ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Compliance Examination

(In Accordance with the Single Audit
Act and Applicable Federal Regulations)

Year Ended June 30, 2020

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2020

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
AGENCY OFFICIALS
YEAR ENDED JUNE 30, 2020

BOARD OFFICERS

Chairman	Mr. King Harris
Vice Chair (07/18/20 – Present)	Ms. Luz Ramirez
Vice Chair (10/21/05 – 07/17/20)	Ms. Karen Davis
Secretary	Mr. Salvatore Tornatore
Treasurer (10/21/19 – Present)	Mr. Darrell Hubbard
Treasurer (09/14/06 – 10/20/19)	Ms. Mary Kane
Member (10/21/19 – Present)	Ms. Sonia Berg
Member (01/10/20 – Present)	Ms. Aarti Kotak
Member (11/19/19 – Present)	Mr. Tom Morsch
Member (05/18/15 – 01/09/20)	Ms. Alyssa Rapp
Member (03/13/17 – 07/17/20)	Ms. Luz Ramirez

AGENCY OFFICIALS

Executive Director (11/12/19 – Present)	Ms. Kristin Faust
Executive Director (08/16/19 – 11/11/19)	Vacant
Executive Director (02/22/16 – 08/15/19)	Ms. Audra Hamernik
Assist. Executive Director/Chief of Staff (03/02/20 – Present)	Mr. Herman Brewer
Assist. Executive Director/Chief of Staff (04/12/16 – 03/13/20)	Ms. Debra Olson
General Counsel	Ms. Maureen G. Ohle
Chief Financial Officer (03/31/20 – Present)	Mr. Edward Gin
Chief Financial Officer (Acting) (10/19/19 – 03/30/20)	Ms. Tracy Grimm
Chief Financial Officer (04/21/14 – 10/18/19)	Ms. Nandini Natarajan
Controller	Mr. Timothy J. Hicks
Chief Internal Auditor	Mr. Kevin O’Connor

Agency Officials are located at:

111 East Wacker Drive, Suite 1000
Chicago, Illinois 60601

ILLINOIS HOUSING
DEVELOPMENT AUTHORITY
WWW.IHDA.ORG

111 E. Wacker Drive
Suite 1000
Chicago, IL 60601
312.836.5200

April 9, 2021

CliftonLarsonAllen LLP
1301 West 22nd Street, Suite 1100
Oak Brook, IL 60523

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Housing Development Authority (the Authority). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following specified requirements during the year ended June 30, 2020. Based on this evaluation, we assert that during the year ended June 30, 2020, the Authority has materially complied with the specified requirements listed below.

A. The Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. The Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Authority on behalf of the State or held in trust by the Authority have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

*****

Yours truly,

Illinois Housing Development Authority

SIGNED ORIGINAL ON FILE

Kristin Faust
Executive Director

SIGNED ORIGINAL ON FILE

Ed Gin
Chief Financial Officer

SIGNED ORIGINAL ON FILE

Maureen Ohle
General Counsel

SIGNED ORIGINAL ON FILE

Timothy Hicks
Controller

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
COMPLIANCE REPORT SUMMARY
YEAR ENDED JUNE 30, 2020

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Report

The Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant nonstandard language.

Summary of Findings

Number of	Current report	Prior report
Findings	14	8
Repeated findings	3	7
Prior recommendations implemented or not repeated	5	3

Details of findings are presented in this report.

Schedule of Findings and Questioned Costs

Item No.	Page	Last/First Reported	Description	Finding Type
			Findings (*Government Auditing Standards*)	
2020-001	18	2019/2015	Inaccurate Financial Reporting	Material weakness
			Findings (Federal Compliance)	
2020-002	25	2019/2011	Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project Based Cluster Program	Significant deficiency and noncompliance
2020-003	28	New	Failure to Approve Weekly Payroll Reports	Significant deficiency and noncompliance

Schedule of Findings and Questioned Costs

Item No.	Page	Last/First Reported	Description	Finding Type
			Findings (State Compliance)	
2020-004	30	New	Failure to Comply with the State Employment Records Act	Significant deficiency and noncompliance
2020-005	32	2019/2019	Delinquent Bond Reporting	Significant deficiency and noncompliance
2020-006	33	New	Outdated Policies and Procedures	Significant deficiency and noncompliance
2020-007	34	New	Inadequate Controls Over Time Reporting	Significant deficiency and noncompliance
2020-008	36	New	Inadequate Controls Over I-9 Forms	Significant deficiency and noncompliance
2020-009	37	New	Inadequate Controls Over Personnel Action Forms	Significant deficiency and noncompliance
2020-010	38	New	Improper Accrual of Compensated Absences	Significant deficiency and noncompliance
2020-011	40	New	Inadequate Controls Over Maintenance of Accounts Payable Vendor File	Significant deficiency and noncompliance
2020-012	41	New	Inadequate Controls Over Termination Payouts	Significant deficiency and noncompliance
2020-013	43	New	Inadequate Controls Over Contracts	Significant deficiency and noncompliance
2020-014	45	New	Failure to Follow Loan Loss Methodology	Significant deficiency and noncompliance

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also meets the reporting requirements for State Compliance.

Item No.	Page	Last/First Reported	Description	Finding Type
2020-001	18	2019/2015	Inaccurate Financial Reporting	Material weakness and noncompliance

Prior Findings Not Repeated

Item No.	Page	Last/First Reported	Description
A	47	2019/2018	Inaccurate Financial Reporting of Investment
B	47	2019/2014	Inadequate Allowance for Loan Loss Methodology and Loan Rating Review
C	47	2019/2015	Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards
D	48	2019/2018	Failure to Communicate Award Information to Subrecipients
E	48	2019/2018	Failure to Maintain Supporting Documentation for Reports of Receipts and Disbursements for Locally Held Funds and Quarterly Summary of Accounts Receivable

Exit Conference

The findings and recommendations appearing in this report were discussed with the Authority personnel at an exit conference on April 7, 2021. Attending were:

Illinois Housing Development Authority:

Kristin Faust	Executive Director
Ed Gin	Chief Financial Officer
Timothy Hicks	Controller
Herman Brewer	Chief of Staff
Maureen Ohle	General Counsel
Tracy Grimm	Deputy CFO
Scot Berkey	CIO
Muhammad Jalaluddin	Assistant Controller
Jesse Bermudez	Supervisor - Proprietary Reporting & Analysis
Selina Hogan	Accounting Manager, Financial Reporting & Analysis
Daniel Tevino	Manager, Governmental Reporting and Analysis
Karri Kartes	Director, Human Resources
Emily Flint	Consulting Manager - Crowe
Hollis Hanson-Pollock	Audit Senior Manager - Crowe

Office of the Auditor General:

Tom Kizziah	Senior Manager

CliftonLarsonAllen LLP:

Chuck Kozlik	Principal
Syril Thomas	Manager
Francis Zaharieva	Senior Associate
Allison Russman	Senior Associate

The responses to the recommendations were provided by Timothy Hicks, Controller, in an email dated April 7, 2021.

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Directors
Illinois Housing Development Authority

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois Housing Development Authority with the specified requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2020. Management of the Illinois Housing Development Authority (the Authority) is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

The specified requirements are:

A. The Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Authority on behalf of the State or held in trust by the Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Directors
Illinois Housing Development Authority

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied with the specified requirements during the year ended June 30, 2020, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 and 2020-004 through 2020-014.

The Authority's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide.* Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Authority's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Authority's compliance with the specified requirements and to test and report on the Authority's internal control in accordance with the *Audit Guide*, 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 have not be identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Directors
Illinois Housing Development Authority

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, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements 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 2020-001 to be a material weakness.

A *significant deficiency in internal control* 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 deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004 through 2020-014 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Authority's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, 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, 2020 not presented herein, and have issued our report thereon dated December 14, 2020, 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 Authority's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 14, 2020. The accompanying supplementary information for the year ended June 30, 2020, in Schedules 2 through 4 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information is the responsibility of Authority management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2020, in Schedules 2 through 4 has been subjected to the auditing procedures applied in the audit of 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 accompanying supplementary information for the year ended

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Directors
Illinois Housing Development Authority

June 30, 2020, in Schedules 2 through 4 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

The Authority's basic financial statements as of and for the year ended June 30, 2019 not presented herein, were audited by other auditors whose report thereon dated February 7, 2020, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated April 30, 2020 stated that the accompanying supplementary information for the year ended June 30, 2019, in Schedule 3 is subjected to the auditing procedures applied in the audit of the June 30, 2019, basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In their opinion, the accompanying supplementary information for the year ended June 30, 2019, in Schedule 3 was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
April 9, 2021

CliftonLarsonAllen LLP
CLAconnect.com

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*

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Directors
Illinois Housing Development Authority

As Special Assistant Auditors for the Auditor General of the State of Illinois, 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 the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2020, 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, 2020.

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Directors
Illinois Housing Development Authority

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 statement. 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*.

Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Authority'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, 2020

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 REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Directors
Illinois Housing Development Authority

Report on Compliance for Each Major Federal Program

As Special Assistant Auditor for the Audit General, we have audited the Illinois Housing Development Authority's (the Authority) compliance with the types of compliance requirements described 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, 2020. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of its major federal programs. However, our audit does not provide a legal determination of the Authority's compliance.

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Directors
Illinois Housing Development Authority

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2020.

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 findings 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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.

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Directors
Illinois Housing Development Authority

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002 and 2020-003, that we consider to be significant deficiencies.

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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, a component unit of the State of Illinois, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 14, 2020 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. 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. The information has been subjected to the auditing procedures applied in the audit of 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 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
April 9, 2021

(1) Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ___x___ yes ________ no
   - Significant deficiency(ies) identified? ________ yes ___x___ none reported
3. Noncompliance material to financial statements noted? ________ yes ___x___ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? ________ yes ___x___ no
   - Significant deficiency(ies) identified? reported ___x___ yes ________ none
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___x___ yes ________ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.182/14.856	Section 8 Project Based Cluster
14.239	HOME Investment Partnerships Program
14.275	Housing Trust Fund

Dollar threshold used to distinguish between Type A and Type B programs: $ 2,266,433

Auditee qualified as low-risk auditee? ________ yes ___x___ no

(2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding 2020-001 – 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.

During the year ended June 30, 2020, the Authority made a number of changes to its financial reporting process. While doing so, the Authority failed to establish additional oversight and monitoring procedures to ensure the financial statements were properly prepared and presented. As a result, the draft financial statements prepared by management and provided to the auditors contained errors which required adjustment to the financial statements:

1) The Authority incorrectly reported their Ambac Assurance Corporation loans outstanding within footnote 5 as noted below:

Originally Reported Amount	Correct Amount	Difference
$ 55,579,568	$ 5,579,568	$ (50,000,000)

A proposed adjustment for these differences was recorded by the Authority.

2) The Authority incorrectly reported the bonds and notes outstanding related to conduit debt obligations, within footnote 8(e) of the financial statements, as noted below:

Originally Reported Amount	Correct Amount	Difference
$ 1,175,921,664	$ 1,147,626,343	$ (28,295,321)

A proposed adjustment for these differences was recorded by the Authority.

3) The Authority incorrectly reported loans financed under the Mortgage Loan Program fund that were in arrears within footnote 5, as noted below:

Originally Reported Amount	Correct Amount	Difference
$ 324,644	$ 524,644	$ 200,000

A proposed adjustment for these differences was recorded by the Authority.

4) The Authority incorrectly reported interest paid for the current year for special limited obligations bonds payable from pledged property within footnote 8, as noted below:

Originally Reported Amount	Correct Amount	Difference
$ 34,200,000	$ 34,100,000	$ (100,000)

A proposed adjustment for these differences was recorded by the Authority.

5) The Authority incorrectly reported loans receivable under the multi-family housing bonds (1991 series A and B, 1992 Series A and B, and 1993 Series A and B) within footnote 13, as noted below:

Originally Reported Amount	Correct Amount	Difference
$ 39,300,000	$ 40,300,000	$ 1,000,000

A proposed adjustment for these differences was recorded by the Authority.

6) The Authority incorrectly reported accrued liabilities and other liabilities for the Administrative Fund, Mortgage Loan Program Fund, HOME Program Fund, and the Hardest Hit Fund in the Statement of Net Position and the Balance Sheet, which required the following adjustments, as noted below:

Administrative Fund	Originally Reported Amount	Correct Amount	Difference
Deposits held in escrow	$ (135,884,635)	$ (136,363,517)	$ (478,882)
Accrued Liabilities & Other	(20,254,570)	(18,263,668)	1,990,902
Interest and other investment income	(25,622,211)	(25,668,347)	(46,136)
Service Fees	(8,422,565)	(8,545,590)	(123,025)
Professional Fees	3,101,100	3,100,579	(521)
Development Fees	(2,424,924)	(3,341,790)	(916,866)
Other Revenue	(4,440,251)	(4,850,765)	(410,514)
Other General and Administrative	4,563,379	4,548,421	(14,958)

Mortgage Loan Program Fund	Originally Reported Amount	Correct Amount	Difference
Accrued Liabilities & Other	$ (2,135,446)	$ (1,338,133)	$ 797,313
Other Income	(16,273,263)	(17,070,576)	(797,313)

HOME Program	Originally Reported Amount	Correct Amount	Difference
Accrued Liabilities & Other	$ (403,679)	$ -	$ 403,679
Other Income	-	(403,679)	(403,679)

Hardest Hit Fund	Originally Reported	Correct Amount	Difference
Accrued Liabilities & Other	$ (297,730)	$ (4,620)	$ 293,110
Other Income	-	(293,110)	(293,110)

A proposed adjustment for these differences was recorded by the Authority.

7) Within the Statement of Activities, the Authority reported amounts incorrectly, as noted below:

Governmental Activities by Major Fund:

Fund	Originally Reported Amount	Correct Amount	Difference
Illinois Affordable Housing Trust Program - Operating Grant/Federal Revenues	$ (7,390,663)	$ (7,579,316)	$ (188,653)
HOME Program - Operating Grant/Federal Revenues	(6,224,398)	(6,057,148)	167,250

A proposed correction for these differences was recorded by the Authority.

Business-Type Activities by Major Fund:

Fund	Originally Reported Amount	Correct Amount	Difference
Multi-Family Mortgage Loan Programs - Charges for Services and Interest Income	$ (49,653,444)	$ (49,558,312)	$ 95,132
Multi-Family Federal Assistance Programs - Operating Grant/Federal Revenues	(59,010,896)	(59,106,028)	(95,132)
Tax Credit Authorization and Monitoring - Charges for Services and Interest Income	(5,270,781)	(6,381,178)	(1,110,397)
Tax Credit Authorization and Monitoring - Expenses	968,237	1,158,499	190,262

A proposed correction for these differences was recorded by the Authority.

8) Within the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the Business-Type Activities, the Authority incorrectly reported amounts, as noted below (this includes amounts noted in item 6 above):

Administrative Fund	Originally Reported Amount	Correct Amount	Difference
Financial Reporting Adjustments			
Due from other funds	$ 1,259,158	$ 14,658,990	$ 13,399,832
Due to other funds	(10,546,978)	(23,946,810)	(13,399,832)
Journal Entry Adjustments			
Deposits held in escrow	$ (135,884,635)	$ (136,363,517)	$ (478,882)
Accrued liabilities and other	(20,254,570)	(18,263,668)	1,990,902
Interest and other investment income	(25,622,211)	(25,668,347)	(46,136)
Service Fees	(8,422,565)	(8,545,590)	(123,025)
Development Fees	(2,424,924)	(3,341,790)	(916,866)
Other Revenue	(4,440,251)	(4,850,765)	(410,514)
Professional Fees	3,101,100	3,100,579	(521)
Other General and Administrative	4,563,379	3,369,755	(1,193,624)
Financing Costs	(227,519)	951,147	1,178,666

Mortgage Loan Program Fund	Originally Reported Amount	Correct Amount	Difference
Financial Reporting Adjustments			
Real Estate Held for Sale	$ 354,438	$ 405,618	$ 51,180
Allowance for Estimated Losses	30,508	(20,672)	(51,180)
Journal Entry Adjustments			
Accrued liabilities and other	$ (2,135,446)	$ (1,338,133)	$ 797,313
Other Income	(16,273,263)	(17,070,576)	(797,313)

Single Family Program Fund	Originally Reported Amount	Correct Amount	Difference
Financial Reporting Adjustments			
Derivative instrument liability	$ -	$ (9,132,010)	$ (9,132,010)
Accumulated increase in fair value of hedging derivative	(9,132,010)	-	9,132,010

A proposed adjustment for these differences was recorded by the Authority.

9) The Authority incorrectly reported activity within the statement of cash flows for the Administrative Fund and Mortgage Loan Program Fund as noted below:

Administrative Fund	Originally Reported Amount	Correct Amount	Difference
Receipts for program loans, interest, and service fees	$ 18,839,829	$ 17,321,057	$ (1,518,772)
Payments to Suppliers	(15,466,044)	(13,490,620)	1,975,424
Other Receipts	5,778,009	5,321,357	(456,652)
Due to other Funds	(3,587,857)	9,811,975	13,399,832
Due from other funds	1,067,742	(12,332,090)	(13,399,832)
Operating Income (loss)	13,152,071	14,664,091	1,512,020
Investment Income	(28,706,570)	(28,752,706)	(46,136)
Other liabilities	(15,791,149)	(17,257,033)	(1,465,884)

Mortgage Loan Program Fund	Originally Reported Amount	Correct Amount	Difference
Payment to Suppliers	$ (5,722,925)	$ (6,520,238)	$ (797,313)
Other receipts	17,110,458	17,907,771	797,313
Operating Income (loss)	21,857,855	22,655,168	797,313
Other liabilities	(21,857,855)	(22,655,168)	(797,313)

A proposed audit adjustment for these differences was recorded by the Authority.

10) Within the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the Funds noted below, the Authority did not book adjustments related to the following amounts (uncorrected misstatements):

Report Fund	Account Description	Uncorrected Misstatement
Administrative Fund	Financial Costs	$ 1,039,660
	Beginning Net Position	(1,039,660)
Hardest Hit Fund	Prepaid	125,000
	Software Expense	(125,000)
Hardest Hit Fund	Program Loans Receivable	99,826
	Beginning Net Position	(99,826)
Rental Housing Supplemental Program	State Revenue	(344,414)
	Program Grants	344,414

11) The scheduled receipts of principal on gross program loans receivable for governmental funds does not report all governmental funds in footnote 5 as noted below:

Fund	Gross Loan Receivable Balance
Hardest Hit Fund	$ 768,571
Community Development Block Grant	6,234,338
Neighborhood Stablization Program Fund	2,710,191
Build Illinois Bond Program Fund	8,444,171
National Housing Trust Fund	5,613,016

A proposed foot note change for these differences was not recorded by the Authority.

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that 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. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls to provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) 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 and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately record financial transactions and accurately prepare financial statements.

Authority management stated the misstatements related to the financial statements and footnote disclosures were mainly due to insufficient staffing during the year.

Failure to accurately record financial transactions resulted in misstatement of the Authority’s financial statements. (Finding Code No. 2020-001, 2019-001, 2018-003, 2017-002, 2016-001, 2015-001)

RECOMMENDATION

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

AUTHORITY RESPONSE

The Authority is in agreement. In FY20, the Authority continued to enhance its internal control policies and procedures related to the preparation of its financial statements. However, despite the corrective actions, the Authority was unable to implement sufficiently the changes to eliminate human errors and to overcome the manual process of the preparation of the financial statements. The Authority has hired additional staff that would be dedicated solely to establishing and documenting policies and procedures related to the preparation of Financial Statements. The Authority has continued to engage a third party to assist in establishing and documenting adequate internal controls over the financial reporting process and reviewing the financial statements. In order to mitigate the issues involving accuracy of financial reporting, the Authority has prepared detailed checklists of all tasks required to prepare and submit accurate financial statements. Additionally, the Authority will undergo department-wide governmental accounting training provided by the GFOA specific to the preparation of financial statements. These corrective actions will allow the Authority to review its internal control policies and procedures to ensure financial transactions are accurately recorded and reported in the financial statements and footnote disclosures.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2020-002 – 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)
Program Name:	Section 8 Project-Based Cluster (Section 8)
CFDA Number:	14.182/14.856
Award Numbers:	IL901MR0001; IL901MR0003; IL901MR0004;
	IL901MR0006; IL901MR0007; IL901MR0008
Program Expenditures:	$58,982,046
Questioned Costs:	None

CONDITION FOUND

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 administered by the Authority. These reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. The Authority's policies require the subrecipient file to be closed within 90 days of the subrecipient being notified of any findings.

During our test work over monitoring review procedures performed for 8 subrecipients (with expenditures of $9,250,977) of the Section 8 Cluster program, we noted the Authority has not established adequate control activities to ensure its established monitoring procedures were followed in communicating the results of its monitoring reviews. We noted the following exceptions to the Authority's monitoring procedures:

- The Authority did not receive adequate responses to the findings of four subrecipients (with expenditures totaling $5,440,236) in a timely manner. Specifically, the responses were received between 35 and 236 days after receiving results or review (30 day requirement).

- The Authority did not notify four subrecipients (with expenditures totaling $6,760,718) of findings from the monitoring review in a timely manner. Specifically, the findings notification was sent between 31 and 58 days after the review (30 day requirement).

CRITERIA OR REQUIREMENT

According to OMB Circular A-133 § __.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Additionally, OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires non-Federal entities receiving Federal awards establish and maintain internal control 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.

CAUSE

Authority management stated due to staff changes during the fiscal year, certain staff were not familiar with required processes and timeline requirements.

POSSIBLE ASSERTED 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 2019-006. (Finding Code No. 2020-002, 2019-006, 2018-007, 2017-004, 2016-007, 2015-007, 2014-003, 2013-005, 12-05, 11-11)

STATISTICAL SAMPLING

This sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

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

AUTHORITY RESPONSE

The Authority is in agreement. The Authority has implemented several new policies and procedures to strengthen controls surrounding the subrecipient monitoring process. All staff are scheduled to complete a full monitoring cycle and have been scheduled for additional training. Additionally, weekly team meetings are conducted, and the Authority has updated its written procedures to address the subrecipient monitoring deficiencies. Management and Supervisors will be responsible for weekly quality control tasks that include reviewing system reports, and 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.

Finding 2020-003 – Failure to Approve Weekly Payroll Reports

Federal Agency:	U.S. Department of Housing and Urban Development (USHUD)
Program Name:	HOME Investment Partnerships Program (HOME)
CFDA Number:	14.239
Award Numbers:	M17-SG170100; M18-SG170100; M19-SG170100
Program Expenditures:	$306,384,537
Questioned Costs:	None

CONDITION FOUND

The Illinois Housing Development Authority (the Authority) did not approve Weekly Attendance Reports used to prepare payroll vouchers during the fiscal year ended June 30, 2020.

IHDA employees are paid on the 15th and the last day of each month. At the end of each week, all information is compiled by a designated department timekeeper through the payroll service provider system Weekly Attendance Reports. Employees are required to promptly review their own time entries within the payroll service provider system to determine whether they accurately reflect time spent working on Authority business. Subsequently, the payroll service provider system Weekly Attendance Reports must be approved by the employee's supervisor. Any HOME program hours are reviewed and approved by the supervisors on the Weekly Attendance Reports.

During our testwork over 14 Weekly Attendance Reports prepared during the fiscal year ended June 30, 2020, we noted the following: Two (2) reports (14.3%) were not approved by the designated Department Timekeeper and Director.

CRITERIA OR REQUIREMENT

HUD regulations (24 CFR § 92.354) require participating jurisdictions be responsible for ensuring compliance by contractors and subcontractors with labor standards described in this section. In accordance with procedures specified by HUD, participating jurisdictions are to collect and review certified weekly payroll reports.

HUD regulations regarding record keeping require (24 CFR § 92.508) each participating jurisdiction establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, records demonstrating compliance with the labor requirements of §92.354, including contract provisions and payroll records must be maintained.

CAUSE

Authority management stated the untimely reviews of Weekly Attendance Reports were due to human error and ineffective employee oversight.

POSSIBLE ASSERTED EFFECT

Failure to ensure each Weekly Attendance Report is approved could result in unapproved payments to employees and incorrect payroll allocations to the HOME program. (Finding Code No. 2020-003)

STATISTICAL SAMPLING

This sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

We recommend the Authority enforce existing policies and procedures associated with the approval of Weekly Attendance Reports.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority plans to implement a more robust training program for all department and executive assistants. The training program will extensively focus on timecard approvals and timecard accuracy.

Finding 2020-004 – Failure to Comply with the State Employment Records Act

The Illinois Housing Development Authority's (the Authority) 2019 Agency Workforce Report was not completed accurately and submitted timely.

The Agency Workforce Report is to be submitted annually to the Governor's Office and the Office of the Secretary State required by State Employment Records Act. The report is designed to provide data relative to: (1) the number and income levels of the Agency employees, (2) the number of employees by gender, (3) the number of employees by minority group, (4) the number of physically disabled employees, (5) the number of open positions of employment, and (6) the total number of persons employed as professionals.

Based on our review of the Authority's 2019 Agency Workforce Report, we noted the following:

- The Authority was unable to provide evidence substantiating the Agency Workforce Report was filed by the January 1st deadline with the Office of the Secretary of the State and the Governor's Office.

- The Authority was unable to provide underlying evidence for promotions and new hires to support the information used to generate the Agency Workforce Report.

- The Agency Workforce Report did not report the total number and percentage of open positions of employment or advancement by minorities, women, and person with disabilities.

- The Agency Workforce Report did not report the total number and percentage of professionals by minorities, women, and person with disabilities.

The State Employment Records Act (5 ILCS 410/20)) requires State agencies to collect, classify, maintain, and publish, for State and public use, certain employment statistics in a prescribed format.

The Fiscal Control and Internal Auditing Act (30 ILCS 10-3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure accurate and timely reports are submitted to the Governor's Office and the Office of the Secretary of State.

Authority management stated the untimely filing and inability to provide underlying evidence to support the Agency Workforce Report was attributable to the inability to locate documents due to employee turnover within the Authority. The Authority noted the inability to accurately report was a result of the Authority not being aware of the reporting requirements.

Failure to include accurate information in the annual Agency Workforce Report could deter efforts by the State to achieve a more diversified workforce. (Finding Code No. 2020-004)

RECOMMENDATION

We recommend the Authority implement procedures to capture and retain accurate information to support the preparation and timely submission of the annual Agency Workforce Report. We also recommend the Authority file a corrected report in accordance with 30 ILCS 5/3-2.2

AUTHORITY RESPONSE

The Authority is in agreement. The Authority agrees to implement procedures to capture and retain accurate information to support the preparation and timely submission of the annual Agency Workforce Report.

Finding 2020-005 – Delinquent Bond Reporting

The Illinois Housing Development Authority (the Authority) did not report certain bond payments to the Illinois Office of Comptroller (IOC) and did not timely report certain other bond payments to the IOC during the fiscal year ended June 30, 2020.

The Authority contracts with a bank to administer some of its bonds and related reporting. Under the terms of the contract, the bank is responsible for preparing and submitting the Notice of Payment of Bond Interest and/or Principal forms (Form C-08) to the IOC on the Authority's behalf. During our testwork, we noted the bank and/or trustees on the bond issues did not submit two (2) Notices of Payment; and were late in submitting eighty-one (81) Notices of Payment during the fiscal year ended June 30, 2020.

The Statewide Accounting Management System (SAMS) manual Section 31.30.20 requires a Notice of Payment (C-08) to be submitted within 30 days from the date the voucher is processed for payment of principal and/or interest or within 15 days from agency receipt of the trustee's monthly statement.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure notices of bond payments are reported in a timely manner.

Authority management stated the payments were not appropriately submitted due to department restructuring and employee turnover.

Failure to timely report the Notices of Payment inhibits the IOC from performing its statutory obligation to maintain current records indicating the outstanding bond indebtedness of the State and of all State agencies. (Finding Code No. 2020-005, 2019-007)

RECOMMENDATION

We recommend the Authority review its current procedures for preparing and submitting bond reports to ensure all required reports are submitted as required.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority restructured internal processes early in FY20, in order to create a new position that would provide additional oversight of filings made on behalf of the Authority and to manage more timely and accurately the reporting of those filings as required to be made by the Authority. The restructured internal processes resulted in a new position, and an additional subset of Finance – Debt & Liability Management – to be created, with a primary focus on the maintenance and oversight of Bond Trustee C-08 reporting to the IOC using the Bond Indebtedness Tracking System ("BITS").

Finding 2020-006 – Outdated Policies and Procedures

The Illinois Housing Development Authority (the Authority) does not have updated records that document its current policies and procedures.

During testing, we noted the following:

- The Authority has seven internal control narratives (1) not updated in over one year, (2) not accurately reflecting the individual(s)/process owner(s), or (3) not containing evidence in the policy documentation evidencing when an update was last performed.

- The Authority did not have a documented policy in place accurately describing their accounting treatment over prepaids.

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 controls should ensure that management's policies and procedures are documented and accurately reflect the control environment and the way in which internal control procedures are to be performed. Additionally, management should periodically revisit and revise accordingly their internal control documentation and include the date of last update.

Authority management stated employee turnover and oversight caused the lack of a documented policy over the accounting treatment of prepaids and failure to update the internal control narratives.

Current policies and procedures are necessary for the Authority to ensure compliance with laws, rules, and regulations, proper expenditure of funds, collection of required revenues, and custody over assets. Outdated policies and procedures demonstrate a lack of oversight and accountability, and increase the likelihood that funds are not expended as approved or as intended. (Finding Code No. 2020-006)

RECOMMENDATION

We recommend the Authority review and update their policies and procedures annually. In addition, the Authority should ensure all areas (*e.g.* prepaids) have accounting treatment policies documented.

AUTHORITY RESPONSE

The Authority is currently evaluating all accounting policies and procedures. The Authority has engaged a third-party consultant to assist the accounting group with updating, documenting and implementing policies and procedures as well as creating a comprehensive Accounting Manual.

Finding 2020-007 – Inadequate Controls Over Time Reporting

The Illinois Housing Development Authority (the Authority) did not approve payroll reports timely.

Authority Employees are paid on the 15th and the last day of each month. For payroll documentation purposes, all employees are required to report their time in accordance with the State Officials and Employee Ethics Act. At the end of each week, all information is compiled by a designated department timekeeper through payroll service provider system Weekly Attendance Reports. Employees are required to promptly review their own time entries within payroll service provider system to determine whether they accurately reflect time spent working on Authority business. Subsequently, the payroll service provider system Weekly Attendance Reports must be approved by the employee's supervisor.

During our testwork of 49 Weekly Attendance Reports prepared during the fiscal year ended June 30, 2020, we noted the following:

- Seven (14%) reports were not approved by the designated Department Director and Department Timekeeper.

- Seven (14%) reports were not approved by the designated Department Director within two weeks after the pay period end date. Specifically, we noted the review timeframe ranged from 3 to 15 days late.

- Five (10%) reports were not approved by the designated Department Timekeeper within two weeks after pay period end date. Specifically, we noted the review timeframe ranged from 1 to 15 days late.

The Illinois State Finance Act (30 ILCS 105/9.03) requires all payroll vouchers to be certified by an authorized individual to ensure all working time was expended in the service of the State and that the employees named are entitled to payment in the amounts indicated. In addition, Statewide Accounting Management System (Section 23.10.10) requires all payroll warrants and direct deposits to be supported by a precalculated payroll voucher submitted and approved by authorized agency personnel.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure Weekly Attendance Reports are reviewed and approved timely.

Authority management stated due to ineffective oversight of the timekeepers and directors, the timecards were not reviewed and approved in a timely manner.

Failure to ensure payroll is approved timely results in noncompliance with State regulations and could result in unapproved payments to employees. (Finding Code No. 2020-007)

RECOMMENDATION

We recommend the Authority enforce existing policies and procedures to ensure payroll is approved timely.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will establish a training schedule for all timekeepers and timecard approvers to ensure timekeeping policies and procedures are being strictly followed and being reported correctly.

Finding 2020-008 – Inadequate Controls Over I-9 Forms

Illinois Housing Development Authority (the Authority) has not established adequate controls over the appropriate completion of I-9 Forms for employees hired by the Authority.

During our review of fifty (50) employees, we noted the following:

- For fourteen employees (28%) the Authority did not properly complete the employee information in section 2 of the I-9 Form.
- Fourteen employees (28%) dated and completed the I-9 Form prior to their hire date.
- Ten employees (20%) did not fully complete section 1 of the I-9 Form on or before their respective hire date.
- Two employees (4%) failed to date their completion of section 1 of the I-9 Form.

U.S. Citizen and Immigration Services (USCIS) instructions for I-9 Forms require Section 1 to be completed no later than the first day of employment. After completing Section 1, the employee is to sign their name and document the date signed. The employer is to complete and sign Section 2 of the I-9 Form within 3 days of the employees first day of employment.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure that employee I-9 forms are properly completed and adequately reviewed by the Authority to ensure compliance.

Authority management stated proper procedures were not followed during I-9 Form completion and review due to oversight.

Failure to properly complete I-9 Forms results in violation of USCIS requirements and could expose the Authority to penalties. (Finding Code No. 2020-008)

RECOMMENDATION

We recommend the Authority enhance their controls over the process for preparing and reviewing I-9 Forms to ensure compliance with USCIS requirements.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will be sending all members of the team to I-9 training course on how to properly complete I-9 forms to ensure compliance with USCIS requirements.

.

Finding 2020-009 – Inadequate Controls Over Personnel Action Forms

The Illinois Housing Development Authority (the Authority) personnel files lacked proper approvals.

During our review of twenty new hires, we noted three employees' (15%) personnel action forms lacked the proper approvals required for the respective employees' salary rate.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure that personnel files contain all required approvals over salary rates.

Authority management stated the lack of proper approvals over personnel action forms were due to ineffective oversight.

Failure to properly approve employee salary rates can result in improper payments. (Finding Code No. 2020-009)

RECOMMENDATION

We recommend the Authority enforce existing policies and procedures to ensure proper approvals over personnel action forms.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will establish a three-point check system to ensure proper approvals over personnel action forms.

Finding 2020-010 – Improper Accrual of Compensated Absences

The Illinois Housing Development Authority (the Authority) did not properly accrue for compensated employee absences.

During our testwork of 39 employees' accrued compensated absences (i.e. vacation and sick leave) liability balances during the fiscal year ended June 30, 2020, we noted the following:

- Twenty-one vacation accruals were calculated incorrectly resulting in the vacation balance being understated. Specifically, we noted the hours ranged from 2.50 to 54.50 and in total 547.75 hours and $23,326.

- Nine vacation accruals were calculated incorrectly resulting in the vacation balance being overstated. Specifically, we noted the hours ranged from 1.00 to 56.25 and in total 114.00 hours and $6,834.

- Five vacation payouts were calculated incorrectly resulting in a net overpayment. Specifically, we noted four payouts had an overpayment of $6,545 and one payout had an underpayment of $1,387.

- Nine sick accruals were calculated incorrectly resulting in the sick balance being understated. Specifically, we noted the sick hours ranged from 1.50 to 88.00 and in total were understated by 268.25 hours and $4,416.

- Seven sick accruals were calculated incorrectly resulting in the sick balance being overstated. Specifically, we noted the sick hours ranged from 1.50 to 3.75 hours and in total were overstated by 24.00 hours and $582.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure compensated absences calculations are reviewed and are being calculated according to the Authority's policies.

Authority management stated the exceptions were due to a breakdown in the implementation of their policy and in the review process.

Failure to ensure accrued compensated absences are correctly calculated according to the Authority's policies leads to inaccurate records and resulted in inaccurate payments to employees. (Finding Code No. 2020-010)

RECOMMENDATION

We recommend the Authority enforce existing policies and procedures to ensure proper review of the calculation of accrued compensated absences. We further recommend the Authority review the accuracy of its prior compensated absence payouts and determine whether additional payments or recoupments are warranted and legal.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will work with the vendor to have the system adjust the available time-off balances to accrue monthly rather than provide a full year's time off balance on 1/1. The Authority will clearly communicate with employees that time-off is accrued monthly. The Authority will also establish monthly reconciliation to ensure proper review of the calculation of accrued compensated absences.

Finding 2020-011 – Inadequate Controls Over Maintenance of Accounts Payable Vendor File

The Illinois Housing Development Authority (the Authority) has not established adequate internal controls over identifying and deactivating stale vendors.

During review of the master vendor file, we noted the following:

- The Authority had 423 of 2,317 active vendors (18%) in their system who did not have any activity over the past 3 years.

- The Authority did not have a documented procedure in place for a review of the master vendor file to check for stale vendors and appropriately deactivate them.

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. An effective system of internal control should include controls over the master vendor file and appropriately deactivating stale vendors.

Authority management stated there was no annual process in place for evaluating and deactivating stale vendors due to ineffective oversight.

Failure to maintain an updated master vendor list could lead to unauthorized vendor payments. (Finding Code No. 2020-011)

RECOMMENDATION

We recommend the Authority develop controls to identify and deactivate stale vendors and create policies and procedures to ensure continued monitoring.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will write up a formal policy and procedure for an annual review of the Master Supplier List. This review will occur at the end of each Fiscal Year on or around June 30th but before July 1st. Vendors that have not received payment in the 18 months prior to the annual review will be deactivated on the system. Timeline for this policy and procedure to take effect is June 2021.

Finding 2020-012 – Inadequate Controls Over Termination Payouts

The Illinois Housing Development Authority (the Authority) did not properly calculate termination payouts.

During our testwork of 10 employees' vacation and sick-time termination payouts during the fiscal year ended June 30, 2020, we noted the following:

- Three vacation and sick-time payouts were calculated incorrectly resulting in the vacation and sick-time payments being understated. Specifically, we noted total vacation time was understated by 57.13 hours and total sick-time was understated by 9.37 hours, amounting to a total understated payout of $3,997.

- Two vacation and sick-time payouts were calculated incorrectly resulting in the vacation and sick-time payments being overstated. Specifically, we noted total vacation time was overstated by 27.06 hours and total sick-time was understated by 18.76 hours, amounting to a total overstated payout of $2,572.

- One vacation payout was calculated incorrectly resulting in the vacation payment being understated. Specifically, we noted total vacation time was understated by 4.00 hours, amounting to a total understated payout of $694.

- One sick-time payout was calculated incorrectly resulting in the sick-time payment being understated. Specifically, we noted total sick-time was understated by 3.25 hours, amounting to a total understated payout of $77.

- Two employees did not provide a resignation letter.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure vacation and sick-time payout calculations are reviewed and are being calculated according to their policies. Internal control procedures should also include retaining copies of resignation letters.

Authority management stated the exceptions were due to a breakdown in the review process and implementation of their policy.

Failure to ensure vacation and sick-time payouts are correctly calculated according to their policies and procedures resulted in inaccurate payments to employees. (Finding Code No. 2020-012)

RECOMMENDATION

We recommend the Authority develop controls to accurately calculate vacation and sick-time payouts according to their policies and procedures. We further recommend the Authority review all termination payouts and determine whether further payouts or recoupments are necessary and legal.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will work with the vendor to have the system adjust the available time-off balances to accrue monthly rather than provide a full year's time off balance on 1/1. The Authority will clearly communicate with employees that time-off is accrued monthly. The Authority will also establish a monthly reconciliation to ensure accurate calculation of vacation, sick-time, and termination payouts.

Finding 2020-013 – Inadequate Controls Over Contracts

The Illinois Housing Development Authority (the Authority) has not established adequate internal controls over contracts to ensure goods and services received prior approval and complied with all applicable State laws, regulations, and internal policies and procedures.

During our review of 25 contracts (totaling $1,650,671) for the year ending June 30, 2020, we noted the following:

- For twenty-three contracts (92%) totaling $1,642,311, the Authority did not initiate a purchase requisition and purchase order with the proper approvals prior to incurring services.
- Two contracts (8%) totaling $212,133 were not approved prior to goods or services being provided. The contracts were executed between 5 to 18 days after the commencement of the services or the receipt of the goods.
- For one contract (4%) totaling $40,179 the Authority did not file a contract obligation document with the Office of Comptroller. The contract contained an order for delivery exceeding $20,000.
- One contract (4%) totaling $375,000 contained a contract obligation document that was not filed within 30 days of execution of the contract. The contract obligation document was filed 29 days late.

During our testing of 90 expenditures (totaling $7,233,989), we noted the following:

- For twenty-three expenditures (26%) totaling $1,440,916, the Authority did not initiate a purchase requisition and purchase order with the proper approvals prior to receiving goods and services.

The Illinois Procurement Code (30 ILCS 500 et seq.) and the Statewide Accounting Management System (Procedure 15.20 et seq. and 15.10.40) require State agencies to file contracts and purchase orders exceeding $20,000 with the Office of Comptroller within 30 calendar days of execution.

The Illinois Housing Development Authority Purchasing Policies and Procedures state all purchases for goods and services, regardless of value, must have a purchase requisition with the proper approvals in order to establish a purchase order.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure that purchase requisitions and purchase orders are executed prior to the receipt of goods and services, approval for expenditures are obtained where required, and comply with State laws, regulations, and internal policies and procedures.

Authority management stated due to the delay in the implementation of their revised process over purchase requisitions and purchase orders, the Authority was unable to initiate the purchase requisition and purchase order prior to incurring the services. Contract obligation documents not filed or filed timely were due to oversight.

Failure to file contract obligation documents with the Comptroller's office results in noncompliance with State laws and regulations. Lack of adherence to internal policies and procedures by not fully complying with the purchase requisition/purchase order process prior to the receipt of goods and services leaves the Authority vulnerable to unnecessary liabilities and unapproved costs. (Finding Code No. 2020-013)

RECOMMENDATION

We recommend the Authority establish and maintain internal control procedures to ensure proper filing of the contract obligation documents, as well as establishing procedures to ensure the purchase requisition/purchase order is in place prior to the receipt of goods and services.

AUTHORITY RESPONSE

The Authority is in agreement. The Authority will write up a formal policy and procedure to utilize Blanket Purchase Orders on the system. A contract will be properly procured and then entered in the system using the Blanket Purchase Order prior to receipt of the first invoice. All invoices under the Blanket Purchase Order and properly procured contract will be received off of that Blanket Purchase Order. Timeline for this policy and procedure to take effect is July 1, 2021.

Finding 2020-014 – Failure to Follow Loan Loss Methodology

The Illinois Housing Development Authority (the Authority) has not established adequate internal controls for ensuring the allowance for loan loss is properly calculated and presented in its financial statements in accordance with the Authority's policy.

During our testing of 114 multi-family loan allowances, we noted the following:

- Six loans (5.3%) where the incorrect Net Operating Incomes (NOIs) were used to calculate the 3-year average of NOIs for the property valuations for the Estimated Loss Give Default (ELGD). Of the six (6) loans, we noted:
    - One loan loss reserve was understated by approximately $21,150
    - One loan loss reserve was overestimated by approximately $55,826.
    - Four loan loss reserves resulted in no change as the ELGD remained a 100% loss.

Generally accepted accounting principles require the estimate for the allowance for loan loss to be supported by appropriate assumptions and accurate information. Additionally, the Fiscal Control and Internal Audit Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure the assumptions used in the allowance for the loan loss calculation are appropriate and accurate.

The Authority's multi-family property valuation methodology policy stated, property valuations are determined by taking the 3-year average NOIs divided by the applicable cap rate.

Authority management stated the usage of incorrect NOIs was due to a lack of consistent implementation of operational controls when reviewing financial reporting.

Failure to support the assumptions in the allowance for loan loss calculation may result in material understatement or overstatement of net loan receivables in the Authority's financial statements. (Finding Code No. 2020-014)

RECOMMENDATION

We recommend the Authority document, retain and support their assumptions when calculating the allowance for loan loss calculation.

AUTHORITY RESPONSE

The Authority agrees and will ensure that policies and procedures are consistently being followed surrounding the multi-family allowance for loan loss calculation.

Government Auditing Standards

A. Finding 2019-002 – Inaccurate Financial Reporting of Investments

The Illinois Housing Development Authority (the Authority) did not establish adequate internal controls over the reporting of investment activity within the statement of cash flows.

Disposition:
During the current year audit, we noted the Authority strengthened their internal controls over investment activity within the statement of cash flows. Similar exceptions were not noted during our current year testing. (Finding Code No. 2019-002, 2018-002)

B. Finding 2019-003 – Inadequate Allowance for Loan Loss Methodology and Loan Rating Review

The Illinois Housing Development Authority (the Authority) was unable to support the historical assumptions used in its allowance for loan loss calculation for the multi-family loan programs. Additionally, the Authority did not have adequate internal controls for ensuring the loan loss was properly calculated and presented in its financial statements.

Disposition:
During the current year audit, we noted the Authority provided adequate support for the assumptions used in its allowance for loan loss calculation for the multi-family loan programs. Additionally, the Authority established internal controls for ensuring the loan loss was properly calculated and presented in its financial statements, based on our testing. (Finding Code No. 2019-003, 2018-001, 2017-001, 2016-002, 2015-002, 2014-001)

Federal Compliance

C. Finding 2019-004 – Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards

The Illinois Housing Development Authority (the Authority) did not have an adequate process in place to prepare its schedule of expenditures of federal awards (SEFA).

Disposition:
During the current year audit, we noted the Authority improved its internal controls over the preparation of the SEFA resulting in no corrections of the reported amounts. (Finding Code No. 2019-004, 2018-005, 2017-003, 2016-005, 2015-004)

Federal Compliance (Continued)

D. Finding 2019-005 – Failure to Communicate Award Information to Subrecipients

The Illinois Housing Development Authority (the Authority) did not communicate required federal program information at the time of the award to subrecipients of the Neighborhood Stabilization Program (NSP) and Housing Trust Fund (HTF) programs.

Disposition:
During the current year audit, we noted the Authority improved its internal controls over communicating award information to subrecipients, resulting in no similar exceptions in our testing. (Finding Code No. 2019-005, 2018-006)

State Compliance

E. Finding 2019-008 – Failure to Maintain Supporting Documentation for Reports of Receipts and Disbursements for Locally Held Funds and Quarterly Summary of Accounts Receivable

The Illinois Housing Development Authority (the Authority) did not maintain adequate supporting documentation for the data included in the Reports of Receipts and Disbursements for Locally Held Funds and Quarterly Summaries of Accounts Receivable and did not submit reports in a timely manner for the Year ended June 30, 2019.

Disposition:
During the current year audit, we noted the Authority improved its internal controls over retaining supporting documentation for the data included in the Reports of Receipts and Disbursements for Locally Held Funds and Quarterly Summaries of Accounts Receivable. In addition, we noted the controls over timely submission improved during the year ended June 30, 2020. The improvements in both controls resulted in no similar exceptions within our testing of retaining supporting data and timely submission. (Finding Code No. 2019-008, 2018-010)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY (A COMPONENT UNIT OF THE STATE OF ILLINOIS SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

SCHEDULE 1

Federal Agency/Program or Cluster Title	CFDA Number		Expenditures	Pass Through to Subrecipients
U.S. Department of Housing and Urban Development:				
Interest Reduction Payments – Rental and Cooperative Housing for Lower Income Families	14.103		$ 103,982	$ 103,982
Section 8 Project-Based Cluster:				
Section 8 New Construction and Substantial Rehabilitation	14.182	*	54,033,043	51,918,178
Lower Income Housing Assistance Program - Section 8 Moderated Rehabilitation	14.856	*	4,949,003	4,457,420
Total Section 8 Project-Based Cluster			58,982,046	56,375,598
HOME Investment Partnerships Program:				
Beginning Loan Balances	14.239	*	293,279,461	293,279,461
Administrative Expenditures	14.239	*	2,089,039	-
Administrative Expenditures - Program Income	14.239	*	554,555	-
Current Year Loan Disbursements - Program Income	14.239	*	6,495,730	6,495,730
Current Year Loan Disbursements	14.239	*	3,965,752	3,965,752
Total HOME Investment Partnerships Program			306,384,537	303,740,943
National Housing Trust Fund:				
Administrative Expenditures	14.275	*	368,427	-
Current Year Loan Disbursements	14.275	*	1,911,928	1,911,928
Total National Housing Trust Fund:			2,280,355	1,911,928
Section 811 Project Rental Assistance Program:				
Administrative Expenditures	14.326		138,371	-
Grant Expenditures	14.326		929,597	929,597
Total Section 811 Project Rental Assistance Program			1,067,968	929,597
Passed through the State of Illinois:				
CDBG - State Administered Small Cities Program Cluster:				
Grant Expenditures	14.228		8,344	8,344
Total CDBG - State Administered Small Cities Program Cluster			8,344	8,344
Total			$ 368,827,232	$ 363,070,392

*Cluster, program, or award tested as a major program

See accompanying notes to the schedule of expenditures of federal awards.

See accompanying independent accountants' report.

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) summarizes the federal awards expended by the Authority for the year ended June 30, 2020.

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 $554,555 in administrative expenditures funded by fees collected (program income) by the Authority.

NOTE 3 FEDERAL LOAN PROGRAM

The HOME program is administered directly by the Authority and balances and transactions relating to this program are included in the Authority's financial statements. Loans made by the Authority to eligible subrecipients under the HOME program during the fiscal year ended June 30, 2020 was $10,461,482.

The balance of loans outstanding under the HOME program was $300,490,954 and $293,279,461 at June 30, 2020 and 2019, respectively. The Authority received administrative fees of $2,643,593 under the HOME program during the fiscal year ended June 30, 2020. The balance of loans outstanding at June 30, 2020 consist of the following amounts:

Outstanding balance as of 7/1/19	$ 293,279,461
Loans Disbursed	10,461,482
Principal Write Off	(48,123)
Repayments, Net of Interest	(3,201,865)
Outstanding balance as of 6/30/20	$ 300,490,955

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)
FISCAL SCHEDULES AND ANALYSIS SECTION
SCHEDULE OF CHANGES IN AUTHORITY PROPERTY
YEAR ENDED JUNE 30, 2020

SCHEDULE 2

Description	Balance at June 30, 2019	Additions	Depreciation and Amortization Expense	Retirements	Balance at June 30, 2020
Real Estate	$ 48,849,846	$ 967,918	$ -	$ -	$ 49,817,764
Accumulated Depreciation – Real Estate	(23,500,620)	-	(1,143,325)	-	(24,643,945)
Furniture and Equipment	100,856	-	-	-	100,856
Accumulated Depreciation – Furniture and Equipment	(50,200)	-	(15,855)	-	(66,055)
Computer Equipment	2,161,737	52,342	-	(1,224)	2,212,855
Accumulated Depreciation – Computer Equipment	(931,687)	-	(337,289)	-	(1,268,976)
Computer Software	3,381,756	1,057,229	-	-	4,438,985
Accumulated Amortization – Computer Software	(2,930,679)	-	(308,346)	-	(3,239,025)
	$ 27,081,009	$ 2,077,489	$ (1,804,815)	$ (1,224)	$ 27,352,459

This Schedule has been reconciled to property reports submitted to the Office of the Comptroller.

See accompanying independent accountants' report.

SCHEDULE 3

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FISCAL SCHEDULES AND ANALYSIS SECTION
SCHEDULE OF FEDERAL AND NONFEDERAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Amount	Percent
Federal Expenditures (A)	$ 75,547,771	30%
Nonfederal Expenditures/Expenses	175,429,648	70%
Total Expenditures/Expenses	250,977,419	100%
Plus Amount Representing Loan Loss Offset by Applied Program Income	(6,217,881)	
Total Expenses (B)	$ 244,759,538	

Source:

(A) Schedule of Expenditures of Federal Awards (excluding beginning loan balance)

(B) Statement of Activities for the year ended June 30, 2020

See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FISCAL SCHEDULES AND ANALYSIS SECTION
SCHEDULE OF INDIRECT COST REIMBURSEMENTS
(IN THOUSANDS)
YEAR ENDED JUNE 30, 2020

SCHEDULE 4

		2020
LOCALLY HELD FUNDS(S)		
Federal HOME Program - 1430:		
Cost Allocation Plan		6.16%
Beginning Balance, Uncollected Reimbursements	$	211
New Indirect Cost		
Overhead - Salaries & Benefits		378
Overhead - General & Admin		592
Sub-Total, Overhead		970
Indirect Cost Reimbursements Received		882
Ending Balance, Uncollected Reimbursements	$	299
Hardest Hit Fund - 1120:		
Cost Allocation Plan		14.21%
Beginning Balance, Uncollected Reimbursements	$	326
New Indirect Cost		
Overhead - Salaries & Benefits		872
Overhead - General & Admin		166
Sub-Total, Overhead		1,038
Indirect Cost Reimbursements Received		1,142
Ending Balance, Uncollected Reimbursements	$	222
National Housing Trust Fund - 1439:		
Cost Allocation Plan		0.89%
Beginning Balance, Uncollected Reimbursements	$	24
New Indirect Cost		
Overhead - Salaries & Benefits		55
Overhead - General & Admin		85
Sub-Total, Overhead		140
Indirect Cost Reimbursements Received		115
Ending Balance, Uncollected Reimbursements	$	49
Section 811 Project Rental Assistance Program - 1431:		
Cost Allocation Plan		0.26%
Beginning Balance, Uncollected Reimbursements	$	-
New Indirect Cost		
Overhead - Salaries & Benefits		16
Overhead - General & Admin		25
Sub-Total, Overhead		41
Indirect Cost Reimbursements Received		19
Ending Balance, Uncollected Reimbursements	$	22

See accompanying independent accountants' report.

NOTES TO SCHEDULE OF INDIRECT COST REIMBURSEMENTS
(IN THOUSANDS)
YEAR ENDED JUNE 30, 2020

NOTE 1 INDIRECT COSTS

See SEFA footnote 4 to see how the Authority calculates indirect costs.

NOTE 2 INDIRECT COST RECOVERIES

The Authority pursues all possible indirect cost recoveries. The Authority's ending balance of uncollected reimbursements is considered collectible.

Authority Functions and Planning Program

The Authority is a body politic and corporate of the State of Illinois (the "State") created pursuant to the Illinois Housing Development Act (20 ILCS 3805/) (the "Act"). The Authority is governed by a nine-member Board. Pursuant to the Act, the Board is to include a senior citizen age 60 or older, not more than three members from any one county in the State and not more than five members from any one political party. The Authority currently has three board member vacancies. Members serve four-year staggered terms and are appointed by the then-current Governor with the advice and consent of the Senate. Kristin Faust was appointed as the new Executive Director of the Authority on November 12, 2019. Former Executive Director, Audra Hamernik, left the Authority on August 15, 2019. In addition, the Authority employs a staff of approximately 293 persons, including persons who have experience and responsibilities in the areas of finance, accounting, mortgage loan underwriting, planning, housing development, market analysis, law, and housing marketing and management.

The Authority's primary mission it to create and preserve affordable housing throughout the State. This mission, along with other mandates and goals, is currently accomplished through several State and Federal programs.

The Authority's operations are financed by fees and charges paid by borrowers, interest income from investment securities, proceeds from the sale of mortgage-backed securities, and other administration fees. No State General Revenue Funds are received by the Authority for its operations, and no State tax dollars are provided directly to the Authority. A partial reimbursement of expenses related to the administration of the Illinois Affordable Housing Program, the Rental Housing Support Program, Abandoned Properties Program, and the Foreclosure Prevention Fund the funding of which is collected by the Illinois Department of Revenue and held within the State Treasury are from sources further described below.

The Mortgage Loan Program and The Affordable Housing Bond Program provides mortgage financing at rates lower than those available from commercial lenders for housing developments meeting Authority criteria. Through *The Homeowner Mortgage Purchase Program,* the Authority through a Master Servicer, purchases mortgage-backed securities with underlying mortgage loans on which it provides affordable rate financing from certain institutions which have made home purchase loans available to eligible borrowers (primarily, first time homebuyers).

Since fiscal year 2010, the Authority has moved away from its single family whole loans program to a program under which it purchases Federal Government guaranteed mortgage-backed securities with underlying single family whole loans originated by the Authority's participating lender network. Under the Authority's *Homeowner Mortgage Loan Program,* the Authority offers homebuyers two loans: a first mortgage and an optional Down Payment Assistance loan provided as a second mortgage. The first mortgage is a 30-year fixed rate amortizing loan and is insured either by FHA, USDA, VA or private mortgage insurance. Each first mortgage loan upon funding is securitized into Government National Mortgage Association (GNMA) certificates or Fannie Mae (FNMA) mortgage-backed securities. The Authority, depending upon market conditions, either permanently finances the mortgage-backed securities through the issuances of bonds, or sells the securities on the secondary mortgage market.

The Authority is the designated administrator of the *Illinois Affordable Housing Program.* The program is funded by the Illinois Affordable Housing Trust Fund, with funds derived from one-half of the State's real estate transfer tax collected by the Illinois Department of Revenue and held within the State Treasury. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. In accordance with State statute, the Authority directs funds to make grants, low or no interest mortgages, or other loans, some with deferred repayment terms, to acquire, construct, rehabilitate, develop, operate, ensure, and retain affordable single-family and multi-family housing for low and very low income households. At June 30, 2020, total funds held were $79,769,948, which consisted of cash and cash equivalents held by the Authority escrow agent for pending disbursement of loans and grants.

The Authority is the administrator of the *Rental Housing Support Program* and awards funds to local administering agencies, which contract with local landlords to make rental units affordable to households who earn less than 30% of the area median income, with 50% of the assistance targeting households who earn less than 15% of the area median income. Under the Long Term Operating Support portion of the program, the Authority provides subsidies directly to the property owners. The program is funded by a surcharge for the recordation of any real estate-related document. The funds are appropriated to the Illinois Department of Revenue by the General Assembly.

The Authority is the administrator of the *Build Illinois Bond Program,* which was funded by bond proceeds, allocated for affordable housing, from the Build Illinois Bond Fund. All funds have been allocated. The funds were appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority made affordable housing grants, loans and investments for low-income families, individuals, senior citizens and persons with disabilities, and at-risk displaced veterans.

The Authority is the administrator of the *Foreclosure Prevention Program (FPP)* which is funded by a $50 filing fee the plaintiff pays each time a foreclosure complaint is filed. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority makes grants to HUD certified housing counseling agencies and community based organizations to support housing counseling and foreclosure prevention outreach. Statutory allocation is: 25% City of Chicago; 25% counseling agencies that provide for housing counseling located outside the City of Chicago; 25% community based organizations located outside the City of Chicago; and 25% community based organizations located within the City of Chicago.

The Authority is the administrator of the *Foreclosure Prevention Program Graduated Fund (FPPG)* which is funded by an additional plaintiff-paid foreclosure filing fee. The program makes grants to HUD certified counseling agencies to support housing counseling. Statutory allocation is: 25% City of Chicago; 30% Cook County; 30% collar counties; and 15% other areas of the state.

The Authority is the administrator of the *Abandoned Properties Program (APP),* funded by an additional plaintiff-paid foreclosure filing fee. The program makes grants to municipalities and counties to secure, maintain, demolish, and/or rehabilitate abandoned rental properties under their jurisdictions. Statutory allocation is: 25% City of Chicago; 30% Cook County; 30% collar counties; and 15% other areas of the state.

The Authority, through a national grant administered by NeighborWorks America provided through the *Project Reinvest: Financial Capability Program (PRFC),* is allocating grants to various partner agencies to fund free financial capability counseling/coaching for households throughout Illinois.

The Authority was the administrator for the *HUD-funded Neighborhood Stabilization Program (NSP)* which provided grants and/or loans to municipalities and developers to rehabilitate abandoned or foreclosed properties in communities adversely affected by the foreclosure crisis. The originally allocated NSP funds have been 100% disbursed, though program income continues to be accrued and allocated.

The Land Bank Capacity Program (Program) was created to assist downstate and southern Illinois communities with grant funds to help empower local and regional revitalization efforts by increasing land banking capacity. Funding is available to units of local government and regional councils for initial capital to fund startup costs of creating a land bank, operating costs, land acquisition, and other locally managed revitalization techniques. A sub-component of the Program is the Technical Assistance Network ("TA Network") to help build capacity and sustainability through responsible partnerships. The TA Network is responsible for increasing the development capacity of local communities and land banks. Funding is derived from the U.S. Department of Justice and the U.S. Department of Housing and Urban Development national foreclosure settlement secured by state attorneys general, including the Illinois Attorney General.

The Authority is the administrator for the *Hardest Hit Fund (HHF)* for funding appropriated to the State of Illinois by the United States Department of the Treasury (Treasury) to stabilize neighborhoods and provide targeted aid to families struggling with the effects of the economic and housing market downturn. Congress reauthorized HHF funding in the 2016 Consolidated Appropriations Act (P.L. 114-113). Four sub-programs exist under the Illinois Hardest Hit Fund program:

- The *Homeowner Emergency Help Program (HELP2)* assists borrowers who have experienced a 20% reduction in income through a qualifying hardship with up to $35,000 in assistance. Homeowners can qualify for reinstatement and/or mortgage payment assistance for up to 12 months or reverse mortgage assistance to reinstate delinquent property taxes, insurance and HOA dues and pay up to 24 months of future property expenses. The program will begin to wind down in calendar year 2019.
- The *Home Preservation* Program (known as "I-Refi") targets borrowers with negative equity offering up to $50,000 to buy down the mortgage and refinance the borrower into an affordable 30-year fixed-rate loan.
- The *Blight Reduction Program (BRP)* provides funding to Illinois units of local government and their nonprofit partners to complete acquisition, demolition, greening and eventual reuse of blighted residential properties.
- The 1st Home Illinois program uses HHF dollars to provide first-time homebuyers in targeted counties with $7,500 in down payment assistance. The number of participating counties reduced from ten to four as of December 31, 2018.

The Authority is the administrator of the *Illinois Affordable Housing Tax Credit Program,* which was designed to assist nonprofit organizations to solicit corporate and other donations for assisting with a variety of affordable housing projects, providing the donating entity with a 50% state income tax credit for every dollar donated. Rental housing development and homeownership assistance are both eligible.

The Authority is the State-level Tax Credit administrator for *the Federal Low Income Housing Tax Credit Program (LIHTC),* designed to encourage the production of affordable rental housing that primarily targets households earning less than 60% of the area median income, providing an income tax credit to qualifying investors of low-income housing. Project developers typically syndicate these credits up front at a discounted rate to raise cash equity to help finance developments. The limited partner tax credit investor pays a fee in exchange for dollar-for-dollar reduction in federal tax liability. The City of Chicago serves in the same capacity as a local tax credit administrator for its' allowed home rule proportional allotment of credits. The LIHTC program is governed by a Qualified Allocation Plan (QAP), most recently approved as a two-year QAP for calendar years 2019 and 2020.

The Authority was designated the program administrator for Section 1602 of the American Recovery and Reinvestment Act of 2009 (ARRA) for grants appropriated to the State of Illinois by the United States Department of the Treasury to finance construction or acquisition and rehabilitation of low-income rental housing in lieu of low-income housing tax credits. In addition, HUD made awards to the Authority under the Tax Credit Assistance Program (TCAP) to facilitate the development of projects that received or will receive funding in order to be completed and placed in service in accordance with the requirements of Section 42 of the Internal Revenue Code of 1986 and the regulations promulgated thereunder. These awards were then allocated to sub-grantees and the Authority is responsible for the monitoring and reporting of the use of these funds. These funds have been expended and the program is now expired. The originally allocated TCAP funds have been 100% disbursed, though program income continues to be accrued and allocated. The program is currently progressing into the close out phase.

The Authority serves as the "participating jurisdiction" for the Federal HOME program. Under the HOME Program, $533.2 million and $15.4 million for federal fiscal years 1992 through 2019, and 2020, respectively, have been allocated to the State by HUD, to be administered by the Authority under the HOME provisions of the 1990 National Affordable Housing Act. As the participating jurisdiction, the Authority receives the funds directly from the Federal government. IHDA's HOME program is used primarily for rental housing development for 60% AMI households.

The Authority administers the *Section 811 Project Rental Assistance Program* funded through the U.S. Department of Housing and Urban Development. Section 811 is a project based rental assistance program for very low-income non-elderly persons with disabilities referred through a Statewide Referral Network created through intergovernmental agreement with the Illinois Department of Human Services, the Illinois Department of Healthcare and Family Services, and the Illinois Department on Aging. The Authority was awarded approximately $12 Million through a Federal Fiscal Year 2012 Notice of Funding Availability, and approximately $6 Million through the Federal Fiscal Year (FFY) 2013 Notice of Funding Availability.

The Authority is the statewide administrator of the *National Housing Trust Fund (NHTF).* Under this program, $9.8 million and $8.6 million for Federal fiscal years 2018 and 2019, respectively, have been allocated to be administered by the Authority. The NHTF was authorized as part of the Housing and Economic Recovery Act of 2008 and was established as a permanent federal program with its main funding being dedicated funding coming from Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, which are not subject to the appropriations process. Due to receivership issues, funds were first collected by Federal Housing Finance Agency (FHFA) in 2015 and were made available in April 2016. HUD's Interim Rule requires that the NHTF Allocation Plan be inserted as a component of a state's 5-year Consolidated Plan, following the Consolidated Plan public participation requirements. Funding is targeted to Very Low-Income and Extremely Low-Income households with 90% of funds annually required to be used for rental housing.

The Authority also created the *Credit Advantage and Affordable Advantage Mortgage Programs* to bring low-cost capital to the developers of affordable rental housing. These programs provide first lien construction or permanent mortgage loans on a taxable basis with maximum loan amounts of $10 million for the new construction, refinance or acquisition/rehabilitation of developments providing affordable rental housing.

Throughout the years, various pieces of State and Federal legislation have impacted the Section 8 Housing Program and bond issuances, and therefore, the Authority found it necessary to devise other types of credit enhancements to continue its ability to provide mortgage financing rates at lower than those of commercial lenders. As such, insurance and other surety protection was sought to ensure that the Authority is able to issue its bonds and notes at the lowest possible interest rates.

The Authority has entered into a Risk Sharing Agreement (Agreement) with HUD and through this program, HUD will insure certain mortgage loans on multi-family housing developments (Risk Sharing Loans). HUD has authorized the Authority to make an unlimited amount of loans for such developments. Under the Agreement, the Authority underwrites Risk Sharing Loans following its underwriting guidelines. HUD insures the Risk Sharing Loans and bears 10% to 90% of the loss, as elected by the Authority, in the event of a foreclosure. The Authority bears the remainder of the risk.

The Authority has entered into a financing agreement with the Federal Financing Bank (FFB), an arm of the United States Department of the Treasury, for selling beneficial ownership interests in mortgage loans originated by housing finance agencies and insured under the FHA-HFA Risk Sharing Program. The Authority sells beneficial ownership interest in its mortgages under this program to FFB, which will be evidenced by certificates of participation from the Authority. The monthly mortgage payments from the borrower will be used to repay the interest to the FFB and principal payments will reflect the scheduled mortgage principal payments.

The Authority is generally able to make loans at rates lower than those of commercial lenders because interest on its qualified bonds and notes are tax-exempt (from both State and Federal taxes). Except for the Affordable Housing Bond Program, which receives funds to use in support of the Program Bonds, the interest rates charged by the Authority on loans are directly related to interest paid by the Authority on its bonds and notes. The Authority obtains favorable interest rates on its debt because the Authority has consistently received high Moody's, Standard & Poor's and Fitch ratings on such debt. The Authority's current Issuer Credit Ratings are A1 (Stable) by Moody's Investors Service, AA- (Stable) by Standard & Poor's and AA- (Stable) by Fitch Ratings. No bonds or notes of the Authority are debts of the State of Illinois.

With respect to certain outstanding debt, which as of June 30, 2020, comprised approximately 0% of the Authority's outstanding debt, in the event the Authority determines at any time that its monies are insufficient to pay principal of and interest on its bonds in the next State fiscal period, the Chairman of the Authority shall certify the deficiency to the Governor, who shall include the amount in the State budget. However, payment of any amounts by the State on behalf of the Authority is subject to appropriation by the General Assembly. Accordingly, the Illinois Housing Development Act does not create a legally enforceable obligation on the part of the State for the payment of such monies nor does it create a debt enforceable against the State.

Some developments financed by the Authority are eligible for the federal subsidies for interest and/or rents. In the past, the Authority obtained commitments for subsidies from the U.S. Department of Housing and Urban Development (USHUD) and then solicited applications for loans from prospective developers. The Authority makes mortgage loan commitments after an extensive study of the feasibility of a development and the development's compliance with applicable federal, state, and local laws and rules and regulations. All commitments are authorized by the Members of the Authority.

Planning Program

In 2016, IHDA created a new Strategic Planning and Reporting (SPAR) department to consolidate the Authority's planning functions. The SPAR department is comprised of the former Office of Housing Coordination Services and Strategic Planning and Research departments as well as the former Compliance group which had been responsible for managing required reporting on fund balances and uses. The SPAR department works with virtually all of IHDA's departments to provide data services, planning, analysis, programmatic input, technical assistance and performance measurements that allow the Authority to better identify and accept those developments that achieve the Authority's goals of providing low and moderate economically integrated housing throughout the state, while at the same time maintaining the financial viability of the Authority. In addition to these functions, SPAR provides background research, analysis, and direct planning that allows IHDA to provide leadership throughout the state on a variety of planning fronts:

- Annual Comprehensive Housing Planning - Executive Order 2003-18, issued in September of 2003, called for the creation of a State Annual Comprehensive Housing Plan to be created by a Governor appointed Housing Task Force, of which the Authority's Executive Director was designated as Chair. The first plan was issued in January 2005, with annual plans published in each subsequent year, as well as annual progress reports. In June 2006, the General Assembly codified the Governor's Executive Order into law with the passage of the Comprehensive Housing Planning Act, which extended the Housing Task Force and its successful planning efforts until 2017. It was amended in 2017 to extend through 2026. IHDA's SPAR Department serves as staff for the Housing Task Force and is responsible for the overall coordination of the development of the Authority's annual federal and State-required housing plans and progress reports.

- Consolidated Plan and Related Documents - The HUD-required Consolidated Plan outlines the State's strategy for housing and community development activities, and the Annual Action Plan which serves as the State's application for federal funding (HOME and (national) HTF). The Office also coordinates housing programs and services between State agencies and maintains a statewide information clearinghouse on available affordable housing programs and services and staffs a statewide Office of Housing Coordination Services (Housed in IHDA's SPAR department) advisory Committee.

- Community Revitalization Planning - SPAR provides direct Technical Assistance throughout the state to communities looking to integrate affordable housing with job creation, education, medical provision and other community-based activities. These State and local partnerships are incentivized through points in the LIHTC Qualified Allocation Plan, providing a competitive advantage to projects located in areas where community revitalization planning exists.

- Affordable Housing Planning and Appeal Act (310 ILCS 67) (AHPAA)-SPAR also administers the AHPAA, a State-authorized planning program to incentivize municipalities with minimal affordable housing (less than 10% of its housing stock) to develop affordable housing plans and encourage related development. Developers may file appeals of local (municipal or county) decisions that deny or overly restrict affordable housing projects to the State Housing Appeals Board, a Governor-appointed body that is also staffed by IHDA.

The Authority also utilizes internal planning primarily through its annual budgeting process, in which Authority's goals for the ensuing fiscal year are established and departmental goals and expense budgets are developed in support of the established Authority goals. In developing the goals and the departmental support level to achieve them, consideration is given to the availability of staff and other resources. To effectively measure achievement of the goals and objectives, the Authority monitors on an ongoing basis the units of housing produced through its programs. The Authority's plans are geared to its authorizing legislation, the needs of Illinois citizens and goals as identified in the Annual Comprehensive Housing Plan. The Authority's programs are being implemented as planned in coordination with the goals and objectives of other governmental entities providing similar services.

Analysis of Significant Account Balances

Cash and investments of the Authority's proprietary funds increased $262.1 million from $1,722.4 million at June 30, 2019 to $1,984.5 million at June 30, 2020. This increase is primarily a net result of the following factors:

a) Cash receipts from interest, service fees, and principal on program loans exceeded interest paid on revenue bonds and notes by $86.9 million.

b) Proceeds from the sale of revenue bonds and notes exceeded principal repayments of debt by $143.1 million.

c) Interest received on investments and transfers in (net) totaled $36.5 million.

d) Other receipts totaled $28.9 million.

e) Payments to suppliers and employees totaled $42.5 million.

f) Payments for loan originations totaled $40.4 million.

g) Payment for bank note cash collateral $6.5 million.

h) Net increase in fair value of Investments $39.3 million.

Net program loans receivable of the Authority's proprietary funds decreased approximately $62.0 million during fiscal year 2020, consisting of decreases in the Authority's Single Family Program Fund ($23.7 million), Mortgage Loan Program Fund ($22.7 million) and Administrative Fund ($15.6 million). The decrease in program loans receivable in the Single Family Program Fund was due to Illinois whole loans being packaged into GNMA certificates and FNMA mortgage backed securities. The Mortgage Loan program experienced multiple developments paying down large amounts of loan receivable, as well as regular loan payments on the remainder of the receivables, while the Administrative Fund experienced greater debt service and loan repayments than new loan issuances, during the fiscal year.

Net position of the Authority's governmental activities decreased $61.7 million from the June 30, 2019 balance primarily from decreases in the Hardest Hit Fund (HHF) Program ($51.5 million), Nonmajor Governmental Funds ($9.8 million), and Federal HOME Program Fund ($0.4 million) and net position of the Authority's other two governmental activities are recorded on the Authority's financial statements. The Hardest Hit fund completed its final draw down in 2019 from U.S. Department of the Treasury and resulted in no federal revenue in fiscal year 2020 and was the main driver of the net position decrease. The HOME program saw a decrease in federal revenue ($12.3 million) when compared to the previous fiscal year, and accounts for the majority of the change in net position at fiscal year-end. The equity of the Illinois Affordable Housing Trust Fund is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program (RHSP) Fund are ultimately disbursed as grant or administrative expenses, and therefore no net position is recorded on the Authority's financial statements.

Total net program loans receivable (current and noncurrent), increased by $23.7 million, or 3.6%, to $677.6 million, attributable to increases in the Illinois Affordable Housing Trust Fund ($23.1 million) and the Federal HOME Program Fund ($1.1 million). Cash and investments decreased by $30.8 million, or 13.6%, attributable to increases in the Illinois Affordable Housing Trust Fund ($20.3 million) and the Rental Housing Support Program Fund ($3.8 million), offset by decreases in the HHF Program ($51.9 million), the HOME Program Fund ($1.9 million) and Nonmajor Governmental Funds ($1.2 million). The Affordable Housing Trust Fund experienced an increase in projects during the fiscal year, and this resulted in an increase in program related draws during the fiscal year. The Hardest Hit fund completed its final draw down in 2019 from U.S. Department of the Treasury and resulted in no federal revenue in fiscal year 2020. State statute and federal regulations restrict the use of the governmental funds to program activities.

Bank note cash collateral within the Administrative Fund decreased $6.5 million in fiscal year 2020 due to the deposit of funds which are expected to repay the purchaser of short-term tax-exempt construction loan notes upon their maturity.

A portion of the Authority's Administrative Funds Unrestricted Net Position has been designated by resolution. Net Position designated by resolution of the Authority ($230 million) increased by $10.0 million from the amount designated as of June 30, 2019.

Analysis of Significant Variations in Revenue and Significant Variations in Expenditures/Expense

Proprietary Funds

Interest earned on program loans decreased by $4.3 million, or 16.8%, mainly due to the prepayment of mortgage loans. Decreases mainly occurred within the Authority's Mortgage Loan Program Fund ($2.3 million) and Single Family Program Fund ($1.5 million). Investment income increased $17.1 million or 19.3% mainly from an increase in the Single Family Program Fund ($12.7 million) due to increased fair market value of investments, an increase in the Administrative Fund Program Fund ($2.6 million), and an increase in the Mortgage Loan Program Fund ($1.9 million). Other revenues increased $4.9 million, or 29.4%.

Interest expense increased $1.7 million, or 4.8%, primarily from an increase within the Single Family Program Fund ($3.6 million), due to higher outstanding debt, offset by decreases within the Mortgage Loan Program Fund ($1.6 million) and the Admin Fund ($0.3 million)

Operating expenses, other than interest expense and federal assistance programs, increased approximately $2.9 million. The major components of the change were:

a) A $3.2 million (14.3%) decrease in salaries and benefits primarily due to decreased employee head count and compensation levels. The average number of full-time equivalent employees for fiscal years 2016 through 2020 is listed in the Analysis of Operations-Average Number of Employees section of this report.

b) A $0.7 million (8.6%) increase in general and administrative is mainly due to higher maintenance and personnel acquisition costs.

c) A $2.5 million (37.2%) decrease in financing costs due to decreased debt activity.

d) A $2.0 million (298.6%) increase in provision for estimated losses on program loans receivable.

e) A $5.3 million (109.5%) increase in program grant expenses due to higher program funding.

f) A $0.8 million increase in loss on derivative due to cancellation of derivative.

Governmental Activities

Total revenues of the Authority's governmental activities decreased $152.7 million from the prior year due to decreases in projects and activity within the Hardest Hit Fund program ($127.9 million), the HOME program fund ($12.2 million), Nonmajor Governmental Funds ($11.2 million), the Rental Housing Support Program Fund ($0.7 million), and the Illinois Affordable Housing Trust Fund ($0.6 million).

Total expenditures of the Authority's governmental activities decreased $26.4 million from the prior year, due to decreases HHF ($37.5 million), the Rental Housing Support Program Fund ($0.7 million), and the Illinois Affordable Housing Trust Fund ($0.6 million), offset by increases in the HOME program Fund ($9.1 million) and Nonmajor Governmental Funds ($3.3 million). The Hardest Hit Fund is currently in a wind down phase and will see a decrease in expenditures year over year, until final close out. The HOME program had an increase of estimated loss in fiscal year 2020 of $6.2 million, compared to a reversal of estimated loss in fiscal year 2019 of $1.8 million, and accounts as the biggest driver in the expenditure change. The Rental Housing Support Program Fund saw a decrease of activity during the fiscal year, which resulted in lower grant expenditures during the fiscal year.

Average Number of Employees

	2020	2019	2018	2017	2016
Financial and Computer Services	63	52	50	44	40
Human Resources, Administrative, and Legal	41	43	41	36	37
Director's Office and Housing Programs	189	203	203	198	161
Total	293	298	294	278	238

Emergency Purchases

Two emergency purchases were made during fiscal year 2020 totaling $633,324. The two purchases ($310,000) and ($323,324) were for two extensions related to the initial emergency contract for the management of the Lakeshore Plaza property.

Summary Production Data

Unit production for fiscal year 2020 was 18,684 units, and total production since Authority inception was 333,604 units.

Approximately 76% of the Authority’s production for fiscal year 2020 has been to households with 80% or below of the area median income, an increase of 6% from fiscal year 2019.

Service Efforts and Accomplishments

The Authority has included key statistical and programmatic data to reflect its service efforts and accomplishments and activity measures.

The data presented in the first table (Multi-Family and Single Family Production -Activities Closed or placed into Service) represents initially closed multi-family loans, purchased single family Mortgage Revenue Bond (MRB) loans, issued Mortgage Credit Certificates (MCC), and low-income housing tax credits (LIHTC) units which have been placed in service since the inception of the programs. The multi-family data includes projects that received permanent, construction, or conduit financing, as well as projects where the Authority provides only contract administration. This data does not include multi-family or single family loans that are currently "in process" or multi-family developments recently allocated in the case of Tax Credits.

The data presented in the second table (Unit Production by Percent of Area Median Income (AMI)) provides a breakdown of unit production by targeted AMI since the inception of the programs.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
ANALYSIS OF OPERATIONS SECTION (UNAUDITED)
SERVICE EFFORTS AND ACCOMPLISHMENTS
MULTIFAMILY AND SINGLE-FAMILY PRODUCTION – ACTIVITIES CLOSED OR PLACED INTO SERVICE
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Portfolio	Active				No longer active (3)				Total			
	Developments		Units		Developments		Units		Developments		Units	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Multi-family Programs	93	—	7,365	—	—	7	—	5,529	93	7	7,365	5,529
Single Family Programs (1)	12	—	83	—	1	—	10	—	13	—	93	—
Technical Assistance	—	—	—	—	1	—	—	—	1	—	—	—
MCC & MRB (2)	—	—	11,226	10,527	—	—	—	—	—	—	11,226	10,527
Totals	105	—	18,674	10,527	2	7	10	5,529	107	7	18,684	16,056

(1) Includes HOME, Housing Trust Fund, and State Housing Tax Credit programs
(2) MCC = Mortgage Credit Certificate; MRB = Mortgage Revenue Bond
(3) No longer being monitored for either loan servicing or housing program participation

See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
ANALYSIS OF OPERATIONS SECTION (UNAUDITED)
SERVICE EFFORTS AND ACCOMPLISHMENTS
UNIT PRODUCTION BY PERCENT OF AREA MEDIAN INCOME
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Percent of Area Median Income	Multi-Family and Single Family Programs		MCC & MRB (1) (2)		Total	
	2020	2019	2020	2019	2020	2019
Less than 30%	873	—	187	280	1,060	280
31%–50%	342	—	2,003	2,124	2,345	2,124
51%–80%	5,866	—	4,860	4,945	10,726	4,945
81%–100%	—	—	2,134	2,282	2,134	2,282
101%–120%	281	—	1,692	799	1,973	799
Greater than 121% or Market	96	—	350	97	446	97
Totals	7,458	—	11,226	10,527	18,684	10,527

(1) MCC = Mortgage Credit Certificate; MRB = Mortgage Revenue Bond
(2) HUD income limits were used as the standard. Due to the inconsistency between IRS income limits and HUD income limits, the data for the MCC and MRB portions are close approximations.

See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
ANALYSIS OF OPERATIONS SECTION (UNAUDITED)
SERVICE EFFORTS AND ACCOMPLISHMENTS
UNIT PRODUCTION BY ECONOMIC DEVELOPMENT REGION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Programs									
Region (1)	Multi-Family		Single Family		Technical Assistance		MCC & MRB (2)		Total Developments	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Central	179	—	—	—	—	—	300	—	479	—
East Central	350	—	19	—	—	—	120	—	489	—
North Central	274	—	—	—	—	—	911	265	1,185	265
Northeast	5,044	—	19	—	—	—	6,807	6,968	11,870	6,968
Northern Stateline	120	—	4	—	—	—	1,908	2,735	2,032	2,735
Northwest	500	—	46	—	—	—	287	—	833	—
Southeastern	72	—	—	—	—	—	124	101	196	101
Southern	100	—	—	—	—	—	73	—	173	—
Southwestern	224	—	—	—	—	—	669	458	893	458
West Central	89	—	—	—	—	—	27	—	116	—
Statewide (3)	413	—	5	—	—	—	—	—	418	—
Total	7,365	—	93	—	—	—	11,226	10,527	18,684	10,527

(1) Counties included in each region are as follows:
Central – Cass, Christian, Greene, Logan, Macon, Menard, Montgomery, Morgan, Moultrie, Sangamon, Scott, and Shelby (Metro areas Decatur and Springfield)
East Central – Champaign, Douglas. Ford, Iroquois, Platt, and Vermilion (Metro area Champaign)
North Central – Dewitt, Fulton, Livingston, Marshall, Mason, Mclean, Peoria, Seark, Tazewell, and Woodford (Metro areas Bloomington Normal and Peoria)
Northeast – Cook, DeKalb, DuPage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry, and Will (Metro areas Chicago, DeKalb, and Kankakee)
Northern Stateline – Boone, Ogle, Stephenson, and Winnebago (Metro area Rockford)
Northwest – Bureau, Carroll, Henry, Jo Daviess, La Salle, Lee, Mercer, Rock Island, Putnam, and Whiteside (Metro area Rock Island)
Southeastern – Clark, Clay, Coles, Crawford, Cumberland, Edgar, Effingham, Fayette, Jasper Lawrence, Marion, and Richland
Southern – Alexander, Edwards, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jefferson, Johnson, Massac. Perry, Pope, Pulaski, Saline Union, Wabash, Wayne, White, and Williamson
Southwestern – Bond, Calhoun, Clinton, Jersey, Madison, Macoupin, Monroe, Randolph, St. Clair, and Washington (Metro area East St. Louis)
West Central – Adams, Brown, Hancock, Henderson, Knox, McDonough, Pike, Schuyler, and Warren
(2) MCC = Mortgage Credit Certificate; MRB = Mortgage Revenue Bond
(3) The Statewide category represents Multi-Family and Single-Family projects and deals that cross counties.

See accompanying independent accountants' report.