



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

**Single Audit & Compliance Examination  
For the Year Ended: June 30, 2011**

**Release Date: March 8, 2012**

**Summary of Findings this Audit Cycle:**

• <b>Single Audit &amp; Compliance Exam</b>	<b>8</b>
• <b>Financial Audit (previously reported 11-3-11)</b>	<b>3</b>
<b>TOTAL findings</b>	<b>11</b>
<b>Summary of findings from previous audit cycle:</b>	<b>12</b>
<b>Findings repeated:</b>	<b>5</b>

**INTRODUCTION**

The Financial Audit for the year ended June 30, 2011 was previously released on November 3, 2011. That audit contained three audit findings. This report addresses federal and State compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this document contains 11 audit findings, three of which had been reported in the Financial Audit.

**SYNOPSIS**

- The Authority did not adequately monitor the Housing Quality Standards Inspections for the Section 8 Programs and the Home Investment Partnerships Program.
- The Authority has inadequate monitoring procedures of Section 3 Reports for the Home Ownership Program and the Multifamily Program and did not adequately prepare the Section 3 Summary Report sent to the U.S. Department of Housing and Urban Development.
- The Authority has inadequate monitoring procedures of the tax credit inspections.
- The Authority did not properly monitor subrecipients reporting requirements.

{Expenditures and Activity Measures are summarized on the reverse page.}

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**  
**COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2011**

<b>EXPENDITURE STATISTICS</b>	<b>2011</b>	<b>2010</b>
<b>Debt outstanding (net of unamortized discount)</b>		
Housing Bonds.....	\$ 403,800,000	\$ 437,900,000
Multi-Family Initiative Bonds.....	184,100,000	184,100,000
Multi-Family Housing Revenue Bonds (Marywood)....	14,900,000	14,900,000
Multi-Family Bonds (Turnberry).....	5,000,000	5,100,000
Affordable Housing Program Trust Fund Bonds.....	60,100,000	64,300,000
Residential Mortgage Revenue Bonds.....	300,000	300,000
Homeowner Mortgage Revenue Bonds.....	891,400,000	993,200,000
Administrative Funds.....	-	7,900,000
Total.....	<u>\$ 1,559,600,000</u>	<u>\$ 1,707,700,000</u>
<b>Cash and equivalents (proprietary funds).....</b>	<b>\$ 215,584,861</b>	<b>\$ 5,801,130</b>
<b>Investments (all funds).....</b>	<b>\$ 767,389,120</b>	<b>\$ 999,661,462</b>

<b>SUPPLEMENTARY INFORMATION</b>	<b>2011</b>	<b>2010</b>
Expenditures of Federal Awards		
Section 8 Project-Based Cluster.....	\$ 133,269,490	\$ 132,427,395
Home Investment Partnerships Program.....	22,711,036	17,547,828
American Recovery and Reinvestment Act - Tax Credit Assistance Program.....	58,960,385	34,187,735
Interest Reduction Payments - Rental and Cooperative Housing for Lower Income Families Program.....	4,316,557	4,506,178
Neighborhood Stabilization Program.....	18,988,340	110,036
National Foreclosure Mitigation Counseling Program..	2,258,954	3,434,937
Total.....	<u>\$ 240,504,762</u>	<u>\$ 192,214,109</u>
Average Number of Employees (unaudited).....	221	212

<b>SELECTED ACTIVITY MEASURES</b>	<b>2011</b>	<b>2010</b>
Total Number of Housing Bond Issues Outstanding	76	78
Housing Units Produced Since Inception (unaudited)	208,863	200,996

<b>EXECUTIVE DIRECTOR</b>
During Examination Period: Gloria Materre (9-18-09 thru 3-18-11)
Jane R. Bilger, Acting (3-18-11 thru 3-28-11)
Currently: Mary R. Kenney (beginning 3-28-11)

## INTRODUCTION

The Financial Audit for the year ended June 30, 2011 was previously released on November 3, 2011. That audit contained three audit findings. This report addresses federal and State compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this document contains 11 audit findings, three of which had been reported in the Financial Audit.

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE MONITORING OF HOUSING QUALITY STANDARDS INSPECTIONS**

The Authority did not adequately monitor the Housing Quality Standards (HQS) Inspections for the Section 8 Programs and the Home Investment Partnership Program.

During our sample testing of 23 (Section 8 Programs) and 22 (Home Program) developments Housing Quality Standards Inspections, we noted the following:

#### Section 8 Programs

- In 4 of 23 developments tested, we noted the Authority did not have proper supporting documentation on the correction of deficiencies prior to the issuance of pass letters.
- In 1 of 23 developments tested, we noted the Authority did not communicate the results of the inspection to the development for 51 days.

#### Home Program

- In 6 of 22 developments tested, we noted the Authority did not have proper supporting documentation on the correction of deficiencies prior to the issuance of pass letters.

Failure to monitor the Housing Quality Standards Inspections for Section 8 Programs and the Home Investment Partnership Program could result in sanctions from the cognizant agency and it may result in loss of funding. (Finding 4, pages 19-20) **This finding was first reported in 2008.**

**The Authority was missing supporting documentation and their records were not properly updated**

We recommended the Authority strictly enforce its Housing Quality Standards inspection procedures which include timely follow up, maintaining support for all deficiencies corrected and correspondence to developments regarding the inspections.

**Authority agrees with auditors**

Authority management concurred with the recommendation and stated that they are working through CMS to procure laptop computers for their field inspectors. The computers will be used to forward documentation electronically to the Administrative Staff so pass/fail letters can be more accurately tracked and mailed to the developments. Also, field inspectors will use the physical deficiency checklist which will assist them in better file organization. This checklist will be used to identify and then clear each deficiency against submitted work orders. (For the previous Authority response, see Digest Footnote #1.)

**NEED TO IMPROVE MONITORING PROCEDURES AND REPORT PREPARATION**

The Authority has inadequate monitoring procedures of Section 3 Reports for the Homeownership Program and the Multifamily Program and did not adequately prepare the Section 3 Summary Report sent to the U.S. Department of Housing and Urban Development.

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968 that helps foster local economic development, neighborhood economic improvement and individual self-sufficiency. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low-or-very-low income residents in connection with projects and activities in their neighborhoods.

Based on a review of all the Section 3 reports for Homeownership developments:

- 2 out of 79 Section 3 Summary Reports received from the developments did not agree to the final Section 3 Report maintained by the Authority and eventually submitted to HUD.

Based on a review of the 6 Multifamily developments

- 3 out of 6 development's Section 3 Report the total dollar amounts did not agree to the final Section 3 Reports maintained by the Authority, and eventually submitted to HUD.

**Reports received from developments did not always agree with what was submitted to HUD**

**Errors in the Consolidated Plan Performance Report**

- For 1 out of 6 development's Section 3 Reports the total number of new hires did not agree to the final Section 3 Reports maintained by the Authority, and eventually submitted to HUD. This also resulted in incorrect information provided to HUD in the Authority's Consolidated Plan Performance Report for Program Year 2010. (Finding 5, pages 21-22) **This finding was first reported in 2007**

We recommended that the Authority implement procedures to ensure information reported in the annual Section 3 Summary Report is complete and accurate.

Authority management concurred with the finding and stated that they will amend the current procedures to include supervisory review on top of the peer and supervisory review that currently exists to ensure that the Section 3 Summary Report is complete and accurate. (For previous Authority response, see Digest footnote #2.)

**Authority agrees with the auditors**

### **NEED TO IMPROVE MONITORING OF TAX CREDIT INSPECTIONS**

The Authority is responsible for monitoring the Tax Credit Assistance Program (TCAP) that is financed with funds authorized in the American Recovery and Reinvestment Act of 2009 (ARRA). The Authority is required to perform inspections of developments participation in the TCAP program.

Based on our sample testing of 4 developments we noted the following:

- In 3 out of 4 developments tested, the Authority did not perform the required follow up procedures in a timely manner.
- In 2 out of 4 developments tested, we noted the Authority did not have proper supporting documentation that deficiencies were fixed prior to the issuance of pass letters.

**Follow up procedures not performed and missing supporting documentation**

Failure to monitor the tax credit inspections could result in misuse of funds. (Finding 9, pages 28-29)

**Authority agrees with the auditors**

We recommended the Authority implement procedures to ensure follow up procedures are performed in a timely manner. In addition, procedures should be implemented to ensure all supporting documentation of

inspection results and status of deficiencies is maintained for accurate recording keeping.

Authority management concurred with the finding.

### **NEED TO IMPROVE SUBRECIPIENT MONITORING**

The Authority did not properly monitor subrecipients reporting requirements.

During the fiscal year, the Authority disbursed funds to 3 subrecipients under the Neighborhood Stabilization Program. The Authority did not request the required compliance reports from the subrecipients in order to properly monitor the use of the funds. As a result of our audit inquiry, the Authority obtained the compliance reports from all 3 subrecipients. (Finding 10, page 30)

We recommended that the Authority implement procedures to ensure subrecipients submit required financial information to the Authority in a timely manner.

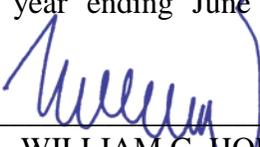
The Authority concurred with the finding and recommendation.

### **OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Authority. We will review the Authority's progress towards the implementation of our recommendations in our next engagement.

### **AUDITORS' OPINION**

We conducted a compliance examination of the Authority for the year ended June 30, 2011 as required by the Illinois State Auditing Act. A financial audit covering the year ending June 30, 2011 was issued separately.

  
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WILLIAM G. HOLLAND  
Auditor General

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## **SPECIAL ASSISTANT AUDITORS**

McGladrey & Pullen LLP were our Special Assistant Auditors for this engagement.

### **DIGEST FOOTNOTES**

#### **#1 –Inadequate Monitoring of Housing Quality Standards Inspections – Previous Authority Response**

- 2010: The Authority concurs with the recommendation and has filled open field inspector positions and believes with the necessary training that the inspections can be completed timely which includes timely follow up and regular maintenance of the Inspection Tracking Report.

#### **#2 –Inadequate Monitoring of Section 3 Reports from Homeownership Single Family and Multifamily and Inadequate Procedures in Preparing Section 3 Summary Report of the Authority - Previous Authority Response**

- 2010: The Authority concurs with the recommendation and stated the Multifamily Department requires data collection and submission of Section 3 Summary information when the development is at least 90% complete. Based on the status of the developments at the time of report submission those that had not reached the required 90% completion status were not included in the final Section 3 Report. The Section 3 Guidelines for data collection will be revised to reflect data collection at project completion to provide the most accurate information of all activities.

The Authority stated that as a result of the Authority's FY2009 Audit, the Homeownership Department amended its procedures to collect the Section 3 Summary information from its state and sub-recipients on a quarterly basis. This quarterly data was maintained in spreadsheets and used to collect the Department's Section 3 data. Due to an error found in the master spreadsheet this lead to inaccurate information being included in the final Section 3 Report. The procedures for collection and preparing Section 3 Summary information will be reviewed and adjustments made as necessary to ensure accurate information is included in the final Section 3 Report. We have moved to an annual submission process for sub grantees to minimize the risk of double reporting. This will also simplify the Authority's data collection for preparing the final Section 3 Report. In addition management will institute a full bi-level review prior to submission of the report to HUD.