



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, 2020

Release Date: May 4, 2021

FINDINGS THIS AUDIT: 14	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2019		20-5	
Category 2:	11	2	13	2015	20-1		
Category 3:	0	0	0	2011		20-2	
<b>TOTAL</b>	<b>11</b>	<b>3</b>	<b>14</b>				
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, 2020. A separate Financial Audit as of and for the year ended June 30, 2020, was previously released on December 22, 2020. In total, this report contains 14 findings, one of which was reported in the Financial Audit.

**SYNOPSIS**

- (20-2) The Authority did not follow its established policies and procedures for monitoring subrecipients of the Section 8 Project-Based program.
- (20-7) The Authority did not approve payroll reports timely.
- (20-8) The Authority has not established adequate controls over the appropriate completion of I-9 Forms for employees hired by the Authority.
- (20-10) The Authority did not properly accrue for compensated employee absences.

**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, 2020**

<b>SUPPLEMENTARY INFORMATION</b>	<b>2020</b>	<b>2019</b>
<b>Expenditures of Federal Awards</b>		
Section 8 Project-Based Cluster.....	\$ 58,982,046	\$ 59,604,043
HOME Investment Partnerships Program.....	306,384,537	302,585,550
Interest Reduction Payments - Rental and Cooperative Housing for Lower Income Families Program.....	103,982	102,624
National Housing Trust Fund.....	2,280,355	3,031,659
Section 811 Project Rental Assistance Program.....	1,067,968	435,475
Community Development Block Grant (CDBG) - Neighborhood Stabilization Program	-	480,751
CDBG - State Administered Small Cities Program Cluster.....	8,344	-
National Foreclosure Mitigation Counseling Program.....	-	9,232
Total.....	<u>\$ 368,827,232</u>	<u>\$ 366,249,334</u>
<b>Federal Loan Program</b>		
Outstanding balance at July 1.....	\$ 293,279,461	\$ 279,488,528
Loans Disbursed.....	10,461,482	21,439,314
Principal Write Off.....	(48,123)	(3,552,721)
Repayments, Net of Interest.....	(3,201,865)	(4,095,660)
Outstanding balance at June 30.....	<u>\$ 300,490,955</u>	<u>\$ 293,279,461</u>
<b>Average Number of Employees (unaudited).....</b>	293	298
<b>SELECTED ACTIVITY MEASURES</b>	<b>2020</b>	<b>2019</b>
Housing Units Produced Since Inception (unaudited).....	333,604	314,920
<b>EXECUTIVE DIRECTOR</b>		
During Examination Period: Audra Hamernik (through 8-25-19), Vacant (8-26-19 through 11-11-19), Kristen Faust (effective 11-12-19)		
Current: Kristin Faust		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**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 inspections 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 \$9,250,977) 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:

**Responses were not received  
timely**

- The Authority did not receive adequate responses to the findings of four subrecipients (with expenditures totaling \$5,440,236) in a timely manner. Specifically, the responses were received between 35 and 236 days after receiving results or review (30 day requirement).

**Notifications were not sent  
timely**

- The Authority did not notify four subrecipients (with expenditures totaling \$6,760,718) of findings from the monitoring review in a timely manner. Specifically, the findings notification was sent between 31 and 58 days after the review (30 day requirement). (Finding 2, pages 25-27) **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.

**INADEQUATE CONTROLS OVER TIME REPORTING**

The Authority did not approve payroll reports timely.

During our testwork of 49 Weekly Attendance Reports prepared during the fiscal year ended June 30, 2020, we noted the following:

**Approvals were not documented or were performed late**

- Seven (14%) reports were not approved by the designated Department Director and Department Timekeeper.
- Seven (14%) reports were not approved by the designated Department Director within two weeks after the pay period end date. Specifically, we noted the review timeframe ranged from 3 to 15 days late.
- Five (10%) reports were not approved by the designated Department Timekeeper within two weeks after pay period end date. Specifically, we noted the review timeframe ranged from 1 to 15 days late. (Finding 7, pages 34-35)

We recommended the Authority enforce existing policies and procedures to ensure payroll is approved timely.

Authority officials agreed with the recommendation.

**Authority agrees with the auditors**

**INADEQUATE CONTROLS OVER I-9 FORMS**

The Authority has not established adequate controls over the appropriate completion of I-9 Forms for employees hired by the Authority.

**Controls over I-9 Forms need improvement**

During our review of 50 employees, we noted the following:

- For fourteen employees (28%) the Authority did not properly complete the employee information in section 2 of the I-9 Form.
- Fourteen employees (28%) dated and completed the I-9 Form prior to their hire date.
- Ten employees (20%) did not fully complete section 1 of the I-9 Form on or before their respective hire date.
- Two employees (4%) failed to date their completion of section 1 of the I-9 Form. (Finding 8, page 36)

**Fourteen I-9 Forms were completed prior to the hire date**

We recommended the Authority enhance their controls over the process for preparing and reviewing I-9 forms to ensure compliance with U.S. Citizen and Immigration Services requirements.

Authority officials agreed with the recommendation.

**Authority agrees with the auditors**

## **IMPROPER ACCRUAL OF COMPENSATED ABSENCES**

The Authority did not properly accrue for compensated employee absences.

During our testwork of 39 employees' accrued compensated absences (i.e. vacation and sick leave) liability balances during the fiscal year ended June 30, 2020, we noted the following:

### **Vacation accruals were not calculated correctly**

- Twenty-one vacation accruals were calculated incorrectly resulting in the vacation balance being understated. Specifically, we noted the hours ranged from 2.50 to 54.50 and in total 547.75 hours and \$23,326.
- Nine vacation accruals were calculated incorrectly resulting in the vacation balance being overstated. Specifically, we noted the hours ranged from 1.00 to 56.25 and in total 114.00 hours and \$6,834.
- Five vacation payouts were calculated incorrectly resulting in a net overpayment. Specifically, we noted four payouts had an overpayment of \$6,545 and one payout had an underpayment of \$1,387.
- Nine sick accruals were calculated incorrectly resulting in the sick balance being understated. Specifically, we noted the sick hours ranged from 1.50 to 88.00 and in total were understated by 268.25 hours and \$4,416.
- Seven sick accruals were calculated incorrectly resulting in the sick balance being overstated. Specifically, we noted the sick hours ranged from 1.50 to 3.75 hours and in total were overstated by 24.00 hours and \$582. (Finding 10, pages 38-39)

We recommended the Authority enforce existing policies and procedures to ensure proper review of the calculation of accrued compensated absences. We also recommended the Authority review the accuracy of its prior compensated absence payouts and determine whether additional payments are warranted and legal.

### **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, 2020, 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, 2020.

**ACCOUNTANT’S OPINION**

The accountants conducted a compliance examination of the Authority for the year ended June 30, 2020, 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 CliftonLarsonAllen 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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