



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

**Financial Audit
For the Year Ended: June 30, 2013**

Release Date: November 21, 2013

Summary of Findings:

Total this audit:	3
Total last audit:	1
Repeated from last audit:	1

SYNOPSIS

- The Authority has loan balances in the multi-family program recorded in their financial statements that should be removed due to the loans being uncollectible.
- The Authority did not depreciate capital asset additions made to real estate owned.
- The Authority over accrued interest receivable for program loans in the Single Family Loan Program Fund.

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCIAL AUDIT
For The Year Ended June 30, 2013

FINANCIAL POSITION - ALL FUNDS	2013	2012
Assets		
Cash and investments - unrestricted.....	\$ 562,240,721	\$ 483,911,430
Investments - restricted.....	555,116,035	575,082,700
Net Program loans receivable.....	1,597,791,954	1,696,825,157
Other.....	182,335,124	169,333,175
Total.....	<u>2,897,483,834</u>	<u>2,925,152,462</u>
Deferred Outflow of Resources.....	<u>2,485,432</u>	-
Liabilities		
Bonds and Notes Payable.....	1,446,843,575	1,511,422,132
Due to State of Illinois.....	324,162,453	322,891,160
Deposits held in escrow.....	164,523,449	174,905,975
Other.....	85,964,302	83,207,538
Total.....	<u>2,021,493,779</u>	<u>2,092,426,805</u>
Deferred Inflows of Resources.....	<u>112,919</u>	-
Net Position		
Invested in capital assets, net of related debt.....	(6,598,606)	(6,463,984)
Restricted.....	767,081,508	737,108,179
Unrestricted.....	117,879,666	102,081,462
Total.....	<u>\$ 878,362,568</u>	<u>\$ 832,725,657</u>
ADMINISTRATIVE FUND OPERATIONS	2013	2012
Revenues		
Service Fees.....	\$ 13,857,848	\$ 13,989,518
Interest and investment income.....	6,833,326	8,765,313
Federal assistance programs.....	129,158,231	136,700,053
Other.....	15,922,037	14,576,007
Total.....	<u>165,771,442</u>	<u>174,030,891</u>
Expenses		
Salaries and benefits.....	14,777,341	13,511,041
Professional fees.....	591,991	513,693
Other general and administrative.....	1,258,009	2,723,810
Transfers, net.....	1,742,268	869,334
Financing Costs.....	310,323	306,553
Federal assistance programs.....	129,158,231	136,700,053
Provision for est. loss on loan receivable.....	(3,393,236)	2,807,812
Other.....	2,797,060	1,731,744
Total.....	<u>147,241,987</u>	<u>159,164,040</u>
Change in net position.....	<u>\$ 18,529,455</u>	<u>\$ 14,866,851</u>
AGENCY DIRECTOR		
During Engagement and Current: Mary Kenney		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**LOAN RECEIVABLE ALLOWANCE FOR LOAN LOSS
BALANCES OVERSTATED**

The Illinois Housing Development Authority (Authority) has loan balances in the multi-family program recorded in their financial statements that should be removed due to the loans being uncollectible.

\$23 million allowance for loan loss estimate

During our audit of the Authority's allowance for loan loss estimate, we noted 25 loans totaling approximately \$23 million were recorded on the Authority's financial statements for which a 100% allowance reserve was recorded. The Authority anticipates that most of these loans will ultimately be written off. (Finding 1, Page 77) **This finding was first reported in 2008.**

We recommended that the Authority continue to work with the Attorney General's Office to get approval to write-off the uncollectible loan balances.

Authority agrees with the auditors

Authority officials concurred with the recommendation and stated that they have instituted regular meetings between staff in the Legal, Accounting, Loan & Portfolio Management and Multifamily departments to collaboratively review the documents required for a write-off request submission to the Attorney General's Office. Authority management believes this additional level of monitoring will assist the Authority in attaining a higher rate of approval on first time submission requests. (For the previous Authority response, see Digest footnote #1.)

FAILURE TO DEPRECIATE CAPITAL ASSETS

The Illinois Housing Development Authority (Authority) did not depreciate capital asset additions made to real estate owned.

An audit adjustment was made totaling \$1,567,069

During our testing over capital assets held in the Mortgage Loan Program Fund, we noted capital spending on property held by the Authority was not being depreciated. After this was brought to the attention of the Authority, they recorded an audit adjustment of \$1,567,069 to correct accumulated depreciation expense on those capital assets. (Finding 2, Page 78)

We recommended the Authority implement procedures to ensure additions to capital assets are included in the annual calculation for depreciation.

Authority agrees with the auditors

Authority officials concurred with the recommendation and stated that at a supervisory review of all capital additions will occur to ensure all activities have been properly recorded.

OVERSTATED LOAN INTEREST RECEIVABLE AND REVENUE

The Illinois Housing Development Authority (Authority) over accrued interest receivable for program loans in the Single Family Loan Program Fund.

An audit adjustment was made totaling \$1,811,176

During our testing over interest receivable on loans in the Single Family Loan Program Fund, we noted there was an error in the amount of loan interest receivable and loan interest revenue recorded as of year-end. The Authority over accrued loan interest receivable and revenue by \$1,811,176. An entry was recorded in the financial statements to correct this error. (Finding 3, Page 79)

We recommended the Authority implement procedures to ensure reports used to record accrued interest at year-end are reviewed for accuracy.

Authority agrees with the auditors

Authority officials concurred with the recommendation and stated that at a minimum an annual review will be performed for accuracy.

AUDITORS' OPINION

Our auditors state the June 30, 2013 financial statements of the Illinois Housing Development Authority are presented fairly in all material respects.



WILLIAM G. HOLLAND
Auditor General

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SPECIAL ASSISTANT AUDITORS

McGladrey LLP were our Special Assistant Auditors for this engagement.

DIGEST FOOTNOTES

**#1 –Loan Receivable Balance and Allowance for Loan Loss Balance
Overstated – Previous Authority Response**

Authority management concurs with the recommendation and since establishing regular communications with the Attorney General's office the Authority has written off 34 loans totaling \$2,970,956 over the last two fiscal years. In addition Authority management instituted regular meetings between staff in the Legal, Accounting, Loan & Portfolio Management and Multifamily departments to collaboratively review the documents required for a write-off request submission to the Attorney General's office. Authority management believes this additional level of monitoring will assist the Authority with attaining a higher rate of approvals on first time submission requests and lessen the amount of denials received based on additional documentation being requested by the Attorney General's office.