



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

**Financial Audit  
For the Year Ended: June 30, 2011**

**Release Date: November 3, 2011**

**Summary of Findings:**

<b>Total this audit:</b>	<b>3</b>
<b>Total last audit:</b>	<b>6</b>
<b>Repeated from last audit:</b>	<b>3</b>

**SYNOPSIS**

- The Authority has inconsistencies in the process for monitoring problem loans and in rating loans that are deemed uncollectible in the multi-family loan program.
- The Authority has loan balances in the multi-family program recorded in their financial statements that should be removed due to the loans being uncollectible.
- The Authority's accounts payable master vendor list has duplicate vendors.

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

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**  
**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2011**

<b>FINANCIAL POSITION - ALL FUNDS</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Cash and investments - unrestricted.....	\$339,891,424	\$113,462,930
Investments - restricted.....	673,409,055	894,408,065
Net Program loans receivable.....	1,780,356,100	1,830,238,724
Other.....	65,651,848	68,220,031
Total.....	<u>\$2,859,308,427</u>	<u>\$2,906,329,750</u>
<b>Liabilities</b>		
Bonds and Notes Payable.....	\$ 1,568,483,395	\$ 1,701,825,275
Due to State of Illinois.....	327,833,480	345,798,200
Deposits held in escrow.....	170,253,228	156,444,691
Other.....	80,538,097	78,290,032
Total.....	<u>\$ 2,147,108,200</u>	<u>\$ 2,282,358,198</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt...	\$ (7,447,601)	\$ (8,032,949)
Restricted.....	633,834,306	549,680,442
Unrestricted.....	85,813,522	82,324,059
Total.....	<u>\$ 712,200,227</u>	<u>\$ 623,971,552</u>
<b>ADMINISTRATIVE FUND OPERATIONS</b>		
<b>Revenues</b>		
Service fees	\$10,527,381	\$10,109,565
Interest and investment income.....	4,333,723	4,414,141
Federal assistance programs.....	135,940,122	136,409,676
Other.....	10,415,066	7,695,630
Total.....	<u>\$161,216,292</u>	<u>\$158,629,012</u>
<b>Expenses</b>		
Salaries and benefits.....	\$15,293,308	\$14,688,169
Professional fees.....	888,383	972,372
Other general and administrative.....	2,553,160	3,028,770
Transfers, net.....	496,057	427,435
Financing Costs.....	300,474	304,539
Federal assistance programs.....	135,940,122	136,299,640
Provision for est. loss on loan receivable.....	(692,550)	676,989
Other.....	145,844	(1,362,173)
Total.....	<u>\$154,924,798</u>	<u>\$155,035,741</u>
Change in net assets.....	\$6,291,494	\$3,593,271
<b>AGENCY DIRECTOR</b>		
During Examination Period: Gloria Materre (9-18-09 thru 3-18-11) Acting Executive Director Jane Bilger 3-18-11 thru 3-28-11		
Currently: Mary Kenney (3-28-11 thru current)		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INCONSISTENCIES IN THE LOAN MONITORING  
AND LOAN RATING SYSTEM**

The Illinois Housing Development Authority (Authority) had inconsistencies in the process for monitoring problem loans and inconsistencies in rating loans that are deemed uncollectible in the multi-family loan program.

The Authority has established a comprehensive loan rating system to establish appropriate loan loss reserve amounts for the multi-family loan program. We conducted three separate loan reviews testing current, delinquent and “watch list” loans. A total of 87 multi-family program loans were tested for compliance with the Authority’s loan rating policy.

**Over reserve of \$408,000**

During our tests we noted that 2 of the 87 (2%) loans reviewed were not properly reserved for in accordance with the Authority’s loan rating policy, resulting in an over reserve in the Administrative Fund of approximately \$408,000. (Finding 1, Page 66) **This finding was first reported in 2008.**

We recommended that the Authority implement policies and procedures to ensure changes to loan ratings are updated consistently in order to ensure an accurate calculation of the allowance for loan loss.

**Authority agrees with the auditors**

Authority officials concurred with the recommendation and believe that the policies and procedures that were implemented during fiscal years 2010 and 2011 have helped to strengthen internal controls. (For the previous Authority response, see Digest footnote #1.)

**LOAN RECEIVABLE ALLOWANCE FOR LOAN LOSS  
BALANCES OVERSTATED**

The Illinois Housing Development Authority (Authority) has loan balances in the multi-family program recorded in their financial statements that should be removed due to the loans being uncollectible.

**\$7.6 million allowance for loan loss  
estimate**

During our audit of the Authority’s allowance for loan loss estimate, we noted 38 loans totaling approximately \$7.6 million were recorded on the Authority’s financial statements for which a 100% allowance reserve was recorded. The Authority anticipates that most of these loans will ultimately be written off. (Finding 2, Page 67) **This finding was first reported in 2008.**

We recommended that the Authority work with the Attorney General's Office to get approval to write-off the uncollectible loan balances.

**Authority agrees with the auditors**

Authority officials concurred with the recommendation and stated that they continue to work with the Attorney General's office to acquire timely approvals of submitted loan writeoff requests. (For the previous Authority response, see Digest footnote #2.)

**DUPLICATE VENDORS IN THE ACCOUNTS PAYABLE MASTER VENDOR LIST**

The Illinois Housing Development Authority's (Authority) accounts payable master vendor list has duplicate vendors.

**502 duplicate vendors in the master vendor list**

During our testing of the master vendor list, we noted of the 2,658 vendor records there were 502 duplicate records (19%) representing 52 vendors. The vendors had the same name but were given different vendor identification numbers in the accounts payable system. Below is a breakdown of instances of duplication:

- 2 vendors were in the system 10 times or more
- 15 vendors were in the system 5 to 9 times
- 167 vendors were in the system 2 to 4 times

Without adequate procedures to prevent multiple vendors from being created in the accounts payable system or to detect and purge multiple vendors in the accounts payable system, there exists the risk of an accounting error or a misappropriation of assets. (Finding 3, Page 68-69)

We recommended that the Authority implement procedures to assign one vendor identification number per vendor to prevent multiple vendors from being created on the system. We also recommended that the Authority implement procedures to review the master vendor list regularly and purge duplicate vendor names from the system.

**Authority agrees with the auditors**

Authority officials concurred with the recommendation and stated that they have established a procedure as of January 2011 that requires a form W-9 to be on file for new and existing vendors which requires a valid TIN. The TIN will be used as a unique number to identify active vendors within the accounts payable system and is required to add any new vendors to the master vendor list.

## **AUDITORS' OPINION**

Our auditors state the June 30, 2011 financial statements of the Illinois Housing Development Authority are presented fairly in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:TLK:PP

## **SPECIAL ASSISTANT AUDITORS**

McGladrey & Pullen LLP were our Special Assistant Auditors for this engagement.

## **DIGEST FOOTNOTES**

### **#1 –Inconsistencies in the Loan Monitoring and Loan Rating System – Previous Authority Response**

The Authority concurs with the recommendation. Management will review the current policies and procedures and make any revisions as needed to ensure that the “watch list” reports are complete and accurate for all loans. In addition management will review the policies and procedures for uncollectible loans to ensure that the amounts to be reserved are accurate and consistent with established policies for loan loss reserves.

### **#2 –Loan Receivable Balance and Allowance for Loan Loss Balance Overstated – Previous Authority Response**

The Authority concurs with the recommendation and will continue to work with the Attorney General’s Office to get approval for write-off of uncollectible loan balances through periodic inquiries on the status of submitted requests.