



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

**Financial Audit
 For the Year Ended June 30, 2021**

Release Date: March 29, 2022

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2015	21-1		
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

INTRODUCTION

This digest covers the Illinois Housing Development Authority (Authority) Financial Audit as of and for the year ended June 30, 2021. The Authority's Compliance Examination (including the Single Audit) covering the year ended June 30, 2021 will be issued in a separate report at a later date.

SYNOPSIS

- **(21-1)** The Authority has not established adequate internal controls over the financial reporting process and the recording of financial transactions within its books and records.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCIAL AUDIT
For the Year Ended June 30, 2021

FINANCIAL POSITION - ALL FUNDS (In Thousands)	2021	2020
Assets		
Cash and investments - unrestricted.....	\$ 231,395	\$ 917,783
Investments - restricted.....	2,348,910	1,262,585
Net Program loans receivable.....	1,223,156	1,127,429
Other.....	170,086	141,426
Total.....	3,973,547	3,449,223
Deferred Outflows of Resources.....	6,223	9,132
Liabilities		
Bonds and Notes Payable.....	1,731,239	1,529,871
Due to State of Illinois.....	411,295	408,317
Deposits held in escrow.....	140,281	136,364
Other.....	320,564	107,943
Total.....	2,603,379	2,182,495
Deferred Inflows of Resources.....	1,594	64
Net Position		
Net investment in capital assets.....	7,853	6,967
Restricted.....	1,087,980	1,012,620
Unrestricted.....	278,964	256,209
Total.....	\$ 1,374,797	\$ 1,275,796
ADMINISTRATIVE FUND OPERATIONS (In Thousands)	2021	2020
Revenues		
Service Fees.....	\$ 7,295	\$ 8,546
Interest and investment income.....	48,734	28,753
Federal assistance programs.....	39,040	59,011
Other.....	20,790	16,204
Total.....	115,859	112,514
Expenses		
Salaries and benefits.....	21,920	19,497
Professional fees.....	3,686	3,101
Other general and administrative.....	5,076	3,370
Transfers, net.....	2,781	2,022
Financing Costs.....	1,257	950
Federal assistance programs.....	39,040	58,991
Provision for est. loss on loan receivable.....	1,232	952
Other.....	18,688	10,989
Total.....	93,680	99,872
Change in net position.....	\$ 22,179	\$ 12,642
EXECUTIVE DIRECTOR		
During Engagement: Kristin Faust		
Current: Kristin Faust		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INACCURATE FINANCIAL REPORTING

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the financial reporting process and the recording of financial transactions within its books and records.

Improvements needed in the recording and reporting of financial transactions

During our review of the Authority's interim financial statements, we noted the Authority was initially recording all federal funding for the Emergency Rental Assistance Program Fund and the Coronavirus Urgent Remediation Emergency Fund as program revenue without having incurred any expenses. Program revenue not earned should have been recorded as a liability and recorded as revenue once earned.

Errors in reporting program revenues for the Emergency Rental Assistance Program and the Coronavirus Urgent Remediation Emergency Fund

Due to these errors in the recording of these program revenues during the year, the Authority's major governmental fund determinations were impacted which resulted in the Authority not identifying the Build Illinois Bond Program Fund as a major governmental fund. Upon review of the final trial balance, the Authority attempted to correct the balances but did not make the correct entries to appropriately recognize the program revenue to match the Authority's program expenses. The Authority made correcting entries increasing program revenue in the Emergency Rental Assistance Program Fund by \$7,729,993 and decreasing program revenue in the Coronavirus Urgent Remediation Emergency Fund by (\$6,185,872) respectively.

Some of the other errors noted during the audit that were corrected by the Authority after we brought them to their attention are as follows:

Error in the Unrestricted cash and cash equivalents resulted in a reclassification totaling \$99.8 million

- The Authority did not properly classify parts of cash and cash equivalents and investments as restricted and unrestricted in the Statement of Net Position resulting in a reclassification of \$99.8 million of cash to unrestricted and a reclassification of \$2.1 million of investments to non-current unrestricted.
- The Authority did not properly classify the fair market value adjustments between the Administrative Fund and the Single Family Fund resulting in a reclassification of \$2.1 million from the Single Family Fund to the Administrative Fund.

Within the Statement of Cash Flows, the Authority incorrectly reported the following amounts:

- In the Administrative Fund, purchases of investments was overstated by \$1,776,521,000, proceeds from sales and maturities of investments was understated by \$147,563,000

The Authority's Statement of Cash Flows contained numerous errors

and interest received on investments was overstated by \$1,924,084,000.

- In the Mortgage Loan Program Fund, purchases of investments was overstated by \$472,266,000, proceeds from sales and maturities of investments was overstated by \$471,879,000 and interest received on investments was overstated by \$387,000.
- In the Single Family Program Fund, purchases of investments were understated by \$385,640,000 and proceeds from sales and maturities of investments was understated by \$385,640,000.

Additionally, the following were some of the errors noted within the Management Discussion and Analysis (MD&A) and footnote disclosures of the financial statements which were all corrected by the Authority:

The Authority did not present condensed financial information within the MD&A

- The Authority failed to present condensed financial information within the MD&A as required by governmental reporting standards including items such as total assets, distinguishing between capital and other assets; total liabilities, distinguishing between long-term liabilities and other liabilities; total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts, program revenues, by major source, general revenues, by major source, total revenues, program expenses, at a minimum by function, total expenses, transfers, and change in net assets.
- Within footnote 3 of the financial statements, the Authority:

The Authority's footnotes contained numerous errors

- Did not disclose total cash and cash equivalents of \$1.15 billion consisting of cash equivalents held in investments of \$882 million and cash of \$269.5 million.
- Incorrectly reported cash and cash equivalents held in investments over interest rate risk by including cash as part of the sweep accounts resulting in an error of \$617.3 million, an error of \$334.9 million for restricted cash equivalents held in sweep accounts, and an error of \$12.9million in unrestricted cash equivalents held in sweep accounts.
- Incorrectly reported the cash carrying value and bank balance resulting in an error of \$348 million and \$333 million.

- Within footnote 5 of the financial statements, the Authority:

- Incorrectly reported beginning net program receivables for governmental funds and loan repayments made during the year resulting in an error of \$5 million and \$30 thousand, respectively.
 - Incorrectly reported the total amounts of Risk Sharing loans financed through Multi-Family Revenue Bonds and Administrative Fund resulting in an error of \$1.6 million for each fund.
 - Did not disclose 17 loans for a total amount of \$121 million for sold beneficial ownership interests in mortgage loans originated by housing finance agencies and insured under the FHA-HFA Risk Sharing Program.
- Within footnote 8 of the financial statements, the Authority:
 - Incorrectly reported debt activity resulting in an error of \$1.2 billion for Single Family Program Fund for other debt.
 - Did not disclose that the 2020 Series D totaling \$1.7 million under Multifamily Revenue Bonds was a taxable bond.
 - Incorrectly reported debt service reserves resulting in an error of \$2 million for Housing Bonds, an error of \$2.5 million for Multifamily Revenue Bonds, and error of \$740 thousand for Homeowner Mortgage Revenue Bonds.
 - Within footnote 14 of the financial statements, the Authority did not disclose subsequent bond issuances for two Revenue Bonds for a combined total of \$144.3 million, and one Multifamily Revenue Bond for \$78 million. (Finding 1, pages 87-93) **This finding has been repeated since 2015.**

We recommended the Authority review its internal control policies and procedures to ensure financial transaction are accurately reported in the general ledger and accurately reported in the financial statements and footnote disclosures.

Authority officials accepted the recommendation and stated they will continue to enhance its internal control policies and procedures related to the preparation of its financial statements.

Authority agreed with the auditors

OTHER FINDING

The remaining finding pertains to inadequate controls over investments. We will review the Authority's progress towards the implementation of our recommendation in our next financial audit.

AUDITOR'S OPINION

Our auditors stated the financial statements of the Authority as of June 30, 2021, and for the year then ended, are fairly stated in all material respects.

The financial audit was conducted by CliftonLarsonAllen LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:TLK