



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, 2023**

**Release Date: December 21, 2023**

<b>FINDINGS THIS AUDIT: 3</b>				<b>AGING SCHEDULE OF REPEATED FINDINGS</b>			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
<b>Category 1:</b>	<b>2</b>	<b>1</b>	<b>2</b>	2022	<b>23-1</b>		
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>2</b>				
<b>FINDINGS LAST AUDIT: 2</b>							

**INTRODUCTION**

This digest covers the Illinois Housing Development Authority (Authority) Financial Audit as of and for the year ended June 30, 2023. The Authority’s Single Audit covering the year ended June 30, 2023 will be issued in a separate report at a later date.

**SYNOPSIS**

- **(23-1)** The Authority has not established adequate internal controls over service providers.
- **(23-2)** The Authority did not properly reconcile a material lockbox deposit account retaining cash receipts at year-end.
- **(23-3)** The Authority did not have adequate internal controls in place to properly include in their financial statements all material subsequent event disclosures prior to and up through the date of the Independent Auditor’s Report on the financial statements for the year ended June 30, 2023.

**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, 2023**

<b>FINANCIAL POSITION - ALL FUNDS (In Thousands)</b>	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and investments - unrestricted.....	\$ 312,326	\$ 321,768
Cash and investments - restricted.....	3,458,766	2,504,266
Net Program loans receivable.....	1,289,000	1,229,050
Other.....	146,375	146,262
Total.....	5,206,467	4,201,346
Deferred Outflows of Resources.....	291	523
<b>Liabilities</b>		
Bonds and Notes Payable.....	2,735,945	1,947,760
Due to State of Illinois.....	466,931	422,830
Deposits held in escrow.....	153,923	149,196
Other.....	531,305	407,489
Total.....	3,888,104	2,927,275
Deferred Inflows of Resources.....	29,652	8,192
<b>Net Position</b>		
Net investment in capital assets.....	11,544	8,616
Restricted.....	1,014,340	955,194
Unrestricted.....	263,118	302,592
Total.....	\$ 1,289,002	\$ 1,266,402
<b>ADMINISTRATIVE FUND OPERATIONS (In Thousands)</b>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Service Fees.....	\$ 13,518	\$ 11,296
Interest and investment income.....	24,808	20,196
Federal assistance programs.....	10,661	19,250
Other.....	26,448	75,011
Total.....	75,435	125,753
<b>Expenses</b>		
Salaries and benefits.....	27,814	24,159
Professional fees.....	1,624	5,285
Other general and administrative.....	2,019	2,963
Transfers, net.....	309	12,898
Financing Costs.....	2,575	1,426
Federal assistance programs.....	10,661	19,250
Provision for est. loss on loan receivable.....	(2,577)	3,545
Other.....	12,682	13,922
Total.....	55,107	83,448
Change in net position.....	\$ 20,328	\$ 42,305
<b>EXECUTIVE DIRECTOR</b>		
During Engagement: Kristin Faust		
Current: Kristin Faust		

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE CONTROLS OVER SERVICE PROVIDERS**

#### **Controls over service providers needs improvement**

The Illinois Housing Development Authority (Authority) did not maintain adequate controls over service providers.

#### **Documentation could not be provided for the completeness and accuracy of the population of service providers**

During the audit, we requested the Authority provide a population of service providers utilized. Although the Authority provided the population, they did not provide documentation demonstrating the population was complete and accurate. Due to this condition, we concluded the Authority's population was not sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, AT-C § 205).

Even given the population limitations noted above, we performed testing of three service providers, noting:

- The Authority had not documented the review of the service providers' System and Organization Control (SOC) reports to determine the impact of deviation or a modified opinion.
- The Authority had not documented the review of the Complementary User Entity Controls (CUECS) to ensure they had implemented adequate internal controls.
- The contracts with the service providers did not document roles and responsibilities, and controls over the security, integrity, availability, confidentiality, and privacy. In addition, the contracts did not require the service provider to undergo a SOC examination. (Finding 1, pages 101-102)

We recommended the Authority perform procedures to ensure its listing of service providers utilized is complete and accurate. In addition, we recommended the Authority review SOC reports and review its contracts with service providers to ensure roles and responsibilities and security controls are documented and SOC examinations of the service providers' controls are carried out.

#### **Authority agreed with auditors**

The Authority's management agreed with the finding.

## **INADEQUATE CONTROLS OVER RECONCILIATIONS**

### **Need to reconcile lockbox deposit accounts**

The Illinois Housing Development Authority (Authority) did not properly reconcile a material lockbox deposit account retaining cash receipts at year-end.

We held discussions with the Authority regarding a lockbox deposit account with material cash receipts that had not been properly reconciled at year-end. These discussions identified lockbox cash receipts had not been applied to the proper period, accounts, or funds. On the last day of the year, this lockbox account within the Administrative Fund (Admin) received funds totaling \$15,255,073 that were due to the Mortgage Loan Program Fund (MLP), Affordable Housing Trust Fund (HTF), and the HOME Program Fund for loan payments received, and to the Homeowners Assistance Fund (HAF) for grant disbursements returned. We determined these cash deposits should have been recorded in the Due from Other Funds account totaling \$7,733,758 under MLP, \$2,488,740 under HTF, \$2,815,667 under HOME, and \$2,216,908 under HAF. Conversely, these amounts should have been reflected in the Due to Other Funds account on the Admin Fund side instead of the Accrued Liabilities and Other account, as these deposits represent cash on hand that is payable to other funds.

Lastly, receivable balances across proprietary and governmental funds were overstated by \$13,038,165 due to these lockbox cash receipts not being applied as a reduction to receivables in the correct period. Unearned revenue under the HAF program was understated by \$2,216,908 from funds not being properly returned back to the HAF. The Authority made the necessary corrections to their financial statements.

In addition, we determined the Authority did not accurately prepare the statement of net position and statement of activities. We proposed adjustments totaling \$2,778,178 to the Admin Fund, \$437,568 to the Emergency Rental Assistance Fund, and \$536,379 to the Illinois Housing Trust Fund. These proposed adjustments relate to various liabilities and income statement items that were not recorded in the correct period, and to changes of the allowance for uncollectible accounts from the adjustments described in the preceding paragraph. These proposed adjustments were not corrected within the Authority's financial statements. (Finding 2, pages 103-104)

We recommended the Authority perform adequate and timely reconciliation procedures of all lockbox deposit accounts to ensure all amounts are accurately reported at year-end.

### **Authority agreed with auditors**

The Authority's management agreed with the finding

## **INADEQUATE CONTROLS OVER SUBSEQUENT EVENT DISCLOSURES**

### **Need to improve controls over subsequent event disclosures**

The Illinois Housing Development Authority (Authority) did not have adequate internal controls in place to properly include in their financial statements all material subsequent event disclosures prior to and up through the date of the Independent Auditor's Report on the financial statements for the year ended June 30, 2023.

The Independent Auditor's Report was originally dated on December 8, 2023 for the Authority's financial statements for the year ended June 30, 2023. A signed management representation was provided by the Authority on December 8, 2023 stating, among other representations, that the Authority had disclosed all events occurring subsequent to June 30, 2023 that would be required to be disclosed under Accounting Principles Generally Accepted in the United States of America.

On December 12, 2023 the Authority informed us there were three events relating to bond issuances and authorizations that occurred subsequent to June 30, 2023 that were not previously included within their financial statements that had an Independent Auditor's Report date of December 8, 2023.

Inadequate controls over the disclosure of subsequent events could result in material omissions which could negatively impact the users of the Authority's financial statements. (Finding 3, pages 105-106 )

We recommended the Authority ensure all material subsequent event disclosures are included within their financial statements in accordance with Accounting Principles Generally Accepted in the United States of America.

### **Authority agreed with auditors**

The Authority's management agreed with the finding.

## **AUDITOR'S OPINION**

Our auditors stated the financial statements of the Authority as of June 30, 2023, 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**

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FRANK J. MAUTINO  
Auditor General

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