

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

State Compliance Examination
Year Ended June 30, 2021

Performed as Special Assistant Auditors for the
Auditor General, State of Illinois



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

	PAGE(S)
AGENCY OFFICIALS	1
MANAGEMENT ASSERTION LETTER	2
STATE COMPLIANCE REPORT	
SUMMARY	4
ACCOUNTANTS' REPORT	
INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE	7
SCHEDULE OF FINDINGS	
CURRENT FINDINGS	10
PRIOR YEAR FINDINGS NOT REPEATED	38

*Separate reports were issued for the Authority's basic financial statements and federal single audit.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
AGENCY OFFICIALS
YEAR ENDED JUNE 30, 2021**

BOARD OFFICERS

Chairman (07/11/16 – Present)	Mr. King Harris
Vice Chair (10/21/05 – 07/17/20)	Ms. Karen Davis
Vice Chair (03/13/17 – Present)	Ms. Luz Ramirez
Secretary (02/25/13 – Present)	Mr. Salvatore Tornatore
Treasurer (10/21/19 – Present)	Mr. Darrell Hubbard
Member (09/25/20 – 05/05/21)	Dr. Rita Ali
Member (10/21/19 – Present)	Ms. Sonia Berg
Member (01/10/20 – Present)	Ms. Aarti Kotak
Member (11/19/19 – Present)	Mr. Tom Morsch

AGENCY OFFICIALS

Executive Director	Ms. Kristin Faust
Assist. Executive Director/Chief of Staff	Mr. Herman Brewer
Deputy Executive Director (as of 8/18/20)	Ms. Karen Davis
General Counsel	Ms. Maureen G. Ohle
Chief Information Officer	Mr. Scot Berkey
Chief Financial Officer	Mr. Edward Gin
Deputy Chief Financial Officer/ Assistant Treasurer	Ms. Tracy Grimm
Controller	Mr. Timothy J. Hicks
Chief Internal Auditor (as of 12/15/2020)	Ms. Christina Monroe
Chief Internal Auditor (07/20-12/14/20)	Vacant

Agency Officials are located at:

111 East Wacker Drive, Suite 1000
Chicago, Illinois 60601

May 26, 2022

CliftonLarsonAllen LLP
1301 West 22nd Street, Suite 1100
Oak Brook, IL 60523

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Housing Development Authority (the Authority). We are responsible for, and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following specified requirements during the year ended June 30, 2021. Based on this evaluation, we assert that during the year ended June 30, 2021, the Authority has materially complied with the specified requirements listed below.

- A. The Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Authority on behalf of the State or held in trust by the Authority have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Illinois Housing Development Authority
1

Yours truly,

Illinois Housing Development Authority

SIGNED ORIGINAL ON FILE

Kristin Faust
Executive Director

SIGNED ORIGINAL ON FILE

Ed Gin
Chief Financial Officer

SIGNED ORIGINAL ON FILE

Maureen Ohle
General Counsel

SIGNED ORIGINAL ON FILE

Timothy Hicks
Controller

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
COMPLIANCE REPORT SUMMARY
YEAR ENDED JUNE 30, 2021**

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide.

Accountants' Report

The Independent Accountants' Report on State Compliance, and on Internal Control over Compliance, does not contain scope limitations, disclaimers, or other significant nonstandard language.

Summary of Findings

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	15	14
Repeated Findings	10	3
Prior Recommendations Implemented or Not Repeated	4	5

Schedule of Findings

Current Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
2021-001	10	2020/2015	Inaccurate Financial Reporting	Material weakness and noncompliance
2021-002	17	New	Inadequate Controls over Investments	Significant deficiency and noncompliance
2021-003	18	2020/2011	Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project Based Cluster Program	Significant deficiency and noncompliance
2021-004	20	New	Failure to Obtain Proper Support for Landlord Payments	Significant deficiency and noncompliance
2021-005	22	New	Failure to Notify Timely Subrecipients of Federal Funding	Significant deficiency and noncompliance

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
COMPLIANCE REPORT SUMMARY
YEAR ENDED JUNE 30, 2021**

Schedule of Findings (continued)

Item No.	Page	Last/First Reported	Current Findings	
			Description	Finding Type
2021-006	24	2020/2020	Failure to Comply with the State Employment Records Act	Significant deficiency and noncompliance
2021-007	26	2020/2019	Delinquent Bond Reporting	Significant deficiency and noncompliance
2021-008	27	2020/2020	Outdated Policies and Procedures	Significant deficiency and noncompliance
2021-009	28	2020/2020	Inadequate Controls Over Time Reporting	Significant deficiency and noncompliance
2021-010	30	2020/2020	Inadequate Controls Over I-9 Forms	Significant deficiency and noncompliance
2021-011	31	2020/2020	Improper Accrual of Compensated Absences	Significant deficiency and noncompliance
2021-012	32	2020/2020	Inadequate Controls Over Termination Payouts	Significant deficiency and noncompliance
2021-013	33	2020/2020	Inadequate Controls Over Contracts	Significant deficiency and noncompliance
2021-014	35	New	Lack of Disaster Recovery Testing	Significant deficiency and noncompliance
2021-015	36	New	Cybersecurity	Significant deficiency and noncompliance

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
COMPLIANCE REPORT SUMMARY
YEAR ENDED JUNE 30, 2021**

Prior Findings Not Repeated

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
A	38	2020/2020	Failure to Approve Weekly Payroll Reports
B	38	2020/2020	Inadequate Controls over Personal Action Forms
C	38	2020/2020	Inadequate Controls over Maintenance of Accounts Payable Vendor File
D	38	2020/2020	Failure to Follow Loan Loss Methodology

Exit Conference

On April 29, 2022, the Illinois Housing Development Authority waived the exit conference relating to the State Compliance Examination.

The responses to the recommendations were provided by Tim Hicks, Controller, in an email dated April 29, 2022.



INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General of the State of Illinois and
Board of Directors
Illinois Housing Development Authority

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois Housing Development Authority with the specified requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2021. Management of the Illinois Housing Development Authority (the Authority) is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Authority on behalf of the State or held in trust by the Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Honorable Frank J. Mautino
Auditor General of the State of Illinois and
Board of Directors
Illinois Housing Development Authority

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied with the specified requirements during the year ended June 30, 2021, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2021-001 through 2021-015.

The Authority's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Authority's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Authority's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Authority's compliance with the specified requirements and to test and report on the Authority's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

Honorable Frank J. Mautino
Auditor General of the State of Illinois and
Board of Directors
Illinois Housing Development Authority

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2021-001 to be a material weakness.

A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items 2021-002 through 2021-015 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Authority's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Authority's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
May 26, 2022

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-001 – 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.

During the year under audit, financial reporting problems continued to exist as the Authority failed to establish proper 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 material errors which required numerous adjustments to the financial statements and footnotes.

During our review of the Authority's interim financial statements, we noted the Authority was initially recording all federal funding for the Emergency Rental Assistance Program Fund and the Coronavirus Urgent Remediation Emergency Fund as program revenue without having incurred any expenses. Program revenue not earned should have been recorded as a liability and recorded as revenue once earned. Due to these errors in the recording of these program revenues during the year, the Authority's major governmental fund determinations were impacted which resulted in the Authority not identifying the Build Illinois Bond Program Fund as a major governmental fund. Upon review of the final trial balance, the Authority attempted to correct the balances but did not make the correct entries to appropriately recognize the program revenue to match the Authority's program expenses. The following correcting entries were made to the Emergency Rental Assistance Program Fund and the Coronavirus Urgent Remediation Emergency Fund to correct program revenue:

Fund	Account Description	Originally Reported Amount	Correct Amount	Difference
Coronavirus Urgent Remediation Emergency Fund	Unearned Revenue	\$ -	\$ (6,185,872)	\$ (6,185,872)
	Federal Program Revenue	(173,038,000)	(166,852,128)	6,185,872
Emergency Rental Assistance Program Fund	Unearned Revenue	(213,086,446)	(205,356,453)	7,729,993
	Federal Program Revenue	(103,971,429)	(111,701,422)	(7,729,993)

The following errors noted during the audit were corrected by the Authority after we brought them to their attention:

Fund	Account Description	Originally Reported Amount	Correct Amount	Difference
Administrative Fund	Miscellaneous Fees	\$ (58,353)	\$ (72,366)	\$ (14,013)
	Unrestricted Equity	(256,140,082)	(256,126,069)	14,013
	Other Miscellaneous Expenses	(97,186)	1,117,113	1,214,299
	Miscellaneous Payable	(2,509,980)	(2,503,497)	6,483
	Admin Fund Accounts Payable	(3,244,393)	(4,465,175)	(1,220,782)
	Safekeeping Account	(6,383,073)	-	6,383,073
	Bond Pledged Security Account	351,202	-	(351,202)
	Access 4% DPA Safekeeping	6,000,000	-	(6,000,000)
	TBA Op Inc Safekeeping	31,871	-	(31,871)
	Bond Pledged Cash Account	(33,000)	-	33,000
Cash DDA	78,078,511	78,045,511	(33,000)	

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Fund	Account Description	Originally Reported Amount	Correct Amount	Difference
Administrative Fund	Investment Discount Amortization	\$ 65,870,250	\$ (30,484,352)	\$ (96,354,602)
	Investment Premium Amortization	(65,091,779)	31,262,823	96,354,602
	TBA Securities Value - Asset	-	652,901	652,901
	TBA Securities Value - Liability	652,901	-	(652,901)
	Allowance for Estimated Losses	(16,005,577)	(5,656,843)	10,348,734
	Provisions for Estimated Losses on Loans	11,580,535	1,231,801	(10,348,734)
	Intercompany Transfers	24,610,404	49,800,404	25,190,000
	Due To Administrative Fund	(10,546,938)	(35,736,938)	(25,190,000)
Mortgage Loan Program Fund	Allowance for Estimated Losses	(2,793,678)	(3,572,335)	(778,657)
	Provisions for Estimated Losses on Loans	(1,466,918)	(688,261)	778,657
Single Family Program Fund	Bonds Payable	(253,530,000)	(251,235,000)	2,295,000
	Current Bonds Payable	(7,625,000)	(9,920,000)	(2,295,000)
	Allowance for Estimated Losses	(2,037,823)	(2,605,808)	(567,985)
	Provisions for Estimated Losses on Loans	(148,847)	419,138	567,985
HOME Program	Allowance for Estimated Losses	(22,706,038)	(29,034,699)	(6,328,661)
	Prov for Est Losses on Loans	(3,993,424)	2,335,237	6,328,661
Build Illinois Bonds	Allowance for Estimated Losses	(3,462,522)	(4,427,601)	(965,079)
	Provisions for Estimated Losses on Loans	30,371	995,450	965,079
Nonmajor Governmental Program Fund - ARRA	Allowance for Estimated Losses	(5,855,300)	(7,487,298)	(1,631,998)
	Provisions for Estimated Losses on Loans	580,859	2,212,857	1,631,998
Nonmajor Governmental Program Fund - Neighborhood Stabilization Fund	Allowance for Estimated Losses	(56,809)	(72,643)	(15,834)
	Provisions for Estimated Losses on Loans	(2,760)	13,074	15,834
Nonmajor Governmental Program Fund - Community Development Block Grant	Allowance for Estimated Losses	(71,220)	(91,071)	(19,851)
	Provisions for Estimated Losses on Loans	(773,469)	(753,618)	19,851
Nonmajor Governmental Program Fund - National Housing Trust Fund	Allowance for Estimated Losses	(145,908)	(186,576)	(40,668)
	Provisions for Estimated Losses on Loans	54,265	94,933	40,668
	Loans Receivable	12,211,342	9,924,862	(2,286,480)
	Program Grants	-	2,286,480	2,286,480

- The Authority did not properly classify parts of cash and cash equivalents and investments as restricted and unrestricted in the Statement of Net Position resulting in a reclassification of \$99.8 million of cash to unrestricted and a reclassification of \$2.1 million of investments to non-current unrestricted.
- The Authority did not properly classify the fair market value adjustments between the Administrative Fund and the Single Family Fund resulting in a reclassification of \$2.1 million from the Single Family Fund to the Administrative Fund.
- Within the Statement of Cash Flows, the Authority incorrectly reported the following amounts:

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Fund	Item	Originally Reported Amount	Correct Amount	Difference
Administrative Fund	Receipts for state assistance programs	\$ -	\$ 451,000	\$ 451,000
	Payments for state assistance programs	-	(451,000)	(451,000)
	Payments for program grant	(19,136,000)	(18,686,000)	450,000
	Other Receipts	5,505,000	5,055,000	(450,000)
	Purchases of investments	(3,662,746,000)	(1,886,225,000)	1,776,521,000
	Proceeds from sales and maturities of investments	1,877,403,000	2,024,966,000	147,563,000
	Interest received on investments	1,932,688,000	8,604,000	(1,924,084,000)
Mortgage Loan Program Fund	Purchases of investments	(979,283,000)	(507,017,000)	472,266,000
	Proceeds from sales and maturities of investments	977,681,000	505,802,000	(471,879,000)
	Interest received on investments	2,241,000	1,854,000	(387,000)
Single Family Program Fund	Purchases of investments	(439,250,000)	(824,890,000)	(385,640,000)
	Proceeds from sales and maturities of investments	358,996,000	744,636,000	385,640,000

- Within the Statement of Net Position for the Administrative Fund under Business-Type Activities, the Authority incorrectly reported the following amounts:

Fund	Business-Type Activities	Originally Reported Amount	Correct Amount	Difference
Administrative Fund	Cash and cash equivalents-restricted	\$ 251,679,000	156,352,000	\$ (95,327,000)
	Cash and cash equivalents	—	95,327,000	95,327,000

- Within the Statement of Activities for the Administrative Fund, the Authority incorrectly grouped the following amounts:

Fund	Item	Originally Reported Amount	Correct Amount	Difference
Administrative Fund	Charges for Services and Interest	\$ (28,189,000)	\$ (28,640,000)	\$ (451,000)
	Operating Grant/Federal	(39,491,000)	(39,040,000)	451,000

- Within the Statement of Net Position and the Combining Schedule of Net Position for the Mortgage Loan Program Fund, the Authority incorrectly grouped the following amounts:

Fund	Item	Originally Reported Amount	Correct Amount	Difference
Mortgage Loan Program Fund	Deposits held in escrow	\$ 1,003,000	\$ -	\$ (1,003,000)
	Accrued liabilities and other	117,000	1,120,000	1,003,000

Uncorrected misstatements:

Within the statement of net position, the Authority did not book adjustments related to the following amounts (i.e. uncorrected misstatements):

Fund	Account Description	Uncorrected Misstatements
Administrative Fund	Investment Income	\$ 4,632,605
	Beginning Net Position	(4,632,605)
	Other Miscellaneous Expenses	(1,214,299)
	Ending Net Position	1,214,999
	Investments	934,697
	Ending Net Position	(934,697)
	Restricted Ending Net Position	5,894,900
Unrestricted Ending Net Position	(5,894,900)	

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Fund	Account Description	Uncorrected Misstatements
Single Family Program Fund	Investments	\$ (3,343,561)
	Ending Net Position	3,343,561
National Housing Trust Fund	Program Grants	(455,570)
	Beginning Net Position	455,570

Errors/Omissions from Required Financial Statement Disclosures Identified:

Additionally, the following were errors noted within the Management Discussion Analysis (MD&A) and footnote disclosures of the financial statements which were all corrected by the Authority:

- The Authority failed to present condensed financial information within the MD&A as required by governmental reporting standards to include items such as total assets, distinguishing between capital and other assets; total liabilities, distinguishing between long-term liabilities and other liabilities; total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts, program revenues, by major source, general revenues, by major source, total revenues, program expenses, at a minimum by function, total expenses, transfers, and change in net assets.
- Within footnote 1 of the financial statements, the Authority did not disclose required governmental reporting disclosure requirements regarding enabling legislation restrictions of the Authority's net position as of year-end.
- Within footnote 3 of the financial statements, the Authority:
 - Did not disclose total cash and cash equivalents of \$1.15 billion consisting of cash equivalents held in investments of \$882 million and cash of \$269.5 million.
 - Incorrectly reported cash & cash equivalents held in investments over interest rate risk by including cash as part of the sweep accounts resulting in an error of \$617.3 million, an error of \$334.9 million for restricted cash equivalents held in sweep accounts, and an error of \$12.9million in unrestricted cash equivalents held in sweep accounts.
 - Incorrectly reported the cash carrying value and bank balance resulting in an error of \$348 million and \$333 million.
 - Incorrectly reported fair value measurements over investments for the following:

Investments	Originally Reported Amount	Correct Amount	Difference
Federal National Mortgage Association	\$ 474,863,000	\$ 474,544,000	\$ (319,000)
Government National Mortgage Association	677,905,000	677,390,000	(515,000)
Federal Home Loan Mortgage Corp.	39,821,000	40,655,000	834,000

- Within footnote 4 of the financial statements, the Authority:
 - Incorrectly reported the proprietary funds interfund receivable to and payable for the following below:

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Item	Originally Reported Amount	Correct Amount	Difference
Administrative Payable due to Mortgage Loan Program	\$ 10,366,000	\$ 33,526,000	\$ 23,160,000
Administrative Payable due to Single Family Program due to Administrative	-	2,031,000.00	2,031,000
Single Family Program due to Mortgage Loan Program	33,387,000	58,578,000.00	25,191,000
Single Family Program due to Single Family	23,160,000	-	(23,160,000)
Single Family Program due to Single Family	2,031,000	-	(2,031,000)

- Did not disclose within the footnotes, details about interfund transfers which should have included transfers of \$18 million, \$10.4 million, and \$5.4 million between the Mortgage Loan Program and Administrative Fund.
- Within footnote 5 of the financial statements, the Authority:
 - Incorrectly reported beginning net program receivables for governmental funds and loan repayments made during the year resulting in an error of \$5 million and \$30 thousand, respectively.
 - Incorrectly reported the total amounts of Risk Sharing loans financed through Multi-Family Revenue Bonds and Administrative Fund resulting in an error of \$1.6 million for each fund.
 - Incorrectly reported amounts related to loans in arrears for loans financed under the Mortgage Participation Certificate program where the Authority had sold 100% participation interests in loans resulting in an error of \$72 thousand in debt service payments and an error of \$479 thousand in required deposits to tax and insurance and/or replacement reserves.
 - Did not disclose loans financed under the Mortgage Loan Program Funds for amounts equal to more than three months debt service payments of \$507 thousand or required deposits to tax and insurance and/or replacement reserves of \$1 million.
 - Did not disclose the nonaccrual of interest income on mortgage loans of \$5.8 million and annual interest of \$108 thousand within the Administrative Fund.
 - Did not disclose 17 loans for a total amount of \$121 million for sold beneficial ownership interests in mortgage loans originated by housing finance agencies and insured under the FHA-HFA Risk Sharing Program.
- Within footnote 8 of the financial statements, the Authority:
 - Incorrectly reported debt activity resulting in an error of \$1.2 billion for Single Family Program Fund for other debt.
 - Did not disclose that the 2020 Series D totaling \$1.7 million under Multifamily Revenue Bonds was a taxable bond.
 - Incorrectly reported debt service reserves resulting in an error of \$2 million for Housing Bonds, an error of \$2.5 million for Multifamily Revenue Bonds, and error of \$740 thousand for Homeowner Mortgage Revenue Bonds.
 - Utilized incorrect interest and principal amounts in calculating the future debt service requirements for the Authority's proprietary funds resulting in an error of \$35.5 million for the Single Family principal's amount and a net error of \$300 thousand for the Mortgage Loan Program's interest.
 - Incorrectly reported the Homeowner Revenue Bond interest swap for \$3 million and Revenue Bond interest swaps for \$2.9 million as deferred inflows when they should have been presented as deferred outflows and the Housing Bonds Interest Rate cap for \$12 thousand as deferred outflows when they should have been presented as deferred inflows.
 - Incorrectly reported total outstanding principal of the special limited obligations bonds for the

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Mortgage Loan Program Fund and Single Family Program Fund resulting in an error of \$50 million.

- Utilized incorrect interest principal, interest, and interest rate swap net amount in calculating debt service requirements of the Authority's outstanding variable-rate debt and net swap payments resulting in a total error of \$40 million in principal, a total error of \$195 thousand in interest, and a total error of \$6.7 million in interest rate swap, net.
- Within footnote 10 of the financial statements, the Authority did not disclose the required operating lease disclosures regarding their annual base rent amount of \$1.3 million, \$1 million of ownership taxes and operating expenses, the monthly amount of base rent abated for the first ten months of the lease of \$181 thousand per month, and the total rent expense of \$2.7 million. In addition, the Authority overstated the amount of future minimum lease commitments by \$915 thousand.
- Within footnote 12 of the financial statements, the Authority incorrectly reported payroll contributions resulting in an understatement of \$100 thousand for the Authority's contributions and an understatement of \$2.1 million for employee contributions.
- Within footnote 13 of the financial statements, the Authority incorrectly reported the series related to outstanding issuances for the Multifamily Revenue Bonds resulting in an error of \$8.6 million for the Major Jenkins series, an error of \$460 thousand for the Hebron Apartment series, and an error of \$10 million for the Maywood Support Living Facility Series.
- Within footnote 14 of the financial statements, the Authority did not disclose subsequent bond issuances for two Revenue Bonds for a combined total of \$144.3 million, and one Multifamily Revenue Bond for \$78 million.

Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires that resources transmitted before the eligibility requirements are met should be reported as advances by the provider and as unearned revenues by recipients.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, requires that each fund financial statements should report separate columns for the general fund and for other major governmental and enterprise funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds. Any other fund may be reported as a major fund if agency officials believe that a fund is particularly important to financial statement users. Nonmajor funds should be reported in the aggregate in a separate column. Internal service funds also should be reported in the aggregate in a separate column on the proprietary fund statements. Condensed financial information derived from government-wide financial statements should present the information needed to support their analysis of financial positions and results of operations and included elements: total assets, distinguishing between capital and other assets, total liabilities, distinguishing between long-term liabilities and other liabilities, total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts, program revenues, by major source, general revenues, by major source, total revenues, program expenses, at a minimum by function, total expenses, transfers, and change in net assets. Governments that charge fund or programs (through internal service funds or the general fund) for

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

“centralized” expenses, which may include an administrative overhead component, the summary of significant accounting policies should disclose they are included in direct expenses.

Governmental Accounting Standards Board (GASB) Statement No. 38, *Certain Financial Statement Note Disclosures*, requires disclosure of amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type, general description of the principal purposes of the government’s interfund transfers, and the intended purpose and the amount of significant transfers.

Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation*, requires governments to disclose the portion of total net assets that is restricted by enabling legislation.

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained Pre-November 30, 1989 FASB and AICPA Pronouncements*, requires disclosed in the notes all operating leases, rental expense/expenditure for each period for which a flows statement is presented, with separate amounts for minimum rentals, contingent rentals, and sublease rentals.

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to accurately record financial transactions and accurately prepare the financial statements.

Authority management stated the misstatements related to the financial statements and footnote disclosures were mainly due to oversight, miscommunication and staff errors.

Failure to accurately record financial transactions resulted in misstatement of the Authority’s financial statements. (Finding Code No. 2021-001, 2020-001, 2019-001, 2018-003, 2017-002, 2016-001, 2015-001)

RECOMMENDATION

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

AUTHORITY RESPONSE

Authority management agreed with the finding and stated in FY21, the Authority continued to enhance its internal control policies and procedures related to the preparation of its financial statements. The Authority management acknowledges that the financial reporting team needs to continue its efforts to focus on significantly enhancing its internal review processes to meaningfully improve the quality of the financial statements. Although some improvements have been made, miscommunications and following faulty precedent resulted in certain uncorrected misstatements.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-002 – Inadequate Controls over Investments

The Illinois Housing Development Authority (Authority) did not have adequate controls over investments.

During our review of investments, we noted the Authority did not perform a monthly reconciliation of its investment statements to the general ledger. Although, the investments were recorded in the general ledger correctly, the Authority was unable to detect the following:

- An overstatement of 17,609,936 shares totaling \$18,015,123 on an investment statement
- Reconciling items due to timing of investment purchases at year-end totaling \$4,813,306

Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain systems of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; and funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Effective internal controls should ensure procedures are implemented to ensure that adequate monthly reconciliations are being performed between the Authority's accounting records and investment statements.

Authority management stated the bank error for investments and reconciling items were due to timing at year-end and insufficient reconciliations.

Failure to exercise adequate internal control over financial reporting by properly reporting investments of the Authority could have, if not detected and corrected, could result in a material misstatement of the Authority's financial statements. (Finding Code No. 2021-002)

RECOMMENDATION

We recommend the Authority perform monthly reconciliations of its investments recorded in the general ledger with the investment statements they receive from their investment companies.

AUTHORITY RESPONSE

Authority management agreed with the finding and stated moving forward, the Authority will further enhance its reconciliation controls to ensure that the GL balance and holdings report from the subledger is equal to the bank statement. In the future if the figures do not match, we will escalate to the bank promptly and clear the discrepancy in an efficient manner.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-003 – Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project Based Cluster Program

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)
Program Name: Section 8 Project-Based Cluster (Section 8)
Assistance Listing Numbers: 14.182/14.856
Award Numbers: IL901MR0001; IL901MR0003; IL901MR0004; IL901MR0006;
IL901MR0007; IL901MR0008
Program Expenditures: \$39,040,915
Questioned Costs: None

CONDITION FOUND

The Illinois Housing Development Authority (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. These reviews are formally documented and include the issuance of a report documenting the results of the review to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or performance improvement observations 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 test work over monitoring review procedures performed for 8 subrecipients (with expenditures of \$12,670,919) of the Section 8 Cluster program, we noted the Authority has not established adequate control activities to ensure its monitoring procedures were followed in communicating the results of its monitoring reviews. Specifically, we noted the Authority did not receive adequate responses to the findings of two subrecipients (with expenditures totaling \$1,560,425) in a timely manner. One response was received 32 days after receiving results and review, and for the second exception the subrecipient did not provide a response and was closed out with open findings at 57 days (30 day requirement).

CRITERIA OR REQUIREMENT

A pass-through entity must monitor the activities of its subrecipients to ensure subawards are used for authorized purposes, comply with the terms and conditions of the subaward, and achieve performance goals (2 CFR sections 200.332(d) through (f)).

The Uniform Grant Guidance (2 CFR 200.303) requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site review procedures are performed in a timely manner, are designed to monitor fiscal controls, and are performed to ensure compliance with program regulations.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

CAUSE:

Authority officials stated due to staff changes during the fiscal year, certain staff were not familiar with required processes and timeline requirements.

POSSIBLE ASSERTED EFFECT

Failure to adequately follow on-site monitoring procedures may result in subrecipients not properly administering the Section 8 Cluster program in accordance with statutes, regulations, and the grant agreement.

REPEAT FINDING

A similar finding was reported in the prior year audit as finding 2020-002. (Finding Code No. 2021-003, 2020-002, 2019-006, 2018-007, 2017-004, 2016-007, 2015-007, 2014-003, 2013-005, 12-05, 11-11)

STATISTICAL SAMPLING

This sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

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

AUTHORITY RESPONSE

The Authority has implemented several new policies and procedures to strengthen controls surrounding the sub monitoring process. All staff are scheduled to complete a full monitoring cycle and have been scheduled for additional trainings. Additionally, weekly team meetings are conducted, and the Authority has updated its written procedures to address the sub monitoring deficiencies. Management and Supervisors will be responsible for weekly quality control tasks that include, reviewing system reports, weekly one on one meetings with the Assistant Director and any staff. The quality control and one on one meetings will be used to reduce and eliminate delayed submissions, closeouts, and notification letters. The Supervisors will run internal reports weekly to identify what inspections are due and ensure they are submitted timely.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-004 – Failure to Obtain Proper Support for Landlord Payments

Federal Agency: U.S. Department of the Treasury (Passed through the State of Illinois)
Program Name: Coronavirus Relief Fund (CRF)
Assistance Listing Number: 21.019
Award Number: SLT0042
Program Expenditures: \$330,621,446
Questioned Costs: \$5,000

CONDITION FOUND

The Illinois Housing Development Authority (the Authority) did not follow its established policies and procedures for rental assistance payments under the Coronavirus Relief Fund (CRF).

The Authority has implemented procedures whereby program staff perform eligibility reviews of applications for rental assistance provided via the Authority hosted, web-based portal. The tenant fills out their responses in the portal including an email for the landlord which then prompts a link for the landlord to fill out their portion of the application.

During our test work over procedures performed for 30 renters (for a total sample of \$150,000 in disbursements) of the Coronavirus Relief Fund, we noted the Authority has not established adequate control activities to ensure its review procedures were followed. We noted the Authority did not receive adequate documentation for unpaid rent in one instance (with a disbursement of \$5,000). Specifically, rent was current per the rent roll, the landlord indicated there was no unpaid rent, but a payment was made to the landlord for unpaid rent.

CRITERIA OR REQUIREMENT

The *Federal Register* (86 FR 4182) and its Frequently Asked Questions (FAQs) serve as the Department of the Treasury's guidance to be used for payments from the Coronavirus Relief Fund. FAQ #23 in 86 FR 4182 states that CRF payments may be used to provide emergency financial assistance to individuals and families directly impacted by a loss of income due to the COVID-19 public health emergency, and that if a government determines such assistance to be a necessary expenditure, such assistance could include a program to assist individuals with payment of overdue rent.

The Uniform Grant Guidance (2 CFR 200.303) requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure applications are reviewed, and past due / unpaid rent is verified and documented.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

CAUSE

The Authority's management stated exceptions were due to application reviewer oversight.

POSSIBLE ASSERTED EFFECT

Failure to adequately follow procedures for application review may result in the Authority not properly administering the Coronavirus Relief Fund in accordance with statutes, regulations, and the grant agreement and could lead to landlords receiving funds they are not entitled to resulting in questioned costs. (Finding Code No. 2021-004)

STATISTICAL SAMPLING

This sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

We recommend the Authority ensure the Coronavirus Relief Fund program is operated in accordance with statutes, regulations, and the grant agreement.

AUTHORITY RESPONSE

The Authority is in agreement. While the emergency rental assistance program funded with CRF dollars and has since concluded, IHDA will consider this finding in any future similar program design and implementation to ensure appropriate quality control practices are put in place. Further, the Authority will continue to provide training to employees and/or contractual workers who perform eligibility reviews of applications for rental assistance provided via the Authority to ensure consistency.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-005 – Failure to Notify Timely Subrecipients of Federal Funding

Federal Agency: U.S. Department of the Treasury (Passed through the State of Illinois)
Program Name: Coronavirus Relief Fund (CRF)
Assistance Listing Number: 21.019
Award Number: SLT0042
Program Expenditures: \$330,621,446
Questioned Costs: None

CONDITION FOUND

The Illinois Housing Development Authority (the Authority) did not communicate timely all required federal program information to subrecipients of the Coronavirus Relief Fund (CRF).

During our testwork over ten CRF subrecipients (with expenditures totaling \$486,351), we noted the Authority did not communicate timely the Assistance Listing Number to the subrecipients. The Assistance Listing Number was communicated to subrecipients 266 days after the contract was awarded.

CRITERIA OR REQUIREMENT

The Uniform Guidance (2 CFR section 200.331 (a)) requires all pass through entities ensure that every subaward is clearly identified to the subrecipient as a subaward and include information to comply with Federal statutes, regulations, and the terms and conditions of the award. The required information includes the subrecipient's DUNS number, Assistance Listing Number and name, federal award date, and further additional requirements. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

Additionally, the Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to ensure required information is communicated prior to the issuance of the subaward.

CAUSE

The Authority's management stated these exceptions were due to operational oversight.

POSSIBLE ASSERTED EFFECT

Failure to notify subrecipients of all required federal award information could result in subrecipients improperly omitting expenditures from their schedules of expenditures of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with Uniform Grant Guidance. (Finding Code No. 2021-005)

STATISTICAL SAMPLING

This sample was not intended to be, and was not, a statistically valid sample.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

RECOMMENDATION

We recommend the Authority ensure subrecipients of the Coronavirus Relief Fund (CRF) are notified the funds received are federally funded and the Assistance Listing Number is identified in accordance with statutes, regulations, and the grant agreement.

AUTHORITY RESPONSE

The Authority is in agreement. While the emergency rental assistance program funded with CRF dollars and has since concluded, IHDA will consider this finding in any future similar program design and implementation to ensure appropriate quality control practices are put in place. The Authority agrees and will ensure that all required federal program funding is consistently and clearly identified to all potential sub-recipient when a request for applications is released. The Authority has established an internal protocol to provide the best information, and this has been applied to subsequent similar federal programs.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-006 – Failure to Comply with the State Employment Records Act

The Illinois Housing Development Authority’s (the Authority) 2020 Agency Workforce Report was not completed accurately.

The Agency Workforce Report is to be submitted annually to the Governor’s Office and the Office of the Secretary State required by the State Employment Records Act. The report is designed to provide data relative to: (1) the number and income levels of the Agency employees, (2) the number of employees by gender, (3) the number of employees by minority group, (4) the number of physically disabled employees, (5) the number of open positions of employment, and (6) the total number of persons employed as professionals.

Based on our review of the Authority’s 2020 Agency Workforce Report, we noted the following:

- The Agency Workforce Report did not report the total number and percentage of open positions of employment or advancement by minorities, women, and person with disabilities.
- The Agency Workforce Report did not report the total number and percentage of professionals by minorities, women, and person with disabilities.
- The Agency Workforce Report did not correctly report the number of females and males with disabilities. Females with disabilities was understated by 2 employees and males with disabilities was overstated by 1 employee.
- The Agency Workforce Report did not correctly report the total number of females. Total females were overstated by 1 employee.
- The Agency Workforce Report did not correctly report the number of employees receiving levels of state remuneration within incremental levels of \$10,000 by gender for the following:

Type	Gender	Total report per Agency Workforce Report	Correct Number	(Overstated)/ Understated
\$10,000-19,999	Female	0	1	1

- The Agency Workforce Report did not correctly report the total number of promotions. Total promotions were overstated by 3 employees.
- The Agency Workforce Report did not correctly report the total number of new hires. Total new hires were overstated by 2 employees.
- The Agency Workforce Report did not correctly report the number of women and men by ethnicity for the following:

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Type	Total report per Agency Workforce Report	Correct Number	(Overstated)/ Understated
Asian Females	11	10	(1)
Black or African American Females	79	70	(9)
Black or African American Males	19	20	1
Hispanic Males	19	18	(1)
Two or more races (Not Hispanic or Latino) Females	0	2	2
Two or more races (Not Hispanic or Latino) Males	0	1	1

The State Employment Records Act (5 ILCS 410/20)) requires State agencies to collect, classify, maintain, and publish, for State and public use, certain employment statistics in a prescribed format.

The Fiscal Control and Internal Auditing Act (30 ILCS 10-3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure accurate reports are submitted to the Governor’s Office and the Office of the Secretary of State.

Authority’s management stated these exceptions were due to an oversight of personnel not ensuring all reports pulled from the payroll system were accurate and contained consistent information.

Failure to include accurate information in the annual Agency Workforce Report could deter efforts by the State to achieve a more diversified workforce. (Finding Code No. 2021-006, 2020-004)

RECOMMENDATION

We recommend the Authority implement procedures to capture and retain accurate information to support the preparation of the annual Agency Workforce Report. We also recommend the Authority file a corrected report in accordance with 30 ILCS 5/3-2.2.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority agrees to implement procedures to capture and retain accurate information to support the preparation of the annual Agency Workforce Report.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-007 – Delinquent Bond Reporting

The Illinois Housing Development Authority (the Authority) did not report certain bond payments to the Office of Comptroller (IOC) and did not timely report certain other bond payments to the IOC during the fiscal year ended June 30, 2021.

The Authority contracts with a bank to administer some of its bonds and related reporting. Under the terms of the contract, the bank is responsible to prepare and submit the Notice of Payment of Bond Interest and/or Principal forms (Form C-08) to the IOC on the Authority's behalf. During our testwork, we noted the bank and/or trustees on the bond issues did not submit one Notice of Payment and were late in submitting fifteen Notices of Payment during the fiscal year ended June 30, 2021.

The Statewide Accounting Management System (SAMS) manual Section 31.30.20 requires a Notice of Payment (C-08) to be submitted within 30 days from the date the voucher is processed for payment of principal and/or interest or within 15 days from agency receipt of the trustee's monthly statement.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure notices of bond payments are reported in a timely manner.

This finding was first reported during the fiscal year ended June 30, 2019. In subsequent years, the Authority has been unsuccessful in implementing a corrective action plan.

Authority management stated the payments were not appropriately submitted due to errors on behalf of the trustee, as they are responsible for all conduit C-08 related filings.

Failure to timely report the Notices of Payment inhibits the IOC from performing its statutory obligation to maintain current records indicating the outstanding bond indebtedness of the State and of all State agencies. (Finding Code No. 2021-007, 2020-005, 2019-007)

RECOMMENDATION

We recommend the Authority review its current procedures for preparing and submitting bond reports to ensure all required reports are submitted as required.

AUTHORITY RESPONSE

The Authority is in agreement. Management has since reached out to all Trustees to stress the importance of completing their obligations under their respective Conduit Bond Disclosure obligations. The Authority has also implemented a quarterly reconciliation process with the IOC, which has allowed for a more complete and accurate process, as it allows the Authority to be tied out with the IOC for their reporting purposes.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-008 – Outdated Policies and Procedures

The Illinois Housing Development Authority (the Authority) does not have updated records documenting its current policies and procedures.

During testing, we noted the following:

- The Authority had four internal control narratives that were not updated properly, did not accurately reflect the individual(s)/process owner(s), or did not contain evidence in the policy documentation noting when an update was last performed.
- The Authority did not have a documented policy in place accurately describing their accounting treatment over prepaids.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems of internal fiscal and administrative controls. Effective internal controls should ensure that management's policies and procedures are documented and accurately reflect the control environment and the way in which internal control procedures are to be performed. Additionally, management should periodically revisit and revise accordingly their internal control documentation and include the date of last update.

The Authority's management stated internal control narratives were not properly updated and reviewed by the appropriate departments prior to submission. The Authority's management also stated the policies and procedures over prepaids was still being evaluated by the Authority's third party consultant and was not finalized prior to year-end.

Current policies and procedures are necessary for the Authority to ensure compliance with laws, rules, and regulations, proper expenditure of funds, collection of required revenues, and custody over assets. Outdated policies and procedures demonstrate a lack of oversight and accountability, and increase the likelihood that funds are not expended as approved or as intended. (Finding Code No. 2021-008, 2020-006)

RECOMMENDATION

We recommend the Authority review and update their policies and procedures annually. In addition, we recommend the Authority ensure all areas (e.g. prepaids) have accounting treatment policies documented.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will continue to evaluate and document all accounting policies and procedures. The Authority has engaged a third-party consultant to assist the accounting group with updating, documenting and implementing policies and procedures as well as creating a comprehensive Accounting Manual.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-009 – Inadequate Controls Over Time Reporting

The Illinois Housing Development Authority (the Authority) did not approve payroll reports timely.

Authority Employees are paid on the 15th and the last day of each month. For payroll documentation purposes, all employees are required to report their time in accordance with the State Officials and Employee Ethics Act. At the end of each week, all information is compiled by a designated department timekeeper through payroll service provider system Weekly Attendance Reports. Employees are required to promptly review their own time entries within the payroll service provider system to determine whether they accurately reflect time spent working on Authority business. Subsequently, the payroll service provider system Weekly Attendance Reports must be approved by the employee's supervisor.

During our testwork of 40 Weekly Attendance Reports prepared during the fiscal year ended June 30, 2021, we noted the following:

- Twenty (50%) reports were not approved by the designated Department Director within two weeks of the related pay period end date. Specifically, we noted the review timeframe ranged from 1 to 104 days subsequent to the pay period end date.
- Four (10%) reports were not approved by the designated Department Timekeeper within two weeks of the related pay period end date. Specifically, we noted the review timeframe ranged from 2 to 7 days subsequent to the pay period.
- One (3%) report was not approved by the designated Department Director and Department Timekeeper.

The Illinois State Finance Act (30 ILCS 105/9.03) requires all payroll vouchers to be certified by an authorized individual to ensure all working time was expended in the service of the State and that the employees named are entitled to payment in the amounts indicated. In addition, Statewide Accounting Management System (Section 23.10.10) requires all payroll warrants and direct deposits to be supported by a precalculated payroll voucher submitted and approved by authorized agency personnel.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure Weekly Attendance Reports are reviewed and approved timely.

The Authority's management stated, due to ineffective oversight and human error of the timekeepers and directors the timecards were not audited and approved in a timely manner.

Failure to ensure payroll is approved timely results in noncompliance with State regulations and could result in unapproved payments to employees. (Finding Code No. 2021-009, 2020-007)

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

RECOMMENDATION

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

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will establish a training schedule for all timekeepers and timecard approvers to ensure timekeeping policies and procedures are being strictly followed and being reported correctly. The Authority will also seek backup approvers in the event that the director and/or timekeeper are out of the office during the allotted approval timeframe.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-010 – Inadequate Controls Over I-9 Forms

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

During our review of 40 employees, we noted the following:

- 9 employees (23%) did not fully complete section 1 of the I-9 Form as there was no indication as to whether the employee used a preparer, translator, or other individual to assist in completing Form I-9 on or before their respective hire date.
- 5 employees (13%) failed to date section 1 of the I-9 Form by their respective hire date.
- 5 employees (13%) dated and completed the I-9 Form prior to their hire date.
- 2 employees (5%) failed to sign section 1 of the I-9 Form.

U.S. Citizen and Immigration Services (USCIS) instructions for Form I-9 require Section 1 to be completed no later than the first day of employment. Section 1 should never be completed before employee has accepted a job offer. After completing Section 1, the employee is to sign their name and document the date signed. Employee must check the box marked I did not use a Prepare or Translator.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure that employee I-9 forms are properly completed and adequately reviewed by the Authority to ensure compliance.

The Authority's management stated, due to oversight and turnover of HR personnel, proper procedures were not followed to ensure completion and review of I-9 forms.

Failure to properly complete I-9 Forms results in violation of USCIS requirements and could expose the Authority to penalties. (Finding Code No. 2021-010, 2020-008)

RECOMMENDATION

We recommend the Authority enhance their controls over the process for preparing and reviewing I-9 Forms to ensure compliance with USCIS requirements.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will be sending all members of the human resources team to I-9 training course on how to properly complete I-9 forms to ensure compliance with USCIS requirements. The Authority will also register for and implement E-Verify. Once each I-9 entry is completed, the confirmation page will be printed and filed with the other I-9 documentation. This ensures all I-9 information is entered and processed according to USCIS guidelines.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-011 – Improper Accrual of Compensated Absences

The Illinois Housing Development Authority (the Authority) did not properly accrue for compensated employee absences.

During our testwork of 30 employees' accrued compensated absences (i.e. vacation and sick leave) liability balances during the fiscal year ended June 30, 2021, we noted the following:

- Five accruals were calculated incorrectly resulting in the vacation balance being understated. Specifically, we noted the hours ranged from 2.50 to 26.50 and in total 65 hours and \$2,922.
- Three vacation payouts were calculated incorrectly resulting in an overpayment. Specifically, we noted three payouts had an overpayment of \$2,354.
- Two accruals were calculated incorrectly resulting in the vacation balance being overstated. Specifically, we noted the hours ranged from 43 to 45 and in total 88 hours and \$4,874.
- Two sick accruals were calculated incorrectly resulting in the sick balance being understated. Specifically, we noted the sick hours ranged from 4 to 42.50 and in total were understated by 46.50 hours and \$2,178.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure compensated absences calculations are reviewed and are being calculated according to the Authority's policies.

Authority management stated the exceptions were due to a breakdown in the implementation of their policy and in the review process.

Failure to ensure accrued compensated absences are correctly calculated according to the Authority's policies leads to inaccurate records and in inaccurate payments to employees. (Finding Code No. 2021-011, 2020-010)

RECOMMENDATION

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

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will work with payroll service provider to ensure that all time taken and scheduled is recorded correctly. When calculating termination payouts, the human resources team will ensure to account for time taken and scheduled prior to the termination date. The accounting department will also establish monthly reconciliation to ensure proper review of the calculation of accrued compensated absences.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-012 – Inadequate Controls Over Termination Payouts

The Illinois Housing Development Authority (the Authority) did not properly calculate termination payouts.

During our testwork of 10 employees' vacation and sick termination payouts during the fiscal year ended June 30, 2021, we noted the following:

- One termination payout was calculated incorrectly resulting in an understatement totaling \$1,124.
- Three terminations payouts were calculated incorrectly resulting in overstatements totaling \$2,334.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure vacation and sick payout calculations are reviewed and are being calculated according to their policies.

The Authority's management stated exceptions are due to an oversight by HR personnel.

Failure to ensure termination payouts are correctly calculated according to their policies and procedures resulted in inaccurate payments to employees. (Finding Code No. 2021-012, 2020-012)

RECOMMENDATION

We recommend the Authority develop controls to accurately calculate vacation and sick-time payouts according to their policies and procedures. We further recommend the Authority review all termination payouts and determine whether further payouts or recoupments are necessary and legal.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will work with the payroll service provider to ensure all time taken and scheduled are recorded correctly. When calculating termination payouts, the human resources team will ensure to account for time taken and scheduled prior to the termination date.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-013 – Inadequate Controls Over Contracts

The Illinois Housing Development Authority (the Authority) has not established adequate internal controls over contracts to ensure goods and services received prior approval and complied with all applicable State laws, regulations, and internal policies and procedures.

During our review of 25 contracts (totaling \$6,603,955) for year ending June 30, 2021, we noted the following:

- For twenty contracts (80%) totaling \$6,402,973 did not initiate a purchase requisition and purchase order with the proper approvals prior to incurring services.
- For one contract (4%) totaling \$67,214 the Authority did not file a contract obligation document with the Office of Comptroller. The contract contained an order for delivery exceeding \$20,000.
- One contract (4%) totaling \$125,000 contained a contract obligation document that was not filed within 30 days of execution of the contract. The contract obligation documents was filed 13 days late.

During our testing of 66 expenditures (totaling \$806,229), we noted the following:

- Fifty-two expenditures (79%) totaling \$481,796 did not initiate a purchase requisition and purchase order with the proper approvals prior to receiving goods and services.

The Illinois Procurement Code (30 ILCS 500/20-80) and the Statewide Accounting Management System (Procedure 15.20 et seq. and 15.10.40) require State agencies to file contracts and purchase orders exceeding \$20,000 with the Office of Comptroller within 30 calendar days of execution.

The Illinois Housing Development Authority Purchasing Policies and Procedures state all purchases for goods and services, regardless of value, must have a purchase requisition with the proper approvals in order to establish a purchase order.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure that purchase requisitions and purchase orders are executed prior to the receipt of goods and services, approval for expenditures are obtained where required, and comply with State laws, regulations, and internal policies and procedures.

The Authority's management stated that due to the delay in the implementation of their revised process over purchase requisitions and purchase orders, the Authority is unable to initiate the purchase requisition and purchase order prior to incurring the services. Authority management also stated contract obligation documents not filed or filed timely were due to employee oversight.

Failure to file contract obligation documents with the Comptroller's office results in noncompliance with State laws and regulations. Lack of adherence to internal policies and procedures by not fully complying with the purchase requisition/purchase order process prior to the receipt of goods and services leaves the Authority vulnerable to unnecessary liabilities and unapproved costs. (Finding Code No. 2021-013, 2020-013)

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

RECOMMENDATION

We recommend the Authority establish and maintain internal control procedures to ensure proper filing of the contract obligation documents, as well as establishing procedures to ensure the purchase requisition/purchase order is in place prior to the receipt of goods and services.

AUTHORITY RESPONSE

The Authority agrees. The Authority is currently in the process of reviewing the existing JDE system and preparing for a transition from JDE to Oracle. Once the transition plan is established, the Authority will write up a formal policy and procedure to utilize Blanket Purchase Orders (or similar depending on what is available in the new Oracle system). A contract will be properly procured and then entered in the accounting system prior to receipt of the first invoice. Timeline for this policy and procedure to take effect is July 1, 2023.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-014 – Lack of Disaster Recovery Testing

The Illinois Housing Development Authority (the Authority) had not conducted enterprise disaster recovery testing during the examination period.

The Authority relied on several critical applications, including systems for single family homes, rental housing, and tenant accounting, as well as an administrative system to assist the Authority in fulfilling their statutory responsibilities. During our examination we noted the Authority had not perform an enterprise-wide test of their disaster recovery plan.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or system, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

The Contingency Planning Guide for Information Technology Systems published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

Authority management indicated disaster recovery testing did not occur due to delays in infrastructure upgrades and the impact of COVID-19 pandemic.

Without an adequately tested disaster recovery plan, the Authority cannot ensure its critical systems could be recovered within an acceptable period, and therefore minimizing the impact associated with a disaster. (Finding Code No. 2021-014)

RECOMMENDATION

We recommend the Authority perform and document testing of its Disaster Recovery Plan at least once a year.

AUTHORITY RESPONSE

The Authority is in agreement. The disaster recovery plan was completed on December 17, 2021, which is after the review period of the 2021 audit, the next disaster recovery testing is scheduled to be performed by December 31, 2022.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding 2021-015 – Cybersecurity

The Illinois Housing Development Authority (the Authority) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Authority is responsible for cybersecurity programs, practices, and controls over confidential information. In order to carry out its mission, the Authority utilizes Information Technology applications which contain confidential and personal information.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Authority's cybersecurity programs, practices, and control of confidential information, we noted the Authority did not:

- conduct a comprehensive risk assessment;
- develop a data classification methodology, or classify its data.

In addition, we noted the Authority had not developed a policy requiring new employees to complete security awareness training within a specified number of days upon hiring. Therefore, to ensure new employees completed training within a suitable timeframe, we determined 30 days to be acceptable. During our testing of 10 new employees, we noted four (40%) new employees had not completed their security awareness training within 30 days of their hire date. Training was completed 51 to 238 days after hiring.

The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53 (Fifth Revision) published by the National Institute of Standards and Technology (NIST), Risk Assessment, Program Management and Personally Identifiable Information Processing and Transparency sections requires entities to maintain internal controls over their environments and data via risk assessments, policies and procedures, and appropriate data classification and security. Furthermore, the Awareness and Training (AT) section, requires entities to develop and disseminate policies documenting training requirements, including the timeframe for completed. In addition, the AT section requires basic security awareness training be provided to all information system users (including managers, senior executives, and contractors) as part of initial training and annually thereafter.

Authority management indicated due to the COVID-19 pandemic resources were not available to perform the risk assessment. In addition, management indicated they did not recognize the need for classifying data into separate categories and defining specific data elements individually for each category. Finally, management indicated the required new employee trainings were not completed timely due to the lack of policies.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities which could lead to the Authority's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2021-015)

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
CURRENT FINDINGS
YEAR ENDED JUNE 30, 2021**

RECOMMENDATION

We recommend the Authority develop a data classification methodology and conduct a comprehensive risk assessment over cybersecurity.

AUTHORITY RESPONSE

The Authority is in agreement. A risk assessment is current undergoing the procurement process. Implementation is scheduled to be completed by December 31, 2022.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS
PRIOR YEAR FINDINGS NOT REPEATED
YEAR ENDED JUNE 30, 2021**

A. Finding 2020-003 – Failure to Approve Weekly Payroll Reports

During the prior year Single Audit, the Illinois Housing Development Authority (the Authority) did not approve Weekly Attendance Reports used to prepare payroll vouchers during the fiscal year ended June 30, 2020.

Disposition:

During the current year Single Audit, we noted the Authority improved its internal controls over the approval of Weekly Attendance Reports used to prepare payroll vouchers. (Finding Code No. 2020-003)

B. Finding 2020-009 – Inadequate Controls over Personnel Action Forms

During the prior year examination, the Illinois Housing Development Authority (the Authority) personnel files lacked proper approvals.

Disposition:

During the current year examination, we noted the Authority improved its internal controls over their personnel actions forms containing the required proper approvals for salary rates. (Finding Code No. 2020-009)

C. Finding 2020-011 – Inadequate Controls over Maintenance of Accounts Payable Vendor File

During the prior year examination, the Illinois Housing Development Authority (the Authority) had not established adequate internal controls over identifying and deactivating stale vendors.

Disposition:

During the current year examination, we noted the Authority improved its internal controls over stale vendors as vendors who did not have activity within the past 3 years were appropriately deactivated. Additionally, we noted that the Authority has implemented policies and procedures for reviewing the master vendor file to check for stale vendors and appropriately deactivate them. (Finding Code No. 2020-011)

D. Finding 2020-014 – Failure to Follow Loan Loss Methodology

During the prior year examination, the Illinois Housing Development Authority (the Authority) had not established adequate internal controls for ensuring the allowance for loan loss was properly calculated and presented in its financial statements in accordance with the Authority's policy.

Disposition:

During the current year examination, we noted the Authority improved its internal controls over loan allowance for loan loss as calculations were done in accordance with policy. (Finding Code No. 2020-014)

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

