

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**

State Compliance Examination  
Two Years Ended June 30, 2024

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



CPAs | CONSULTANTS | WEALTH ADVISORS

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**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
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TWO YEARS ENDED JUNE 30, 2024**

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

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
AGENCY OFFICIALS  
TWO YEARS ENDED JUNE 30, 2024**

**BOARD MEMBERS**

Chairman (07/11/16 – Present)	Mr. King Harris
Vice Chair (03/13/17 – Present)	Ms. Luz Ramirez
Treasurer (02/25/13 – Present)	Mr. Salvatore Tornatore
Secretary (09/14/21 – 2/24/24)	Mr. Tommy Arbuckle
Secretary (3/15/24 - Present)	Ms. Sonia Berg
Member (11/18/19 – Present)	Mr. Thomas Morsch
Member (12/16/22 – Present)	Mr. Daniel Hayes
Member (12/16/22 – Present)	Mr. Brice Hutchcraft
Member (10/30/23 - Present)	Ms. Erika Poethig
Member (05/31/24 - Present)	Ms. Claire Leopold

**AGENCY OFFICIALS**

Executive Director	Ms. Kristin Faust
Assist. Executive Director/Chief of Staff	Mr. Lawrence Grisham
Deputy Executive Director	Ms. Karen Davis
General Counsel (8/01/2011 - 7/1/2024)	Ms. Maureen G. Ohle
Chief Financial Officer (3/30/20 - 9/15/23)	Mr. Edward Gin
Chief Financial Officer (4/23/24)	Mr. Seth Runkle
Chief Information Officer/Interim Chief Financial Officer (09/18/23 - 04/22/24)	Mr. Keith Evans
Deputy Chief Financial Officer/ Managing Director of FP&A (07/1/23)	Ms. Tracy Grimm
Deputy Chief Financial Officer/Managing Director of Accounting (7/1/23 - 3/29/24)	Mr. Timothy Hicks
Controller (7/1/23)	Mr. Muhammad Jalaluddin
Chief Internal Auditor	Ms. Christina Lopez

Agency Officials are located at:  
111 E. Wacker Drive, Suite 1000  
Chicago, Illinois 60601



111 E. Wacker Drive  
Suite 1000  
Chicago, IL 60601  
312.836.5200

March 19, 2025

CliftonLarsonAllen LLP  
2021 Spring Road, Suite 200  
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 two-year period ended June 30, 2024. Based on this evaluation, we assert that during the two-year period ended June 30, 2024, 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.

\*\*\*\*\*

Yours truly,

Illinois Housing Development Authority

**SIGNED ORIGINAL ON FILE**

*Executive Director*

**SIGNED ORIGINAL ON FILE**

*Chief Financial Officer*

**SIGNED ORIGINAL ON FILE**

*General Counsel*

**SIGNED ORIGINAL ON FILE**

*Controller*

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
COMPLIANCE REPORT SUMMARY  
TWO YEARS ENDED JUNE 30, 2024**

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 for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)*.

**Accountants' Report**

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies significant deficiencies over internal control over compliance.

**Summary of Findings**

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	10	11
Repeated Findings	6	8
Prior Recommendations Implemented or Not Repeated	5	7

**Schedule of Findings**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
2024-001	9	New	Inadequate Controls over Subscription-Based Information Technology Agreements	Significant deficiency and noncompliance
2024-002	10	New	Inadequate Controls over Systems and Applications Access Controls	Significant deficiency and noncompliance
2024-003	11	2022/2019	Delinquent Bond Reporting	Significant deficiency and noncompliance
2024-004	13	2022/2020	Inadequate Controls Over Time Reporting	Significant deficiency and noncompliance

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
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COMPLIANCE REPORT SUMMARY  
TWO YEARS ENDED JUNE 30, 2024**

**Schedule of Findings (continued)**

<b>Item No.</b>	<b>Page</b>	<b>Last/First Reported</b>	<b>Description</b>	<b>Finding Type</b>
2024-005	15	2022/2020	Inadequate Controls Over Contracts	Significant deficiency and noncompliance
2024-006	17	2022/2022	Inadequate Controls Over Voucher Processing	Significant deficiency and noncompliance
2024-007	18	New	Inadequate Controls Over Travel Voucher Coding	Significant deficiency and noncompliance
2024-008	19	New	Improper Accrual of Compensated Absences	Significant deficiency and noncompliance
2024-009	21	2022/2020	Failure to Comply with the State Employment Records Act	Significant deficiency and noncompliance
2024-010	22	2022/2021	Inadequate Controls over Cybersecurity	Significant deficiency and noncompliance

**Prior Findings Not Repeated**

<b>Item No.</b>	<b>Page</b>	<b>Last/First Reported</b>	<b>Description</b>	<b>Finding Type</b>
A	25	2023/2022	Inadequate Controls over Service Providers	Material weakness and noncompliance
B	25	2023/2023	Inadequate Controls over Reconciliations	Material weakness and noncompliance
C	25	2023/2023	Inadequate Controls over Subsequent Event Disclosures	Material weakness and noncompliance
D	25	2022/2021	Inadequate Controls over Investments	Significant deficiency and noncompliance
E	26	2022/2011	Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program	Significant deficiency and noncompliance
F	26	2022/2022	Failure to Execute Intergovernmental Agreements	Significant deficiency and noncompliance
G	26	2022/2020	Inadequate Controls over I-9 Forms	Significant deficiency and noncompliance

**Exit Conference**

On March 18, 2025, the Illinois Housing Development Authority waived the exit conference relating to the State Compliance Examination. The responses to the recommendations were provided by Muhammad Jalaluddin, Controller, in an email dated March 18, 2025.



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

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

### Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois Housing Development Authority (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 two years ended June 30, 2024. Management of 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, 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 judgment, 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 modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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 two years ended June 30, 2024, 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 2024-001 through 2024-010.

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 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.

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

### **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.

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 material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2024-001 through 2024-010 that we consider to be significant deficiencies.

There were no immaterial findings that have been excluded from this report.

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  
March 19, 2025

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2024  
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

**Finding 2024-001 – Inadequate Controls over Subscription-Based Information Technology Agreements**

The Illinois Housing Development Authority (Authority) did not have adequate internal controls in place to ensure their accounting over Subscription-Based Information Technology Agreements (SBITA) was properly recorded for financial reporting purposes.

During our review of the Authority’s SBITA calculations, we observed the Authority did not accurately record their short-term and long-term liabilities related to SBITA contracts. Specifically, the prior year’s short-term SBITA liability was not correctly reversed in the current fiscal year. This resulted in an overstatement of the short-term SBITA liability and an understatement of the long-term SBITA liability by \$839,913. A reclassification adjustment was made to correct the financial statements for the year ending June 30, 2024.

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 to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports to maintain accountability over the State’s resources.

Government Auditing Standards Board (GASB) Statement No. 96 for *Subscription-Based Information Technology Arrangements*, para. 15-16 states: “At the commencement of the subscription term, a government should recognize a subscription liability” and “should measure the subscription liability at the present value of subscription payments expected to be made during the subscription term”.

The Authority management stated the misclassification of short-term and long-term liabilities related to SBITA contracts was due to oversight during the review process.

Failure to accurately account for SBITA’s could result in a misstatement of the Authority’s financial statements. (Finding Code No. 2024-001)

**RECOMMENDATION**

We recommend the Authority perform adequate review procedures of their SBITA calculations to ensure all amounts are accurately reported at year-end.

**AUTHORITY RESPONSE**

The Authority’s management agrees with the finding. The Authority will provide additional training to both preparer and reviewer to enhance understanding of GASB 96 requirements to ensure accurate transaction recording and classification in the financial statements.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
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SCHEDULE OF FINDINGS AND RESPONSES  
CURRENT FINDINGS – STATE COMPLIANCE  
TWO YEARS ENDED JUNE 30, 2024**

**Finding 2024-002 – Inadequate Controls over Systems and Applications Access Controls**

The Illinois Housing Development Authority (Authority) had not implemented adequate internal controls related to systems and applications access and control.

The Authority relies on several critical applications, which store and maintain confidential and financially sensitive information, such as names, addresses, and social security numbers. During the audit period, the Authority did not provide evidence of user access review for the Active Directory.

Also, one (1) out of forty-three terminated employees, with a termination date of May 31, 2024, had access to the application. Access was not disabled or removed until October 23, 2024.

According to the National Institute of Standards and Technology (NIST) *Special Publication 800-53 Revision 5, Control AC-2 J*, organizations are required to manage information system accounts, including the establishment, activation, modification, review, disabling, and removal of accounts. Regular reviews of user accounts are essential to ensure that only authorized individuals have access to the system and that access is commensurate with their job responsibilities.

Authority management stated they had previously focused on the review of application user accounts and did not review the Active Directory. Authority management also stated the terminated employee's user access was overlooked by the Authority. The primary responsible party had left the Authority and the responsibility of removing the user access was not reassigned.

Failure to implement effective controls over the terminating and reviewing access to the Authority's information systems and applications could result in unauthorized access and manipulation of data. (Finding Code No. 2024-002)

**RECOMMENDATION**

We recommend the Authority implement adequate controls over user access review for the active directory, to ensure there is evidence of the review taking place. We also recommend that employees leaving the Authority have their access removed in a timely manner.

**AUTHORITY RESPONSE**

The Authority concurs with the finding. The Authority has implemented a monthly reconciliation of Active Directory to active employees in our HR system (ADP) and has added a review process that includes sign off from the head of the IT department in the annual access review cadence.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
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SCHEDULE OF FINDINGS AND RESPONSES  
CURRENT FINDINGS – STATE COMPLIANCE  
TWO YEARS ENDED JUNE 30, 2024**

**Finding 2024-003 – Delinquent Bond Reporting**

The Illinois Housing Development Authority (the Authority) did not timely report certain bond payments and maturity schedules to the Office of the Comptroller (IOC) during the fiscal years ended June 30, 2023, and June 30, 2024.

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 the Notice of Payment of Bond Interest and/or Principal forms (Form C-08) or an adjusted maturity schedule (Form C-05) if needed, to the Authority. The Authority then reviews each form for accuracy and will submit to the IOC. To stay in compliance with SAMS Section 31.30.20, the Authority must submit these forms to the IOC within fifteen days of receipt of the forms from the trustee.

During our test work, we noted the bank and/or trustees on the bond issues were late in submitting forty-five (45) Notices of Payment (Form C-08) to the Authority after the deadline during the period two-years ended June 30, 2024. Of these forty-five late reports, the Authority submitted thirty-eight (38) of them within fifteen days of receipt from the trustee, making these thirty-eight submissions solely the fault of the trustee. The Authority submitted the remaining eight reports after fifteen days of receipt from the trustee, and as such, share the fault of the eight late submissions with the trustee. Additionally, there were five Form C-08 and one Form C-05 forms that were submitted to the Authority by the trustee prior to the submission deadline and were then submitted late by the Authority to the IOC. These six late reports are solely the fault of the Authority.

Statewide Accounting Management System 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.

The Authority's management stated, outside of the one C-05 report for bond #10104, the notices were not appropriately submitted due to errors on behalf of the trustee, as they are responsible for all conduit C-08 related filings. The issues identified as the fault of the Authority were due to lack of identified tasks in bond closing checklists.

Failure to timely report the Notice of Payment inhibits the IOC from performing its statutory obligation to maintain current records indicating the outstanding bond indebtedness of the State agencies. (Finding Code No. 2024-003, 2022-006, 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.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
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CURRENT FINDINGS – STATE COMPLIANCE  
TWO YEARS ENDED JUNE 30, 2024**

**Finding 2024-003 – Delinquent Bond Reporting (Continued)**

**AUTHORITY RESPONSE**

The Authority concurs with the finding. The Authority continues to reach out to all trustees to stress the importance of completing their obligations under their respective Conduit Bond Disclosure obligations. The Authority has implemented twice monthly automated email to all trustees for reminders on their C-08 submissions. Additionally, the Authority has updated its bond closing process to include automated deadlines for C-05 submissions and has reviewed and revised policies and procedures to ensure timely compliance.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
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SCHEDULE OF FINDINGS AND RESPONSES  
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TWO YEARS ENDED JUNE 30, 2024**

**Finding 2024-004 – 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 Employees 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 testing of 40 employees totaling 120 Weekly Attendance Reports prepared during the two-years ended June 30, 2024, we noted the following:

- Eight (7%) reports were not approved by the designated Department Timekeeper within two weeks of the last day of the attendance report. Specifically, we noted the review timeframe ranged from 1 to 110 days subsequent to the attendance report end date.
- Nineteen (16%) reports were not approved by the designated Department Director within two weeks of the attendance report end date. Specifically, we noted the review timeframe ranged from 1 to 110 days subsequent to the attendance report end date.

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.

This finding was first reported during the fiscal year ended June 30, 2020. In subsequent years, the Authority has been unsuccessful in implementing a corrective action plan.

Authority management stated the exceptions noted are due to ineffective oversight and human error of the timekeepers and directors. As a result, 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. 2024-004, 2022-008, 2021-009, 2020-007)

**RECOMMENDATION**

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

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
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CURRENT FINDINGS – STATE COMPLIANCE  
TWO YEARS ENDED JUNE 30, 2024**

**Finding 2024-004 – Inadequate Controls Over Time Reporting (Continued)**

**AUTHORITY RESPONSE**

The Authority concurs with the finding. The Authority has provided training for all personnel submitting and approving the weekly reports. Additionally, the Authority has reinforced existing policies and procedures to ensure the timely approval of Weekly Attendance Reports.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
SCHEDULE OF FINDINGS AND RESPONSES  
CURRENT FINDINGS – STATE COMPLIANCE  
TWO YEARS ENDED JUNE 30, 2024**

**Finding 2024-005 – Inadequate Controls Over Contracts**

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

During our review of 40 contracts (totaling \$38,356,702) for the two-years ending June 30, 2024, we noted the following:

- For twenty-three contracts (58%) totaling \$34,470,111 the Authority did not initiate a purchase requisition with the proper approvals prior to incurring services.
- For two contracts (5%) totaling \$358,445 services were incurred prior to the execution date of the contract.
- For one contract (3%) totaling \$298,874, the contract exceeded \$250,000 but was not signed or approved in writing by Chief Executive Officer, Chief Legal Counsel, and Chief Fiscal Officer.

The State Finance Act (30 ILCS 105/9.02(a)(1)) requires any new contract in the amount of \$250,000 or more in a fiscal year, to be signed or approved in writing by the Chief Executive Officer, Chief Legal Counsel, and Chief Fiscal Officer.

The Illinois Housing Development Authority Purchasing Policies and Procedures states 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.

This finding was first reported during the fiscal year ended June 30, 2020. In subsequent years, the Authority has been unsuccessful in implementing a corrective action plan.

Authority management stated that due to the delay in the implementation of their revised process over purchase requisitions and purchase orders, the Authority was unable to initiate the purchase requisition and purchase order prior to incurring the services. Additionally, Authority management stated the two contracts in which the services were rendered prior to approval and execution were due to adjustments and amendments to the existing services and contracts. Authority management also stated the contract that exceeded \$250k was not signed or approved in writing by Chief Executive Officer, Chief Legal Counsel and CFO due to oversight.

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. In addition, failure to have an executed contract agreement in place with all required signatures prior to the start of services or receipt of goods could leave the Authority vulnerable to unnecessary costs and potential legal issues. (Finding Code No. 2024-005, 2022-009, 2021-013, 2020-013)

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
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SCHEDULE OF FINDINGS AND RESPONSES  
CURRENT FINDINGS – STATE COMPLIANCE  
TWO YEARS ENDED JUNE 30, 2024**

**Finding 2024-005 – Inadequate Controls Over Contracts (Continued)**

**RECOMMENDATION**

We recommend the Authority establish and maintain internal control procedures to ensure the purchase requisition/purchase order is in place prior to the receipt of goods and services. We further recommend that contracts are executed prior to the receipt of goods and services, including all required approvals.

**AUTHORITY RESPONSE**

The Authority accepts the findings. With respect to the two contracts noted in E.1, applicable Authority staff in the business unit that incurred the services have been reminded that services may not be incurred prior to obtaining proper approvals, including but not limited to an executed contract being in place. With respect to the twenty-three (23) contracts noted in E.2, the Oracle system went live on July 1, 2024, and supports the rollout of purchase requisition controls intended to address the finding. With respect to the twenty-three (23) contracts noted in E.2, although purchase requisitions for those twenty-three (23) contracts were not initiated in advance, the contract was approved and executed prior to incurring the services. With respect to the contract noted in E.3, Procurement Staff has been reminded that pursuant to Authority policy instituted per Administrative Order No. 1 (1997), the signatures of the Executive Director, Chief Financial Officer and General Counsel are required for contracts \$250,000 or greater and contract renewals and/or amendments to contracts \$250,000 or greater or that will increase by or bring the total of the current contract to \$250,000 or greater.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
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SCHEDULE OF FINDINGS AND RESPONSES  
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TWO YEARS ENDED JUNE 30, 2024**

**Finding 2024-006 – Inadequate Controls over Voucher Processing**

The Illinois Housing Development Authority (the Authority) did not process certain expenditures timely. Additionally, the Authority did not establish adequate internal controls over vouchers to ensure goods and services receive prior approval and comply with all applicable State laws, regulations and internal policies and procedures.

During our testing of 40 expenditures (totaling \$5,197,412), we noted the following:

- Five expenditures (13%) totaling \$455,359 were not approved for payment within 30 days of receipt of bill or invoice date. The approvals ranged from between 2 to 99 days late.
- For thirty-four expenditures (85%) totaling \$4,778,882 did not initiate a purchase requisition and purchase order with the proper approvals prior to incurring services.

The Illinois Administrative Code (Code) (74 Ill. Adm. Code 900.70(b)) states an agency shall approved proper bills or deny bills with defects, in whole or in part, within 30 days after receipt.

The Illinois Housing Development Authority Purchasing Policies and Procedures states 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 include procedures to ensure transactions are approved for payment in a timely manner.

Authority management stated the delay in payment approvals were primarily due to inefficiencies in the approval workflow, which resulted in untimely review and authorization of transactions. Additionally, the legacy system lacked controls and did not require requisitions and purchase orders prior to incurring the services.

Failure to implement timely approvals may result in late approval of invoices which could lead to unauthorized purchases. (Finding Code No. 2024-006, 2022-010)

**RECOMMENDATION**

We recommend the Authority improve controls to ensure expenditures are properly supported and approved.

**AUTHORITY RESPONSE**

The Authority agrees with the finding. On 7/1/24, the Authority implemented the Oracle system, which requires requisitions and approvals prior to invoice payments. Additionally, the Authority has established a weekly AP meeting with requisitioners to facilitate timely payments.

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**Finding 2024-007 – Inadequate Controls over Travel Voucher Coding**

The Illinois Housing Development Authority (the Authority) did not establish adequate internal controls over travel vouchers to ensure the correct SAMS object code was used.

During our testing of 25 expenditures (totaling \$58,097), we noted the following:

- For twenty expenditures (80%) totaling \$53,039, the incorrect SAMS object code classification was used.

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 transactions are approved for payment in a timely manner.

According to the Statewide Accounting Management System (SAMS) Procedure 11.10.40, the object of the expenditure (object code) indicates the purpose, or object, for which the organizational unit has been authorized to expend the resources of the indicated fund.

Authority management stated the incorrect classification of expenditures was due to misinterpreting the SAMS object codes by the staff responsible for coding transactions.

Failure to correctly classify expenditures under the correct SAMS object code could lead to inaccurate expenditure records and misuse of State funds. (Finding Code No. 2024-007)

**RECOMMENDATION**

We recommend the Authority improve controls to ensure expenditures are properly coded to the correct SAMS object code.

**AUTHORITY RESPONSE**

The Authority agrees with the finding. The Authority has developed additional guidance and training to ensure staff accurately interpret the SAMS object codes and appropriately apply them to transactions.

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**Finding 2024-008 – Improper Accrual of Compensated Absences**

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

During our test work of 30 employees' accrued compensated absences (i.e. vacation and sick leave) liability balances during the period two-years ended June 30, 2024, we noted the following:

Regarding the FY23 Vacation and Sick accrual schedules:

- Twenty-six employees were mistakenly excluded from the sick accrual schedule, resulting in an understatement to sick liability. Specifically, we noted the hours ranged from 4.5 to 45 and in total 619.25 hours and \$22,486.
- One terminated employee was mistakenly included on the sick accrual schedule, resulting in the sick balance being overstated. Specifically, we noted the overstatement to be 70.63 hours and \$2,537.
- One employee was mistakenly excluded from the sick accrual schedule. Additionally, this employee used more sick time than what was accrued. We noted the total was 5.5 hours and \$402.
- Four vacation accruals were calculated incorrectly resulting in the vacation balance being understated. Specifically, we noted the hours ranged from 10.5 to 30 and in total 83.5 and \$4,363.
- Seventeen employees were mistakenly excluded from the vacation accrual schedule, resulting in an understatement to vacation liability. Specifically, we noted the hours ranged from 0 to 56.25 and totaling 489.25 hours and \$19,848.
- One terminated employee was mistakenly included on the vacation schedule, resulting in an overstatement to vacation liability. Specifically, the overstatement was 37.5 hours and \$1,207.
- Four employees were mistakenly excluded from the vacation accrual schedule. Additionally, these employees used more vacation time than what was accrued. We noted the hours ranged from 1.5 to 22.5 and totaling 51.5 hours and \$1,343.

Regarding the FY24 Vacation and Sick accrual schedules:

- One sick accrual was calculated incorrectly resulting in the sick balance being overstated. Specifically, the overstatement was 93 hours and \$2,141.
- Three employees were mistakenly excluded from the sick accrual schedule, resulting in an understatement to sick liability. Specifically, we noted the hours ranged from 17 to 45 and totaling 87.5 hours and \$6,154.

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**Finding 2024-008 – Improper Accrual of Compensated Absences (Continued)**

- Eight vacation accruals were calculated incorrectly resulting in the vacation balance being understated. Specifically, we noted the hours ranged from 5.5 to 37.5 and totaling 142.25 and \$6,045.
- Three employees were mistakenly excluded from the vacation accrual schedule resulting in an understatement to vacation liability. Specifically, we noted the hours ranged from 33.63 to 78.13 and totaling 175.5 and \$7,425.

The Authority's Employee Manual states all qualifying employees accrue vacation and sick time based on length of employment and is accrued on a pay-period basis. The accruals for these employees should be reflected on the respective vacation and sick accrual schedules and should also be included within the Authority's vacation and sick liability calculations.

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 the result of changes to the sick and vacation liability preparation and calculation process, combined with lack of proper training and oversight.

Failure to ensure accrued compensated absences are correctly calculated according to the Authority's policies leads to inaccurate records and resulted in inaccurate payments to employees. (Finding Code No. 2024-008)

**RECOMMENDATION**

We recommend the Authority enforce existing policies and procedures to ensure proper review of the calculation of accrued compensated absences.

**AUTHORITY RESPONSE**

The Authority concurs with the finding. The Authority will review the sick and vacation liability preparation and calculation process and determine the best format and presentation to use to ensure completeness and accuracy. Additionally, the Authority will provide training to both preparer and reviewer to enhance understanding and accuracy.

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**Finding 2024-009 – Failure to Comply with the State Employment Records Act**

The Illinois Housing Development Authority’s (the Authority) Agency Workforce Reports were not completed accurately.

The Agency Workforce Report is submitted annually to the Governor’s Office and the Office of the Secretary State as part of 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 2022 Agency Workforce Report, we noted the following:

- The most recent template of the Agency Workforce Report was not used in the submission to the Secretary of State
- 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 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 was understated by 1 employee.
- The Agency Workforce Report did not correctly report the number of males by income for the following:

Type	Total per Agency Workforce Report	Correct Number	(Overstated)/ Understated
Male (\$80,000 - \$99,999)	29	30	1

- The Agency Workforce Report did not correctly report the number of males and females by ethnicity for the following:

Type	Total per Agency Workforce Report	Correct Number	(Overstated)/ Understated
Black or African American Male	31	32	1
Two or more races (Not Hispanic or Latino) Female	0	3	3
Two or more races (Not Hispanic or Latino) Male	3	1	-2

Based on our review of the Authority’s 2023 Agency Workforce Report, we noted the following:

- The most recent template of the Agency Workforce Report was not used in the submission to the Secretary of State
- 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 males and females by ethnicity for the following:

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**Finding 2024-009 – Failure to Comply with the State Employment Records Act (Continued)**

Type	Total per Agency Workforce Report	Correct Number	(Overstated) / Understated
American Indian or Alaska Native Female	4	2	-2
American Indian or Alaska Native Male	2	0	-2
Native Hawaiian or Other Pacific Islander Female	0	2	2
Native Hawaiian or Other Pacific Islander Male	0	2	2

The State Employment Records Act (5 ILCS 410/5(b)) 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.

This finding was first reported during the fiscal year ended June 30, 2020. In subsequent years, the Authority has been unsuccessful in implementing a corrective action plan.

Authority management stated the exceptions occurred due to using an outdated report template, leading to omitted or incorrect data entries. This resulted from an insufficient review process and errors in accurately presenting 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. 2024-009, 2022-011, 2021-006, 2020-004)

**RECOMMENDATION**

We recommend the Authority implement procedures to accurately report information within their annual Agency Workforce Report filings. We also recommend the Authority file corrected reports in accordance with 30 ILCS 5/3-2.2.

**AUTHORITY RESPONSE**

The Authority concurs with the finding. The Authority has assigned new personnel to complete the Agency Workforce Report and has provided proper training to ensure accurate data capture and retention. Additionally, the Authority has implemented the most recent Agency Workforce Report template to ensure compliance with reporting requirements and improve accuracy in future submissions.

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**Finding 2024-010 – Cybersecurity**

The Illinois Housing Development Authority (Authority) had not implemented adequate internal controls related to cybersecurity programs and practices.

The Authority relied on several critical applications which store and maintain confidential, financially sensitive and personally identifiable information such as name, addresses, and social security numbers. 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 had not developed a stand-alone project management framework. The project management framework is intended to ensure implementation of new applications and projects related to information systems follow a structured methodology in accordance with management's expectations. These expectations should include, but not be limited to project authorization, time management, testing, and approvals prior to production deployment.

The Framework for Improving Critical Infrastructure Cybersecurity and 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 requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the adequate implementation and security of their applications, data, and continued business mission.

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 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.

Authority management stated the absence of a formal project management framework in the organization is due to historical reliance on informal practices, limited resources, and a lack of in-house project management expertise.

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. 2024-010, 2022-005, 2021-015)

**RECOMMENDATION**

We recommend the Authority develop a stand-alone project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations.

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**Finding 2024-010 – Cybersecurity (Continued)**

**AUTHORITY RESPONSE**

The Authority concurs with the finding. We are actively taking steps to develop a stand-alone project management framework by allocating resources, engaging contract project managers, and conducting internal reviews to implement a robust framework for enhanced operational efficiency and project outcomes. The IT Department is revising current documents to create a comprehensive project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations by 09/30/25.

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SCHEDULE OF FINDINGS AND RESPONSES  
PRIOR YEAR FINDINGS NOT REPEATED  
TWO YEARS ENDED JUNE 30, 2024**

**A. Inadequate Controls over Service Providers**

During the prior year financial audit, the Illinois Housing Development Authority (Authority) did not maintain adequate controls over service providers.

During the current financial audit, we noted no similar internal control weaknesses in the Authority's controls over service providers. The Authority has strengthened its controls in this area by 1) providing a complete and accurate listing of service providers, 2) documenting their review of the Complementary User Entity Controls (CUECs), and 3) amending contracts to outline each party's roles and responsibilities, as well as controls over security, integrity, availability, confidentiality, privacy, and the inclusion of the requirement to undergo a System and Organization Control (SOC) report. (Finding Code No. 2023-001, 2022-001)

**B. Inadequate Controls over Reconciliations**

During the prior year financial audit, the Illinois Housing Development Authority (Authority) did not properly reconcile a material lockbox deposit account retaining cash receipts at year-end.

During the current financial audit, we noted no similar internal control weaknesses in the Authority's controls over lockbox reconciliations and that the Authority had strengthened its controls over this area. (Finding Code No. 2023-002)

**C. Inadequate Controls over Subsequent Event Disclosures**

During the prior year financial audit, 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.

During the current financial audit, we noted no similar internal control weaknesses in the Authority's controls over subsequent events and that the Authority had strengthened its controls over this area. (Finding Code No. 2023-003)

**D. Inadequate Controls over Investments**

During the prior year examination, the Illinois Housing Development Authority (Authority) failed to maintain adequate controls over its investments.

During the current examination, we noted no similar internal control weaknesses in the Authority's controls over investments and that the Authority had strengthened its controls over this area. (Finding Code No. 2022-002, 2021-002)

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**E. Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program**

During the prior examination, the Authority did not follow its established policies and procedures for monitoring subrecipients of the Section 8 Project-Based (Section 8) Program.

During the current examination, we noted no internal control weaknesses and the Authority followed established policies and procedures for monitoring subrecipients of the Section 8 Project-Based (Section 8) Program. (Finding Code No. 2022-003, 2021-003, 2020-002, 2019-006, 2018-007, 2017-004, 2016-007, 2015-007, 2014-003, 2013-005, 2012-005, 2011-011)

**F. Failure to Execute Intergovernmental Agreements**

During the prior examination, the Authority did not execute an intergovernmental agreement with other State of Illinois agencies before being subgranted funding for the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) and Housing Assistance Fund (HAF) programs.

During the current examination, we noted intergovernmental agreements were executed for FY23 grant subawards for both the Coronavirus State and Local Fiscal Recovery Funds and Housing Assistance Fund programs. (Finding Code No. 2022-004)

**G. Inadequate Controls over I-9 Forms**

During the prior examination, the Illinois Housing Development Authority (the Authority) did not establish adequate controls over the appropriate completion of I-9 forms for employees hired by the Authority.

During the current examination, our sample testing indicated the Authority established adequate controls over the completion of I-9 Forms for employees hired by the Authority. (Finding Code No. 2022-007, 2021-010, 2020-008)



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