



**STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY**

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2025

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



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STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2025

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STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2025

DEPARTMENT OFFICIALS

Director	Mr. Harold Mays
Chief of Staff	Mr. Scott Gillard
Chief Financial Officer (03/25/24 – Present)	Ms. Amber Chappell
Chief Financial Officer (Acting) (10/07/23 – 03/24/24)	Ms. Amber Chappell
Chief Financial Officer (10/01/23 – 10/06/23)	Vacant
Chief Financial Officer (07/01/23 – 09/30/23)	Ms. Carol Radwine
General Counsel	Mr. Cornell Wilson III
Chief of Operations and Technology	Mr. Matthew Bell
Chief Transformation Officer	Mr. Joseph Logue
Chief Internal Auditor	Mr. Darick Clark

LOTTERY CONTROL BOARD OFFICER

Chair	Ms. Diana Sheehan
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LOTTERY CONTROL BOARD MEMBERS

Member (04/28/25 – Present)	Ms. Sara Barnett Bruckmann
Member (01/16/25 – 04/27/25)	Vacant
Member (07/01/23 – 01/15/25)	Ms. Sarah Alter
Member	Ms. Alejandra Garza
Member	Ms. Diana Sheehan
Member (08/05/24 – Present)	Ms. Wynona Redmond
Member (07/01/23 – 08/04/24)	Vacant
Member	Vacant

DEPARTMENT OFFICES

The Department's primary administrative offices are located at:

115 S. LaSalle, Suite 2201
Chicago, Illinois 60603

404 N. 5th Street
Springfield, Illinois 62702



MANAGEMENT ASSERTION LETTER - STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

February 10, 2026

Sikich CPA LLC
3051 Hollis Drive, 3rd Floor
Springfield, IL 62704

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, Department of the Lottery (Department). 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 Department's compliance with the following specified requirements during the two-year period ended June 30, 2025. Based on this evaluation, we assert that during the years ended June 30, 2024, and June 30, 2025, the Department has materially complied with the specified requirements listed below.

- A. The Department 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 Department 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 Department 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 Department 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 Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

JB Pritzker
Governor

Harold Mays
Director

Illinois Lottery
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Yours truly,

State of Illinois, Department of the Lottery

SIGNED ORIGINAL ON FILE

Harold Mays, Director

SIGNED ORIGINAL ON FILE

Amber Chappell, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Cornell Wilson III, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2025

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this 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*.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or any other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Reports</u>
Findings	12	8
Repeated Findings	8	6
Prior Recommendations Implemented or Not Repeated	-	8

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2025-001	10	2023/ 2019	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance
2025-002	12	2023/ 2023	Inadequate Controls over Vouchers	Significant Deficiency and Noncompliance
2025-003	14	2023/ 2023	Failure to Incorporate a Required Contractual Provision in the <i>Private Manager Agreement</i>	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2025

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2025-004	15	2023/ 2019	Inadequate Controls over State Vehicles	Significant Deficiency and Noncompliance
2025-005	18	2023/ 2013	Inadequate Controls over Reporting Requirements	Significant Deficiency and Noncompliance
2025-006	21	2023/ 2021	Disaster Recovery Planning Weaknesses	Significant Deficiency and Noncompliance
2025-007	23	2023/ 2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2025-008	25	NEW	Inadequate Controls over Access to Applications and Data	Significant Deficiency and Noncompliance
2025-009	27	NEW	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Significant Deficiency and Noncompliance
2025-010	29	NEW	Receipt Processing Weaknesses	Significant Deficiency and Noncompliance
2025-011	31	NEW	Noncompliance with the Illinois Lottery Law	Significant Deficiency and Noncompliance
2025-012	32	2023/ 2021	Insufficient Number of Lottery Control Board Members	Noncompliance

EXIT CONFERENCE

Findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on February 4, 2026.

Attending were:

Department of the Lottery

Harold Mays, Director
Scott Gillard, Chief of Staff
Cornell Wilson III, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2025

EXIT CONFERENCE (Continued)

Amber Chappell, Chief Financial Officer
Matthew Bell, Chief of Operations and Technology
Michael Bargo, Security and Quality Control
Darick Clark, Chief Internal Auditor

Sikich CPA LLC

Amy L. Sherwood, Principal
Kara Hinsman, Senior Accountant

Office of the Auditor General

Quentin Kuntzman, Senior Audit Manager

The responses to the recommendations were provided by Darick Clark, Chief Internal Auditor, in a correspondence dated February 9, 2026.

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INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Lottery Control Board
State of Illinois, Department of the Lottery

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of the Lottery (Department) with the specified 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, 2025. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Department 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 Department 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 Department 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 Department 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 Department on behalf of the State or held in trust by the Department 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, 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.

We are required to be independent and to meet other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

In our opinion, the Department complied with the specified requirements during the two years ended June 30, 2025, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and which are described in the accompanying Schedule of Findings as items 2025-001 through 2025-012.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2025-001 through 2025-011 that we consider to be significant deficiencies.

There were no immaterial findings that have been excluded from this report.

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
February 10, 2026

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-001. **FINDING** (Inadequate Controls over Personal Services)

The Department of the Lottery (Department) did not maintain adequate internal control over its personal services function.

During our testing, we noted the following:

- During our testing of 16 employees, with a total of 27 performance evaluations during the examination period, we noted the Department did not conduct 6 of 27 (22%) performance evaluations in a timely manner, as they were completed between 1 and 78 days late.

The Illinois Administrative Code (Code) (80 Ill. Admin Code 302.270) establishes a system of probationary and annual employee evaluations such that employees are evaluated at least annually on their performance. For testing purposes, we considered performance evaluations completed within 30 days after the evaluation period to be timely.

Department management indicated these exceptions were due to supervisors not maintaining adequate records of when employees were due for evaluations.

- During our testing of new hire training requirements, we noted one of four (25%) new hires did not timely complete their initial ethics training and harassment and discrimination prevention training. The employee completed these required trainings three days late.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10) requires every new employee to complete ethics training within 30 days of hire. The Act (5 ILCS 430/5-10.5) also requires every new employee to complete harassment and discrimination prevention training within 30 days of hire.

Department management indicated the exception was due to the employee experiencing difficulties with their credentials to log on to the training platform, which caused a delay in when they were able to take the trainings.

During the previous examination, we noted the Department did not include fringe benefits for the personal use of a State vehicle within its Lottery Sales Representatives' taxable income. Additionally, we noted the Department was unable to provide documentation of survey support for the 2022 State Employment Plan reports, as well as the date the surveys were submitted. During the current examination, we did not note these issues.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-001. **FINDING** (Inadequate Controls over Personal Services) – Continued

This finding was first noted during the Department’s Fiscal Year 2018-Fiscal Year 2019 State compliance examination, six years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency. The Department’s management team is responsible for timely corrective action on all the findings identified during a State compliance examination.

Performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations. These evaluations should serve as the foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. Additionally, untimely new-hire training could result in an employee being unaware of certain acceptable workplace behaviors and practices and represents noncompliance with the Act. (Finding Code No. 2025-001, 2023-001, 2021-008, 2019-007)

RECOMMENDATION

We recommend the Department implement controls to ensure:

- 1) all required performance evaluations are conducted timely; and
- 2) newly hired employees complete all required trainings timely.

DEPARTMENT RESPONSE

The Department accepts the finding. The Department will continue to communicate performance evaluation and training requirements to supervisors to ensure compliance in a timely manner.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-002. **FINDING** (Inadequate Controls over Vouchers)

The Department of the Lottery (Department) had weaknesses over its voucher processing.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into the ERP. In order to determine the operating effectiveness of the Department's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's Enterprise Resource Planning (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.

We then conducted an analysis of the Department's expenditures data for Fiscal Years 2024 and 2025 and noted the following:

- The Department did not timely approve 148 of 2,410 (6%) vouchers processed during the examination period, totaling \$1,147,727. We noted these vouchers were approved between 31 and 225 days after receipt of a proper bill or other obligating document.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70) requires the Department 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 Department to process payments within 30 days after physical receipt of Internal Service Fund bills.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires all State agencies 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.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-002. **FINDING** (Inadequate Controls over Vouchers) – Continued

Department management indicated vouchers were not timely approved due to oversight and staff turnover.

Failure to timely process proper bills and obligations due may result in noncompliance, unnecessary interest charges, and cash flow challenges for payees. (Finding Code No. 2025-002, 2023-002)

RECOMMENDATION

We recommend the Department approve proper bills within 30 days of receipt.

DEPARTMENT RESPONSE

The Department accepts the finding. Historically, the Department's process to review and approve invoices starts with the appropriate division manager reviewing and approving the invoice to ensure it is a proper bill prior to submitting to accounts payable for processing. The ERP's approval date is a system generated date once accounts payable processes and approves the bill within the ERP system which occurs after the Department's manager's approval of a proper bill, which is completed within 30 days of receipt. Due to staff turnover and oversight, bills were not processed in the ERP system in a timely manner in accordance with 74 Ill. Admin. Code 900.70 and 1000.50. The Department is in the process of properly updating internal procedures for voucher processing and conducting appropriate training of applicable staff.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-003. **FINDING** (Failure to Incorporate a Required Contractual Provision in the *Private Management Agreement*)

The Department of the Lottery (Department) did not ensure its *Private Management Agreement* contained all provisions required by the Illinois Lottery Law (Law).

The Department's 10-year agreement with the Private Manager was initiated on October 13, 2017, and is effective until January 1, 2028, with an estimated award value of \$2.23 billion.

During testing, we noted the provision regarding the strategic marketing of the Lottery was not incorporated into the final *Private Management Agreement*.

The Law (20 ILCS 1605/9.1(d)(11)) requires a provision to require the Private Manager to "market the Lottery to those residents who are new, infrequent, or lapsed players of the Lottery, especially those who are most likely to make regular purchases on the Internet as permitted by law."

Department officials indicated that the issue was due to believing that incorporating the required provision into the approved annual business plan was sufficient.

Failure to incorporate this provision into the final *Private Manager Agreement* represents noncompliance with the Law and could result in the Private Manager not fulfilling the marketing intentions of the General Assembly. (Finding Code No. 2025-003, 2023-003)

RECOMMENDATION

We recommend the Department work with the Private Manager to amend the *Private Management Agreement* to reflect this requirement. Further, the Department should implement controls, such as a cross-indexing and referencing process, to ensure its future agreements comport with State law.

DEPARTMENT RESPONSE

The Department accepts the finding. The Department has worked to incorporate language into the annual approved business plan from the Private Manager. In addition, the Department will continue to ensure the work of the Private Manager meets the marketing requirement set forth in statute.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-004. **FINDING** (Inadequate Controls over State Vehicles)

The Department of the Lottery (Department) did not exercise adequate controls over its State vehicles.

During our testing, we requested the Department's vehicle listing to be used throughout our operation of automotive equipment testing. We were provided with invoices from the Department of Central Management Services (CMS) to the Department that listed the Department's vehicles in lieu of an internally developed and maintained listing of vehicles.

Due to these conditions, we were unable to conclude the Department's population of vehicles were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accounts (AT-C § 205.36).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies 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 State Property Control Act (30 ILCS 605/4) (Act) requires every responsible officer of State government to be accountable to the administrator for the supervision, control and inventory of all property under his jurisdiction. The Act (30 ILCS 605/6.02) also requires the Department to maintain permanent record of all items of property under its jurisdiction.

Even given the limitations noted above, we performed testing over vehicle maintenance records for a sample of vehicles identified by the Department and noted one of eight (13%) vehicles tested received an untimely oil change during the examination period. The oil change was performed 4,738 miles beyond the required oil change interval.

The CMS Vehicle Usage Policy requires vehicles to receive an oil change every 5,000 miles; we deemed oil changes as reasonable and timely if the oil change occurred within +/- 1,000 miles of the interval.

Additionally, good internal controls over vehicles include ensuring routine maintenance is performed to provide reasonable assurance each State vehicle's lifespan will be maximized and that the State's vehicles remain in a road-worthy and safe operating condition.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-004. **FINDING** (Inadequate Controls over State Vehicles) – Continued

In addition, while examining the Department’s documentation for five accidents, we noted the Illinois Motorist Report forms (Form SR-1) for two accidents (40%) were not timely submitted to CMS. The Form SR-1s were submitted one and 671 days late, respectively.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.520(i)) requires agencies to submit a Form SR-1 to CMS within 7 calendar days following an accident.

We also noted the Department did not timely submit the Fiscal Year 2023 CMS Division of Vehicles Individually Assigned Vehicle form (IAV Form). The IAV Form should have been submitted to CMS by November 14, 2024; however, it was not submitted until November 22, 2024, eight days late.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.340) requires all agencies to report to CMS annually and when changes occur, including the name of each employee assigned a vehicle, the equipment number and license plate number of the assigned vehicles, employee’s headquarters and residence, and any additional information requested by CMS.

This finding was first noted during the Department’s Fiscal Year 2018-Fiscal Year 2019 State compliance examination, six years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency. The Department’s management team is responsible for timely corrective action on all of the findings identified during a State compliance examination.

Department management indicated these exceptions were due to lack of prioritization in ensuring procedures are being consistently followed.

Failure to maintain an internal listing of all vehicles may result in inaccurate and untimely records related to the vehicles. Failure to perform routine maintenance in a timely manner may result in the early deterioration or obsolescence of the State’s vehicles, could result in avoidable additional repair costs, and represents in noncompliance with the CMS State Vehicle Usage Policy and the Code. Failure to timely submit Form SR-1s and to timely report individually assigned vehicles to CMS represents noncompliance with the Code. (Finding Code No. 2025-004, 2023-004, 2021-009, 2019-009)

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-004. **FINDING** (Inadequate Controls over State Vehicles) – Continued

RECOMMENDATION

We recommend the Department implement controls to ensure:

- 1) an internal listing of all vehicles owned by the Department is created and maintained;
- 2) all required maintenance on State vehicles is performed timely;
- 3) Form SR-1s are completed and submitted timely; and,
- 4) information regarding individually assigned vehicles is timely reported to CMS.

DEPARTMENT RESPONSE

The Department accepts the finding. The Department will develop a comprehensive vehicle listing going forward. In addition, the Department will continue its efforts to train drivers and supervisors of the maintenance and reporting requirements.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-005. **FINDING** (Inadequate Controls over Reporting Requirements)

The Department of the Lottery (Department) did not comply with reporting requirements.

During testing, we noted the following:

- We continued to note errors on the Department’s annual Agency Workforce Report (Report) submitted to the Office of the Governor and the Office of the Secretary of State:
 - The number of Caucasian males reported in the income bracket of \$100,000+ in the Department’s Fiscal Year 2023 Report filed in Fiscal Year 2024 was not mathematically accurate, which resulted in the percentages calculated within this line to be incorrect.

The State Employment Records Act (Act) (5 ILCS 410/20) requires the Department to collect, classify, maintain, and report all information required by the Act by January 1 after the conclusion of the State’s Fiscal Year. Good internal controls over reporting include ensuring reports agree with the Department’s records and computations are mathematically correct.

- The Department failed to timely submit its annual report (Report), *Report on the Work of the Lottery Control Board*, to the Governor for Fiscal Year 2024. This report was due by January 7, 2025, but was not submitted until February 28, 2025, 52 days late. Additionally, the Department was unable to provide support of the submission of its Fiscal Year 2023 Report to the Governor.

The State Finance Act (Act) (30 ILCS 105/3) requires all public institutions of the State to, no later than January 7 of each year, make and deliver to the Governor an annual report of their acts and doings, respectively, arranged so as to show the acts and doings of each for the fiscal year ending in the calendar year immediately preceding the calendar year in which that regular session of the General Assembly convenes.

- The Department’s controls over the submission of its reports and publications to the Illinois State Library (Library) were not operating effectively. Of the reports we were aware of and which should have been submitted to the Library, we noted the following:
 - The quarterly report on prize payments up to \$25,000 from a locally held fund and the costs associated with the locally held fund as required by Law (20 ILCS 1605/20.1(a)) for the third quarter of Fiscal Year 2025 was not timely submitted to the Library.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-005. **FINDING** (Inadequate Controls over Reporting Requirements) – Continued

- The quarterly reports on the private manager’s actions and activities required by the Illinois Lottery Law (Law) (20 ILCS 1605/9.1(p)(1)) had not been submitted for any quarter of Fiscal Year 2024 as of June 30, 2025.
- The Fiscal Year 2024 annual report regarding the work of the Board as required by Law (20 ILCS 1605/7.8) was not timely submitted to the Library. This report was dated February 2025, but was not submitted to the Library until December 2025.

The State Library Act (Act) (15 ILCS 320/7(t)) requires the Department to furnish copies of its reports to the General Assembly to the State Government Report Distribution Center at the Library. In addition, the Act (15 ILCS 320/21(a)) requires the Department to provide and deposit with the Library sufficient copies of all publications issued by the Department for its collection and exchange purposes.

During the previous examination, weaknesses were noted regarding the Department’s *Quarterly Summary of Accounts Receivable – Accounts Receivable Activity* (Form C-97) reports. During the current examination, we did not note exceptions related to the Department’s submission of its Form C-97 reports.

This finding was originally noted during the Department’s Fiscal Year 2012 – Fiscal Year 2013 State compliance examination, twelve years ago. As such, Department management has been unsuccessful in fully implementing a corrective action plan to remedy this deficiency. The Department’s management team is responsible for timely corrective action on all of the findings identified during a State compliance examination.

Department management indicated the exceptions were a result of competing priorities and oversight on behalf of the individuals required to submit the reports.

Failure to report timely and accurate information to the Office of the Governor and the Office of the Secretary of State hinders governmental oversight and the achievement of a more diversified workforce. In addition, failure to deposit reports and publications in the Library limits public access to the Department’s documents, hinders the archival responsibilities of the Library, and represents noncompliance with the Act. (Finding Code No. 2025-005, 2023-005, 2021-010, 2019-010, 2017-004, 2015-007, 2013-006)

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2025

2025-005. **FINDING** (Inadequate Controls over Reporting Requirements) – Continued

RECOMMENDATION

We recommend the Department prepare and submit a corrected Fiscal Year 2023 Agency Workforce Report with the Office of the Governor and Office of the Secretary of State within 30 days from the release of this report, as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)).

In addition, we recommend the Department strengthen internal controls surrounding the reporting process for the annual Report and submission of all reports and publications to ensure compliance with State laws.

DEPARTMENT RESPONSE

The Department accepts the finding. When entering the data into the Agency Workforce Report, there was a single employee that was counted twice, which resulted in the error noted. The Department will be submitting corrected Agency Workforce reports to the appropriate parties. In addition, the Department will evaluate additional controls over reporting to ensure reporting requirements are met.

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2025-006. **FINDING** (Disaster Recovery Planning Weaknesses)

The Department of the Lottery (Department) had weaknesses in their disaster recovery planning and testing.

The Department utilizes a myriad of applications to conduct the State's lottery activities. Therefore, it is essential for the Department to be able to conduct a timely and complete recovery of the Department's environments, applications, and databases.

During our review of the Department's disaster recovery plans, we noted the following:

- The Department performed a test of its emergency notification listing within the continuity plan. However, a complete test of all components of the comprehensive continuity plan was not performed during the engagement period.
- The comprehensive contingency plan was not considered effective until June 30, 2025. Prior to that date, the Department's contingency plan included various internal and service provider documents which were not assembled into a comprehensive plan. Therefore, the Department did not have a functioning comprehensive contingency plan throughout the engagement period. While service provider failover and tabletop exercises occurred, and the Department tested pieces of its continuity plan, the Department did not perform a formal test of its comprehensive contingency plan.

This finding was first noted during the Department's Fiscal Year 2020 – Fiscal Year 2021 State compliance examination, four years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency. The Department's management team is responsible for timely corrective action on all of the findings identified during a State compliance examination.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology (NIST) requires entities to have an updated and 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 Department 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 to maintain accountability over the State's resources.

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2025-006. **FINDING** (Disaster Recovery Planning Weaknesses) – Continued

Department management indicated the comprehensive contingency plan was not considered effective until the end of the engagement period due to competing priorities. For this reason, complete testing was not performed.

Without timely implemented, and adequately tested contingency plans, the Department cannot ensure its critical systems could be recovered within an acceptable period to minimize the impacts associated with a disaster. (Finding Code No. 2025-006, 2023-006, 2021-012)

RECOMMENDATION

We recommend the Department conduct annual testing on the comprehensive continuity plan, and comprehensive contingency plan. We also recommend the Department retain documentation to substantiate the performance and results of its tests of the respective plans.

DEPARTMENT RESPONSE

The Department accepts the finding. The Department works closely with its vendors who provide the various systems the Department utilizes and reviews the individual service providers' plans along with the Department's plan regularly. While testing occurred, the Department will ensure the newly formed comprehensive plan is fully tested going forward.

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2025-007. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Department of the Lottery (Department) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

As part of its mission, the Department utilizes several environments, applications, and databases which contain volumes of confidential and personal information of citizens.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Department's cybersecurity program, practices, and control of confidential information, we noted the Department had not:

- addressed off-site storage and configuration management within the Department's Information Technology (IT) policy;
- ensured that data classification documentation included information related to data retention and destruction;
- ensured its Risk Management Methodology addressed specific processes on the selection of security controls, how those controls are implemented or assessed, or how they're monitored; or,
- included adequate documentation within the two risk assessments performed during the period pertaining to the prioritization, evaluation, and implementation of risk-reducing controls for the environment.

This finding was first noted during the Department's Fiscal Year 2018-Fiscal Year 2019 State compliance examination, six years ago. While the Department continues to improve its cybersecurity controls, it has not been fully successful in implementing corrective action for all noted weaknesses. The Department's management team is responsible for timely corrective action on all of the findings identified during a State compliance examination.

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 (NIST) requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives, and constraints in order to ensure the security of its applications, data, and continued business mission.

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2025-007. **FINDING** (Weaknesses in Cybersecurity Programs and Practices) – Continued

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department 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 to maintain accountability over the State’s resources.

Department management indicated the deficiencies noted were due to competing priorities.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Department’s confidential and personal information being susceptible to cyberattacks and unauthorized disclosure. (Finding Code No. 2025-007, 2023-007, 2021-011, 2019-011)

RECOMMENDATION

We recommend the Department:

- document off-site storage and configuration management within the Department’s IT policy;
- include information related to data retention and destruction in its data classification documentation;
- ensure its Risk Management Methodology addresses specific processes on the selection of security controls, how those controls are implemented or assessed, and how they’re monitored; and,
- include adequate documentation within any risk assessments performed pertaining to the prioritization, evaluation, and implementation of risk-reducing controls for the environment.

DEPARTMENT RESPONSE

The Department accepts the finding. The Department will continue to evaluate and implement additional controls as necessary, to ensure the noted items are addressed.

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2025-008. **FINDING** (Inadequate Controls over Access to Applications and Data)

The Department of the Lottery (Department) failed to maintain adequate general information technology controls related to its applications and data.

We tested information technology general controls (ITGCs) for six Department applications assessed to have a material impact on the Department's financial information and/or operations. ITGCs help prevent unauthorized access, data breaches, and operational disruptions and include software implementation, user account creation, and data management. Strong ITGCs increase the integrity and reliability of information.

We tested the Department's access provisioning procedures for a sample of 114 users across six applications. Our sample of 114 users was comprised of 90 existing users, 13 new-hired users, and 11 terminated users. We noted the following exceptions:

- Five of 11 (45%) terminated users tested had separated from the Department but were still defined as authorized users in the tested application as of June 30, 2025. The days past separation for these four employees ranged from 181 to 516. However, four (80%) of these terminated users were removed from the authorized user listing on July 1, 2025, while one terminated user remained on the authorized user listing.
- Four of 11 (36%) terminated users tested were inactive contractors but were still defined with access to the Enterprise Resource Planning System (ERP) per the Governance, Risk, and Compliance (GRC) Security Report for the application as of June 30, 2025.

We also noted the Department did not perform annual reviews of user access to one of six (17%) applications tested.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data, including regular reviews of user access rights.

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), Configuration Management section, requires entities to ensure access is appropriate and timely terminated, and access reviews are conducted periodically.

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2025-008. **FINDING** (Inadequate Controls over Access to Applications and Data) – Continued

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

Department officials indicated this resulted from staff oversight.

Failure to review user access listings and remove application access for terminated employees may result in unauthorized access to sensitive information or data breaches. (Finding Code No. 2025-008)

RECOMMENDATION

We recommend the Department promptly terminate inappropriate and unnecessary user access and maintain documentation to support the timeliness of changes to user access. Lastly, we recommend the Department ensure user access reviews for all applications are conducted on, at least, an annual basis.

DEPARTMENT RESPONSE

The Department accepts the finding. While the Department had a mitigating control in place that prohibited the five terminated users' access to the system, the Department will strengthen its controls over timely removal of terminated users. In addition, the four terminated users with access to the ERP system were all external auditors who are not direct contractors of the Department. The Department will evaluate additional controls as necessary and work with the state-wide ERP Team to ensure notification is received regarding contract auditors no longer on the engagement.

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2025-009. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

The Department of the Lottery (Department) had not implemented adequate controls over its service providers.

We requested the Department provide the population of service providers utilized to determine if they had reviewed the internal controls over their service providers. In response to our request, the Department provided a population; however, during our fieldwork, we identified an additional service provider.

Due to these conditions, we were unable to conclude the Department's population was sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

Even given the limitations noted above, we tested a sample of four service providers. Our testing noted the Department did not identify the subservice organizations or perform procedures to satisfy itself the existence of subservice organizations would not impact its internal control environment for four of four (100%) service providers tested.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Provision) 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 through System and Organization Controls (SOC) reports.

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

Department management indicated they were unaware of the requirement to identify the subservice organizations. Additionally, Department management stated oversight was the reason for missing one service provider in the initial population.

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2025-009. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers) – Continued

Failure to produce a complete and accurate list of all service providers limits the Department's ability to ensure it obtains and reviews all necessary SOC reports or fully completes independent internal control reviews of its service providers to determine the adequacy of its service providers' internal controls and to assess their impact on its internal control environment. Additionally, without adequately identifying subservice organizations and assessing their impact on the internal control environment, the Department does not have assurance the service providers' internal controls are adequate and operating effectively. (Finding Code No. 2025-009)

RECOMMENDATION

We recommend the Department ensure it has identified all service providers and obtain and review all required SOC reports thereof. Additionally, we recommend the Department include in its SOC report reviews identification of subservice organizations or perform procedures to satisfy itself the existence of subservice organizations impact on its internal control environment.

DEPARTMENT RESPONSE

The Department accepts the finding. The Department will implement additional controls to ensure subservice providers are evaluated and the service provider population is complete.

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2025-010. **FINDING** (Receipt Processing Weaknesses)

The Department of the Lottery (Department) did not timely submit receipts for deposit into the State's treasury.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our receipt testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into the ERP. In order to determine the operating effectiveness of the Department's internal controls related to receipt processing, we 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.

We then conducted an analysis of the Department's receipts data for Fiscal Years 2024 and 2025 to determine compliance with the State Officers and Employees Money Disposition Act (Act), noting the Department did not deposit three receipt items, exceeding \$500 but less than \$10,000, within 48 hours. The receipts were deposited between one and two days late.

The Act (30 ILCS 230/2(a)) requires the Department to deposit and pay into the State Treasury receipt items, in total exceeding \$500 but less than \$10,000, within 48 hours of physical receipt.

Department management indicated the exceptions were due to staff turnover and isolated deviations from internal procedure, which resulted in delayed notification to the finance unit and the appropriate personnel to make the deposits.

Failure to timely deposit receipts delays the recognition of available cash within the State Treasury, could delay the payment of State obligations, and represents noncompliance with the Act. (Finding Code No. 2025-010)

RECOMMENDATION

We recommend the Department deposit receipts within the timelines set by the Act.

DEPARTMENT RESPONSE

The Department accepts the finding. Historically, the Department's process to deposit all payments received within the State Officers and Employees Money Disposition Act's (Act) required time frames. Due to staff turnover and lapses in training, there were a few instances during the year that the appropriate personnel were not notified

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2025-010. **FINDING** (Receipt Processing Weaknesses) – Continued

timely of the payments received. The Department is working to ensure new staff are properly training, as well as ensuring all personnel involved are aware of the existing internal procedures for mail handling and the Act's deposit requirements.

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2025-011. **FINDING** (Noncompliance with the Illinois Lottery Law)

The Department of the Lottery (Department) did not fully comply with the Illinois Lottery Law (Law) (20 ILCS 1605).

The Law (20 ILCS 1605/10.8) states the Department shall establish a special classification of retailer license to facilitate the year-round sale of the instant scratch-off lottery game for the benefit of Illinois veterans established by the General Assembly in Section 21.6.

During testing, we noted the Department did not establish a special classification of retailer license to facilitate the year-round sale of instant scratch-off lottery games of this nature.

Department management stated that they did not receive any requests from qualified organizations for participation in the special classification program; thus, they did not deem it necessary to establish a license to accommodate such. Additionally, Department management indicated this requirement in the Law is not necessary for its present operations.

Failure to have the required specialty classification of retailer license established limits the ability of qualified retailers to participate in the program, if requested, and it represents noncompliance with the Law. (Finding Code No. 2025-011)

RECOMMENDATION

We recommend the Department establish a special classification of retailer license to facilitate the year-round sale of instant scratch-off lottery games for the benefit of Illinois veterans in accordance with the Law or seek legislative remedy to remove this requirement from the Law.

DEPARTMENT RESPONSE

The Department accepts the finding. The Department is currently seeking a legislative remedy.

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2025-012. **FINDING** (Insufficient Number of Lottery Control Board Members)

The independent Lottery Control Board (the Board) within the Department of the Lottery (Department) did not have five members.

Under the Illinois Lottery Law (Law), the Board must:

- 1) conduct a quarterly meeting and keep a complete and accurate record of its meetings (20 ILCS 1605/6);
- 2) designate hearing officers to hear complaints charging violations of the Law or regulations and hear appeals from these hearings (20 ILCS 1605/7.3);
- 3) report to the Governor, the Attorney General, the Speaker and Minority Leader of the House of Representatives, the President and Minority Leader of the Senate, and other State officers about matters the Board deems to require an immediate change in the laws to prevent abuse and evasions of the Law or regulations or rectify undesirable conditions in connection with the operation or administration of the Lottery (20 ILCS 1605/7.5);
- 4) confer with the Department's Director not less than once a month (20 ILCS 1605/9);
- 5) advise and make recommendations to the Department's Director on the functions and operations of the Lottery, with all recommendations made sent to the Governor, the Attorney General, the Speaker and Minority Leader of the House of Representatives, and the President and Minority Leader of the Senate (20 ILCS 1605/7.6); and,
- 6) establish the Lottery's advertising policy to the Lottery's ensure advertising content and practices do not target with the intent to exploit specific groups or economic classes of people and that the content is accurate and not misleading and to review past advertising for major media campaigns every quarter (20 ILCS 1605/7.8a).

During testing, we noted one member position on the five-member Board remained vacant throughout the entirety of the examination period.

The Law (20 ILCS 1605/6) states the Board shall consist of five members appointed by the Governor with the advice and consent of the Senate.

Department officials indicated the appointment of Board members is out of their direct control, as the Governor is responsible for making appointments.

Failure to fill vacant positions may hinder the Board's ability to properly formulate the functions of the Board. (Finding Code No. 2025-012, 2023-008, 2021-014)

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2025-012. **FINDING** (Insufficient Number of Lottery Control Board Members) – Continued

RECOMMENDATION

We recommend the Department work with the Governor to ensure all Board member positions are filled in a timely manner.

DEPARTMENT RESPONSE

The Department accepts the finding. While the Lottery Control Board was able to fulfill all its statutory obligations during the audit period while maintaining a quorum for all meetings, the Department will continue to work as needed with the Governor's office to help ensure vacancies on the Board are filled in a timely manner.