STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Compliance Examination

(In accordance with the Single Audit Act
and OMB Circular A-133)

Year Ended June 30, 2013

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

McGladrey

Assurance ▪ Tax ▪ Consulting

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Compliance Examination

(In accordance with the Single Audit Act
and OMB Circular A-133)

Year Ended June 30, 2013

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Financial Statement Report:

The Authority's financial statement report for the year ended June 30, 2013, which includes the report of independent auditors report, management's discussion and analysis, basic financial statements and notes to the basic financial statements, supplementary information, and the 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* has been issued separately.

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Compliance Examination

(In accordance with the Single Audit Act
and OMB Circular A-133)

Year Ended June 30, 2013

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STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Agency Officials

Executive Director	Mary R. Kenney
Assistant Executive Director/Chief of Staff	Bryan E. Zises
General Counsel	Maureen G. Ohle
Chief Financial Officer	Hazim Taib
Controller	Michele Williams

Agency offices are located at:

401 North Michigan Avenue, Suite 700
Chicago, Illinois 60611

ILLINOIS HOUSING
DEVELOPMENT AUTHORITY

401 N. Michigan Avenue
Suite 700
Chicago IL 60611
312.836.5200
312.836.5222 TDD
www.ihda.org

Pat Quinn, *Governor*

February 24, 2014

McGladrey LLP
20 North Martingale Road, Ste 500
Schaumburg, IL 60173

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 (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 assertions during the year ended June 30, 2013. Based on this evaluation, we assert that during the year ended June 30, 2013, the Authority has materially complied with the assertions 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. The 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

Mary R. Kenney
Executive Director

Maureen G. Ohle
General Counsel

Bryan E. Zises
Assistant Executive Director/
Chief of Staff and Acting
Chief Financial Officer

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Compliance Report Summary

Year Ended June 30, 2013

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	10	13
Repeated findings	6	5
Prior recommendations implemented or not repeated	7	6

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

Item No.	Page	Description	Finding Type
2013-001	14	Loan Receivable Balance and Allowance for Loan Loss Balance Overstated	Significant Deficiency
2013-002	15	Capital Assets Not Being Depreciated	Significant Deficiency
2013-003	16	Loan Interest Receivable and Revenue Overstated	Significant Deficiency

Findings and Questioned Costs (Federal Compliance)

Item No.	Page	Description	Finding
2013-004	17	Improper Preparation of the Consolidated Plan - Annual Performance Report	Significant Deficiency and Noncompliance
2013-005	19	Internal Policy for Administering Section 8 Program Not Followed	Significant Deficiency and Noncompliance
2013-006	22	Internal Policies Not Followed for Administering Section 236 Program	Significant Deficiency and Noncompliance
2013-007	24	Internal Policies for Administering the HOME Program Not Followed	Significant Deficiency and Noncompliance
2013-008	25	Untimely Submission of the Section 3 Summary Report	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Compliance Report Summary

Year Ended June 30, 2013

Findings (State Compliance)

Item No.	Page	Description	Finding Type
2013-009	27	Voucher Processing Needs Improvement	Significant Deficiency and Noncompliance
2013-010	29	Incorrect Payment to Local Administering Agency	Significant Deficiency and Noncompliance

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State compliance.

2013-001	14	Loan Receivable Balance and Allowance for Loan Loss Balance Overstated	Significant Deficiency
2013-002	15	Capital Assets Not Being Depreciated	Significant Deficiency
2013-003	16	Loan Interest Receivable and Revenue Overstated	Significant Deficiency

Prior Findings Not Repeated

Item No.	Page	Description
A	30	Inadequate Monitoring of Housing Quality Standards (HQS) Inspections
B	30	Disbursements Not Made Timely
C	30	Inadequate Monitoring of Tax Credit Inspections
D	30	Failure to Prepare and File a Formal Corrective Action Plan
E	30	Missing Authorization in Accordance with Davis-Bacon Act
F	31	Inadequate Monitoring of Submission of Notice of Payment of Bond Interest and/or Principal to the Office of the Comptroller
G	31	Financial Information Reported to the Office of the Comptroller Late

Exit Conference

In correspondence received from the Illinois Housing Development Authority on January 29, 2014, the Authority elected to waive a formal exit conference. Responses to the recommendations were provided by Michelle Williams in a letter dated February 14, 2014.

Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

The Honorable William G. Holland,
Auditor General of the State of Illinois,
and the Members of the Board of the
Illinois Housing Development Authority

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Housing Development Authority's (Authority) compliance with the 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, 2013. The management of the Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2013. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as items 2013-009 and 2013-010.

Internal Control

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Authority's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Authority's 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 the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2013-001, 2013-002, 2013-003, 2013-009 and 2013-010 that we consider to be significant deficiencies.

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

The Authority's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not examine the Authority's responses and, accordingly, we express no opinion on the responses.

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 Illinois Housing Development Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and have issued our report thereon dated November 5, 2013, which contained unmodified opinions on those financial statements. Our audit was performed 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 November 5, 2013. The accompanying supplementary information for the year ended June 30, 2013 in Schedules 1 through 11 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 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, 2013 in Schedules 1 through 11 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 June 30, 2013 in Schedules 1 through 11 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Illinois Housing Development Authority's basic financial statements as of and for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated March 13, 2013, which contained 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 accompanying supplementary information for the year ended June 30, 2012 in Schedules 2, 3, 5, 6, and 7 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2012 financial statements. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 2, 3, 5, 6, and 7 has been subjected to the auditing procedures applied in the audit of the June 30, 2012 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 our opinion, the accompanying supplementary information for the year ended June 30, 2012 in Schedules 2, 3, 5, 6, and 7 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

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.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board and Authority management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Schaumburg, Illinois
February 24, 2014, except for the Supplementary Information
for State Compliance Purposes paragraph, as to which the date
is November 5, 2013

McGladrey

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 William G. Holland,
Auditor General of the State of Illinois,
and the Members of the Board of the
Illinois Housing Development Authority

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 5, 2013.

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) to determine the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-002 and 2013-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 determination of financial statement amounts. 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 Responses to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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.

McGladrey LLP

Schaumburg, Illinois
November 5, 2013

McGladrey

Independent Auditors' Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Honorable William G. Holland,
Auditor General of the State of Illinois,
and the Members of the Board of the
Illinois Housing Development Authority

Report on Compliance for Each Major Federal Program

We have audited the Illinois Housing Development Authority's (Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 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, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

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 major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-004, 2013-005, 2013-006, 2013-007 and 2013-008. 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 OMB Circular A-133, 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-004, 2013-005, 2013-006, 2013-007 and 2013-008 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Illinois Housing Development Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 5, 2013, 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. We have not performed any procedures with respect to the audited financial statements subsequent to November 5, 2013. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 other 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 taken as a whole.

McGladrey LLP

Schaumburg, Illinois
February 24, 2014, except for our report on the Schedule
of Expenditures of Federal Awards, for which the date
is November 5, 2013

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: ***unmodified opinion***

Internal control over financial reporting:

• Material weakness(es) identified?		Yes	✓	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	✓	Yes		None reported
• Noncompliance material to financial statements noted?		Yes	✓	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?		Yes	✓	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	✓	Yes		None reported

Type of auditors' report issued on compliance for major programs: ***unmodified***

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	✓	Yes		No

Identification of major programs:

CFDA number(s)	Name of federal program or cluster
14.182 and 14.856	Section 8 Project-Based Cluster
14.239	HOME Investment Partnerships Program
14.103	Interest Reduction Payments (Section 236)
14.228	Community Development Block Grant (CDBG)
14.228	CDBG - Neighborhood Stabilization Program (NSP)

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

Auditee qualified as low-risk auditee?	✓	Yes		No

Current Year Findings – *Government Auditing Standards*

Finding 2013-001 Loan Receivable Balance and Allowance for Loan Loss Balance Overstated

The Illinois Housing Development Authority (Authority) has loan balances in the multi-family program recorded in their financial statements that should be removed due to the loans being uncollectible.

During our audit of the Authority's allowance for loan loss estimate, we noted 25 loans totaling approximately $23 million were recorded on the Authority's financial statements for which a 100% allowance reserve was recorded. The Authority anticipates that most of these loans will ultimately be written off.

In accordance with generally accepted accounting principles, receivable balances that are uncollectible should be written off and removed from financial statements.

Authority management stated there were 70 requests outstanding with the Attorney General's Office before regular communications were established during August 2011. Currently, there are 21 requests outstanding and awaiting approval for write-off, a reduction of 49 requests since that time. During FY13, the Authority received write-off approval for 23 loans totaling $4,438,428. The Authority has continued to be successful in addressing outstanding loan write-off requests submitted to the Attorney General's Office and continued to maintain regular follow-up and communication on any outstanding requests.

The significant effect of not writing off the loan balances and the corresponding allowance results in overstatements of the Authority's loans receivable balance and the allowance for loan loss balance. (Finding Code No. 2013-001, 12-01, 11-02, 10-03, 09-02, 08-03)

<u>Recommendation</u>

We recommend that the Authority continue to work with the Attorney General's Office to get approval to write-off the uncollectible loan balances.

<u>Authority Response</u>

Authority management concurs with the recommendation and continues to hold regular meetings between staff in the Legal, Accounting, Loan & Portfolio Management and Multifamily departments to collaboratively review the documents required for a write-off request submission to the Attorney General's office. We believe this additional level of monitoring has contributed to attaining a higher rate of approvals on first time requests submitted for write off to the Attorney General's office. In addition the Authority continues to track the status of requests submitted to the Attorney General's office that may be nearing the 60 day deadline communicated by the Attorney General's office for a timely response on such requests.

Current Year Findings – *Government Auditing Standards* (Continued)

Finding 2013-002 Capital Assets Not Being Depreciated

The Illinois Housing Development Authority (Authority) did not depreciate capital asset additions made to real estate owned.

During our testing over capital assets held in the Mortgage Loan Program Fund, we noted capital spending on property held by the Authority was not being depreciated. After this was brought to their attention, the Authority recorded an audit adjustment of $1,567,069 to correct the accumulated depreciation expense on those capital assets.

In accordance with generally accepted accounting principles, assets that have a useful life that extends more than one year should be capitalized and depreciated over the useful life of the asset. The Authority's policy is to depreciate the building improvements over 40 years.

Authority management stated that the depreciation expense for capital spending on property held by the Authority was not adjusted properly due to an oversight.

Failure to record depreciation on the capital assets caused the Authority's total assets to be overstated by $1,567,069 and net income was also overstated by $1,567,069. (Finding Code No. 2013-002)

Recommendation

We recommend the Authority implement procedures to ensure additions to capital assets are included in the annual calculation for depreciation.

Authority Response

Authority management concurs with the recommendation and notes that this occurrence related to investment property that was reclassified as a capital asset a number of years ago. The Authority's practice is to properly calculate depreciation expense for all capital additions at the time of occurrence. At a minimum on an annual basis a supervisory review of all capital additions will occur to ensure all activities have been properly recorded and included in the depreciation calculation.

Current Year Findings – *Government Auditing Standards* (Continued)

Finding 2013-003 Loan Interest Receivable and Revenue Overstated

The Illinois Housing Development Authority (Authority) over accrued interest receivable for program loans in the Single Family Loan Program Fund.

During our testing over interest receivable on loans in the Single Family Loan Program Fund, we noted there was an error in the amount of loan interest receivable and loan interest revenue recorded as of year-end. The Authority over accrued loan interest receivable and loan interest revenue by $1,811,176. An entry was recorded to the financial statements to correct this error.

In accordance with generally accepted accounting principles good internal controls include a review of year end journal entries to ensure accuracy of the amounts recorded in the financial statements.

The Authority management stated that the overstatement of accrued interest was caused in part by a change in methodology on the treatment of single family whole loans.

Failure to properly record accrued interest caused the Authority's assets to be overstated by $1,811,176 and income was also overstated by $1,811,176. (Finding Code No. 2013-003)

<u>Recommendation</u>

We recommend the Authority implement procedures to ensure reports used to record accrued interest at year end are reviewed for accuracy.

<u>Authority Response</u>

Authority management concurs with the recommendation and with this change in methodology taking effect in fiscal year 2013, the factors considered for accruing interest on the single family whole loans will be reviewed, at a minimum, on an annual basis to ensure assumptions used to recognize amounts recorded as accrued interest and related interest income are recorded properly and reviewed for accuracy.

Current Year Findings – Federal Compliance

Finding 2013-004 Improper Preparation of the Consolidated Plan – Annual Performance Report

Federal Agency:	***U.S. Department of Housing and Urban Development***
Program Name:	***Home Investment Partnerships Program***
CFDA# and Program Expenditures:	***14.239 ($16,520,918)***
Award Number:	***None***
Questioned Costs:	***None***

The Authority had inadequate procedures in preparing the Section 3 Summary Report resulting in the improper preparation of the Consolidated Plan - Annual Performance Report (APR).

We obtained the Consolidated Plan – Annual Performance Report from the Authority.

Based on our review of the Section 3 spreadsheets of Multifamily and Homeownership, we noted that the Section 3 Summary Report submitted to HUD on 02/14/13 had an erroneous balance under total dollar amounts of all construction contracts awarded on the project by $3M. The total dollar amount of all construction contracts awarded on the project should be $75,815,159 and not $78,815,159.

The Authority submitted a revised HOME Section 3 summary report to HUD on 11/08/13 indicating the corrected total dollar amount of all construction contracts awarded on the project of $75,815,159.

As a result of the error identified in the HOME Section 3 summary report, similar information included in the States Consolidated Plan – Annual Performance Report of the Authority also showed the same error.

According to 24 CFR 91.520 Performance reports, (a) General. Each jurisdiction that has an approved consolidated plan shall annually review and report, in a form prescribed by HUD, on the progress it has made in carrying out its strategic plan and its action plan. The performance report must include a description of the resources made available, the investment of available resources, the geographic distribution and location of investments, the families and persons assisted (including the racial and ethnic status of persons assisted), actions taken to affirmatively further fair housing, and other actions indicated in the strategic plan and the action plan. This performance report shall be submitted to HUD within 90 days after the close of the jurisdiction's program year.

According to OMB Circular A-133, the Authority is required to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Authority management stated the discrepancy was a clerical error. Therefore, the HOME Section 3 summary report that was included in the APR also showed this same inaccurate information.

Failure to accurately report Section 3 information prevents the U.S. Department of Housing and Urban Development from effectively monitoring the HOME program and could result in inaccuracies to States Consolidated Plan – Annual Performance Report. (Finding Code No. 2013-004, 12-08)

Current Year Findings – Federal Compliance (Continued)

Finding 2013-004 Improper Preparation of the Consolidated Plan – Annual Performance Report (Continued)

Recommendation

We recommend the Authority implement procedures to ensure reports are reviewed for accuracy prior to being submitted.

Authority Response

Authority management concurs with the recommendation and will implement new procedures to prevent transposed numbers and typographical errors in the future. Moving forward, the HUD Section 3 report for both Single Family and Multifamily programs will be compiled centrally by the Authority's Construction Field office, and will have a secondary review by other Multifamily Program staff prior to submittal to the Authority's Office of Housing Coordination Services department for inclusion in HUD's Annual Performance Report and/or any direct filing with HUD. This should provide adequate safeguards as to the accuracy of this information in the future.

Current Year Findings – Federal Compliance (Continued)

Finding 2013-005 Internal Policy for Administering Section 8 Program Not Followed

Federal Agency:	***U.S. Department of Housing and Urban Development***
Program Name:	***Section 8 Project-Based Cluster***
CFDA# and Program Expenditures:	***14.182 ($119,631,090)***
	14.856 ($7,461,475)
Award Number:	***None***
Questioned Costs:	***None***

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

The Authority did not comply with its internal policies and procedures related to the administration of the Section 8 program. During sample testing, we noted the following:

Management Reviews

Based on twenty management reviews performed during the audit period, the following were noted:

- Six (6) were processed more than 30 days from date of review resulting in delays ranging from 4 to 16 days late.
- Three (3) reviews where the Authority did not make timely follow-ups with developments to clear their findings.

Audited Financial Statements

Based on our sample testing of 16 Audited Financial Statement reviews performed during the audit period, the following were noted:

- Authority did not set clear deadlines for developments with audit findings.
- Authority did not set clear deadlines for reviews of audited financial statements received from developments.

Residual Receipts Accounts

Based on our sample testing of 10 developments for the required estimated residual receipts monitoring performed during the audit period, we noted the following:

- Five (5) developments did not comply with the February 15 deadline and no immediate follow-ups were made by the Authority. Out of the five, all were determined not to have remitted residual receipts after the submission of the developments audited financial statements.
- Of the remaining five (5) developments that met the February 15 deadline, three of these developments were required to remit residual receipts. However, none of these three developments remitted the funds before the 60 days deadline resulting in delays ranging from 4 to 115 days late.

Current Year Findings – Federal Compliance (Continued)

Finding 2013-005 Internal Policy for Administering Section 8 Program Not Followed (Continued)

Per Authority policies:

- The Authority must complete management reviews within 60 days from the date of inspection.
- The Authority must send an approved notification letter to the development within 30 days of receipt of Audited Financial Statements from the development.
- Asset Managers must submit initial report of desk reviews to their Supervisor within 7 days from date of review. Also, for any review with findings, such findings must be addressed/resolved within the 60 days.
- The Authority must complete and distribute within 60 calendar days an audit write up and a close out letter if no findings are identified. If findings are identified, the Authority should disclose the findings and give 15, 20 or 30 days for management to reply.
- Developments must submit the following: Estimate Residual Receipts, Year End Unaudited Trial Balance or Income Statement and Balance Sheet and Calculation of Estimated Residual Receipts by February 15 (or that date which is 45 days after the end of the development's fiscal year) each year.

According to OMB Circular A-133 the Authority is required to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Authority management stated staff turnover caused delays in scheduling and completing management reviews.

Authority management stated that in order for staff to prioritize review of financial statements requiring approval of distributions or collection of surplus cash, procedures were changed for the audit period. There is no prescribed time limit for Asset Managers to complete their review and send out letters of distribution approval or acknowledgement letter for each submission.

Authority management stated the Fiscal Management & Portfolio Analysis Group did not implement a system to remind owners to submit required unaudited financial reports to the Authority by February 15 of each year due from the developments in order to determine estimated residual receipts. A reminder system has since been implemented.

Failure to follow established procedures for the administration of the Section 8 program could lead to oversight errors in monitoring the federal requirements. In addition, failure to set clear deadlines for the reviews of the audited financial statements received from developments could result in the delay of disbursements. (Finding Code No. 2013-005, 12-05, 11-11)

Current Year Findings – Federal Compliance (Continued)

Finding 2013-005 Internal Policy for Administering Section 8 Program Not Followed (Continued)

Recommendation

We recommend the Authority implement procedures to ensure internal policies are being followed to administer the Section 8 program. In addition, we recommend the Authority set clear deadlines for the review of audited financial statements from the developments.

Authority Response

Authority management concurs with the recommendations and will continue to update its internal procedures for monitoring the Section 8 Program. With regard to Management Reviews, the Authority will implement a process of rescheduling and staff realignment to accommodate unexpected staffing changes that resulted in delayed Management Review and tenant File Review follow-up communications. The Authority implemented a process of prioritizing the review of Audited Financial Statements in FY2013 that may cause some reviews to take more than 30 days. The Authority will fully document these changed procedures as well as any exceptions to deadlines that are approved by Asset Management Senior Staff. The Authority has implemented an email reminder procedure for the collection of Estimated Residual Receipts and the backup documentation. While this will not ensure full compliance by affected owners, it will ensure that all owners are alerted multiple times in advance of deadlines for submission and that delinquent submissions are followed-up.

Current Year Findings – Federal Compliance (Continued)

Finding 2013-006 Internal Policies Not Followed for Administering Section 236 Program

Federal Agency:	***U.S. Department of Housing and Urban Development***
Program Name:	***Interest Reduction Payments***
CFDA# and Program Expenditures:	***14.103 ($4,142,339)***
Award Number:	***None***
Questioned Costs:	***None***

Internal Policies for Administering the Section 236 Program were not followed.

Based on our sample testing of 4 Management Reviews performed by the Authority's Asset Management Department during the audit period, we noted that two out of the four reviews performed were not completed by the Authority in a timely manner. The reviews were performed between 101 and 149 days late.

Per Authority's Asset Management Department policies:

- For Management/Tenant File Reviews with findings, the Owner/Agent/on-site Manager should provide a written response to the findings within 60 days or 30 days for findings that require immediate action from the report date.
- If the Owner/Agent/on-site Manager does not respond timely, Asset Management/Management & Occupancy Review (AM/MOR) Specialist should email an "Annual Management Review & Inspection Findings Follow-Up" letter, giving the Owner/Agent/on-site Manager an additional 10 business days to respond. Once received by AM/MOR Specialist, the Owner/Agent/on-site Manager's responses are reviewed.
- If findings have been satisfactorily addressed, the review should be closed out. AM/MOR Specialist should email an "Inspection Finding Close out Letter" to the Owner/Agent/on-site Manager denoting that all findings have been properly satisfied. AM/MOR Specialist must update the findings in the Asset Log with a resolution date.
- If the response is not satisfactory, AM/MOR Specialist should email Non-Compliance letter to Owner/Agent/on-site Manager and HUD, if applicable within 90 calendar days of Management Review.

According to OMB Circular A-133 the Authority is required to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Authority management stated staff turnover caused delays in scheduling and completing management reviews.

Failure to follow established procedures in the administration of the Section 236 program could lead to oversight errors in monitoring the federal requirements of the program. (Finding Code No. 2013-006, 12-09)

Current Year Findings – Federal Compliance (Continued)

Finding 2013-006 Internal Policies Not Followed for Administering Section 236 Program (Continued)

Recommendation

We recommend the Authority follow established procedures and perform reviews in a timely manner.

Authority Response

Authority management concurs with the recommendations and will continue to update its internal procedures for Monitoring the Section 236 Program. With regard to Management Reviews, the Authority will implement a process of rescheduling and staff realignment to accommodate unexpected staffing changes that resulted in delayed Management Review and tenant File Review follow-up communications.

Current Year Findings – Federal Compliance (Continued)

Finding 2013-007 Internal Policies for Administering the HOME Program Not Followed

Federal Agency:	***U.S. Department of Housing and Urban Development***
Program Name:	***Home Investment Partnerships Program***
CFDA# and Program Expenditures:	***14.239 ($16,520,918)***
Award Number:	***None***
Questioned Costs:	***None***

Internal policies for administering the HOME Program were not followed.

Based on our sample testing of 8 sponsor reviews and visits (1 desk, 2 construction and 5 site), we noted the following:

- Two (2) out of 5 site visits tested where the Home Program Officer did not effectively communicate in writing the results of the visit.
- One (1) out of 5 site visits tested where supporting documents were not properly maintained on file.
- Additionally, we noted that the Authority does not maintain an updated and accurate monitoring log. The monitoring log covers desk reviews, construction visits and site visits.

As a pass through entity, the Authority, according to OMB Circular A-133 section 400 (d) (3), is required to monitor the activities of the recipients of the HOME Program.

According to OMB Circular A-133 the Authority is required to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Authority management stated that in the past the HOME program had three program officers dedicated to ensuring compliance of the HOME rules and regulations. The program is currently being administered by two program officers who each have assumed additional responsibilities which caused the monitoring letters to be sent later than required.

Failure to properly monitor HOME program requirements from HOME sponsors could result in sanctions from the cognizant agency including a loss of future funding. (Finding Code No. 2013-007)

Recommendation

We recommend the Authority monitor its subrecipients in accordance with federal regulations.

Authority Response

Authority management concurs with the recommendation and will add additional supervisory review as the HOME Supervisor or Assistant Director will review at least 30% of all monitoring files to ensure all checklists, written correspondence and supporting documents are maintained in the file. The HOME Supervisor will review the Monitoring Log monthly to ensure it is kept up-to-date as well as include additional tracking procedures to the log, such as the due date of the written monitoring results and the date the letter was submitted to the sponsor.

Current Year Findings – Federal Compliance (Continued)

Finding 2013-008 Untimely Submission of the Section 3 Summary Report

Federal Agency:	***U.S. Department of Housing and Urban Development***
Program Name:	***Neighborhood Stabilization Program***
CFDA# and Program Expenditures:	***14.228 ($21,363,900)***
Award Number:	***None***
Questioned Costs:	***None***

The Authority failed to submit its Section 3 Summary Report on time.

The Authority did not submit the Neighborhood Stabilization Program (NSP) Section 3 Summary Report by January 10. The Authority completed and submitted its report by February 14, 2013, which resulted in the report being filed 35 days late.

The Authority is required to submit an annual performance report. However, HUD issued a waiver on the NSP annual reporting requirements of the consolidated plan to allow HUD to collect more regular information on various aspects in the uses of funds and of the activities funded by these grants. As a result of this waiver, the Authority was required to submit its NSP Section 3 Summary report by January 10.

According to 24 CFR 135.90 Reporting, each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of Section 3. Where the program providing the Section 3 covered assistance requires submission of an annual performance report, the Section 3 report will be submitted with that annual performance report. *If the program providing the Section 3 covered assistance does not require an annual performance report, the Section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier.* All reports submitted to HUD in accordance with the requirements of this part will be made available to the public.

According to OMB Circular A-133, the Authority is required to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Authority management stated they believed the due date for the NSP section 3 report followed the same deadline as the HOME program Section 3 report which was due by March 31 as part of the Annual Performance Report submission. However, since NSP is not subject to the filing requirements for an Annual Performance Report the earlier date of January 10 should have been followed.

Failure to submit required performance reports in a timely manner prevents the cognizant agency from effectively monitoring the Neighborhood Stabilization Program. (Finding Code No. 2013-008, 12-10)

Current Year Findings – Federal Compliance (Continued)

Finding 2013-008 Untimely Submission of the Section 3 Summary Report (Continued)

Recommendation

We recommend the Authority implement procedures to ensure reports are submitted timely.

Authority Response

Authority management concurs with the recommendation and will implement procedures to ensure the timely filing of the NSP Section 3 report by the earlier date of January 10 since the program is not subject to the same filing requirements as the HOME program Section 3 report.

Current Year Findings – State Compliance

Finding 2013-009 Voucher Processing Needs Improvement

The Authority had inconsistent documentation to support its vouchers processed.

During our testing of travel vouchers, we noted the following:

- 1 of 30 vouchers (3%) did not have the itinerary in the documentation.
- 3 of 30 vouchers (10%) were not properly authorized by the Supervisor.
- 2 of 30 vouchers (7%) were not properly approved by the Head of the Department.
- 2 of 30 vouchers (7%) were not approved within 30 days upon receipt of the invoice.
- 3 of 30 vouchers (10%) were not properly approved for out-of-state travel.
- 1 of 30 vouchers (3%) was charged to the incorrect fiscal year.
- 4 of 30 vouchers (13%) were not submitted on a timely basis.

Based on the sample testing of printing vouchers, we noted the following:

- 10 of 30 vouchers (33%) had purchase requisitions prepared and approved after invoices for goods and services were received.
- 2 of 30 vouchers (7%) had payments that were not approved within 30 days of receipt of the invoice.

Based on the sample testing of equipment vouchers, we noted the following:

- 1 of 3 equipment vouchers tested (33%) was coded under the incorrect accounting code.

Based on the sample testing of EDP vouchers, we noted the following:

- 1 of 30 EDP vouchers tested (3%) was coded under the incorrect accounting code.

Based on the sample testing of automotive vouchers, we noted the following:

- 1 of 30 automotive vouchers tested (3%) was coded under the incorrect accounting code.

Good business practices require adequate documentation to support the processing and authorization of vouchers.

In addition, the Authority follows the State of Illinois travel rules including:

- The employee must fill out an expense report in Concur Reporting system.
- Each voucher shall be first approved by the individual's immediate supervisor, who shall certify that the travel shown was required by official duties.
- The voucher shall then be approved by the Agency Head or a designated representative, who shall sign the original of the voucher. The original and one copy of the travel voucher, together with the required receipts and attachments.
- If the receipt is above $1,000 the voucher must be approved by an executive.

Current Year Findings – State Compliance (Continued)

Finding 2013-009 Voucher Processing Needs Improvement (Continued)

- Required receipts must be attached to the voucher. Receipts should clearly indicate travel vendor, dates, times, dollar amounts, etc.
- Out of State travel requests must be submitted 3 weeks prior to the departure date.
- The voucher should be submitted no later than 30 days after the end of the trip or employee might not be reimbursed or be delayed any payment.

Authority management stated the travel voucher errors were due to management oversight. However, the untimely payment charged to an incorrect fiscal year was due to the original invoice never being received by the Authority because it had been sent to an incorrect name and address by the vendor. Once the vendor realized their error the invoice was received by the Authority and paid timely; however, the prior fiscal year had already been closed.

Authority management stated errors for printing vouchers; equipment and EDP were due to management oversight.

Authority management stated the automotive voucher was an expense related to a compliance requirement for operation of the Authority's vehicles and therefore was coded as a vehicle expense rather than a professional fee.

Failure to comply with the procurement procedures established by the Authority may result in unauthorized purchases and payments. (Finding Code No. 2013-009, 12-11)

Recommendation

We recommend the Authority provide additional training to staff to ensure all policies and procedures are followed.

Authority Response

Authority management concurs with the recommendation and will be implementing a new general ledger, accounts payable and purchasing system that will automate current manual processes used to manage all purchasing, travel and other payment requests, in addition to increasing internal controls for management oversight of these processes. Authority staff will receive additional training with the implementation of this new system so that all Authority-wide policies and procedures are followed.

Current Year Findings – State Compliance (Continued)

Finding 2013-010 Incorrect Payment to Local Administering Agency

The Authority made an incorrect payment for the annual operating fees to a Local Administering Agency, the amount did not agree to the Annual administrative fee per the Funding Agreement.

Based on the results of our sample testing, we noted the following:

- For 4 of 5 local administering agencies tested, the annual operating fee amount per IHDA's worksheet did not agree to the annual administrative fee per the Funding Agreement.
- For 1 of 5 administrative fees tested, there was an incorrect amount paid to a Local Administering Agency. The Authority under paid the Agency by $18,107.

The Rental Housing Support Program (310 ILCS 105/15(a)) requires the Authority to make grants to local administering agencies to provide subsidies to landlords to enable the landlords to charge rent affordable for low-income tenants. Grants shall also include an amount for the operating expenses of local administering agencies. On an annual basis, operating expenses for local administering agencies shall not exceed 10% for grants under $500,000 and shall not exceed 7% for grants over $500,000. If a grant to a local administering agency covers more than one year, the Authority shall calculate operating expenses on an annual pro rata share of the grant. If the annual pro rata share is $500,000 or less, then the fee shall be 10%; if the annual pro rata share is greater than $500,000, then the fee shall be 7%.

Authority management stated the language of the Funding Agreement for participants in the Round 1 program was worded incorrectly. The language was corrected by the Legal Department in later rounds to reflect the proper figures. The language was not revised in the Round 1 Funding Agreement because the Local Administering Agency's had confirmed receipt of the correct amount prior to the contract renewal. Also, Authority management stated a clerical error resulted in an incorrect payment of operating expenses. The error was corrected with the December 2013 payment.

Errors on contracts could result in future claims by the Local Administering Agencies and/or loss of funds by the Authority. Inaccurate payments to Local Administering Agencies could result in a loss of funds. (Finding Code No. 2013-010)

Recommendation

We recommend the Authority implement procedures to review contracts in order to ensure proper wording is used. Additionally, we recommend the Authority review the fees paid to their Local Administering Agencies prior to payment to ensure accuracy of the payment.

Authority Response

Authority management concurs with the recommendations and has implemented procedures to review all contracts for correct funding language prior to execution. In addition, Rental Housing Support Staff will include a log of approved fees with each annual payment for comparison with requested amounts so that each approver may ensure accuracy of payments.

Prior Findings Not Repeated

Federal Compliance

A. Inadequate Monitoring of Housing Quality Standards (HQS) Inspections

The Authority did not adequately monitor the Housing Quality Standards Inspections for the Section 8 Programs, the Section 236 Program and the HOME Investment Partnerships Program. (Finding Code No. 12-02, 11-04, 10-08, 09-05, 08-08)

Based on our current year sample testing, the Authority implemented procedures to monitor the Housing Quality Standards Inspections.

B. Disbursements Not Made Timely

The Authority had inadequate procedures to ensure disbursements were made timely. (Finding Code No. 12-03, 11-06)

During the current year, the Authority implemented additional procedures focused upon timely disbursements. Our sample testing did not disclose any instances of untimely disbursements.

C. Inadequate Monitoring of Tax Credit Inspections

The Authority had inadequate monitoring procedures of the Tax Credit Assistance Program inspections. (Finding Code No. 12-04, 11-09)

During the current year, the Authority implemented procedures to monitor the Tax Credit Assistance Program inspections. Our sample testing did not disclose any instances of inadequate monitoring.

D. Failure to Prepare and File a Formal Corrective Action Plan

The Authority did not prepare and submit as a part of their Reporting Package submitted to the Federal Audit Clearinghouse a formal Corrective Action Plan in regards to the Fiscal Year 2011 Audit Findings. (Finding Code No. 12-06)

During the current year our testing indicated the Authority prepared and filed a corrective action plan for Fiscal Year 2012 Audit Findings.

E. Missing Authorization in Accordance with Davis-Bacon Act

The Authority did not properly monitor the weekly Payroll Certification Statements of Compliance as required by Housing and Urban Development under the Davis-Bacon Act. (Finding Code No. 12-07)

During the current year our sample testing indicated the Authority implemented procedures to monitor weekly Payroll Certification Statements of Compliance in accordance with the Davis-Bacon Act.

Prior Findings Not Repeated (Continued)

State Compliance

F. Inadequate Monitoring of Submission of Notice of Payment of Bond Interest and/or Principal to the Office of the Comptroller

The Authority did not monitor the timely submission of the Form C-08 “Notice of Payment of Bond Interest and/or Principal.” (Finding Code No. 12-12)

During the current year our sample testing noted the Authority implemented procedures to monitor the timely submission of the Form C-08.

G. Financial Information Reported to the Office of the Comptroller Late

The Authority did not file all required financial information with the Office of the Comptroller by the required deadline of October 31, 2012. (Finding Code No. 12-13)

During the current year our testing noted the Authority filed required financial information with the Office of the Comptroller by the required deadline.

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis Section:

  Schedule of Expenditures of Federal Awards
  Notes to the Schedule of Expenditures of Federal Awards
  Comparative Schedule of Cash Receipts
  Schedule of Changes in Authority Property
  Furniture, Equipment, and Leasehold Improvements
  Analysis of Significant Account Balances
  Analysis of Significant Variations in Revenue and Significant Variations in Expenditures/Expenses
  Analysis of Administrative Costs
  Description of Cash Accounts
  Description of Investments
  Affordable Housing Trust Fund
  Schedule of Federal and Nonfederal Expenses

- Analysis of Operations Section (Unaudited):

  Authority Functions and Planning Program (Unaudited)
  Average Number of Employees (Unaudited)
  Emergency Purchases (Unaudited)
  Summary Production Data (Unaudited)
  Service Efforts and Accomplishments (Unaudited)
    Multi-family and Single Family Production – Activities Closed or Placed into Service Since Inception (Unaudited)
    Unit Production by Percent of Area Median Income Since Inception (Unaudited)
    Unit Production by Economic Development Region Since Inception (Unaudited)

This information relates to the Authority's proprietary funds unless otherwise noted.

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that the Fiscal Schedules and Analysis Section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountants' report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS **Schedule 1**

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal grant/program title	CFDA number	Award amount	Due to (from) June 30, 2012	Revenue	Expense/ expenditure	Due to (from) HUD June 30, 2013
U.S. Department of Housing and Urban Development:						
Major programs:						
Section 8 Project-Based Cluster:						
Section 8 New Construction and Substantial Rehabilitation	14.182	$ -	$ -	$ 119,631,090	$ 119,631,090	$ -
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856	-	419,015	7,889,756	7,461,475	847,296
Total Section 8 Project-Based Cluster		-	419,015	127,520,846	127,092,565	847,296
HOME Investment Partnerships Program	14.239	16,520,918	-	16,520,918	16,520,918	-
Community Development Block Grants/ State's program						
Neighborhood Stabilization Program	14.228	21,363,900	-	21,363,900	21,363,900	-
Community Development Block Grant	14.228	10,649,131	-	10,649,131	10,649,131	-
Interest Reduction Payments – Rental and Cooperative Housing for Lower Income Families	14.103	4,142,339	-	4,142,339	4,142,339	-
U.S. Department of the Treasury:						
Nonmajor program:						
National Foreclosure Mitigation Counseling Program	21.000	1,781,355	-	1,781,355	1,781,355	-
Total		$ 54,457,643	$ 419,015	$ 181,978,489	$ 181,550,208	$ 847,296

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

(1) General

The Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the Authority. The amount due to the U.S. Department of Housing and Urban Development (HUD) at June 30, 2013 of $847,296 is included in the business-type activities Administrative Fund with accrued liabilities and other on the Authority's Statement of Net Position.

(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.

Relation to the Schedule of Expenditures of Federal Awards

Amounts reported in the Schedule of Expenditures of Federal Awards reconcile with the amounts reported in the related federal financial reports. For the HOME program, amounts reported as expenditures include $11,015,019 in grant expenditures. The amount of HOME loans disbursed during the year ended June 30, 2013 is $4,484,953. The amount of HOME loans outstanding at June 30, 2013 is $233,634,113.

Expense/Expenditure

Amounts reported as expenses on this schedule include approximately $7,062,338 in administrative fees retained by the Authority.

Subrecipients

The following amounts were passed through to subrecipients during the year ended June 30, 2013:

CFDA number	Subrecipient Amount
14.182 and 14.856	$ 120,030,227
14.239	16,520,918
14.103	4,142,339
14.228	32,013,031
21.000	1,781,355
	$ 174,487,870

STATE OF ILLINOIS **Schedule 2**

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years Ended June 30, 2013 and 2012

	2013	2012
Administrative Fund:		
Cash received from:		
Interest from program loans	$ 3,791,311	$ 3,836,042
Service fees from program loans	13,857,848	13,989,518
Principal from program loans and other	46,665,377	15,174,445
	64,314,536	33,000,005
Proceeds from federal assistance programs	129,158,231	136,700,053
Proceeds from sale of revenue bonds and notes	18,057,500	27,670,000
Interest on investments	3,058,728	4,803,654
Interest on escrow deposits	56,603	58,989
Proceeds from sales and maturities of investment securities	355,627,656	252,843,290
Transfer of funds from single family program funds	-	8,836
Other	15,150,288	18,922,211
Total	$ 585,423,542	$ 474,007,038
Mortgage Loan Program Fund – Housing Bonds:		
Cash received from:		
Interest from program loans	$ 20,929,263	$ 22,894,718
Principal from program loans	48,101,308	29,755,678
	69,030,571	52,650,396
Proceeds from federal assistance programs	3,858,028	3,855,065
Proceeds from sale of revenue bonds and notes	133,380,000	-
Interest on investments	7,664,438	1,444,413
Proceeds from sales and maturities of investment securities	194,542,663	249,516,894
Other	6,001,005	5,673,317
Total	$ 414,476,705	$ 313,140,085

(Continued)

STATE OF ILLINOIS **Schedule 2**
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Fiscal Schedules and Analysis Section
Comparative Schedule of Cash Receipts (Continued)
Years Ended June 30, 2013 and 2012

	2013	2012
Single Family Program Fund:		
Cash received from:		
Interest from program loans	$ 15,336,349	$ 20,092,223
Principal from program loans	93,861,778	81,052,824
Receipts for real estate held for sale	-	2,456,770
	109,198,127	103,601,817
Interest on investments	4,863,683	10,805,574
Proceeds from sale of revenue bonds	140,864,675	67,809,245
Proceeds from sales and maturities of investment securities	1,373,129,781	2,823,402,294
Transfer of funds from administrative funds	1,742,268	878,170
Other	11,513	-
Total	$ 1,629,810,047	$ 3,006,497,100
Illinois Affordable Housing Trust Fund:		
Cash received from:		
Interest on investments	$ 1,580	$ 1,567
Grant from State of Illinois	12,280,516	12,623,698
Total	$ 12,282,096	$ 12,625,265
Mortgage Loan Program Fund – Affordable Housing Program Trust Fund Bonds:		
Cash received from:		
Interest from program loans	$ 1,000,838	$ 1,147,404
Principal from program loans	8,335,768	44,694
	9,336,606	1,192,098
Interest on investments	36,331	71,205
Transfer of fund from Illinois Affordable Housing Trust Fund	5,200,000	5,200,000
Proceeds from sales and maturities of investment securities	40,576,321	106,410,118
Other	28,137	-
Total	$ 55,177,395	$ 112,873,421

(Continued)

STATE OF ILLINOIS **Schedule 2**

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts (Continued)

Years Ended June 30, 2013 and 2012

	2013	2012
HOME Program Fund:		
Cash received from:		
Interest from program loans	$ 2,028,897	$ 2,071,263
Principal from program loans	2,963,224	2,266,789
Other	372,514	162,033
	5,364,635	4,500,085
Interest on investments	3,913	5,509
Federal HOME Funds	17,195,734	31,837,509
Total	$ 22,564,282	$ 36,343,103
Mortgage Loan Program Fund – Multi-Family Housing Revenue Bonds (Marywood):		
Cash received from:		
Loan from Administrative funds for interest payment	$ -	$ -
Interest from foreclosed property interest	744,250	6,935,811
Total	$ 744,250	$ 6,935,811

(Continued)

STATE OF ILLINOIS **Schedule 2**

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts (Continued)

Years Ended June 30, 2013 and 2012

	2013	2012
Mortgage Loan Program Fund – Multi-Family Bonds (Turnberry):		
Cash received from:		
Interest from program loans	$ 250,965	$ 288,912
Principal from program loans	61,109	67,475
Other	703	-
	312,777	356,387
Interest on investments	-	4
Proceeds from sales and maturities of investment securities	549,706	128,994
Total	$ 862,483	$ 485,385
Rental Housing Support Program Fund:		
Cash received from:		
Interest on investments	$ 84,568	$ 40,334
Grant from State of Illinois	10,317,701	20,817,156
Total	$ 10,402,269	$ 20,857,490
Mortgage Loan Program Fund – Multifamily Initiative Bonds:		
Cash received from:		
Interest from program loans	$ 2,844,383	$ 2,354,069
Principal from program loans	4,848,459	9,510,310
Other	74,131	33,589
	7,766,973	11,897,968
Interest on investments	3,678	5,874
Proceeds from sale of revenue bonds	-	121,550,000
Proceeds from sales and maturities of investment securities	975,564	515,601,869
Total	$ 8,746,215	$ 649,055,711
ARRA Fund		
Cash received from:		
Interest from program loans	$ 238,680	$ 133
Principal from program loans	204,098	3,571
Federal ARRA funds	-	70,230,698
Total	$ 442,778	$ 70,234,402

STATE OF ILLINOIS **Schedule 3**

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Fiscal Schedules and Analysis Section

Schedule of Changes in Authority Property

Year Ended June 30, 2013

Description	Balance at June 30, 2012	Additions	Depreciation and amortization expense	Retirements	Balance at June 30, 2013
Land	$ 2,600,000	$ -	$ -	$ -	$ 2,600,000
Real estate	41,513,696	467,706	-	-	41,981,402
Accumulated depreciation – real estate	(15,011,000)	-	(2,367,069)	-	(17,378,069)
Building	3,600,000	179,900	-	-	3,779,900
Accumulated depreciation - building	(72,727)	-	(1,166)	-	(73,893)
Furniture and equipment	123,244	10,177	-	(31,486)	101,935
Accumulated depreciation – furniture and equipment	(68,869)	-	(16,008)	22,660	(62,217)
Computer equipment	251,584	273,910	-	(4,859)	520,635
Accumulated depreciation – computer equipment	(107,764)	-	(56,304)	4,859	(159,209)
Computer software	1,595,260	361,833	-	(2,575)	1,954,518
Accumulated amortization - computer software	(1,489,672)	-	(96,010)	2,575	(1,583,107)
Leasehold improvements	18,370	-	-	-	18,370
Accumulated amortization - leasehold improvements	(3,833)	-	(4,031)	-	(7,864)
	$ 32,948,289	$ 1,293,526	$ (2,540,588)	$ (8,826)	$ 31,692,401

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

Furniture, Equipment, and Leasehold Improvements **Schedule 4**

Year Ended June 30, 2013

The Authority leases office facilities at two locations, 401 N. Michigan Ave. (401 facility) and 122 S. Michigan Ave. (122 facility) in Chicago, Illinois. The lease for the 401 facility extends through July 31, 2016 and provides the Authority two successive five-year options to extend the lease beyond that date and, during certain time periods, to lease additional office facilities. The 122 facility is leased through July 31, 2016 under a space utilization agreement with another Illinois agency.

Capital assets of the Authority's Administrative Fund consist of investments in furniture, fixtures, and equipment, computer hardware, and computer software. For such investments made beginning and after July 1, 2002, capital assets are defined by the Authority as assets with an initial, individual cost of $5,000 or more and are depreciated or amortized on a straight-line basis over a period of five to ten years, depending on the nature of the asset. Purchases of furniture and equipment in the amount of $103,082 were expensed during fiscal year 2013. Capital assets for governmental activities consist of computer hardware and software used in the HHF program. Depreciation and amortization for these items is recorded on a straight-line basis over three years.

Capital assets in the Mortgage Loan Program Fund represent the net carrying value of Lakeshore Plaza (ML-181), which the Authority acquired by deed in lieu of foreclosure on April 27, 1990. The Authority records depreciation against ML-181 on a straight-line basis over forty years, as past market conditions did not allow for a sale of the property.

Cash and investments of the Authority's proprietary funds increased $60.2 million from June 30, 2012 to $976.9 million at June 30, 2013. 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 and cash payments for operating expenses by $174.2 million.

(b) Interest received on investments and transfers in (net) totaled $20.8 million.

(c) Other receipts totaled $21.1 million.

(d) Payments for loan originations totaled $82.2 million.

(e) Payments of bond principal exceeded proceeds of bond issuances by $65.8 million.

Net program loans receivable of the Authority's proprietary funds decreased approximately $118.8 million during fiscal year 2013. This decrease is attributable to decreases in the Authority's Single Family Program Fund ($88.6 million) and the Administrative Fund ($51.1 million), offset by increases in the Mortgage Loan Program Fund ($20.9 million). The decrease in program loans receivable in the Single Family Program was due to Illinois whole loans being packaged into GNMA certificates and FNMA mortgage-backed securities.

Net position of the Authority's governmental activities increased $9.8 million from the June 30, 2012 balance mainly from increases in the Federal HOME program due to the conversion of grant revenues to program loans receivable and grant receipts in the Build Illinois Bond Program and Nonmajor Governmental Programs, partially offset by decreases in the Hardest Hit Fund. There are no net positions for two of the Authority's governmental activities. The equity of the Illinois Affordable Housing Trust Fund (Housing Program) is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program are ultimately disbursed as grants or administrative expenses, and therefore no equity is recorded on the Authority's financial statements.

Net program loans receivable for the Authority's governmental activities increased by $19.7 million primarily due to increases in the Hardest Hit Fund and Nonmajor Governmental Funds. Cash and investments decreased by $1.8 million. State statute and federal regulations restrict the use of governmental funds to program activities.

At June 30, 2013, total outstanding bonds and notes payable were approximately $64.5 million below the prior fiscal year-end. Issuance of the following bonds and notes (with a balance outstanding at June 30, 2013) occurred during fiscal year 2013:

		June 30, 2013
		(In millions)
Housing Revenue Bonds, Series 2012A, 2013A & 2013B	$	140.9
Housing Bonds, 2013 Series B & C		133.4
Federal Home Loan Bank Advances		18.1

The Authority redeemed $311.0 million of various Single Family Program Fund Bonds and $38.0 million of Mortgage Loan Program Bonds during the fiscal year.

(Continued)

As of June 30, 2013, the Authority had the following debt outstanding (net of unamortized discount and deferred loss on refunding, thereon):

	Number of outstanding issues	Balance June 30, 2013 (In millions)
Housing Bonds	33	$ 479.5
Multifamily Initiative Bonds	9	166.1
HUD Riskshare Debenture (Marywood)	1	14.9
Multifamily Bonds (Turnberry II)	1	4.9
Affordable Housing Program Trust Fund Bonds	2	54.3
Total Mortgage Loan Program Fund	46	719.7
Residential Mortgage Revenue Bonds	7	0.3
Homeowner Mortgage Revenue Bonds	19	493.6
Housing Revenue Bonds	6	196.6
Total Single Family Program Fund	32	690.5
Administrative Fund	4	36.7
Total Proprietary Funds	82	$ 1,446.9

Deposits held in escrow decreased $10.4 million, due to lower required funding levels. Capital assets decreased approximately $1.2 million primarily due to depreciation of Lakeshore Plaza. A portion of the Authority's Administrative Funds Unrestricted Net Position has been designated by resolution. Net Position designated by resolution of the Authority ($115 million) changed from the amount designated as of June 30, 2012. The Members of the Authority have designated $50 million to purchase homeownership mortgage loans and/or mortgage-backed securities under the Homeownership Mortgage Loan Program which will eventually be purchased with proceeds from future issuance of Authority debt or sold in the secondary market, $40 million to provide funds and reserves to support the Mortgage Participation Certificate Program, including the purchase of loans within the Program, $5 million to pay expenses for planned technology program enhancements, $5 million to the Down Payment Assistance Program, and $15 million to pay possible losses arising in the Multi-Family Bond Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans.

Proprietary Funds

Interest earned on program loans decreased by $1.7 million, or 3.0% due to decreases within the Authority's Mortgage Loan Program Fund ($2.0 million) and the Administrative Fund ($0.2 million), offset by increases in the Single Family Program Fund ($0.6 million) due to a change in the treatment of accrued interest. The decreases within the Authority's Mortgage Loan Program were due to loan prepayments and the impacts of a number of developments being in the later stages of their amortization schedules, which resulted in increases in the proportion of principal versus interest payments. Loans outstanding as of June 30, 2013 in the Single Family Program Fund were $88.6 million below the prior year-end amounts. Interest earned on program loans within the Authority's Administrative Funds decreased due to settlement of a loan and the related payoff in fiscal year 2013. Investment income decreased $9.0 million, or 52.0% due to decreased sales of mortgage backed securities compared to the prior year.

Interest expense decreased $5.1 million, or 9.0% mainly due to decreased expenses within the Mortgage Loan ($0.07 million) and Single Family ($5.6 million) Program Funds.

Operating expenses, other than interest expense and federal assistance programs, decreased approximately $24.7 million. The major components of the change were:

a. A $1.3 million (9%) increase in salaries and benefits primarily due to timing of hiring staff and compensation levels, in addition to lower allocations of these costs in some instances to governmental programs that experienced budget constraints, the administration for which the Authority is reimbursed. Gross salary and benefit expenses (before allocations and deferrals) increased $1.3 million or 6%. The average number of full-time equivalent employees for fiscal years 2010 through 2013 is listed in the Analysis of Operations-Average Number of Employees section of this report.

b. A $0.08 million (15%) increase in professional fees primarily due to decreased legal fees and expenses.

c. A $.8 million (17%) decrease in general and administrative expenses due to decreases in a number of Administrative Fund accounts.

d. A $0.4 million (13%) increase in financing costs due to increased costs within the Single Family Program Fund for higher trustee administration costs.

e. A $23.0 million decrease in the allowance for estimated losses on program loans receivable and mortgage participation certificate program. The above allowance is determined based on the Authority's ratings of virtually every loan in its portfolio which were adjusted to reflect the Authority's portion of Risk Share Loans.

f. A $3.0 million decrease in program grant expenses due to the use of other funding sources than in the prior year.

Governmental Activities

Total revenues of the Authority's governmental activities decreased $46.7 million from the prior year, primarily due to lower revenues in Federal ARRA Fund ($70.0 million), Federal HOME Program ($14.3 million), Rental Housing Support Program ($10.4 million) and Build Illinois Bond Program ($9.8 million), partially offset by increases in the Hardest Hit Fund ($39.2 million), Neighborhood Stabilization Program ($10.5 million) and in Nonmajor Governmental Funds ($10.3 million).

Total expenses of the Authority's governmental activities increased $41.8 million from the prior year, primarily due to increases in the Hardest Hit Fund ($94.5 million), Build Illinois Bond Program ($11.1 million), Neighborhood Stabilization Program ($10.7 million) and Nonmajor Governmental Funds ($8.0 million), partially offset by decreases within the Federal ARRA Fund ($67.9 million) and Rental Housing Support Program ($10.4 million). The transfer ($5.2 million) from the governmental activities to the Authority's business-type activities represents an annual transfer, pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Multi-Family Mortgage Loan Program Fund.

Fiscal Schedules and Analysis Section

Analysis of Administrative Costs **Schedule 7**

Year Ended June 30, 2013

The Authority's administrative costs include the following employee benefits:

Description	2013	2012
Employee holiday reception	$ 9,908	$ 1,503

STATE OF ILLINOIS **Schedule 8**

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Fiscal Schedules and Analysis Section

Description of Cash Accounts

Year Ended June 30, 2013

The Authority's cash and cash equivalents for proprietary funds at June 30, 2013 were maintained in bank accounts, as follows:

Administrative Fund:	
The Northern Trust Company – HUD Section 8 Depository	$ 847,296
Bank of America	14,130,513
Bank of New York	163,199,487
Chase Bank	3,024,956
Federal Home Loan Bank of Chicago	484,414
Total Administrative Fund	181,686,666
Mortgage Loan Program Fund:	
Housing Bonds:	
Bank of New York	35,275,513
Multifamily Initiative Bonds:	
Bank of New York	12,394,447
Multifamily Bonds (Turnberry):	
Bank of New York	269,033
Affordable Housing Program Trust Fund Bonds:	
Bank of New York	432,772
Total Mortgage Loan Program Fund	48,371,765
Single Family Program Fund:	
Homeowner Mortgage Revenue Bonds:	
Bank of New York	33,126,858
Residential Mortgage Revenue Bonds:	
Bank of New York	147,820
Housing Revenue Bonds:	
Bank of New York	1,426,679
Total Single Family Program Fund	34,701,357
Illinois Housing Authority, LLC	
Bank of America	1,130,000
PNC Bank	443,152
Total Illinois Housing Authority, LLC	1,573,152
Total Proprietary Funds	$ 266,332,940

Description of Investments **Schedule 9**

The fair value of investments for the Authority's governmental and proprietary funds at June 30, 2013 is delineated by type, as follows:

Type	Fair Value
Demand Repurchase Agreements	$ 312,845
United States Agency Obligations	688,748,010
United States Government Obligations	57,383,566
Municipal Obligations	3,508,866
	$ 749,953,287

Affordable Housing Trust Fund **Schedule 10**

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 generated from the State real estate transfer tax collected by the Illinois Department of Revenue and held within the State Treasury. At June 30, 2013, total funds held were $17,330,524, which consisted of cash held by the Authority escrow agent for pending disbursement of loans and grants.

STATE OF ILLINOIS **Schedule 11**
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Fiscal Schedules and Analysis Section
Schedule of Federal and Nonfederal Expenses
Year Ended June 30, 2013

	Amount	Percent
Federal expenditures (A)	$ 181,550,208	43%
Nonfederal expenditures/expenses	243,332,971	57%
Total expenditures/expenses	424,883,179	100%
Less: Amount representing loans	(7,954,782)	
Total expenses (B)	$ 416,928,397	

Source:

(A) Schedule of Expenditures of Federal Awards
(B) Statement of Activities for the year ended June 30, 2013

Authority Functions and Planning Program

The Authority is governed by a bipartisan Board of nine members appointed by the Governor and confirmed by the State Senate. Ms. Mary R. Kenney is the Executive Director of the Authority. In addition, the Authority employs a staff of approximately 260 persons, including persons who have experience and responsibilities in the areas of finance, accounting, mortgage loan underwriting, housing development, market analysis, law, and housing marketing and management.

The statutory mandate of the Authority is to increase the production and supply of low and moderate income housing within the State of Illinois. This goal is currently accomplished through several State and Federal programs. *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.

The Authority's operations are financed by fees and charges paid by borrowers, interest income from investment securities, and other administration fees. No State appropriations are received by the Authority and no State tax dollars are provided directly to the Authority, except as a partial reimbursement of expenses related to the administration of the Illinois Affordable Housing Program, the Rental Housing Support Program and the Foreclosure Prevention Fund.

The Authority formed the Office of Housing Coordination Service, which coordinates housing policy development and housing programs, initiates and responds to public input on housing programs, and acts as a housing information resource for nonprofit organizations, local governments, state agencies, and others.

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 a portion of the state 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.

The Authority is the administrator of the Rental Housing Support Program and is awarding 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. 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 is funded by bond proceeds, allocated for affordable housing, from the Build Illinois Bond Fund. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority makes 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 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 counseling agencies and community based organizations statewide for pre and post purchase housing counseling, foreclosure counseling/education, counselor/staff training, outreach events, and other capacity building activities.

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.

The Authority is the State-level Tax Credit administrator for the Low Income Housing Tax Credit Program, designed to encourage the production of affordable housing, 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.

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, Building for Success, 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 2016.

In addition, the Authority has been designated as the statewide administrator of the Federal HOME program. Under this program, $457.2 million and $10.7 million for federal fiscal years 1992 through 2010 and 2013, respectively, have been allocated to be administered by the Authority under the HOME provisions of the 1990 National Affordable Housing Act.

Throughout the years various state and federal legislation has impacted the Section 8 Housing Program and bond issuances 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 fifty-two Risk Sharing Loans totaling $300,246,699 and elected that HUD assume 10% to 90% of the loss with respect to these loans. Ten of these loans totaling $58,212,699 were financed through the issuance of the Authority's Housing Bonds, twelve loans totaling $79,620,000 were financed through the issuance of the Authority's Multifamily Initiative Bonds and one loan in the amount of $15,460,000 was financed through the issuance of the Authority's Multi-Family Housing Revenue Bonds ("Marywood"). The remaining twenty-nine loans totaling $146,954,000 are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

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. 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 and Standard & Poor's ratings on such debt. During fiscal year 2013, the Authority's Issuer Credit Ratings remained at A1/A+/AA- by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively. 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, 2013 comprised approximately .02% 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 ("HUD") 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.

Since fiscal year 2010, the Authority has replaced its single family whole loans program to mortgage-backed securities in which it would originate and securitize loans backed by government guarantees. Under the Authority's Homeowner Mortgage Loan Program, the Authority offers homebuyers two loans: a first mortgage 30-Year Fixed Rate Loan and an optional second mortgage Down Payment Assistance Loan. The first mortgage 30-Year Fixed Rate Loan is a 30-year fixed rate amortizing loan and is insured either by FHA, USDA, VA or private mortgage insurance. Each mortgage loan upon funding would be securitized into mortgage-backed securities either as GNMA or Fannie Mae. The Authority would either issue bonds to finance the acquisition of the mortgage-backed securities or sell it into the secondary market.

The Authority is the designated 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 qualified low-income building for low-income housing in lieu of low-income housing tax credits. In addition, HUD makes 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 are then allocated to sub-grantees and the Authority will be responsible for the monitoring and reporting of the use of these funds.

The Authority, through federal grants provided through the National Foreclosure Mitigation Counseling program, is allocating these grants to various partner agencies to fund free foreclosure counseling help for homeowners throughout Illinois.

The Authority is the administrator of the Cook County Mortgage Foreclosure Mediation Program which provides legal guidance to homeowners facing foreclosure through the use of a mediator to facilitate discussions between the mortgage company and the borrower for an end solution.

The Authority is the administrator for the Neighborhood Stabilization Program which provides grants and/or loans to municipalities and developers to rehabilitate abandoned or foreclosed properties in communities adversely affected by the foreclosure crisis.

The Authority is the administrator for the Hardest Hit Fund ("HHF") for grants appropriated to the State of Illinois by the United States Department of the Treasury ("Treasury") to assist unemployed or substantially underemployed homeowners with interim mortgage payment assistance that will allow them to pursue sustainable income and homeownership through new employment or job training efforts without the immediate threat of default or foreclosure.

Planning Program

The Authority's planning program is designed to identify and accept those developments that best achieve the Authority's goals of providing low and moderate economically integrated housing throughout the State while maintaining the financial viability of the Authority.

The Authority utilizes internal planning primarily through its annual budgeting process, in which Authority 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 State 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.

Average Number of Employees

	2013	2012	2011	2010
Financial and computer services	44	44	44	45
Human resources, administration, and legal	38	36	28	29
Director's office and housing programs	183	192	149	138
Total	265	272	221	212

Emergency Purchases

The Authority reported the following emergency purchases to the Office of the Auditor General during fiscal year 2013:

Vendor	Description	Estimated Amount	Actual Amount
US Bank	To prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues.	$ 27,500	$ 27,500
McGuireWoods Consulting, LLC	To prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues.	$ 30,000	$ 30,000
Municipal Housing Investment Banking Firms	To prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues.	$ 292,302	$ 292,302
Special Attorneys (3 vendors) Deutsch Levy & Engel Chartered; Laner, Muchin, Dombrow, Becker, Levin and Tominberg Ltd., Holland & Knight LLP	To prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues.	$ 90,000	$ 98,235

Summary Production Data

Unit production for fiscal year 2013 was 6,349 units, and total production since Authority inception was 221,460 units.

Over 80% of the Authority's production since inception has been to households with 80% or below of the area median income.

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.

STATE OF ILLINOIS

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Analysis of Operations Section (Unaudited)

Service Efforts and Accomplishments

Multi-Family and Single Family Production – Activities Closed or Placed into Service Since Inception

June 30, 2013

(Unaudited)

	Active		No Longer Active (3)		Total	
Portfolio	**Developments**	**Units**	**Developments**	**Units**	**Developments**	**Units**
Multi-family Programs	1,364	106,565	371	23,795	1,735	130,360
Single Family Programs (1)	322	3,311	943	24,322	1,265	27,633
Technical Assistance	2	0	69	1,513	71	1,513
MCC & MRB (2)	n/a	61,954	n/a	n/a	n/a	61,954
Totals	1,688	171,830	1,383	49,630	3,071	221,460

(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

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Analysis of Operations Section (Unaudited)
Service Efforts and Accomplishments
Unit Production by Percent of Area Median Income Since Inception
June 30, 2013
(Unaudited)

Percent of Area Median Income	Multi-Family and Single Family Programs	MCC and MRB (1) (2)	Total
Less than 30%	5,044	688	5,732
31% – 50%	56,449	8,010	64,459
51% – 80%	82,882	26,772	109,654
81% – 100%	n/a	15,402	15,402
101% – 120%	150	7,075	7,225
Greater than 121% or Market	14,981	4,007	18,988
Totals	159,506	61,954	221,460

(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.

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Analysis of Operations Section (Unaudited)
Service Efforts and Accomplishments
Unit Production by Economic Development Region Since Inception
June 30, 2013
(Unaudited)

	Programs				
Region (1)	Multi-Family	Single Family	Technical Assistance	MCC & MRB (2)	Total Developments
Central	6,527	1,128	-	4,590	12,245
East Central	3,480	586	-	2,803	6,869
North Central	6,353	2,132	-	5,618	14,103
Northeast	88,942	6,816	13	31,092	126,863
Northern Stateline	3,813	750	-	4,002	8,565
Northwest	7,464	1,897	-	3,670	13,031
Southeastern	2,224	861	-	1,407	4,492
Southern	3,175	4,672	-	1,965	9,812
Southwestern	4,384	3,300	-	4,637	12,321
West Central	2,565	1,269	-	2,170	6,004
Statewide	1,433	4,222	1,500	-	7,155
Total	130,360	27,633	1,513	61,954	221,460

(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