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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

5-94-53000-10

REPORT DIGEST

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
COMPLIANCE AUDIT
(In Accordance with the Single Audit Act of 1984
and OMB Circular A-128)
For The Year Ended June 30, 1994**

SYNOPSIS

- The Authority did not have adequate controls or guidelines to ensure the timely preparation of bank reconciliations. As a result, discrepancies between the Authority's records and bank records totalling approximately \$335,000 were not detected on a timely basis.
- The Authority maintained an Illinois Affordable Housing Trust Fund sub-escrow bank account with a bank balance that exceeded the Federal Deposit Insurance Corporation's \$100,000 insurance limitation. The sub-escrow bank balance was \$373,743 at June 30, 1994.

{Expenditures and Activity Measures are summarized on the reverse page.}

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ILLINOIS HOUSING DEVELOPMENT AUTHORITY

COMPLIANCE AUDIT

For The Year Ended June 30, 1994

GOVERNMENTAL FUND REVENUE AND EXPENDITURES	FY 1994	FY 1993	FY 1992
● Total Governmental Fund Revenue	\$22,345,611	\$15,248,344	\$13,814,461
OPERATIONS TOTAL	\$22,345,611	\$15,248,344	\$13,814,461
% of Total Revenues	100.0%	100.0%	100.0%
Real Estate Transfer Taxes	\$17,578,344	\$14,265,545	\$12,615,123
% of Total Revenue	78.7%	93.6%	91.3%
Federal Home Funds	3,475,465	-----	-----
% of Total Revenue	15.6%	-----	-----
Investment, Interest and Other Income . .	\$1,291,802	\$982,799	\$1,199,338
% of Total Revenue	5.7%	6.4%	8.7%
● Total Expenditures	\$5,983,250	\$2,769,640	\$1,587,435
OPERATIONS TOTAL	\$5,983,250	\$2,769,640	\$1,587,435
% of Total Expenditures	100.0%	100.0%	100.0%
Grants	\$4,706,306	\$2,289,550	\$895,435
% of Total Expenditures	78.7%	82.7%	56.4%
General and Administrative	\$1,276,944	\$480,090	\$692,000
% of Total Expenditures	21.3%	17.3%	43.6%
PROPRIETARY FUND REVENUE AND EXPENSES (ADMINISTRATIVE)			
● Total Administrative Fund Revenue	\$13,652,186	\$20,669,558	\$13,719,745
OPERATIONS TOTAL	\$13,652,186	\$20,669,558	\$13,719,745
% of Total Revenue	100.0%	100.0%	100.0%
Development and Financing Fees	-----	\$1,184,121	\$438,256
% of Total Revenue	-----	5.7%	3.2%
Service Fees	\$6,420,990	\$6,243,869	\$5,989,859
% of Total Revenue	47.0%	30.2%	43.7%
Other Income	\$7,231,196	\$13,241,568	\$7,291,630
% of Total Revenue	53.0%	64.1%	53.1%
● Total Administrative Expenses	\$11,536,728	\$11,269,752	\$13,733,359
OPERATIONS TOTAL	\$11,536,728	\$11,269,752	\$13,733,359
% of Total Operations	100.0%	100.0%	100.0%
Salaries and Benefits	\$6,213,920	\$5,885,038	\$5,103,323
% of Operations Expenses	53.9%	52.2%	37.1%
Average No. of Employees	161	158	147
Contractual Services	\$1,878,451	\$1,362,660	\$1,122,433
% of Operations Expenses	16.3%	12.1%	8.2%
All Other Operations Items	\$3,444,357	\$4,022,054	\$7,507,603
% of Operations Expenses	29.8%	35.7%	54.7%
● Net Value of Property and Equipment .	\$1,356,003	\$3,614,632	\$3,894,805
SELECTED ACTIVITY MEASURES			
	FY 1994	FY 1993	FY 1992
● Total Number of Bond Issues	60	57	55
● Total Bond Issue Value (in millions)	\$1,752	\$2,307	\$2,515
AGENCY DIRECTOR(S)			
During Audit Period: Pamela A. Lenane, Acting Director			
Currently: Pamela A. Lenane, Acting Director			

*Note: Statistics do not include bond activity not reflected in the Authority's financial statements.

INTRODUCTION

The Illinois Housing Development Authority is a public corporation created by the Illinois Housing Development Act to help finance low- and moderate-income housing in the State. For this purpose it issues bonds and notes. These debt instruments, which are exempt from both State and Federal income taxes, constitute the Authority's direct and general obligations, not State debts.

Proceeds from the Authority's bond and note sales provide housing grants and non-interest-bearing advances to not-for-profit entities, loans to both not-for-profit and limited-profit entities to construct and rehabilitate housing, and loans to lending institutions for new residential mortgages.

Some housing developments are also eligible for federal subsidies to pay interest and rents. The Authority receives and disburses such subsidies through programs administered by the U.S. Department of Housing and Urban Development.

This report concerns our Compliance audit of the Authority. Our financial audit of the Authority for the year ended June 30, 1994 has been previously issued.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROLS OVER BANK RECONCILIATIONS

The Authority did not have adequate controls or guidelines to ensure the timely preparation of bank reconciliations. This lack of proper reconciliation can lead to inaccurate information, risk of unauthorized transactions, and improper cash management.

The Authority's staff was unable to locate eight bank statements and the related bank reconciliations. There was no indication that bank statements were reviewed or that reconciliations were performed. We also noted that one bank account for the Illinois Affordable Housing Trust Fund was not reconciled on a timely basis. As a result, undetected bank errors totalling \$335,000 caused significant discrepancies between the Authority's records and bank records which existed until the reconciliation was completed. (Finding 1, page 7)

Authority officials agreed with our finding and recommendation to establish a reconciliation policy. They said a checklist system will be implemented to record the receipt and reconciliation of all bank statements.

ACCOUNT BALANCES IN EXCESS OF INSURANCE LIMITATION

The Authority maintained an Illinois Affordable Housing Trust Fund (Trust Fund) sub-escrow balance in excess of the Federal Deposit Insurance (FDIC) \$100,000 limitation.

During our review of Trust Funds's sub-escrow accounts, we noted that one account had a balance of \$373,743 at June 30, 1994. This balance exceeded the \$100,000 FDIC insurance

limitation and a similar \$100,000 limitation established by the Authority's Housing Trust Fund Management Manual. The Manual limits all sub-escrow accounts to \$100,000 when established at locations other than a specified company and any amounts in excess of the \$100,000 limit are to be transferred to another bank until the escrow account requires replenishment to the \$100,000 limit. (Finding 2, page 8)

Authority officials accepted our finding and recommendation to better monitor these accounts. They said the Authority would discontinue the funding of such sub-escrow accounts and that funds would only be invested in accounts which require excess cash to be placed in government securities.

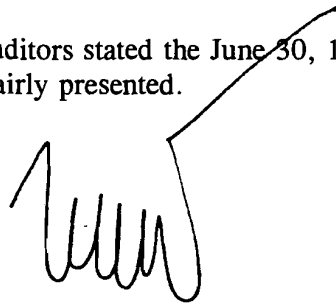
OTHER FINDINGS

The remaining findings are less significant and have been given appropriate attention by the Authority. We will review the Authority's progress towards the implementation of our recommendations in our next audit.

Ms. Pamela Lenane, Acting Director of the Authority, provided responses to our recommendations.

AUDITOR'S OPINION

In our previously issued financial audit, our auditors stated the June 30, 1994 financial statements of the various funds of the Authority are fairly presented.



WILLIAM G. HOLLAND, Auditor General

WGH:WLB:ak
March 7, 1995

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	7	5
Repeated findings	2	2
Prior recommendations implemented or not repeated	3	0

SPECIAL ASSISTANT AUDITORS

KPMG Peat Marwick, LLP were our special assistant auditors for this audit.