

**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, 2023

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



CPAs | CONSULTANTS | WEALTH ADVISORS

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A COMPONENT UNIT OF THE STATE OF ILLINOIS
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**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
BOARD OFFICERS AND AGENCY OFFICIALS
YEAR ENDED JUNE 30, 2023**

BOARD MEMBERS

Chairman (07/11/16 – Present)	Mr. King Harris
Vice Chair (03/13/17 – Present)	Ms. Luz Ramirez
Treasurer (02/25/13 – Present)	Mr. Salvatore Tornatore
Secretary (09/14/21 – Present)	Mr. Tommy Arbuckle
Member (11/18/19 – Present)	Mr. Thomas Morsch
Member (12/16/22 – Present)	Mr. Daniel Hayes
Member (12/16/22 – Present)	Mr. Brice Hutchcraft
Member (10/21/19 - 01/09/23)	Ms. Sonia Berg
Member (01/10/20 - 12/31/22)	Ms. Aarti Kotak

AGENCY OFFICIALS

Executive Director	Ms. Kristin Faust
Assist. Executive Director/Chief of Staff	Mr. Lawrence Grisham
Deputy Executive Director	Ms. Karen Davis
General Counsel	Ms. Maureen G. Ohle
Chief Financial Officer (03/31/20 - 09/15/23)	Mr. Edward Gin
Chief Information Officer/ Interim Chief Financial Officer (09/18/23)	Mr. Keith Evans
Deputy Chief Financial Officer/ Assistant Treasurer	Ms. Tracy Grimm
Controller	Mr. Timothy J. Hicks
Chief Internal Auditor	Ms. Christina Lopez

Agency Officials are located at:
111 E. Wacker Drive, Suite 1000
Chicago, Illinois 60601

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SUMMARY
YEAR ENDED JUNE 30, 2023**

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	3	4
Repeated Findings	1	2
Prior Recommendations Implemented or Not Repeated	3	3

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>
2023-001	11	2022/2022	Inadequate Controls over Service Providers	Material Weakness
2023-002	13	New	Inadequate Controls over Reconciliations	Material Weakness
2023-003	15	New	Inadequate Controls over Subsequent Event Disclosures	Material Weakness

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

None noted for FY23

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SUMMARY
YEAR ENDED JUNE 30, 2023**

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	17	2022/2021	Inadequate Controls over Investments	Significant Deficiency

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	17	2022/2011	Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program	Significant deficiency and noncompliance
C	17	2022/2022	Failure to Execute Intergovernmental Agreements	Significant Deficiency

Exit Conference

On January 31, 2024, the Illinois Housing Development Authority waived the exit conference relating to the Single Audit.



**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, 2023, 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 14, 2023.

Report on Internal Control Over Financial Reporting

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 Responses as items 2023-001, 2023-002, and 2023-003 we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

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 findings identified in our audit and described in the accompanying Schedule of Findings and Responses. 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 14, 2023



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, 2023. 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, 2023.

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.

Report on Internal Control Over Compliance

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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, 2023, 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 14, 2023, 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.

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

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
February 8, 2024

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

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? Yes X 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? Yes X 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)? Yes X 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	Coronavirus State and Local Fiscal Recovery Fund
14.182/14.856	Section 8 Project-Based Cluster
14.239	HOME Investment Partnerships program
14.275	Housing Trust Fund – National

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee: Yes X No

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

Finding 2023-001 – 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's population of service providers utilized during the audit period. 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).

Even given the population limitations noted above, we performed testing of three service providers, noting:

- The Authority had not documented the review of the service providers' System and Organization Control (SOC) reports to determine the impact of deviation or a modified opinion.
- The Authority had not documented the review of the Complementary User Entity Controls (CUECS) to ensure they had implemented adequate internal controls.
- The contracts with the service providers did not document roles and responsibilities, and 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 system limitations prevented them from: (1) providing a list deemed acceptable under AICPA standards AU-C§330, AU-C§ 530 and, AT-C §205, and (2) acceptable evidence of having reviewed SOC reports.

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. 2023-001, 2022-001)

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

Finding 2023-001 – 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

Finding	Management Response
<ul style="list-style-type: none"> - Insufficient detail in documentation for SOC Reports and Complementary End User Controls (CEUC). 	<ul style="list-style-type: none"> - Documentation Enhancement: The Authority concurs with the finding. We will continue to enhance the level of detail in our documentation for SOC Reports and CEUC to meet the necessary standards.
<ul style="list-style-type: none"> - Lack of adequate detail in contracts with service providers 	<ul style="list-style-type: none"> - Form of Contract/SOC Provisions: The Authority concurs with the finding. The Authority uses the state’s mandated form contract for the purchase of procured goods and services. We have drafted additional provisions related to SOC reporting requirements that will be added to contracts with third-party service providers going forward. Existing contracts with current vendors will not be amended for this sole purpose but will be reassessed for edits during the renewal/extension period if applicable.
<ul style="list-style-type: none"> - Inadequate documentation detail, which undermines the overall accuracy and reliability of SOC reviews. 	<ul style="list-style-type: none"> - Documentation Quality Assurance: The Authority concurs with the finding. A quality assurance process will be implemented to enhance documentation.
<ul style="list-style-type: none"> - Absence of a centralized point for end-to-end administration of service providers, including confirmation of population completeness. 	<ul style="list-style-type: none"> - Centralized Administration: The Authority will explore establishing a centralized point for the comprehensive administration of service providers to enhance efficiency and oversight, including confirming accuracy of service provider populations.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

Finding 2023-002 – Inadequate Controls over Reconciliations

The Illinois Housing Development Authority (Authority) did not properly reconcile a material lockbox deposit account retaining cash receipts at year-end.

We held discussions with the Authority regarding a lockbox deposit account with material cash receipts that had not been properly reconciled at year-end. These discussions identified lockbox cash receipts had not been applied to the proper period, accounts, or funds. On the last day of the year, this lockbox account within the Administrative Fund (Admin) received funds totaling \$15,255,073 that were due to the Mortgage Loan Program Fund (MLP), Affordable Housing Trust Fund (HTF), and the HOME Program Fund for loan payments received, and to the Homeowners Assistance Fund (HAF) for grant disbursements returned. We determined these cash deposits should have been recorded in the Due from Other Funds account totaling \$7,733,758 under MLP, \$2,488,740 under HTF, \$2,815,667 under HOME, and \$2,216,908 under HAF. Conversely, these amounts should have been reflected in the Due to Other Funds account on the Admin Fund side instead of the Accrued Liabilities and Other account, as these deposits represent cash on hand that is payable to other funds. Lastly, receivable balances across proprietary and governmental funds were overstated by \$13,038,165 due to these lockbox cash receipts not being applied as a reduction to receivables in the correct period. Unearned revenue under the HAF program was understated by \$2,216,908 from funds not being properly returned back to the HAF. The Authority made the necessary corrections to their financial statements.

In addition, we determined the Authority did not accurately prepare the statement of net position and statement of activities. We proposed adjustments totaling \$2,778,178 to the Admin Fund, \$437,568 to the Emergency Rental Assistance Fund, and \$536,379 to the Illinois Housing Trust Fund. These proposed adjustments relate to various liabilities and income statement items that were not recorded in the correct period, and to changes of the allowance for uncollectible accounts from the adjustments described in the preceding paragraph. These proposed adjustments were not corrected within the Authority's financial statements.

GASB codification Sec. 1300 para. 122 requires amounts due to one fund from other funds, as well as the amounts owed to other funds, should be reflected in the fund accounts and in fund financial statements. Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. Where money is owed from one fund to another fund and money is also owed from the latter to the former, the amounts receivable and payable should not be offset in the accounts.

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. Effective internal control would ensure all lockbox accounts are reconciled and any necessary adjustments would be made to the financial statements.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

Finding 2023-002 – Inadequate Controls over Reconciliations (Continued)

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations, and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles.

The Authority's management stated the misclassification of intercompany transactions as accrued liabilities in the Admin Fund was due to cash being received in the lockbox on the last business day of the fiscal year. In keeping with historical practices, the application of these cash transactions took place in the following month as the nature of the transactions including respective funds are not known until the next business day and such amounts have been immaterial. This delay in processing and recording the transactions in the subsequent month led to the misclassification of the respective balances in the Admin Fund, instead of in the appropriate funds, as of the fiscal year end.

Without a year-end reconciliation of lockbox accounts, the Authority is at risk of materially misstating various line items within the financial statements. (Finding Code No. 2023-002)

RECOMMENDATION

We recommend the Authority perform adequate and timely reconciliation procedures of all lockbox deposit accounts to ensure all amounts are accurately reported at year-end.

AUTHORITY RESPONSE

The Authority's management agreed with the finding. The Authority will enhance the lockbox monitoring process. Accounting will perform timely review of lockbox reconciliation completed by other departments as well as perform year over year analysis of account balances and apply cut-off procedures to ensure transactions are accurately recorded and classified in the appropriate period.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

Finding 2023-003 – Inadequate Controls over Subsequent Event Disclosures

The Illinois Housing Development Authority (Authority) did not have adequate internal controls in place to properly include in their financial statements all material subsequent event disclosures prior to and up through the date of the Independent Auditor's Report on the financial statements for the year ended June 30, 2023.

The Independent Auditor's Report was originally dated on December 8, 2023 for the Authority's financial statements for the year ended June 30, 2023. A signed management representation was provided by the Authority on December 8, 2023 stating, among other representations, that the Authority had disclosed all events occurring subsequent to June 30, 2023 that would be required to be disclosed under Accounting Principles Generally Accepted in the United States of America.

On December 12, 2023 the Authority informed us there were three events relating to bond issuances and authorizations that occurred subsequent to June 30, 2023 that were not previously included within their financial statements that had an Independent Auditor's Report date of December 8, 2023.

GASB Codification Sec. 2250 para. 111, requires certain events not existing at the date of the statement of net position that are of such a nature that their disclosure is essential to a user's understanding of the financial statements should be included within the financial statements or disclosures.

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. Effective internal control would ensure all material subsequent event disclosures are included within the financial statements prior to the date of the Independent Auditor's Report on the financial statements.

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations, and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles.

The Authority's management stated they initially believed all subsequent event disclosures were included within the financial statements.

Inadequate controls over the disclosure of subsequent events could result in material omissions which could negatively impact the users of the Authority's financial statements. (Finding Code No. 2023-003)

RECOMMENDATION

We recommend the Authority ensure all material subsequent event disclosures are included within their financial statements in accordance with Accounting Principles Generally Accepted in the United States of America.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

Finding 2023-003 – Inadequate Controls over Subsequent Event Disclosures (Continued)

AUTHORITY RESPONSE

The Authority agrees with the finding. The Authority's Accounting Department will develop a written procedure to help ensure that they perform multiple reviews of the financial statements in accordance with Accounting Principles Generally Accepted in the United States of America, including the disclosure of subsequent events. Authority management will refrain from executing the management representation letter until the Accounting Department provides affirmative written confirmation to Authority management that they have completed their final quality control review of the financial statements for accuracy.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PRIOR YEAR FINDINGS NOT REPEATED
YEAR ENDED JUNE 30, 2023**

A. Inadequate Controls over Investments

During the prior year financial audit, the Illinois Housing Development Authority (Authority) failed to maintain adequate controls over its investments.

During the current financial audit, we noted no similar internal control weaknesses in the Authority's controls over investments and that the Authority had strengthened its controls over this area. (Finding Code No. 2022-002, 2021-002)

B. Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program

During the prior year single audit, the Authority did not follow its established policies and procedures for monitoring subrecipients of the Section 8 Project-Based (Section 8) Program.

During the current year single audit, we noted no internal control weaknesses and the Authority followed established policies and procedures for monitoring subrecipients of the Section 8 Project-Based (Section 8) Program. (Finding Code No. 2022-003, 2021-003, 2020-002, 2019-006, 2018-007, 2017-004, 2016-007, 2015-007, 2014-003, 2013-005, 2012-005, 2011-011)

C. Failure to Execute Intergovernmental Agreements

During the prior year single audit, 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.

During the current year single audit, we noted intergovernmental agreements were executed for FY23 grant subawards for both the Coronavirus State and Local Fiscal Recovery Funds and Housing Assistance Fund programs. (Finding Code No. 2022-004)

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Agency/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. Department of Housing and Urban Development:				
Section 8 Project-Based Cluster:				
Section 8 New Construction and Substantial Rehabilitation	14.182	*	\$ 8,171,363	\$ 7,942,834
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	*	2,489,400	2,196,102
Total Section 8 Project-Based Cluster			<u>10,660,763</u>	<u>10,138,936</u>
Passed Through the State of Illinois:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				
Neighborhood Stabilization Program - Administrative Expenditures - Program Income	14.228	—	16,667	-
Neighborhood Stabilization Program - Loan Disbursements	14.228	B-08-DN-17-0001	1	1
Neighborhood Stabilization Program - Grant Expenditures	14.228	B-08-DN-17-0001	178,148	178,148
Total CDBG - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>194,816</u>	<u>178,149</u>
HOME Investment Partnerships Program:				
Beginning Loan Balances		*	318,821,393	318,821,393
Administrative Expenditures	14.239	*	2,958,843	-
Administrative Expenditures - Program Income	14.239	*	524,791	-
Current Year Loan Disbursements - Program Income	14.239	*	5,995,064	5,995,064
Current Year Loan Disbursements	14.239	*	13,031,754	13,031,754
Grant Expenditures	14.239	*	3,273,380	3,273,380
Grant Expenditures - Program Income	14.239	*	5,724,501	5,724,501
COVID-19 HOME Investment Partnerships Program-ARP:				
Administrative Expenditures	14.239	*	195,443	-
Total HOME Investment Partnerships Program			<u>350,525,169</u>	<u>346,846,092</u>
Housing Trust Fund - National:				
Beginning Loan Balances		*	10,281,604	10,281,604
Administrative Expenditures	14.275	*	1,023,615	-
Current Year Loan Disbursements	14.275	*	20,001	20,001
Grant Expenditures	14.275	*	7,605,311	7,605,311
Total Housing Trust Fund			<u>18,930,531</u>	<u>17,906,916</u>
Section 811 Project Rental Assistance Program:				
Administrative Expenditures	14.326	—	98,424	-
Grant Expenditures	14.326	IL902	1,763,508	1,763,508
Total Section 811 Project Rental Assistance Program			<u>1,861,932</u>	<u>1,763,508</u>
Passed Through NeighborWorks America:				
Housing Stability Counseling Program:				
Administrative Expenditures	99.U19	—	146,057	-
Grant Expenditures	99.U19	211CM058746-G	1,757,101	1,757,101
Total Housing Stability Counseling Program			<u>1,903,158</u>	<u>1,757,101</u>
U.S. Department of the Treasury:				
Passed Through State of Illinois:				
COVID-19 Emergency Rental Assistance Program:				
Administrative Expenditures	21.023	*	9,118,166	-
Grant Expenditures	21.023	*	44,831,168	4,443,549
Passed Through DuPage County:				
Administrative Expenditures	21.023	*	887,727	-
Grant Expenditures	21.023	*	1,858,310	-
Passed Through Will County:				
Administrative Expenditures	21.023	*	726,513	-
Grant Expenditures/(Refunds)	21.023	*	(29,608)	-
Passed Through Kane County:				
Administrative Expenditures	21.023	*	632,024	-
Grant Expenditures	21.023	*	1,713,578	-
Total COVID-19 Emergency Rental Assistance Program			<u>59,737,878</u>	<u>4,443,549</u>
Passed Through the State of Illinois:				
COVID-19 Homeowner Assistance Fund:				
Administrative Expenditures	21.026	*	21,520,787	-
Grant Expenditures	21.026	*	212,071,286	6,752,314
Total COVID-19 Homeowner Assistance Fund			<u>233,592,073</u>	<u>6,752,314</u>
Passed Through the State of Illinois:				
COVID-19 State and Local Fiscal Recovery Funds:				
Administrative Expenditures	21.027	*	1,311,129	-
Grant Expenditures	21.027	*	69,508,435	69,508,435
Passed Through Cook County:				
Administrative Expenditures	21.027	*	330,055	-
Total COVID-19 State and Local Fiscal Recovery Funds			<u>71,149,619</u>	<u>69,508,435</u>
Total			<u>\$ 748,555,939</u>	<u>\$ 459,295,000</u>

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

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

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, 2023.

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 \$541,458 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, 2023, was \$19,026,818 and \$20,001, respectively.

The balance of loans outstanding under the HOME Program was \$330.7 million and \$318.8 million on June 30, 2023, and 2022, respectively. The balance of loans outstanding under the Housing Trust Fund – National Program was \$10.3 million on June 30, 2023, and 2022, respectively. The Authority received administrative fees of \$3.5 million under the HOME Program and \$1.0 million under the Housing Trust Fund – National Program during the fiscal year ended June 30, 2023.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 3 FEDERAL LOAN PROGRAM (CONTINUED)

The balance of loans outstanding on June 30, 2023, consist of the following amounts (in thousands):

	HOME Program	Housing Trust Fund
Outstanding balance as of 7/1/22	\$ 318,822	\$ 10,282
Loans Disbursed Current	6,594	6
Loans Disbursed Non Current	12,433	14
Principal Write Off	(48)	—
Repayments, Net of Interest	(7,079)	(23)
Outstanding balance as of 6/30/23	<u>\$ 330,722</u>	<u>\$ 10,279</u>

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.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SCHEDULE OF FEDERAL AND NONFEDERAL EXPENSES
YEAR ENDED JUNE 30, 2023
(IN THOUSANDS)**

	Amount	Percent
Federal Expenditures (A)	\$ 419,453	67%
Nonfederal Expenditures/Expenses	203,218	33%
Total Expenditures/Expenses	622,671	100%
 Plus Amount Representing Loan Loss Offset by Applied Program Income	 (1,595)	
Total Expenses (B)	\$ 621,076	

Source:

- (A) Schedule of Expenditures of Federal Awards (excluding beginning loan balance)
- (B) Statement of Activities for the year ended June 30, 2023

See accompanying independent accountants' report.



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