



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**

**Single Audit & Compliance Examination  
For the Year Ended: June 30, 2012**

**Release Date: March 28, 2013**

**Summary of Findings this Audit Cycle:**

• <b>Single Audit &amp; Compliance Exam</b>	<b>12</b>
• <b>Financial Audit (previously reported 12-20-12)</b>	<b>1</b>
<b>TOTAL findings</b>	<b>13</b>
<b>Summary of findings from previous audit cycle:</b>	<b>11</b>
<b>Findings repeated:</b>	<b>5</b>

**INTRODUCTION**

The Financial Audit for the year ended June 30, 2012 was previously released on December 20, 2012. That audit contained one finding. This report addresses federal and State compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this document contains 13 audit findings, one of which was reported in the Financial Audit.

**SYNOPSIS**

- The Authority did not adequately monitor the Housing Quality Standards Inspections for the Section 8 Programs, the Section 236 Program and the Home Investment Partnerships Program.
- The Authority needs to improve compliance with its internal policies and procedures in the administration of the Section 8 program.
- The Authority failed to submit a formal corrective action plan to the Federal Audit Clearinghouse (FAC) for FY 11 Single Audit Findings.
- The Authority did not file all required financial information with the Office of the Comptroller by the required deadline of October 31, 2012.

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

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**  
**COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2012**

<b>EXPENDITURE STATISTICS</b>	<b>2012</b>	<b>2011</b>
<b>Debt outstanding (net of unamortized discount)</b>		
Housing Bonds.....	\$ 371,000,000	\$ 403,800,000
Multi-family Initiative Bonds.....	174,700,000	184,100,000
Multi-Family Housing Revenue Bonds (Marywood).....	14,900,000	14,900,000
Multi-Family Bonds (Turnberry).....	4,900,000	5,000,000
Affordable Housing Program Trust Fund Bonds.....	57,300,000	60,100,000
Residential Mortgage Revenue Bonds.....	300,000	300,000
Homeowner Mortgage Revenue Bonds.....	795,500,000	891,400,000
Housing Revenue Bonds.....	65,100,000	-
Administrative Funds.....	27,700,000	-
Total.....	\$ 1,511,400,000	\$ 1,559,600,000
<b>Cash and Cash equivalents (proprietary funds).....</b>	<b>\$ 280,006,495</b>	<b>\$ 215,584,861</b>
<b>Investments (all funds).....</b>	<b>\$ 671,128,214</b>	<b>\$ 767,389,120</b>

<b>SUPPLEMENTARY INFORMATION</b>	<b>2012</b>	<b>2011</b>
<b>Expenditures of Federal Awards</b>		
Section 8 Project-Based Cluster.....	\$ 133,997,072	\$ 133,269,490
HOME Investment Partnerships Program.....	31,022,545	22,711,036
American Recovery and Reinvestment Act - Tax Credit Assistance Program.....	1,528,859	58,960,385
Interest Reduction Payments - Rental and Cooperative Housing for Lower Income Families Program.....	4,244,079	4,316,557
Neighborhood Stabilization Program.....	11,083,585	18,988,340
National Foreclosure Mitigation Counseling Program.....	2,347,913	2,258,954
Total.....	\$ 184,224,053	\$ 240,504,762
<b>Average Number of Employees (unaudited).....</b>	<b>272</b>	<b>221</b>

<b>SELECTED ACTIVITY MEASURES</b>	<b>2012</b>	<b>2011</b>
Total Number of Housing Bond Issues Outstanding	81	76
Housing Units Produced Since Inception (unaudited)	213,685	208,863

<b>EXECUTIVE DIRECTOR</b>
During Examination Period and Current: Mary R. Kenney

## INTRODUCTION

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## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE MONITORING OF HOUSING QUALITY STANDARDS INSPECTIONS**

The Authority did not adequately monitor the Housing Quality Standards (HQS) Inspections for the Section 8 Programs, the Section 236 Program and the HOME Investment Partnerships Program.

During our sample testing of: 1) Section 8 Programs  
2) Section 236 Program and 3) HOME Program  
the following conditions were noted:

#### Section 8 Programs

#### **Lack of timely communication**

- In 2 of 23 development inspections tested, the Authority did not communicate the results of the inspection to the development in a timely manner.

#### **Missing orders/documents**

- In 4 of 23 development inspections tested, the Authority failed to make timely follow-ups and obtain work orders/documents from the development to address deficiencies identified in the inspection.

#### **Records not updated**

- In 2 of 23 development inspections tested, the tracking information was not updated properly by the inspectors.

#### Section 236 Program

- In 1 of 5 development inspections tested, the tracking information was not updated properly by the inspectors.

#### HOME Program

#### **Deficiency letters not sent**

- In 2 of 26 development inspections tested the deficiency letters were not sent to the respective property management company on a timely basis.

- In 4 of 26 development inspections tested the follow-ups with the property management regarding the correction of deficiencies found during the inspection were not completed on a timely basis.(Finding 2, pages 15-16)

**This finding was first reported in 2008.**

We recommended the Authority strictly enforce its Housing Quality Standards inspection procedures which include timely follow up, maintaining support for all deficiencies corrected and correspondence to developments regarding the inspections.

**Authority agrees with auditors**

Authority management concurred with the recommendation and stated that the Asset Management Services department has implemented a Quality Control system effective January 1, 2013 that requires a quarterly review of each Physical Inspection file for errors, adherence to time lines, and tracking system updates. (For the previous Authority response, see Digest Footnote #1.)

**INTERNAL POLICY FOR ADMINISTERING SECTION 8 PROGRAM NOT FOLLOWED**

The Authority did not comply with its internal policies and procedures to administer the Section 8 program.

Some of the issues we noted during our sample testing follow:

- For Annual Property Inspections (Management Reviews), we noted that 8 of 14 development reviews were completed between 42 and 101 days late.
- For Tenant File Reviews performed by the Authority's Technical Services department during the first six months of fiscal year 2012, we noted that 4 out of 5 developments tested were completed between 168 and 358 days late.
- For Desk Reviews performed by Asset Management during the final six months of fiscal year 2012, we noted that the reviews for 4 of 6 development desk reviews tested were not submitted by the Asset Manager to the Supervisor within 7 days of the Asset Manager's review. In addition, we noted that the findings were not addressed within the 60 day processing time for 6 out of 6 reviews with findings. (Finding 5, pages 20-21)

**Reviews were performed late**

We recommended that the Authority comply with their internal policies and procedures.

**Authority agrees with the auditors**

Authority management concurred with the finding and stated the Authority is revising its internal policies.

## **FAILURE TO PREPARE AND FILE A FORMAL CORRECTIVE ACTION PLAN**

The Authority did not prepare and submit, as a part of their Reporting Package, a formal Corrective Action Plan (CAP) to the Federal Audit Clearinghouse (FAC) for the Fiscal Year 2011 Audit Findings.

### **Corrective Action Plan not filed**

At the entrance conference for the FY12 engagement, we requested a copy of the Authority's CAP. The Authority informed us that a formal CAP was not prepared and submitted as part of their reporting package to FAC. The Authority did issue responses that are included in the Circular A-133 Report Findings, but these responses do not include all required elements. (Finding 6, page 22)

We recommended the Authority prepare a corrective action plan in accordance with the requirements of Circular A-133 when findings are identified for inclusion in the Reporting Package submitted to the Federal Audit Clearinghouse.

### **Authority agrees with the auditors**

Authority management concurred with the finding and stated that a corrective action plan would be included in the FY2012 Reporting Package to be filed with the Federal Audit Clearinghouse.

## **FINANCIAL INFORMATION REPORTED TO THE OFFICE OF THE COMPTROLLER LATE**

The Authority did not file all required financial information with the Office of the Comptroller by the required deadline of October 31, 2012.

### **Missed financial filing deadline**

During our audit, we noted that the Authority received a notification letter from the Office of the Comptroller on November 5, 2012 that the draft of the financial statements and footnotes as of June 30, 2012 were not submitted to the Office by the required deadline of October 31, 2012. (Finding 13, page 30)

We recommended that the Authority implement procedures to ensure all required financial information is filed within the Office of the Comptroller's required deadline.

### **Authority agrees with the auditors**

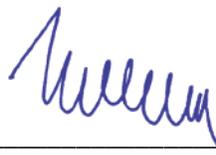
The Authority concurred with the finding and recommendation.

## **OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Authority. We will review the Authority's progress towards the implementation of our recommendations in our next engagement.

## **AUDITORS' OPINION**

We conducted a compliance examination of the Authority for the year ended June 30, 2012 as required by the Illinois State Auditing Act. A financial audit covering the year ending June 30, 2012 was issued separately.



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WILLIAM G. HOLLAND  
Auditor General

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## **SPECIAL ASSISTANT AUDITORS**

McGladrey LLP were our Special Assistant Auditors for this engagement.

## **DIGEST FOOTNOTE**

### **#1 –Inadequate Monitoring of Housing Quality Standards Inspections – Previous Authority Response**

2011: The Authority concurs with the recommendation and in order to facilitate more timely updates on the status of inspections, the Authority is working through CMS to procure laptop computers for their field inspectors. The computers will be used to forward documentation electronically to the administrative staff so Pass/Fail letters can be more accurately tracked and mailed to the developments. Also, field inspectors will use the physical deficiency checklist which will assist them in better file organization. This checklist will be used to list and then clear each deficiency against submitted work orders.