Failure to Fully Utilize the State's Enterprise Resource Planning System – This finding has been repeated since 2022.*

The Illinois Gaming Board (Board) did not utilize all capabilities of the State's Enterprise Resource Planning (ERP) system, which resulted in unnecessary inefficiency.

The State's implementation of an ERP centralized the finance, procurement, grants management, and asset management processes by replacing outdated manual systems and technologies. The ERP can enhance transparency of data, reduce processing time, and improve the timeliness of financial reporting. During the examination period, the ERP's processing integrity was sufficient to enable reliance upon ERP's processing of transactions.

During the examination, auditors noted the Board recorded financial transactions; however, the Board did not fully utilize the Project/Cost Accounting (Controlling) or Funds Management modules.

- The Controlling module collects, analyzes, distributes, allocates, and reports on financial data according to cost objects.
- The Funds Management module maintains, tracks, and reports on revenues, expenditures, commitments, obligations, and transfers for each fund and budget.

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*Government Auditing Standards* (§ 1.02) states:

The concept of accountability for use of public resources and government authority is key to our nation's governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws. Good internal controls over compliance include ensuring the full capabilities of the ERP are used to efficiently process, record, and report transactions.

Board management stated they were unable to fully utilize the modules due to limited technical training in the system.

Failure to fully utilize the State's ERP System could result in outdated systems not being supported, untimely financial information and the lack of full transparency and resulted in the inefficient usage of State resources.

### **BOARD RESPONSE:**

The Board agrees with the recommendation. The Board will continue to work with DoIT and Technology ERP functional experts (as applicable) to incorporate relevant additional functionality to assist with fiscal processes performed throughout the year.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The IGB continues to work to incorporate additional SAP functionality into agency fiscal processes. The ERP team confirmed IGB's utilization of the Funds Management module, and the suggested an approach for incorporating various cost centers. Auditors expect to be fully compliant prior to the end of FY26.

- 9. Auditors recommend the Board design and maintain internal controls to provide assurance its data entry of key information into the ERP System is complete and accurate. In addition, they recommend the Board approve proper bills or other obligating documents within 30 days of receipt. Further, auditors recommend the Board ensure all travel vouchers are promptly submitted by its travelers in strict adherence with Publication 463 or allocate income to the traveler under a nonaccountable plan. Finally, they recommend the Board ensure travel requests for travel outside of the State are submitted to the GOMB at least 30 days prior to travel for approval.**

**FINDING:** *Voucher Processing Weakness – This finding has been repeated since 2022.*

The Illinois Gaming Board (Board) did not timely and accurately submit its vouchers for payment to the Illinois Office of Comptroller (Comptroller) or timely submit out-of-state

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travel requests to the Governor's Office of Management and Budget (GOMB) during the examination period.

Due to their ability to rely upon the processing integrity of the Enterprise Resource Planning (ERP) System operated by the Board of Innovation and Technology (DoIT), auditors were able to limit their voucher testing at the Board to determine whether certain key attributes were properly entered by the Board's staff into the ERP System. In order to determine the operating effectiveness of the Board's internal controls related to voucher processing and subsequent payment of interest, auditors selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP System based on supporting documentation. The attributes tested were (1) vendor information, (2) expenditure amount, (3) object(s) of expenditure, and (4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

Auditors then conducted an analysis of the Board's expenditures data for Fiscal Years 2023 and 2024 and noted the following:

- The Board did not timely approve 102 of 2,661 (4%) vouchers processed during the examination period, totaling \$514,032.
  - Of these vouchers, auditors noted 39 (38%), totaling \$173,869, were approved between 31 and 85 days after receipt of a proper bill or other obligating document.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70) requires the Board to timely review each vendor's invoice and approve proper bills within 30 days after receipt. The Code (74 Ill. Admin. Code 1000.50) also requires the Board to process payments within 30 days after physical receipt of Internal Service Fund bills. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- Of the remaining 63 (62%) vouchers noted as being untimely approved, auditors noted the Board did not properly enter information into the ERP System. Therefore, the Board's internal controls over voucher processing **were not operating effectively**. Specifically, auditors noted:
  - the Board did not properly enter the appropriation or obligation data for 53 (52%) vouchers, totaling \$225,531. As a result, the Board updated the ERP information 10 to 345 days after the voucher was originally entered.

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- the Board did not properly enter the later of the receipt date of the proper bill or the receipt date of the goods and/or services for 10 (10%) vouchers, totaling \$114,632.

The Code (74 Ill. Admin. Code 900.30) requires the Board to maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Due to this condition, auditors qualified their opinion because they determined the Board had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even given the limitations noted above, auditors performed tests of details on a sample of the Board's vouchers for other compliance matters and noted the following noncompliance:

- 2 of 30 (7%) travel vouchers tested, totaling \$1,508, were submitted by the traveler 62 and 70 days after the last day travel occurred without providing a reasonable cause for the delay.

The Internal Revenue Service (IRS) Publication 463, Travel, Gift and Car Expenses, notes employees receiving travel reimbursements must have paid or incurred deductible expenses while performing employment services, adequately accounted for the expenses within a reasonable period of time generally defined by Publication 463 as within 60 days after the expenses were paid or incurred and returned any excess reimbursements within a reasonable period of time.

- For 1 of 30 (3%) travel vouchers tested, totaling \$4,161, the Board submitted the out-of-State travel request to the GOMB for approval 25 days prior to the date of travel.

The Code (80 Ill. Admin. Code 2800.700) requires that travel requests outside of Illinois must be submitted to the GOMB at least 30 days prior to travel for approval.

Board management stated that the vouchers were not timely approved and entered into the ERP system with incorrect information due to human error. Additionally, the Board's management stated the travel vouchers were not submitted timely due to competing priorities for the traveler.

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Failure to properly enter the key information into the State's ERP System when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP System, which can result in improper interest calculations and expenditures. Additionally, failure to timely process proper bills and obligations due may result in noncompliance, unnecessary interest charges, and cash flow challenges for payees. Further, failure to require the timely submission of travel vouchers could result in additional efforts by the Board's staff to allocate income to employees who are subject to a nonaccountable plan and represents noncompliance with IRS Publication 463. Finally, failure to timely submit travel requests for travel outside of the State to the GOMB represents noncompliance with the Code.

### **BOARD RESPONSE:**

The Board agrees with the recommendation. Since the last audit, the Board incorporated corrective practices to improve voucher processing, as evidenced by the decrease in voucher exception percentage going from 7% in the previous compliance audit to 4% this audit period. Nonetheless, work remains to be done and the Board will endeavor to improve our processes further in the future.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The IGB continues to emphasize accuracy and efficiency when processing vouchers, and we are mindful of data input and outstanding vouchers.

Additionally, IGB staff now processes vouchers with more frequency to further help ensure timeliness.

#### **10. Auditors recommend the Board timely complete the SERS annual reconciliation process of its active members' census data from its underlying records to a report of the census data submitted to each plan's actuary.**

#### **FINDING: *Census Data Reconciliation Not Performed Timely – New***

The Illinois Gaming Board (Board) did not timely complete a census data reconciliation to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the

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plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

Auditors noted the Board's employees within the Fund are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, auditors noted these plans have characteristics of different types of pensions and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, auditors noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, auditors noted the Board did not timely perform its Fiscal Year 2023 annual reconciliation of its census data recorded by SERS to its internal records. The reconciliation was completed on December 4, 2023, 21 days after the SERS deadline of November 13, 2023.

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

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

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Board management stated that the census data reconciliation was submitted late due to employee transitions and technical issues.

Failure to timely reconcile census data reported to and held by SERS to the Board's records could result in each plan's actuary relying on incomplete or inaccurate census

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data in the calculation of the State's pension and OPEB balances, which may result in a misstatement of these amounts.

### **BOARD RESPONSE:**

The Board agrees with the recommendation. The Board has addressed the technical and transition issues which caused the delay.

### **UPDATED RESPONSE:**

#### **Implemented.**

The IGB completed the census data reconciliation and addressed the technical issues with SERS. Auditors do not anticipate that this finding will be repeated.

### **11. Auditors recommend the Board work with DoIT to implement a formal IT strategic plan for the Board.**

#### **FINDING:** *Inadequate Controls over Information Technology Strategic Planning – New*

The Illinois Gaming Board (Board) did not maintain adequate internal controls over its information technology (IT) strategic planning.

The Board has an intergovernmental agreement with the State of Illinois, Department of Innovation and Technology (DoIT) pursuant to the Intergovernmental Cooperation Act (5 ILCS 220/1) and the Department of Innovation and Technology Act (20 ILCS 1370), which defines the rights, duties, roles, and responsibilities of both parties with respect to the consolidation and transfer of IT-related functions at the Board to DoIT.

During testing, auditors noted the Board did not have a formal Strategic Plan in place during the examination period and, thus, had not communicated its Strategic Plan to DoIT to coordinate efforts to achieve the plan's goals from an IT perspective.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that property and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Board management indicated a formal Strategic Plan had not been developed and communicated to DoIT due to the Board staff having competing priorities and not working on developing a formalized Strategic Plan during the period.

Failure to develop a formal strategic plan and provide the plan to DoIT exposes the Board to the following risks:

- Lack of Direction: Without a strategic plan, IT initiatives may lack clear goals and objectives, leading to misaligned efforts and wasted resources.
- Inefficiency: Resources may be used inefficiently without a clear roadmap, resulting in higher costs and lower productivity.

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- Security Vulnerabilities: A lack of strategic planning can lead to inadequate security measures, increasing the risk of data breaches and cyberattacks.
- Inconsistent Performance: The absence of a strategic plan can result in inconsistent IT performance and service delivery, affecting overall operations.

### **BOARD RESPONSE:**

The Board agrees with the recommendation. The Board continues to undergo migration into the DoIT infrastructure and support environment, which includes IT strategic planning. The Board will work with DoIT to implement a formal IT strategic plan in connection with related ongoing migration tasks.

### **UPDATED RESPONSE:**

#### **Under Study.**

The IGB's migration into the DoIT infrastructure and support environment remains ongoing. Accordingly, an IT strategic plan is under study.

- 12. Auditors recommend the Board perform reviews of users' access rights to its application at least annually to ensure access is appropriate. Auditors also recommend the Board retain documentation of its reviews and implement controls to ensure user access is terminated timely following employee separation.**

### **FINDING: *Inadequate Controls over Application User Access Review – New***

The Illinois Gaming Board (Board) had not implemented adequate internal controls related to access and control over its applications.

During testing, auditors noted the Board did not formally document user access reviews performed for the Video Gaming Licensing System (VLS), Central Time and Attendance System (CTAS), eTime, and Central Payroll System (CPS) applications during the examination period.

Additionally, auditors noted the following when reviewing the user access reports:

- The user accounts associated with three separated employees were not disabled from eTime as of June 30, 2024. The employees separated from the Board between September 30, 2023 and May 24, 2024.
- The user accounts associated with three separated employees were not disabled from CTAS as of June 30, 2024. The employees separated from the Board between October 1, 2023 and January 1, 2024.
- The user account associated with one separated employee was not disabled from CPS as of June 30, 2024. The employee separated from the Board on October 1, 2023.

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The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Controls section, requires entities to manage information system accounts, including the establishment, activation, modification, review, disabling, and removal of accounts. Regular reviews of user accounts are essential to ensure that only authorized individuals have access to the system and that access is commensurate with their job responsibilities.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or system, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

Board management stated user access reviews were not performed and accounts for separated employees were not timely disabled due to management oversight.

Failure to implement effective internal controls over terminating and reviewing users' access to the Board's information systems and applications could result in inappropriate and unauthorized access to the Board's systems and data.

### **BOARD RESPONSE:**

The Board agrees with the recommendation and recognizes the importance of performing annual reviews. The Board will reassess its process and procedures and will train relevant staff to complete necessary reviews and terminate user access in a timely manner.

### **UPDATED RESPONSE:**

#### **Implemented.**

The IGB implemented a process for user access reviews.

## **Emergency Purchases**

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

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Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

The Illinois Gaming Board did not have any emergency purchases during the audit period.

### **Headquarters Designations**

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2024, Illinois Gaming Board had 0 employees assigned to locations others than official headquarters.