



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, 2019

Release Date: May 14, 2020

FINDINGS THIS AUDIT: 8	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	5	5	2018	19-2, 19-5	19-8	
Category 2:	1	2	3	2015	19-1, 19-4		
Category 3:	0	0	0	2014	19-3		
TOTAL	1	7	8	2011		19-6	
FINDINGS LAST AUDIT: 10							

INTRODUCTION

This digest covers our Single Audit and Compliance Examination of the Illinois Housing Development Authority (Authority) for the year ended June 30, 2019. A separate Financial Audit as of and for the year ended June 30, 2019, was previously released on February 27, 2020. In total, this report contains 8 findings, three of which were reported in the Financial Audit.

SYNOPSIS

- **(19-4)** The Authority does not have an adequate process in place to prepare its Schedule of Expenditures of Federal Awards.
- **(19-6)** The Authority did not follow its established policies and procedures for monitoring subrecipients of the Section 8 Project-Based program.
- **(19-8)** The Authority did not maintain adequate supporting documentation for the data included in the Reports of Receipts and Disbursements for Locally Held Funds and Quarterly Summaries of Accounts Receivable for the year ended June 30, 2019.

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.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
COMPLIANCE EXAMINATION AND SINGLE AUDIT
For the Year Ended June 30, 2019**

EXPENDITURE STATISTICS	2019	2018
Debt outstanding (net of unamortized discount)		
Housing Bonds.....	\$ 177,900,000	\$ 226,200,000
Multifamily Initiative Bonds.....	133,500,000	136,100,000
Multifamily Revenue Bonds.....	53,600,000	60,500,000
Homeowner Mortgage Revenue Bonds.....	378,900,000	320,600,000
Housing Revenue Bonds.....	95,200,000	109,700,000
Revenue Bonds.....	519,500,000	242,900,000
Administrative Funds.....	28,100,000	68,400,000
Total.....	<u>\$ 1,386,700,000</u>	<u>\$ 1,164,400,000</u>
Cash and Cash equivalents (proprietary funds).....	\$ 395,185,717	\$ 337,104,480
Investments (all funds).....	\$ 1,375,952,953	\$ 1,022,157,186
Total Number of Housing bond Issues Outstanding.....	59	61
SUPPLEMENTARY INFORMATION		
Expenditures of Federal Awards		
Section 8 Project-Based Cluster.....	\$ 59,604,043	\$ 79,345,525
HOME Investment Partnerships Program.....	302,585,550	284,551,736
Interest Reduction Payments - Rental and Cooperative Housing for Lower Income Families Program.....	102,624	337,835
National Housing Trust Fund.....	3,031,659	845,519
Section 811 Project Rental Assistance Program.....	435,475	234,337
Community Development Block Grant - Neighborhood Stabilization Program	480,751	3,152,059
National Foreclosure Mitigation Counseling Program.....	9,232	297,481
Total.....	<u>\$ 366,249,334</u>	<u>\$ 368,764,492</u>
Average Number of Employees (unaudited).....	298	294
SELECTED ACTIVITY MEASURES		
Housing Units Produced Since Inception (unaudited).....	314,920	304,492
EXECUTIVE DIRECTOR		
During Examination Period: Audra Hamernik (2-22-16 thur 8-25-19), Vacant (8-26-19 thru 11-11-19)		
Current: Kristin Faust (effective 11-12-19)		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INACCURATE REPORTING OF FEDERAL EXPENDITURES ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Authority does not have an adequate process in place to prepare its schedule of expenditures of federal awards (SEFA).

Process to prepare the Schedule of Expenditures of Federal Awards (SEFA) needs improvement

During our testing of the SEFA and major program expenditures, we noted expenditures for the Section 8 Cluster and CDBG were overstated. Specifically we noted the following errors:

CFDA Number	Line Item	Reported Amount	Corrected Amount	Overstatement
14.182	Section 8 New Construction and Substantial Rehabilitation – subrecipient expenditures	\$54,328,864	\$51,773,609	\$2,555,255
14.856	Lower Income Housing Assistance Program - Section 8 Moderated Rehabilitation – subrecipient expenditures	\$5,275,179	\$4,727,605	\$547,574
14.228	Neighborhood Stabilization Program - administrative expenditures	\$601	\$0	\$601

Items included in the table above have been corrected in the SEFA presented.

In addition, we noted management has not established adequate control procedures to ensure the SEFA is complete, accurate, and properly presented in accordance with the Uniform Guidance. Specifically, management has not established management review controls at the level of precision to identify material misstatements.

While specific exceptions were not found related to the HOME and HTF programs, we noted the control deficiencies identified in the preceding paragraph relative to the SEFA preparation process also apply to all major programs.

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 4, pages 32-34) **This finding has been repeated since 2015.**

We recommended the Authority review its current process for preparing the SEFA and implement the necessary 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.

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 monitoring review procedures performed for 8 subrecipients (with expenditures of \$15,193,280) of the Section 8 Cluster program, we noted the Authority has not established adequate control activities to ensure its established monitoring procedures were followed in communicating the results of its monitoring reviews. We noted the following exceptions to the Authority's monitoring procedures:

Finding notifications were sent late

- The Authority did not notify three subrecipients (with expenditures totaling \$2,503,884) of findings from the monitoring review in a timely manner. Specifically, the findings notification was sent between 63 and 102 days after the inspection was conducted (60 day requirement).

Written responses were not received timely

- The Authority did not receive written responses to the findings of the desk review for one subrecipient (with expenditures of \$4,912,582). The Authority did not follow-up with the subrecipient to obtain the responses as of the date of our testing (March 11, 2020).

- The Authority did not close out the review file for one subrecipient (with expenditures of \$2,103,009) in a timely manner as required by the Authority’s policies. Specifically, the review file was closed out 112 days after the subrecipient was notified of findings (90 day requirement). (Finding 6, pages 37-39) **This finding has been repeated since 2011.**

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

Authority agrees with the auditors

Authority officials agreed with the recommendation.

FAILURE TO MAINTAIN SUPPORTING DOCUMENTATION FOR REPORTS FILED WITH THE ILLINOIS OFFICE OF THE COMPTROLLER

Supporting documentation was not retained

The Authority did not maintain adequate supporting documentation for the data included in the Reports of Receipts and Disbursements for Locally Held Funds and Quarterly Summaries of Accounts Receivable for the year ended June 30, 2019.

The Authority is required to prepare a Report of Receipts and Disbursements for Locally Held Funds (Form C-17) on a quarterly basis for each local fund. These reports capture cash receipts and disbursements data for receipts not submitted to the Illinois Office of the Comptroller (IOC) and deposited in the State Treasury, as well as disbursements not vouchered or paid by the IOC. During our review of the two C-17 reports submitted for the quarters ended December 31, 2018 and March 31, 2019, we noted the Authority was unable to provide supporting documentation for certain line items reported for the Administrative Fund (AF) and Rental Housing Support Program Fund (RHSPF) for the quarter ended March 31, 2019. Specifically, we noted documentation was not available to support amounts reported for the following line items:

Fund	Line Description	Amount Reported
AF	Bond issue proceeds	\$192,340,000
RHSPF	Special reimbursement funds settlement	\$2,347,321

Reports were not submitted timely

We also noted the reports submitted for the quarters ended December 31, 2018 and June 30, 2019 were not submitted timely. Delays in submitting these reports were 22 and 47 days after the due date.

Additionally, the Authority is required to prepare a Quarterly Summary of Accounts Receivable – Accounts Receivable Activity (Form C-97) to the IOC for each fund. These reports document the accounts receivable activity for each quarter, including adjustments to receivables, additions to accounts receivable, collections, write-offs, and estimated uncollectible accounts.

During our review of the Quarterly Summary of Accounts Receivable reports, we noted the Authority did not retain supporting documentation for the Form C-97 reports submitted for all quarters in fiscal year 2019. As a result, we were unable to verify the completeness and accuracy of the information reported to the IOC.

Additionally, we noted the reports submitted for quarters ended September 30, 2018, December 31, 2018, and June 30, 2019 were not submitted timely. Delays in submitting the report ranged from 7 to 36 days after the due date. (Finding 8, pages 41-42)

We recommended the Authority review the process and procedures in place for documenting and preparing financial reports required by the IOC and implement the additional procedures necessary to ensure adequate supporting documentation is maintained for each required report.

Authority agrees with the auditors

Authority officials agreed with the recommendation.

OTHER FINDINGS

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

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, 2019, 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 programs for the year ended June 30, 2019.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Authority for the year ended June 30, 2019, 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

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