



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Single Audit and State Compliance Examination
 For the Year Ended June 30, 2017

Release Date: February 14, 2018

FINDINGS THIS AUDIT: 4	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	2	2	2015	17-3	17.2	
Category 2:	0	2	2	2014	17-1		
Category 3:	0	0	0	2011		17-4	
TOTAL	0	4	4				
FINDINGS LAST AUDIT: 8							

INTRODUCTION

This digest covers our Single Audit and Compliance Examination of the Illinois Housing Development Authority (Authority) for the year ended June 30, 2017. A separate Financial Audit as of and for the year ended June 30, 2017, was previously released on November 8, 2017. In total, this report contains 4 findings, two of which were reported in the Financial Audit.

SYNOPSIS

- (17-3) The Authority did not properly report expenditures on the Schedule of Expenditures of Federal Awards.
- (17-4) The Authority did not follow its established policies and procedures for monitoring subrecipients of the Section 8 Project-Based program.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
COMPLIANCE EXAMINATION AND SINGLE AUDIT
For the Year Ended June 30, 2017**

EXPENDITURE STATISTICS	2017	2016
Debt outstanding (net of unamortized discount)		
Housing Bonds.....	\$ 272,500,000	\$ 338,900,000
Multifamily Initiative Bonds.....	138,600,000	146,300,000
Multifamily Revenue Bonds.....	50,400,000	-
Affordable Housing Program Trust Fund Bonds.....	-	14,800,000
Residential Mortgage Revenue Bonds.....	100,000	100,000
Homeowner Mortgage Revenue Bonds.....	363,900,000	302,700,000
Housing Revenue Bonds.....	129,600,000	152,500,000
Revenue Bonds.....	131,000,000	72,800,000
Administrative Funds.....	61,500,000	52,300,000
Total.....	<u>\$ 1,147,600,000</u>	<u>\$ 1,080,400,000</u>
Cash and Cash equivalents (proprietary funds).....	\$ 286,602,043	\$ 282,890,983
Investments (all funds).....	\$ 1,009,631,137	\$ 750,307,771
Total Number of Housing bond Issues Outstanding.....	65	68
SUPPLEMENTARY INFORMATION	2017	2016
Expenditures of Federal Awards		
Section 8 Project-Based Cluster.....	\$ 96,490,747	\$ 107,151,397
HOME Investment Partnerships Program.....	283,303,004	266,456,640
Interest Reduction Payments - Rental and Cooperative		
Housing for Lower Income Families Program.....	495,582	1,197,963
Neighborhood Stabilization Program.....	114,251	606,474
Community Development Block Grant.....	-	1,513,226
National Foreclosure Mitigation Counseling Program.....	903,235	1,455,120
Total.....	<u>\$ 381,306,819</u>	<u>\$ 378,380,820</u>
Average Number of Employees (unaudited).....	278	238
SELECTED ACTIVITY MEASURES	2017	2016
Housing Units Produced Since Inception (unaudited).....	294,324	280,166
EXECUTIVE DIRECTOR		
During Examination Period: Audra Hamernik		
Current: Audra Hamernik		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INACCURATE REPORTING OF FEDERAL
EXPENDITURES ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS (SEFA)**

**Total expenditures and
total amounts passed
through to subrecipients
overstated by \$63,795**

Expenditures were not properly reported on the SEFA provided by the Authority for our final major program determination. Specifically, we noted administrative expenditures were overstated by \$399,954 and current year loan disbursements were understated by \$336,159 resulting in total expenditure and total amounts passed through to subrecipients being overstated by \$63,795.

Failure to accurately report federal expenditures and amounts passed through to subrecipients prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding. (Finding 3, pages 21-23) **This finding has been repeated since 2015.**

We recommended the Authority review its current procedures to ensure the SEFA is prepared accurately and in accordance with the Uniform Guidance.

**Authority agrees with
the auditors**

Authority officials concurred with the recommendation and stated for the HOME Program, the Accounting staff will review program income payouts to determine its use either to fund administrative reimbursement requests or to fund program loan disbursements. *(For the previous Authority response, see Digest Footnote #1.)*

**FAILURE TO FOLLOW ESTABLISHED
SUBRECIPIENT MONITORING PROCEDURES FOR
THE SECTION 8 PROJECT-BASED CLUSTER
PROGRAM**

**Monitoring procedures
not followed**

The Authority did not follow its established policies and procedures for monitoring subrecipients of the Section 8 Project-Based (Section 8) program.

The Authority has implemented procedures whereby program staff perform periodic on-site and desk reviews of subrecipients' compliance with regulations applicable to the Section 8 Cluster program administered by the Authority. These reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. The Authority's policies require the subrecipient file to be closed within 90 days of the subrecipient being notified of any findings.

During our testwork over on-site review procedures performed for 25 subrecipients (with expenditures of \$45,311,692) of the Section 8 Cluster program, we noted the Authority did not follow its established on-site monitoring procedures as follows:

Written responses to on-site reviews were not received and follow-up action was not taken

- The Authority did not receive written responses to the findings of the on-site reviews for two subrecipients (with expenditures of \$9,442,992) and appropriate follow-up action was not taken.
- The Authority did not complete the on-site reviews for one subrecipient (with expenditures totaling \$4,978,732) within 90 days. The delay in completing the on-site reviews was 28 days.
- The Authority did not notify one subrecipient (with expenditures totaling \$4,464,260) of findings from the on-site monitoring review in a timely manner. Specifically, the finding notification was sent 75 days after the review of the inspection (30 day requirement) and 78 days after the inspection was conducted (60 day requirement). (Finding 4, pages 24-25) **This finding has been repeated since 2011.**

We recommended the Authority ensure on-site monitoring files are completed and closed in accordance with established policies and procedures.

Authority agrees with the auditors

Authority officials agreed with the recommendation and stated the Asset Management department is being reorganized to help clarify roles and responsibilities to ensure tasks are completed in accordance with procedures. (*For the previous Authority response, see Digest Footnote #2.*)

AUDITOR'S OPINIONS

The financial audit report was previously released. The auditors stated the financial statements of the Authority as of and for the year ended June 30, 2017, are fairly stated in all material respects.

The auditors also conducted a Single Audit of the Authority as required by the Uniform Guidance. The auditors stated the Authority complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the Authority's major federal programs for the year ended June 30, 2017.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Authority for the year ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants stated the Authority complied, in all material respects, with the requirements described in the report.

This Single Audit and State Compliance Examination were conducted by KPMG LLP.

SIGNED ORIGINAL ON FILE

Jane Clark
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:TLK

DIGEST FOOTNOTES

#1 - INACCURATE REPORTING OF FEDERAL EXPENDITURES ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

2016: The Authority concurs with the recommendation and a review of current procedures for the Schedule of Expenditures of Federal Awards will occur. Accounting staff responsible for preparation of the SEFA will review reporting updates for the 2016 OMB 2 C.F.R. 200, Appendix XI Compliance Supplement. As new updates are listed in the Compliance Supplement, the Accounting staff will implement the updates into the SEFA.

#2 - FAILURE TO FOLLOW ESTABLISHED SUBRECIPIENT MONITORING PROCEDURES FOR THE SECTION 8 PROJECT-BASED CLUSTER PROGRAM

2016: Asset Management Services will review its existing procedures to ensure on-site monitoring files are completed and closed in accordance with established policies and procedures. IHDA will take further action to ensure existing procedures and timelines are adhered to.