

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Federal Single Audit
(In Accordance with the Single Audit Act
and Applicable Federal Regulations)
Year Ended June 30, 2022

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



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

AGENCY OFFICIALS	1
COMPLIANCE REPORT	
SUMMARY	2
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE <i>GOVERNMENTAL AUDITING STANDARDS</i>	6
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON THE SCHEDULE OF FEDERAL AND NONFEDERAL FINANCIAL ACTIVITY	8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
SUMMARY OF AUDITORS' RESULTS	12
CURRENT FINDINGS – <i>GOVERNMENT AUDITING STANDARDS</i>	13
CURRENT FINDINGS – FEDERAL COMPLIANCE AND QUESTIONED COSTS	17
PRIOR YEAR FINDINGS NOT REPEATED	21
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	22
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	23
SCHEDULE OF FEDERAL AND NONFEDERAL FINANCING ACTIVITY	25

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
AGENCY OFFICIALS
YEAR ENDED JUNE 30, 2022**

BOARD OFFICERS

Chairman (7/11/16 – Present)	Mr. King Harris
Vice Chair (3/13/17 – Present)	Ms. Luz Ramirez
Treasurer (2/25/13 – Present)	Mr. Salvatore Tornatore
Secretary (9/14/21 – Present)	Mr. Tommy Arbuckle
Member (10/21/19 – Present)	Ms. Sonia Berg
Member (1/10/20 – Present)	Ms. Aarti Kotak
Member (11/19/19 – Present)	Mr. Tom Morsch

AGENCY OFFICIALS

Executive Director	Ms. Kristin Faust
Assist. Executive Director/Chief of Staff (as of 10/5/21)	Mr. Lawrence Grisham
Deputy Executive Director (08/18/2020 – Present)	Ms. Karen Davis
General Counsel	Ms. Maureen G. Ohle
Interim Chief Information Officer (as of 1/3/22)	Mr. Aleem Mohammed
Interim Chief Information Officer (as of 1/3/22)	Ms. Dawn Schroeder
Chief Financial Officer	Mr. Edward Gin
Deputy Chief Financial Officer/ Assistant Treasurer	Ms. Tracy Grimm
Controller	Mr. Timothy J. Hicks
Chief Internal Auditor (as of 12/15/20)	Mr. Christina Lopez

Agency Officials are located at:

111 East Wacker Drive, Suite 1000
Chicago, Illinois 60601

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SUMMARY
YEAR ENDED JUNE 30, 2022**

Summary

The compliance testing performed during this audit of the Authority was conducted in accordance with the Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance), and *Government Auditing Standards*.

Auditors' Report

The Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	4	5
Repeated Findings	2	2
Prior Recommendations Implemented or Not Repeated	3	1

Details of findings are presented in this report.

**Schedule of Findings and Questioned Costs
Findings (Government Auditing Standards)**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
2022-001	13	New	Inadequate Controls over Service Providers	Material Weakness
2022-002	15	2021/2021	Inadequate Controls over Investments	Significant deficiency

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SUMMARY
YEAR ENDED JUNE 30, 2022**

**Schedule of Findings and Questioned Costs
Findings (*Federal Compliance*)**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
2022-003	17	2021/2011	Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project Based Cluster Program	Significant deficiency and noncompliance
2022-004	19	New	Failure to Execute Intergovernmental Agreements	Significant deficiency

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SUMMARY
YEAR ENDED JUNE 30, 2022**

Prior Year Findings Not Repeated (*Government Auditing Standards*)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
A	21	2021/2015	Inaccurate Financial Reporting	Material Weakness

Prior Year Findings Not Repeated (Federal Compliance)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
B	21	2021/2021	Failure to Obtain Proper Support for Landlord Payments	Significant deficiency and noncompliance
C	21	2021/2021	Failure to Notify Timely Subrecipients of Federal Funding	Significant deficiency and noncompliance

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SUMMARY
YEAR ENDED JUNE 30, 2022**

Exit Conference

On March 9, 2023, the Illinois Housing Development Authority waived the exit conference relating to the Single Audit.

The responses to the recommendations were provided by Tim Hicks, Controller, in an email dated March 9, 2023.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Illinois Housing Development Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2022.

Report on Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a material weakness.

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

A *significant deficiency* 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Illinois Housing Development Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
December 15, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON THE SCHEDULE OF FEDERAL AND NONFEDERAL FINANCIAL ACTIVITY

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

As Special Assistant Auditors for the Auditor General, we have audited Illinois Housing Development Authority (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items, 2022-003 and 2022-004, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and the Report on the Schedule of Federal and Nonfederal Financial Activity

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We have issued our report thereon, dated December 15, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. In addition, the accompanying Schedule of Federal and Nonfederal Financial Activity is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Federal and Nonfederal Financial Activity is fairly stated in all material respects in relation to the basic financial statements as a whole.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
March 17, 2023

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of the Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of Major Federal Programs

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.023	Emergency Rental Assistance Program
21.026	Homeowner Assistance Fund
21.027	COVID-19 State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$3,330,839

Auditee qualified as low-risk auditee: Yes X No

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*
YEAR ENDED JUNE 30, 2022**

Finding 2022-001 – Inadequate Controls over Service Providers

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

During the audit, we requested the Authority to provide a population of third-party 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).

Despite the population limitations noted above, we performed testing. During testing of five service providers, we noted:

- The Authority had not reviewed the service providers' System and Organization Control (SOC) reports.
- The contracts with the service providers did not document roles and responsibilities, controls over the security, integrity, availability, confidentiality, and privacy. In addition, the contracts did not require the service provider to undergo a SOC examination.

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.

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 (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

The Authority management stated they do not centrally manage vendor relationships and have not assigned responsibility for overall administration of service providers.

Without having obtained and reviewed a SOC report or another form of independent internal controls review, the Authority does not have assurance the service providers' internal controls are adequate. (Finding Code No. 2022-001)

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*
YEAR ENDED JUNE 30, 2022**

Finding 2022-001 – Inadequate Controls over Service Providers (Continued)

RECOMMENDATION

We recommend the Authority perform procedures to ensure its listing of service providers utilized is complete and accurate. In addition, we recommend 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 RESPONSE

Authority management agreed with the finding. The Authority will enhance its contract request process to ensure that SOC related questions are addressed to position IHDA's IT team to conduct a review of SOC 1, SOC 2 or other independent review reports to ensure adequate internal controls exists related to services being provided for all Authority contracts.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*
YEAR ENDED JUNE 30, 2022**

Finding 2022-002 – Inadequate Controls over Investments

The Illinois Housing Development Authority (Authority) did not have adequate controls over its investments.

During our review of investments, we noted the Authority did not properly state its Admin Change in Market Value and Single-Family Change in Market Value accounts in Changes in Net Position/Proprietary Funds due to adjustments that were made before year-end. Although the quantity of shares in investments were correctly stated, the following errors noted during the audit were corrected by the Authority after we brought them to their attention:

- An overstatement of \$12,306,420 in the Admin Change in Fair Market Value account.
- An understatement of \$5,919,883 in the Single-Family Change in Fair Market Value account.

Additionally, during our review of investments, we noted the Authority did not properly review its investment roll forward to include adjustments that were made at year-end. The Authority also did not adequately address a transfer error of shares on Federal Home Loan Bank (FHLB) investments on its investment reconciliation in a timely manner. Although, the Authority identified this issue and properly stated investment values on their investment reconciliation, the following errors were noted and later corrected:

- A discrepancy on the investment reconciliation showing 4,994,198 shares that were not included in the correct bank in the investment holding system, resulting in \$4,924,616 in mis-placed funds. This error was not fixed until 127 days after the discrepancy was identified on the reconciliation.
- The Authority did not adequately review their investment roll forward after making adjusting entries before year-end, resulting in an overstatement of \$5,643,551 in the Admin Change in Fair Market Value and in the Admin Fair Market Value Adjustment account on the investment roll forward.

Uncorrected Misstatements:

During our review of investments, the Authority did not book adjustments related to the following investment amounts within the Single-Family Program Fund (i.e., uncorrected misstatements):

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS
YEAR ENDED JUNE 30, 2022**

Finding 2022-002 – Inadequate Controls over Investments (Continued)

Uncorrected Misstatements (Continued):

GASB Statement No. 72, *Fair Value Measurement and Application*, states fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market two participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain systems of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; and funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Effective internal controls should ensure procedures are implemented to ensure that adequate monthly reconciliations are being performed between the Authority’s accounting records and investment statements.

Authority management stated the improper classification of investment income as net realized gain and the delay in resolution of investment reconciliation discrepancy was due to the following reasons: 1) lack of resources to perform adequate reconciliations, and 2) lack of internal communication between Accounting and Capital Management teams.

Failure to exercise adequate internal control over investment roll-forward and reconciliation by improperly reporting investments of the Authority could, if not detected and corrected, result in a material misstatement of the Authority’s financial statements. (Finding Code No. 2022-002, 2021-002)

RECOMMENDATION

We recommend the Authority perform monthly reconciliations of its investments recorded in the general ledger with the investment statements received from its investment companies.

AUTHORITY RESPONSE

Authority management agreed with the finding. The Authority will have better communication between Accounting and Capital Management by having monthly discussions to ensure outstanding issues with investment roll forward and related reconciliations are resolved. The Authority has added resources to properly perform investment roll forward and reconciliations.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS – FEDERAL COMPLIANCE
YEAR ENDED JUNE 30, 2022**

Finding 2022-003 – Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project Based Cluster Program

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)
Federal Program Name: Section 8 Project-Based Cluster (Section 8)
Assistance Listing Numbers: 14.182/14.856
Federal Award Identification Number and Year: IL901 (2022)
Award Period: July 1, 2021 to June 30, 2022
Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

CRITERIA OR SPECIFIC REQUIREMENT

A pass-through entity must monitor the activities of its subrecipients to ensure subawards are used for authorized purposes, comply with the terms and conditions of the subaward, and achieve performance goals (2 CFR sections 200.332(d) through (f)).

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site review procedures are performed in a timely manner, are designed to monitor fiscal controls, and are performed to ensure compliance with program regulations.

CONDITION

The Illinois Housing Development Authority (the Authority) did not follow its established policies and procedures for monitoring subrecipients of the Section 8 Project-Based (Section 8) program.

The Authority has implemented procedures whereby program staff perform periodic on-site inspections and desk reviews of subrecipients' compliance with regulations applicable to the Section 8 Cluster program. These reviews are formally documented and include the issuance of a report documenting the results of the review to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or performance improvement observations noted. The Authority's policies require the subrecipient file to be closed within 90 days of the subrecipient being notified of any findings.

QUESTIONED COSTS: None

CONTEXT

During our test work over monitoring review procedures performed for five subrecipients (with expenditures of \$3,420,351) of the Section 8 Cluster program, we noted the Authority has not established adequate control activities to ensure its monitoring procedures were followed in communicating the results of its monitoring reviews. We noted the Authority did not send the findings of the Management and Occupancy Reviews (MORs) to two subrecipients (with expenditures totaling \$1,799,238) in a timely manner (within 30 days of onsite inspection). Specifically, one MOR was sent 33 days after the onsite inspection and the other MOR was not sent until 41 days after the onsite inspection.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS – FEDERAL COMPLIANCE
YEAR ENDED JUNE 30, 2022**

Finding 2022-003 – Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project Based Cluster Program (Continued)

CAUSE

Authority officials stated staff members responsible for completing the Management and Occupancy Review (MOR) procedure within the 30-day period were not following the prescribed program regulations as documented in both Authority training and staff performance materials.

EFFECT

Failure to adequately follow on-site monitoring procedures may result in subrecipients not properly administering the Section 8 Cluster program in accordance with statutes, regulations, and the grant agreement.

REPEAT FINDING

A similar finding was reported in the prior year audit as finding 2021-003. (Finding Code No. 2022-003, 2021-003, 2020-002, 2019-006, 2018-007, 2017-004, 2016-007, 2015-007, 2014-003, 2013-005, 12-05, 11-11)

RECOMMENDATION

We recommend the Authority ensure monitoring files are completed and closed in accordance with established policies and procedures.

AUTHORITY RESPONSE

The Authority agrees with the finding and has implemented several new policies and procedures to strengthen controls surrounding the sub monitoring process. All staff are scheduled to complete a full monitoring cycle and have been scheduled for additional trainings. Additionally, weekly team meetings are conducted, and the Authority has updated its written procedures to address the sub monitoring deficiencies. Management and Supervisors will be responsible for weekly quality control tasks that include, reviewing system reports, weekly one on one meetings with the Assistant Director and any staff. The quality control and one on one meetings will be used to reduce and eliminate delayed submissions, closeouts, and notification letters. The Supervisors will run internal reports weekly to identify what inspections are due and ensure they are submitted timely.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS – FEDERAL COMPLIANCE
YEAR ENDED JUNE 30, 2022**

Finding 2022-004 – Failure to Execute Intergovernmental Agreements

Federal Agency: U.S. Department of the Treasury (Passed through the State of Illinois)

Federal Program Name: COVID-19 Homeowner Assistance Fund (HAF) /
COVID-19 State and Local Fiscal Recovery Funds (SLFRF)

Assistance Listing Numbers: 21.026 / 21.027

Federal Award Information
Number and Year: None

Award Period: July 1, 2021, to June 30, 2022

Type of Finding: Significant Deficiency in Internal Control over Compliance

CRITERIA OR SPECIFIC REQUIREMENT

Uniform Guidance (2 CFR section 200.1) defines a subrecipient as ‘an entity, usually but not limited to nonfederal entities, that receives a subaward from a pass-through entity to carry out part of a federal award.’ This relationship between pass-through entity and subrecipient must be formalized in a written agreement communicating the identification of the federal award, as well as all requirements imposed by the pass-through entity.

The Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to ensure agreements are in place between pass-through entity’s and subrecipients before funding is received and programs carried out.

CONDITION

The Illinois Housing Development Authority (IHDA, or 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.

QUESTIONED COSTS: None

CONTEXT

During our testwork over the SLFRF and HAF programs, we requested IHDA provide us with the grant agreement / subrecipient agreements between IHDA and other State of Illinois agencies who passed through SLFRF and HAF funding to the Authority during fiscal year 2022. After discussion with Authority management, we learned that no such subrecipient agreements / intergovernmental agreements were executed for the SLFRF and HAF funding IHDA received.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS – FEDERAL COMPLIANCE
YEAR ENDED JUNE 30, 2022**

Finding 2022-004 – Failure to Execute Intergovernmental Agreements (Continued)

CAUSE

Authority's management stated during fiscal year 2022, at the height of the COVID-19 pandemic and in order to disburse emergency funding as quickly as possible, the Authority and the Illinois Department of Revenue followed the existing written internal control processes and procedures in place between the agencies with respect to drawing HAF and SLFRF money from Fund 286 in order to operate the programs.

EFFECT

Failure to notify subrecipients of all required federal award information could result in subrecipients improperly omitting expenditures from their schedules of expenditures of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with Uniform Grant Guidance. Additionally, failure to formalize agreements between entities could lead to disputes as to who was responsible for carrying out federal programs. (Finding Code No. 2022-004)

RECOMMENDATION

We recommend the Authority obtain intergovernmental agreements with other State of Illinois agencies before being subgranted funding.

AUTHORITY RESPONSE

The Authority is in the process of working with Illinois Department of Revenue to obtain an agreement for fiscal year 2023. Unless extraneous circumstances prevent the Authority from obtaining an agreement in a timely manner, the Authority will ensure intergovernmental agreements exist before commencing new program administration. The Authority will implement new policies and procedures to strengthen control.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PRIOR YEAR FINDINGS NOT REPEATED
YEAR ENDED JUNE 30, 2022**

A. Inaccurate Financial Reporting

During the prior year financial audit, the Illinois Housing Development Authority (Authority) failed to establish proper oversight and monitoring procedures to ensure the financial statements were properly prepared and presented.

During the current financial audit, we noted no similar internal control weaknesses in the financial reporting process and that the Authority had strengthened its controls over this area. (Finding Code No. 2021-001, 2020-001, 2019-001, 2018-003, 2017-002, 2016-001, 2015-001)

B. Failure to Obtain Proper Support for Landlord Payments

During the prior year single audit, the Illinois Housing Development Authority (Authority) did not follow its established policies and procedures for rental assistance payments under the Coronavirus Relief Fund (CRF).

During the current year single audit, we noted no internal control weaknesses and the Authority followed established policies and procedures for rental assistance payments under the Coronavirus Relief Fund (CRF). (Finding Code No. 2021-004)

C. Failure to Notify Timely Subrecipients of Federal Funding

During the prior year single audit, the Illinois Housing Development Authority (Authority) did not communicate timely all required federal program information to subrecipients of the Coronavirus Relief Fund (CRF).

During the current year single audit, we noted no internal control weaknesses and the Authority communicated timely all required federal program information to subrecipients of the Coronavirus Relief Fund (CRF). (Finding Code No. 2021-005)

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Agency/Program or Cluster Title	Federal Assistance Listing Number	PassThrough Entity Identifying Number	Federal Expenditures	PassThrough to Subrecipients
U.S. Department of Housing and Urban Development:				
Section 8 Project-Based Cluster:				
Section 8 New Construction and Substantial Rehabilitation	14.182	IL901	\$ 16,473,114	\$ 13,666,947
Lower Income Housing Assistance Program - Section 8 Moderated Rehabilitation	14.856	IL901	2,631,325	2,336,598
Total Section 8 Project-Based Cluster			<u>19,104,439</u>	<u>16,003,545</u>
Passed through the State of Illinois:				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
Neighborhood Stabilization Program I - Administrative Expenditures	14.228		37,517	-
Neighborhood Stabilization Program I - Administrative Expenditures - Program Income	14.228		32,542	-
Neighborhood Stabilization Program I - Grant Expenditures	14.228	B-08-DN-17-0001	748,075	748,075
Neighborhood Stabilization Program I - Grant Expenditures - Program Income	14.228	B-08-DN-17-0001	95,058	95,058
Neighborhood Stabilization Program II - Administrative Expenditures	14.228		1	-
Neighborhood Stabilization Program III - Administrative Expenditures - Program Income	14.228		6,933	-
Neighborhood Stabilization Program III - Grant Expenditures		B-11-DN-17-0001	26,783	26,783
Total CDBG - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>946,909</u>	<u>869,916</u>
HOME Investment Partnerships Program:				
Beginning Loan Balances		SG170100	312,078,259	312,078,259
Administrative Expenditures	14.239		2,369,537	-
Administrative Expenditures - Program Income	14.239		840,441	-
Current Year Loan Disbursements - Program Income	14.239	SG170100	3,950,748	3,950,748
Current Year Loan Disbursements	14.239	SG170100	9,257,157	9,257,157
COVID-19 HOME Investment Partnerships Program-ARP: Administrative Expenditures	14.239		45,866	-
Total HOME Investment Partnerships Program			<u>328,542,008</u>	<u>325,286,164</u>
Housing Trust Fund - National:				
Beginning Loan Balances		SG170100	9,954,861	9,954,861
Administrative Expenditures	14.275		764,204	-
Current Year Loan Disbursements	14.275	SG170100	351,327	351,327
Grant Expenditures	14.275	SG170100	9,616,400	9,616,400
Total Housing Trust Fund:			<u>20,686,792</u>	<u>19,922,588</u>
Section 811 Project Rental Assistance Program:				
Administrative Expenditures	14.326		139,231	-
Grant Expenditures	14.326	IL802	1,419,695	1,419,695
Total Section 811 Project Rental Assistance Program			<u>1,558,926</u>	<u>1,419,695</u>
U.S. Department of the Treasury:				
Passed through the State of Illinois:				
COVID-19 Emergency Rental Assistance Program				
Administrative Expenditures	21.023	*	33,854,527	-
Grant Expenditures	21.023	* ERA0017 & ERA0488	598,347,493	4,900,379
Passed through DuPage County:				
Administrative Expenditures	21.023	* N/A	1,159,355	-
Grant Expenditures	21.023	*	31,913,252	-
Passed through Will County:				
Administrative Expenditures	21.023	* N/A	707,752	-
Grant Expenditures	21.023	*	23,731,790	-
Passed through Kane County:				
Administrative Expenditures	21.023	* N/A	392,377	-
Grant Expenditures	21.023	*	18,409,902	-
Total COVID-19 Emergency Rental Assistance Program			<u>708,516,448</u>	<u>4,900,379</u>
Passed through the State of Illinois:				
COVID-19 Homeowner Assistance Fund				
Administrative Expenditures	21.026	* N/A	5,543,921	-
Grant Expenditures	21.026	* HAF0007	1,357,098	867,286
Total COVID-19 Homeowner Assistance Fund			<u>6,901,019</u>	<u>867,286</u>
Passed through the State of Illinois:				
COVID-19 State and Local Fiscal Recovery Funds				
Administrative Expenditures	21.027	* N/A	450,203	-
Grant Expenditures	21.027	* SLFRP4452	23,426,997	23,426,997
Passed through Cook County:				
Administrative Expenditures	21.027	* N/A	145,985	-
Total COVID-19 State and Local Fiscal Recovery Funds			<u>24,023,185</u>	<u>23,426,997</u>
Total			<u>\$ 1,110,279,726</u>	<u>\$ 392,696,570</u>

*Cluster, program, or award tested as a major program.
See accompanying notes to the schedule of expenditures of federal awards.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) summarizes the federal awards expended by the Authority for the year ended June 30, 2022.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting for proprietary funds and modified accrual basis of accounting for governmental funds.

- A. For the Proprietary Fund, the types of costs that are found in this Fund are Grant Expenditures, Mortgage Loan Subsidies, Housing Assistance Payments and Administrative Fees.
- B. For the Government Funds, the types of costs that are found in this Fund are Grant Expenditures, Program Loans, Recaptured Funds (Program Income), and Administrative Fee Reimbursements.

Expense/Expenditure

Amounts reported as expenses in the Schedule of Expenditures of Federal Awards include \$840,441 in administrative expenditures funded by fees collected (program income) by the Authority.

NOTE 3 FEDERAL LOAN PROGRAM

The HOME Program and Housing Trust Fund – National Program are administered directly by the Authority and balances and transactions relating to these programs are included in the Authority’s financial statements. Loans made by the Authority to eligible subrecipients under the HOME Program and Housing Trust Fund – National Program during the fiscal year ended June 30, 2022, was \$13,207,905 and \$351,327, respectively.

The balance of loans outstanding under the HOME Program was \$318.8 million and \$312.1 million on June 30, 2022, and 2021, respectively. The balance of loans outstanding under the Housing Trust Fund – National Program was \$10.0 million and \$10.3 million on June 30, 2022, and 2021, respectively. The Authority received administrative fees of \$2.4 million under the HOME Program and \$0.8 million under the Housing Trust Fund – National Program during the fiscal year ended June 30, 2022. The balance of loans outstanding on June 30, 2022, consist of the following amounts (in thousands):

	<u>HOME Program</u>	<u>Housing Trust Fund</u>
Outstanding Balance as of 7/1/2021	\$ 312,078	\$ 9,955
Loans Disbursed	13,208	351
Principal Write Off	(54)	-
Repayments, Net of Interest	(6,410)	(24)
Outstanding Balance as of 6/30/2022	<u>\$ 318,822</u>	<u>\$ 10,282</u>

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

NOTE 4 INDIRECT COSTS

The Authority does not use the de minimus indirect cost rate permitted under the Uniform Guidance or have a negotiated indirect cost rate. The Authority has a Cost Allocation Plan with HUD, the Authority's cognizant agency, which dictates how indirect costs are charged to the government funded programs.

The current Cost Allocation Plan was submitted to HUD in April 2013.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF FEDERAL AND NONFEDERAL FINANCIAL ACTIVITY
YEAR ENDED JUNE 30, 2022
(IN THOUSANDS)**

	Amount	Percent
Federal Expenditures (A)	\$ 788,247	80%
Nonfederal Expenditures/Expenses	191,466	20%
Total Expenditures/Expenses	979,713	100%
Plus Amount Representing Loan Loss Offset by Applied Program Income	(8,882)	
Total Expenses (B)	\$ 970,831	

Source:

- (A) Schedule of Expenditures of Federal Awards (excluding beginning loan balance)
- (B) Statement of Activities for the year ended June 30, 2022

See accompanying independent accountants' report.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.