



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Financial Audit
 For the Year Ended June 30, 2020

Release Date: December 22, 2020

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2015	20-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 3							

INTRODUCTION

This digest covers the Illinois Housing Development Authority (Authority) Financial Audit as of and for the year ended June 30, 2020. The Authority's Compliance Examination (including the Single Audit) covering the year ended June 30, 2020 will be issued in a separate report at a later date.

SYNOPSIS

- **(20-1)** The Authority has not established adequate internal controls over the financial reporting process and the recording of financial transactions within its books and records.

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
FINANCIAL AUDIT
For the Year Ended June 30, 2020**

FINANCIAL POSITION - ALL FUNDS	2020	2019
Assets		
Cash and investments - unrestricted.....	\$ 917,782,850	\$ 856,957,867
Investments - restricted.....	1,262,584,807	1,092,121,142
Net Program loans receivable.....	1,127,429,560	1,165,719,162
Other.....	141,425,909	148,691,482
Total.....	<u>3,449,223,126</u>	<u>3,263,489,653</u>
Deferred Outflows of Resources.....	<u>9,132,010</u>	<u>4,933,932</u>
Liabilities		
Bonds and Notes Payable.....	1,529,870,979	1,386,721,017
Due to State of Illinois.....	408,317,501	357,690,050
Deposits held in escrow.....	136,363,517	147,791,446
Other.....	107,943,347	120,277,099
Total.....	<u>2,182,495,344</u>	<u>2,012,479,612</u>
Deferred Inflows of Resources.....	<u>63,830</u>	<u>1,456,229</u>
Net Position		
Net investment in capital assets.....	6,967,459	4,796,009
Restricted.....	1,012,619,657	1,005,658,719
Unrestricted.....	256,208,846	244,033,016
Total.....	<u>\$ 1,275,795,962</u>	<u>\$ 1,254,487,744</u>
ADMINISTRATIVE FUND OPERATIONS	2020	2019
Revenues		
Service Fees.....	\$ 8,545,590	\$ 7,228,447
Interest and investment income.....	28,752,706	26,187,738
Federal assistance programs.....	59,010,896	60,641,761
Other.....	16,204,538	18,135,607
Total.....	<u>112,513,730</u>	<u>112,193,553</u>
Expenses		
Salaries and benefits.....	19,496,962	22,753,645
Professional fees.....	3,100,579	2,947,651
Other general and administrative.....	3,369,755	2,773,953
Transfers, net.....	2,021,792	2,241,389
Financing Costs.....	951,147	2,314,172
Federal assistance programs.....	58,990,896	60,641,761
Provision for est. loss on loan receivable.....	951,629	(1,204,673)
Other.....	10,988,671	5,580,715
Total.....	<u>99,871,431</u>	<u>98,048,613</u>
Change in net position.....	<u>\$ 12,642,299</u>	<u>\$ 14,144,940</u>
EXECUTIVE DIRECTOR		
During Engagement: Audra Hamernik (through 8/15/19); Vacant (8/16/19 through 11/11/19) Kristin Faust (effective 11/12/19)		
Current: Kristin Faust		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INACCURATE FINANCIAL REPORTING

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the financial reporting process and the recording of financial transactions within its books and records.

Improvements needed in the recording and reporting of financial transactions

During the year ended June 30, 2020, the Authority made a number of changes in the financial reporting process. While doing so, the Authority failed to establish additional oversight and monitoring procedures to ensure the financial statements were properly prepared and presented. As a result, the draft financial statements prepared by management and provided to the auditors contained errors which required adjustment to the financial statements. The following are some of the matters noted during the audit:

Loans were overstated within the footnote by \$50,000,000

- The Authority incorrectly reported their Ambac Assurance Corporation loans outstanding within footnote 5. The originally reported amount was \$55,579,568 while the correct amount was \$5,579,568 resulting in a difference of (\$50,000,000). A proposed adjustment for these differences was recorded by the Authority.

Conduit debt was overstated in the footnotes by \$28,295,231

- The Authority incorrectly reported the bonds and notes outstanding related to conduit debt obligations within footnote 8(e) of the financial statements as \$1,175,921,664 while the correct amount was \$1,147,626,343 resulting in a difference of (\$28,295,231). A proposed adjustment for these differences was recorded by the Authority.

Accrued liabilities within the Authority's funds required numerous adjustments

- The Authority incorrectly reported accrued liabilities and other liabilities for the Administrative Fund, Mortgage Loan Program Fund, Home Program Fund and the Hardest Hit Fund in the Statement of Net Position and the Balance Sheet which required numerous adjustment to these accounts. The proposed adjustments were recorded by the Authority.
- Within the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the Business-Type Activities, the Authority incorrectly reported amounts in the Administrative Fund. The Authority understated Due from Other Funds by \$13,399,832 and understated Due To Other Funds by the same amount on the financial statements.

- Journal entry adjustments were also proposed and made by the Authority to correct differences noted within the Administrative Fund for the following accounts: Deposits held in Escrow, Accrued Liabilities and Other, Interest and Other Investment Income, Service Fees, Development Fees, Other Revenue, Professional Fees, Other General and Administrative expenses and Financing Costs.
- For the Authority’s Single Family Program Fund, we noted the financial statements understated the Derivative Instrument Liability by (\$9,132,010) and overstated the Accumulated increase in the fair value of hedging derivative by \$9,132,010. A proposed adjustment for these differences was recorded by the Authority. (Finding 1, pages 84-90) **This finding has been repeated since 2015.**

We recommended the Authority review its internal control policies and procedures to ensure financial transaction are accurately reported in the general ledger and accurately reported in the financial statements and footnote disclosures.

Authority agrees with the auditors

Authority officials accepted the recommendation and stated they will continue to enhance its internal control policies and procedures to address the conditions noted within this finding.

AUDITOR’S OPINION

Our auditors stated the financial statements of the Authority as of June 30, 2020, and for the year then ended, are fairly stated in all material respects.

The financial audit was 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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