



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, 2013**

Release Date: March 20, 2014

Summary of Findings this Audit Cycle:

• Single Audit & Compliance Exam	7
• Financial Audit (previously reported 11-21-13)	<u>3</u>
TOTAL findings	10
Summary of findings from previous audit cycle:	13
Findings repeated:	6

INTRODUCTION

The Financial Audit for the year ended June 30, 2013 was previously released on November 21, 2013. That audit contained three findings. This report addresses federal and State compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this document contains 10 audit findings, three of which were reported in the Financial Audit.

SYNOPSIS

- The Authority did not comply with its internal policies and procedures to administer the Section 8 program.
- The Authority failed to follow its internal policies for administering the HOME Program.
- The Authority made an incorrect payment for the annual operating fees to a Local Administering Agency.

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2013

EXPENDITURE STATISTICS	2013	2012
Debt outstanding (net of unamortized discount)		
Housing Bonds.....	\$ 479,500,000	\$ 371,000,000
Multi-family Initiative Bonds.....	166,100,000	174,700,000
Multi-Family Housing Revenue Bonds (Marywood).....	14,900,000	14,900,000
Multi-Family Bonds (Turnberry).....	4,900,000	4,900,000
Affordable Housing Program Trust Fund Bonds.....	54,300,000	57,300,000
Residential Mortgage Revenue Bonds.....	300,000	300,000
Homeowner Mortgage Revenue Bonds.....	493,600,000	795,500,000
Housing Revenue Bonds.....	196,600,000	65,100,000
Administrative Funds.....	36,700,000	27,700,000
Total.....	<u>\$ 1,446,900,000</u>	<u>\$ 1,511,400,000</u>
Cash and Cash equivalents (proprietary funds).....	\$ 266,332,940	\$ 280,006,495
Investments (all funds).....	\$ 749,953,287	\$ 671,128,214

SUPPLEMENTARY INFORMATION	2013	2012
Expenditures of Federal Awards		
Section 8 Project-Based Cluster.....	\$ 127,092,565	\$ 133,997,072
HOME Investment Partnerships Program.....	16,520,918	31,022,545
American Recovery and Reinvestment Act - Tax Credit Assistance Program.....	-	1,528,859
Interest Reduction Payments - Rental and Cooperative Housing for Lower Income Families Program.....	4,142,339	4,244,079
Neighborhood Stabilization Program.....	21,363,900	11,083,585
Community Development Block Grant.....	10,649,131	-
National Foreclosure Mitigation Counseling Program.....	1,781,355	2,347,913
Total.....	<u>\$ 181,550,208</u>	<u>\$ 184,224,053</u>
Average Number of Employees (unaudited).....	265	272

SELECTED ACTIVITY MEASURES	2013	2012
Total Number of Housing Bond Issues Outstanding	78	81
Housing Units Produced Since Inception (unaudited)	221,460	213,685

EXECUTIVE DIRECTOR
During Examination Period and Current: Mary R. Kenney

INTRODUCTION

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INTERNAL POLICY FOR ADMINISTERING SECTION 8 PROGRAM NOT FOLLOWED

The Authority did not comply with its internal policies and procedures to administer the Section 8 Program.

During our sample testing of: 1) Management Reviews
2) Audited Financial Statements and 3) Residual Receipt
Accounts the following conditions were noted:

Management Reviews

Based on twenty management reviews performed during the audit period we noted:

- Six were processed more than 30 days from date of review resulting in delays ranging from 4 to 16 days late.
- Three reviews where the Authority did not make timely follow-ups with developments to clear their findings.

Follow-ups were not timely

Audited Financial Statements

Based on our sample testing of 16 Audited Financial Statement reviews performed during the audit period we noted:

- Authority did not set clear deadlines for developments with audit findings.
- Authority did not set clear deadlines for reviews of audited financial statements received from developments.

Lack of clear deadlines

Residual Receipt Accounts

Based on our sample testing of 10 developments for the required estimated residual receipt monitoring performed during the audit period we noted:

- Five developments did not comply with the February 15 deadline and no immediate follow-ups were made by the Authority. Out of the five, all were determined not to have remitted residual receipts after submission of the developments audited financial statements.

Developments did not remit residual receipts

- Of the remaining five developments that met the February 15 deadline, three of these developments were required to remit residual receipts. However, none of these three developments remitted the funds before the 60 day deadline resulting in delays ranging from 4 to 115 days late. (Finding 5, pages 19-21) **This finding was first reported in 2011.**

We recommended the Authority implement procedures to ensure internal policies are being followed to administer the Section 8 Program. Furthermore, the Authority should set clear deadlines for the review of audited financial statements from the developments.

Authority agrees with auditors

Authority management concurred with the recommendation and stated they will continue to update their internal procedures for monitoring the Section 8 Program. (For the previous Authority response, see Digest Footnote #1.)

INTERNAL POLICIES FOR ADMINISTERING THE HOME PROGRAM NOT FOLLOWED

The Authority did not comply with its internal policies for administering the HOME Program.

Based on our sample testing of 8 sponsor reviews and visits (1 desk, 2 construction and 5 site), we noted the following:

- The HOME Program Officer did not effectively communicate in writing the results of the visit at two of five site visits tested.
- Supporting documents were not properly maintained on file for one of five site visits tested.
- The Authority did not maintain an updated and accurate monitoring log. The monitoring log covers desk reviews, construction visits, and site visits. (Finding 7, page 24)

Supporting documentation not maintained

Monitoring log was not accurately maintained

We recommended the Authority monitor its subrecipients in accordance with federal regulations.

Authority agrees with the auditors

Authority management concurred with the recommendation and stated they will add additional supervisory review that will be responsible for monitoring files and reviewing the monitoring log.

INCORRECT PAYMENT TO LOCAL ADMINISTERING AGENCY

The Authority made an incorrect payment for the annual operating fees to a Local Administering Agency.

The Rental Housing Support Program (30 ILCS 105/15(a)) requires the Authority to make grants to local administering agencies to provide subsidies to landlords to enable the landlords to charge rent affordable for low-income tenants. Grants shall also include an amount for the operating expenses of local administering agencies.

Based upon the results of our sample testing, we noted:

Operating fee on the worksheet did not agree with the funding agreement

- The annual operating fee amount per the Authority's worksheet did not agree to the annual administrative fee per the funding agreement for 4 of 5 administering agencies tested.

Authority underpaid the fee by \$18,107

- An incorrect amount paid to a Local Administering Agency for 1 of 5 administrative fees tested. The Authority under paid the Agency by \$18,107. (Finding 10, page 29)

We recommended the Authority implement procedures to review contracts in order to ensure proper wording is used. Further, the Authority should review the fees paid to their Local Administering Agencies prior to payment to ensure accuracy of the payment.

Authority agrees with the auditors

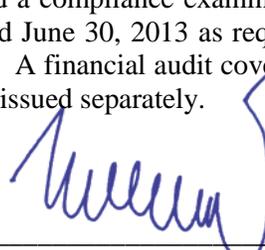
Authority management concurred with the finding and stated they have implemented procedures.

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, 2013 as required by the Illinois State Auditing Act. A financial audit covering the year ending June 30, 2013 was issued separately.



WILLIAM G. HOELAND
Auditor General

WGH:TLK

SPECIAL ASSISTANT AUDITORS

McGladrey LLP was our Special Assistant Auditors for this engagement.

DIGEST FOOTNOTE

**#1 –Internal Policy For Administering Section 8 Program
Not Followed – Previous Authority Response**

2012: Authority management concurs with the recommendation and the Asset Management Services department is revising its internal policies and procedures to clarify and align timelines for completion and follow-up on Audited Financial Statements, Management and Occupancy Reviews, Tenant File Reviews and Desk File Reviews to separate staff performance expectations into training materials. Procedures will align with HUD requirements. These revisions will be completed by June 30, 2013.

Additionally, department senior staff is reviewing weekly reports on completion of Audited Financial Statements, Management and Occupancy Reviews and monthly reports on the status of required follow-up to clear deficiencies.