

**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, 2012

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

**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, 2012

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Financial Statement Report:

The Authority's financial statement report for the year ended June 30, 2012, which includes the report of independent auditors, management's discussion and analysis, 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, 2012

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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	8/1/2011 – Current
Acting General Counsel	Kristi S. Poskus	10/15/2010 – 7/31/2011
Chief Financial Officer	Hazim Taib	
Controller	Michele Williams	

Agency offices are located at:

401 North Michigan Avenue, Suite 700
Chicago, Illinois 60611

March 13, 2013

Pat Quinn, Governor

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

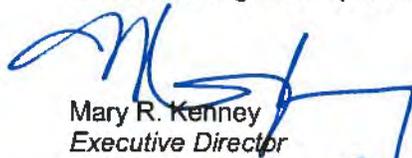
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, and 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, 2012. Based on this evaluation, we assert that during the year ended June 30, 2012, 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. The 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.

Very truly yours,

Illinois Housing Development Authority



Mary R. Kenney
Executive Director



Michele Williams
Controller



Hazim Taib
Chief Financial Officer

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Compliance Report Summary

Year Ended June 30, 2012

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(s)
Findings	13	11
Repeated findings	5	5
Prior recommendations implemented or not repeated	6	7

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

Item No.	Page	Description	Finding Type
12-01	14	Loan Receivable Balance and Allowance for Loan Loss Balance Overstated	Significant Deficiency

Findings and Questioned Costs (Federal Compliance)

Item No.	Page	Description	Finding Type
12-02	15	Inadequate Monitoring of Housing Quality Standards (HQS) Inspections	Significant Deficiency and Noncompliance
12-03	17	Disbursements Not Made Timely	Significant Deficiency and Noncompliance
12-04	18	Inadequate Monitoring of Tax Credit Inspections	Significant Deficiency and Noncompliance
12-05	20	Internal Policy for Administering Section 8 Program Not Followed	Significant Deficiency and Noncompliance
12-06	22	Failure to Prepare and File a Formal Corrective Action Plan	Significant Deficiency and Noncompliance
12-07	23	Missing Authorization in Accordance with Davis Bacon Act	Significant Deficiency and Noncompliance
12-08	24	Improper Preparation of the Consolidated Plan Performance Report	Significant Deficiency and Noncompliance
12-09	25	Internal Policies Not Followed for Administering Section 236 Program	Significant Deficiency and Noncompliance
12-10	27	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, 2012

Findings and Questioned Costs (State Compliance)

Item No.	Page	Description	Finding Type
12-11	28	Voucher Processing Needs Improvement	Significant Deficiency and Noncompliance
12-12	29	Inadequate Monitoring of Submission of Notice of Payment of Bond Interest and/or Principal to the Office of the Comptroller	Significant Deficiency and Noncompliance
12-13	30	Financial Information Reported to the Office of the Comptroller Late	Significant Deficiency and Noncompliance

Prior Findings Not Repeated

Item No.	Page	Description
A	31	Inconsistencies in the Loan Monitoring and Loan Rating System
B	31	Duplicate Vendors in the Accounts Payable Master Vendor List
C	31	Inadequate Monitoring of Section 3 Reports from Homeownership and Multifamily and Inadequate Procedures in Preparing Section 3 Summary Report of the Authority
D	31	Inadequate Sub-recipient Monitoring
E	31	Miscalculation of Utility Allowance
F	32	Inadequate Sub-recipient Monitoring

Exit Conference

The findings and recommendations appearing in this report were discussed with the Authority personnel at an exit conference on March 8, 2013. Attending were:

<u>Illinois Housing Development Authority</u>		<u>McGladrey LLP</u>	
Mary Kenney	Executive Director	Joseph Evans	Partner
Hazim Taib	Chief Financial Officer	Sean Hickey	Director
Michele Williams	Controller	Jeremy Creamean	Manager
Kevin O'Connor	Chief Internal Auditor	Tiffany Floresca	Staff

Office of the Auditor General
Tom Kizziah Manager

Responses to the recommendations were provided by Mary Kenney in a letter dated March 13, 2013.



**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, a component unit of the State of Illinois, 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, 2012. The management of the Illinois Housing Development Authority (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, 2012. However, the results of our procedures disclosed instances of noncompliance, 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 12-11, 12-12 and 12-13.

Internal Control

The 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 as a basis for designing our examination procedures 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 an entity's 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 an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a 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.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, as described in the accompanying schedule of findings and questioned costs as items 12-11, 12-12 and 12-13. *A significant deficiency in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 13, 2012. The accompanying Introductory Section and Supplementary Information for State Compliance Purposes, consisting of Fiscal Schedules and Analysis (in Schedules 1 through 10) and Analysis of Operations for the year ended June 30, 2012 is presented for 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 State Compliance Purposes,

consisting of Fiscal Schedules and Analysis (in Schedules 1 through 10) for the year ended June 30, 2012, 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 statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the accompanying Supplementary Information for State Compliance Purposes, consisting of Fiscal Schedules and Analysis (in Schedules 1 through 10) for the year ended June 30, 2012 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

We have 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 for the year ended June 30, 2011 (not presented herein), and have issued our report thereon dated October 20, 2011, which contained unqualified 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 State Compliance Purposes, consisting of Fiscal Schedules and Analysis (in Schedules 1 through 10) for the year ended June 30, 2011 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, 2011 financial statements. The accompanying Supplementary Information for State Compliance Purposes, consisting of Fiscal Schedules and Analysis (in Schedules 1 through 10) for the year ended June 30, 2011 has been subjected to the auditing procedures applied in the audit of the June 30, 2011 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 statements or to those 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 State Compliance Purposes, consisting of Fiscal Schedules and Analysis (in Schedules 1 through 10) for the year ended June 30, 2011 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 Introductory Section and the Supplementary Information for State Compliance Purposes consisting of the Analysis of Operations Section is presented for the purpose 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 Audit Committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Schaumburg, Illinois
March 13, 2013, except for the Supplementary Information
for State Compliance Purposes paragraph, as to which the date
is December 13, 2012



**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 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, 2012, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with 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.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 12-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

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*.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Audit Committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Schaumburg, Illinois
December 13, 2012



**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program, on Internal Control
Over Compliance, and on the Schedule of Expenditures of Federal Awards
in Accordance with 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

Compliance

We have audited the compliance of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, 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, 2012. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Illinois Housing Development Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 12-02, 12-03, 12-04, 12-05, 12-06, 12-07, 12-08, 12-09 and 12-10.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 12-02, 12-03, 12-04, 12-05, 12-06, 12-07, 12-08, 12-09 and 12-10. 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to December 13, 2012. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

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

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Audit Committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Schaumburg, Illinois
March 13, 2013

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: ***unqualified 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: ***unqualified***

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:

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
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	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

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Government Auditing Standards

Finding 12-01 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 36 loans totaling approximately \$7.4 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 they have continued to be successful in addressing outstanding loan write-off requests submitted to the Attorney General's office. During FY12 the Authority received write-off approval for 23 loans totaling \$2,110,761. The Authority continues to work with the Attorney General's office to receive timely approval of all write-off submissions as well as continue to implement 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 Nos. 12-01, 11-02, 10-03, 09-02, 08-03).

Recommendation

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

Authority Response

Authority managements concurs with the recommendation and since establishing regular communications with the Attorney General's office the Authority has written off 34 loans totaling \$2,970,956 over the last two fiscal years. In addition Authority management instituted 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. Authority management believes this additional level of monitoring will assist the Authority with attaining a higher rate of approvals on first time submission requests and lessen the amount of denials received based on additional documentation being requested by the Attorney General's office.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance

Finding 12-02 Inadequate Monitoring of Housing Quality Standards (HQS) Inspections

Federal Agency:	U.S. Department of Housing and Urban Development
Program Name:	Section 8 Project-Based Cluster HOME Investment Partnerships Program
CFDA# and Program Expenditures:	14.182 (\$126,466,027) 14.856 (\$7,531,045) 14.239 (\$31,022,545)
Award Number:	None
Questioned Costs:	None

The Authority did not adequately monitor the Housing Quality Standards (HQS) Inspections for the Section 8 Programs, the Section 236 Program and the HOME Investment Partnerships Program.

During our sample testing of 23 (Section 8 Programs), 5 (Section 236 Program) and 26 (HOME Program) developments Housing Quality Standards (HQS) Inspections, we noted the following:

Section 8 Programs

- 2 out of 23 development inspections tested, the Authority did not communicate the results of the inspection to the development in a timely manner.
- 4 out of 23 development inspections tested, the Authority failed to make timely follow-ups and obtain work orders/documents from the development to address deficiencies identified in the inspection.
- 2 out of 23 development inspections tested, the tracking information was not updated properly by the inspectors.

Section 236 Program

- 1 out of 5 development inspections tested did not have tracking information properly updated by the inspectors.

Home Program

- 2 out of 26 development inspections tested had deficiency letters that were not sent to the respective property management company on a timely basis.
- 4 out of 26 development inspections tested had follow-ups with the property management regarding the correction of deficiencies found during the inspection that were not completed on a timely basis.

According to 24 CFR 982.401 (a), performance and acceptability requirements, housing quality standards (HQS) for housing assisted projects must meet the following acceptability criteria or HUD approved variations in the acceptability criteria, namely: sanitary facilities, food preparation and refuse disposal, space and security, thermal environment, illumination and electricity, structure and materials, interior air quality, water supply, lead-based paint, access, site and neighborhood, sanitary conditions; and smoke detectors. According to 24 CFR 982.401 (a)(3), all program housing must meet the HQS performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy. Based on these guidelines, the Authority is required to inspect properties to ensure developments comply with the HQS performance requirements.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-02 Inadequate Monitoring of Housing Quality Standards (HQS) Inspections (Continued)

Per the Authority's procedures for physical inspections:

- The Authority must provide at least 14 days notice to developments prior to the inspection.
- The results of inspections should be communicated within 10 business days to the developer.
- The Authority must make timely follow ups and obtain work orders/documentation from the development to address the deficiencies identified.
- The final tracking report should be updated by the Field Inspector.

According to 24 CFR 85.40 (a), grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

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 it had not fully implemented Quality Control measures for its HQS inspection procedures. This resulted in timing errors and incorrect tracking of information.

Failure to monitor the Housing Quality Standards (HQS) Inspections for Section 8 Programs, Section 236 Program and the HOME Investment Partnership Program could result in sanctions from the cognizant agency and it may result in loss of funding. (Finding Code Nos. 12-02, 11-04, 10-08, 09-05, 08-08)

Recommendation

We recommend that the Authority strictly enforce its HQS inspection procedures which include timely follow up, maintaining support for all deficiencies corrected and correspondence to developments regarding the inspections.

Authority Response

Authority management concurs with the recommendation and the Asset Management Services department has implemented a Quality Control system effective January 1, 2013 that requires a quarterly review of each Physical Inspection file for errors, adherence to time lines, and tracking system updates. The department's senior staff will review the Quality Control report each quarter. The department has also implemented an email tickler system that allows the support staff to automatically send an email notice to the inspector when inspection time periods are about to expire. This change was effective July 1, 2010 and has been enhanced effective January 1, 2013 to include direct notification to the development. The department is revising its written procedures for Physical Inspections to clarify timelines and separate staff performance expectations into training materials. Procedures will reflect only timelines required by the Authority or HUD policy. These revisions will be completed by June 30, 2013.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-03 Disbursements Not Made Timely

Federal Agency:	U.S. Department of Housing and Urban Development
Program Name:	Home Investment Partnerships Program
CFDA# and Program Expenditures:	14.239 (\$31,022,545)
Award Number:	None
Questioned Costs:	None

The Authority has inadequate procedures to ensure disbursements are made timely.

Based on our sample testing of 60 disbursements we noted the following:

- 4 out of 60 were not processed and paid by the Department of Revenue within the 15 days required per HUD regulations. The disbursements were made between 3 and 8 days late.
- 1 out of 60 did not have the signature of the Staff Accountant – Governmental or Supervisor, Governmental Reporting and Analysis.

Per 24 CFR Part 92.502 (c)(2) states that HOME funds drawn from the United States Treasury account must be expended for eligible costs within 15 days. Any interest earned within the 15 day period may be retained by the participating jurisdiction as HOME funds. Any funds that are drawn down and not expended for eligible costs within 15 days of the disbursement must be returned to HUD for deposit in the participating jurisdiction's U.S. Treasury account of the HOME Investment Trust Fund.

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 the payouts are primarily based on the funding held at the Illinois Department of Revenue (IDOR). Authority personnel developed a monitoring log to track all IHDA payouts through IDOR and follow-up with IDOR personnel if payouts have not been processed within 15 days of the payout request. Despite monitoring and follow-ups, payouts are still made after the required time frame.

Failure to disburse Home funds within the required time frame could result in sanctions from the cognizant agency including a loss of future funding. (Finding Code Nos.12-03, 11-06)

Recommendation

We recommend the Authority continue to work with IDOR to ensure disbursements are made within the required time frame of 15 days.

Authority Response

Authority management concurs with the recommendation and has continued to work with IDOR to ensure disbursements are made within the required 15 day time frame. Based on discussions with IDOR, IDOR has agreed that the Authority may implement a new procedure under which the Authority will scan the payout request to IDOR to begin the approval process for disbursement, while the original request will be mailed via overnight delivery to their office. The Authority is also exploring with IDOR the possibility of disbursements being made via wire transfer instead of actual checks being disbursed which could lessen the time required for payouts to occur with the 15 day time frame.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-04 Inadequate Monitoring of Tax Credit Inspections

Federal Agency:	U.S. Department of Housing and Urban Development
Program Name:	Tax Credit Assistance Program (TCAP)
CFDA# and Program Expenditures:	14.258 (\$1,528,859)
Award Number:	None
Questioned Costs:	None

The Authority has inadequate monitoring procedures of the TCAP inspections.

The Authority is responsible for monitoring the Tax Credit Assistance Program (TCAP) that is financed with funds authorized in the American Recovery and Reinvestment Act of 2009 (ARRA). The Authority is required to perform inspections of developments participating in the TCAP program.

Based on our sample testing of 4 developments we noted the following:

- 1 out of 4 did not meet the required amount of units inspected in the development during the site visit.
- 1 out of 4 indicated that the Authority did not communicate the results of the visit in a timely manner.
- 2 out of 4 did not have tenant file reviews conducted during fiscal year 2012.

Per the Authority's Tax Credit Compliance Reference Guide:

- The Authority will perform an in-house desk review of a minimum of 20% of the low-income tenant's files submitted by the owner or his agent. For properties of less than 10 qualified units, 100% of the files will be reviewed. If through the sampling review, significant or sufficient errors are found, a review of 100% of the files will be conducted. For new properties, IHDA will conduct on-site tenant file reviews within one year of buildings being placed in service.
- The Authority will perform on-site physical inspections to monitor for habitability standards of at least 33% of the low-income housing tax credit projects annually. Such inspections will include 20% of the low-income units, examination of the grounds, the exterior of the building(s), common areas, and photographs of the project. The Authority will also conduct physical inspections within one year of new buildings being placed in service.
- The Authority will promptly notify the owner, in writing (the Notice), as to the nature of the non-compliance and specify a period for correction.

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 it had not fully implemented Quality Control measures, resulting in timing delays and tracking errors.

Failure to monitor the tax credit inspections could result in misuse of funds. (Finding Code Nos. 12-04, 11-09)

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-04 Inadequate Monitoring of Tax Credit Inspections (Continued)

Recommendation

We recommend the Authority implement procedures to ensure follow up procedures are performed in a timely manner. In addition, procedures should be implemented to ensure all supporting documentation of inspection results and status of deficiencies is maintained for accurate record keeping.

Authority Response

Authority management concurs with the recommendation and the Asset Management Services department has implemented a Quality Control system effective January 1, 2013 that requires a quarterly review of each Physical Inspection file for errors, adherence to time lines, and tracking system updates. The department's senior staff will review the Quality Control report each quarter. The department has also implemented an email tickler system that allows the support staff to send an email notice to the development and inspector when inspection time periods are about to expire. This change was effective as of 7/1/2012. The department is revising its written procedures for Physical Inspections to clarify timelines and separate staff performance expectations into training materials. Procedures will reflect only timelines required by IHDA or HUD policy. These revisions will be completed by June 30, 2013.

The department has put in place a log to track the preparation and implementation of Tenant File Reviews for the Tax Credit Assistance Program (TCAP) Program. The department is reviewing all files to ensure that initial file inspections have been conducted or scheduled. All initial inspections will be completed by June 30, 2013.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-05 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 (\$126,466,027) 14.856 (\$7,531,045)
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:

- For Annual Property Inspections (Management Reviews), we noted that 8 of 14 development reviews were not completed within 60 days. The 8 reviews that were not completed on time were completed between 42 and 101 days late.
- For the review of the annual audited financial statements for each development, we noted that reviews of 12 out of 14 financial reports submitted by developments tested were not completed within the 30 day timeframe. Of the 8 reviews that were completed at the time of our testing (4 were still in process, but were over 30 days), we noted that the Authority completed the reviews between 17 and 74 days late.
- For Tenant File Reviews performed by the Authority's Technical Services department during the first six months of fiscal year 2012, we noted that the reviews for 4 out of 5 developments tested were not completed within 60 days of the audit date. For those 4 reviews that were not completed within 60 days, we noted that they were completed between 168 and 358 days late.
- For Desk Reviews performed by Asset Management during the final six months of fiscal year 2012, we noted that the reviews for 4 out of 6 development desk reviews tested were not submitted by the Asset Manager to the Supervisor within 7 days of the Asset Manager's review. In addition, we noted that the findings were not addressed within the 60 day processing time for 6 out of 6 reviews with findings.

Per Authority's 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.

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.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-05 Internal Policy for Administering Section 8 Program Not Followed

Authority management stated effective January 1, 2012, the merger of two internal departments took effect. Due to this transition, some of the roles, duties and responsibilities of employees may have slightly and/or significantly changed and procedures may not have been updated in order to meet various monitoring requirements of the Housing and Urban Development (HUD). Due to these changes, internal deadlines were not met.

Failure to follow established procedures for the administration of the Section 8 program could lead to oversight errors in monitoring the federal requirements. (Finding Code No. 12-05, 11-11)

Recommendation

We recommend that the Authority comply with their internal policies and procedures.

Authority Response

Authority management concurs with the recommendation and the Asset Management Services department is revising its internal policies and procedures to clarify and align timelines for completion and follow-up on Audited Financial Statements, Management and Occupancy Reviews, Tenant File Reviews and Desk File Reviews and to separate staff performance expectations into training materials. Procedures will align with HUD requirements. These revisions will be completed by June 30, 2013.

Additionally, department senior staff is reviewing weekly reports on completion of Audited Financial Statements, Management and Occupancy Reviews, Tenant File Reviews and Desk File Reviews and monthly reports on the status of required follow-up to clear deficiencies.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-06 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 (FAC) a formal Corrective Action Plan (CAP) in regards to the Fiscal Year 2011 Audit Findings.

During our entrance conference for the current year's audit, we requested a copy of the Authority's CAP. The Authority informed us that a formal CAP was not prepared and submitted as part of their reporting package to FAC. The Authority did issue responses that are included in the Circular A-133 Report Findings, but these responses do not include all of the minimum required elements required to be included in the CAP per Circular A-133. While the Authority included a statement about the planned corrective actions, the Authority's responses did not include the specific name(s) of the contact person(s) responsible for implementing corrective actions (though information about the responsible position or department was typically included). The Authority's responses did not include anticipated completion dates. It was noted that the Authority maintains an informal corrective action plan spreadsheet that does include these minimum required data elements. However, this spreadsheet was not included in the Reporting Package submitted to FAC.

OMB Circular A-133 Section .315(c) requires that an auditee prepare a Corrective Action Plan (CAP) which addresses "each audit finding included in the current year auditor's reports." In addition, Section .315(c) states that the CAP "shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date."

OMB Circular A-133 Section .320(c)(4) requires that the CAP be included in the Reporting Package submitted to the Federal Audit Clearinghouse.

OMB Circular A-133 Subpart C. Section .300(b) requires that nonfederal entities receiving Federal awards 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 they were unaware that a formal corrective action plan needs to be prepared and submitted as part of the overall Reporting Package submitted to the Federal Audit Clearinghouse. It was believed that the section included in each finding titled "Authority Response" was sufficient.

The failure to prepare and file a Corrective Action Plan results in noncompliance with OMB Circular A-133 and inhibits the ability of the funding agency to perform their oversight responsibilities. (Finding Code No. 12-06)

Recommendation

We recommend that the Authority prepare a corrective action plan in accordance with the requirements of Circular A-133 when findings are identified for inclusion in the Reporting Package submitted to the Federal Audit Clearinghouse.

Authority Response

Authority management concurs with the recommendation and noted that an internal document was maintained to track and monitor progress of each Department Head responsible for implementing the management action plan to correct any deficiencies noted in the findings. This report was also reviewed during quarterly audit status meetings held with the Department Heads, Internal Audit and Executive management to review open findings. This document also meets the criteria to be included in a formal corrective action plan per OMB Circular A-133 requirements. This document will be submitted as the formal CAP with the FY2012 Reporting Package to be filed with the Federal Audit Clearinghouse.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-07 Missing Authorization in Accordance with Davis-Bacon Act

Federal Agency:	U.S. Department of Housing and Urban Development
Program Name:	Home Investment Partnerships Program
CFDA# and Program Expenditures:	14.239 (\$31,022,545)
Award Number:	None
Questioned Costs:	None

The Authority did not properly monitor the weekly Payroll Certification Statements of Compliance as required by HUD under the Davis-Bacon Act.

Based on sample testing, we noted that 1 out of 60 items tested had a payroll certification that was missing the signature of an authorized employee of the contractor.

Per 29 CFR 5.5 (a)(3)(ii)(B) "Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract".

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 indicated that the missing signature was an oversight as the construction payment requests are monitored weekly and any discrepancy would be addressed on a subsequent payroll submission and if necessary an adjustment would be noted and the required change would be submitted by the contractor prior to the release of any future payment.

Payroll certifications that are not signed by authorized staff members could possibly indicate false or inaccurate information regarding compliance with the prevailing wage requirements of the Davis-Bacon Act. (Finding Code No. 12-07)

Recommendation

We recommend that the Authority review their procedures to ensure payroll certifications are monitored for proper documentation and authorization.

Authority Response

Authority management concurs with the recommendation and would like to note that during each fiscal year reviews of thousands of certified payrolls take place and upon discovery of this oversight the missing signature was obtained. Based on the number of reviews that occur we believe that the overall documentation is correct and the wages paid meet the rates as required by Davis Bacon. Any discrepancies on the construction draw are addressed before processing occurs or depending upon the circumstances no later than the subsequent draw. The Authority construction staff will continue to monitor the submissions and work with the general contractor who is primarily responsible for the correct and complete submissions of the Davis Bacon documentation before it is submitted to the Authority.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-08 Improper Preparation of the Consolidated Plan Performance Report

Federal Agency:	U.S. Department of Housing and Urban Development
Program Name:	Home Investment Partnerships Program
CFDA# and Program Expenditures:	14.239 (\$31,022,545)
Award Number:	None
Questioned Costs:	None

The Authority did not adequately prepare the Consolidated Plan Performance Reporting.

We noted that the total amount awarded to Section 3 businesses in the Annual Performance Report (\$14,416,454) did not correspond to the amount reported in the Consolidated Section 3 Summary Report (\$14,716,454), which was the correct amount based on the supporting documentation. The Annual Performance Report has been submitted to the HUD Office in Chicago while the Consolidated Section 3 Summary Report has been submitted to the HUD Office in Washington, D.C. with the reported amounts.

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.

Failure to accurately report Section 3 information prevents the U.S. Department of Housing and Urban Development from effectively monitoring the HOME program. (Finding Code No. 12-08)

Recommendation

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

Authority Response

Authority management concurs with the recommendation and the Multifamily and OHCS Departments have implemented a new procedure whereas the Section 3 reports that are submitted to the HUD Office in Washington D.C. are scanned and placed verbatim within the Consolidated Plan Performance Report. This will eliminate any future clerical errors in Section 3 reporting. This procedure has already been implemented for the draft 2012 Annual Performance Report.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-09 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 (\$4,244,079)
Award Number:	None
Questioned Costs:	None

Internal policies for administering the Section 236 program were not followed.

The Authority did not comply with its internal policies and procedures regarding the administration of the Section 236 program. During sample testing, we noted the following:

For those reviews performed by the Authority's Technical Services Department,

- 2 out of 2 development audits tested were not completed/closed out within the 60 calendar day timeline.
- We noted that the Compliance Office did not make timely follow-ups with the development regarding their findings for the development audit tested that had findings reported. We also noted that the development tested did not address its findings in a timely manner.

For those reviews performed by the Authority's Asset Management Department,

- 1 out of 2 development reviews tested were not completed/closed out within the 60 calendar day timeline.
- For the review of the annual audited financial statements for each development, we noted that the results of the review for 1 out of 2 developments tested were not communicated within 30 days of the Authority's receipt of the audit report.

Per Authority's Technical Services Department policies:

- 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.
- For developments with findings, Compliance Officer must perform timely follow-ups with the development.
- The Authority must also monitor the development's addressed findings timely and appropriate corrective actions were taken.

Per Authority's Asset Management Department policies:

- 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.
- The Authority must send an approved notification letter to the development within 30 days of receipt of Audited Financial Statements from the development.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-09 Internal Policies Not Followed for Administering Section 236 Program (Continued)

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 effective January 1, 2012, the merger of two internal departments took effect. Due to this transition, some of the roles, duties and responsibilities of employees may have slightly and/or significantly changed and procedures may not have been updated in order to meet various monitoring requirements of the Housing and Urban Development (HUD). Due to these changes, internal deadlines were not met.

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

Recommendation

We recommend that the Authority review their procedures during times of transition to ensure policies are being followed.

Authority Response

Authority management concurs with the recommendation and the Asset Management Services department is revising its internal policies and procedures to clarify and align timelines for completion and follow-up on Audited Financial Statements, Management and Occupancy Reviews, Tenant File Reviews and Desk File Reviews and to separate staff performance expectations into training materials. Procedures will align with HUD requirements. These revisions will be completed by June 30, 2013.

Additionally, department senior staff is reviewing weekly reports on completion of Audited Financial Statements, Management and Occupancy Reviews, Tenant File Reviews and Desk File Reviews and monthly reports on the status of required follow-up to clear deficiencies.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – Federal Compliance (Continued)

Finding 12-10 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 (\$11,083,585)
Award Number:	None
Questioned Costs:	None

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

During our audit we noted the Authority submitted the Section 3 Summary Report 45 days late.

According to 24 CFR section 135.90, 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.

Authority management stated there are conflicting reporting requirements that require submission of NSP programmatic information in the Annual Performance Report. IHDA believes that up until this time it has submitted the Section 3 report in compliance with HUD procedures as described in the HUD publication "Section 3 Requirements for Recipients of HUD Community Planning & Development Funding." According to Authority management, these reports were submitted to HUD with its HOME Section 3 reports consistent with this directive and there were no apparent HUD concerns. Submission of the report based on the referenced guidance would indicate that there was adequate information for HUD to effectively monitor the NSP program.

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

Recommendation

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

Authority Response

Authority management concurs with the recommendation and based on the response provided by the HUD Frequently Asked Questions regarding Section 3 reporting, specifically as noted in question 67, we believe we have complied with the guidance and will continue to coordinate our reporting as required for timely submissions of the report.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – State Compliance

Finding 12-11 Voucher Processing Needs Improvement

The Authority had inconsistent documentation to support its vouchers processed. During our testing of printing vouchers, we noted the following:

- 31 of 45 (69%) had purchase requisitions prepared and approved after invoices for goods and services were received.
- 9 of 45 (20%) had invoices that were not approved within 30 days of receipt.

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

- 1 of 13 (8%) had an invoice that was not approved within 30 days of receipt.

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

- 1 of 30 (3%) had an invoice that was not approved within 30 days of receipt.

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

Authority management stated due to a Director vacancy in the marketing department the staff was unfamiliar with the procurement policies and procedures for completing requisitions and accounts payable forms.

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

Recommendation

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

Authority Response

Authority management concurs with the recommendation and as of April 1, 2013 the Authority will provide a physical copy of the procurement policy in the new employee packet for a Department Director and any staff person whose job description states involvement in the procurement process. Annual training will be conducted for all staff that participates in the procurement process at the Authority to ensure compliance with procurement policies and procedures for completing purchase orders and accounts payable requests.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – State Compliance (Continued)

Finding 12-12 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.”

We conducted sample testing of the preparation and submission of the Form C-08s provided by the Trustee on behalf of the Authority. Based on the testing performed, we noted the 4 out of 6 (67%) tested were not submitted to the Office of the Comptroller in a timely manner.

According to SAMS Manual Procedure 31.30.20, agencies who utilize trustees as their “paying agent”, a Form C-08 should be prepared and submitted within 15 days of the agency’s receipt of the trustee’s monthly statements. To assist agencies which utilize trustees, a provision should be included in the trustee’s contracts which require them to send to the Office of the Comptroller the Notice of Payments directly when payments are made.

Authority management stated in certain instances, the trustee forwards the documents to the Authority without sending the documents to the Comptroller’s Office. This results in the Authority to forward the documentation to the Comptroller’s Office, which causes delays.

Untimely filing of the Form C-08s with the Office of the Comptroller results in noncompliance with SAMS procedures. (Finding Code No. 12-12)

Recommendation

We recommend that the Authority work with the Trustee to ensure all required forms are submitted to the Office of the Comptroller.

Authority Response

Authority management concurs with the recommendation and will work closely with the Trustee to ensure all required forms are submitted to the Office of the Comptroller timely.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Current Year Findings – State Compliance (Continued)

Finding 12-13 Financial Information Reported to the Office of the Comptroller Late

The Illinois Housing Development Authority (Authority), did not file all required financial information with the Office of the Comptroller by the required deadline of October 31, 2012.

During our audit, we noted that the Authority received a notification from the Office of the Comptroller on November 5, 2012 that the draft of the financial statements and footnotes as of June 30, 2012 were not submitted to the Office by the required deadline of October 31, 2012.

Pursuant to 15 ILCS 405/19.5, State agencies are required to report to the Comptroller, on or before October 31, 2012, all financial information deemed necessary to compile and publish the State of Illinois Comprehensive Annual Financial Report (CAFR).

Authority management stated that this was the first year a separate audit was required for the Illinois Housing Authority, LLC and this impacted the timing to submit the draft audit report and footnotes by the Authority in time to meet the October 31, 2012 deadline.

Delays are detrimental to the ability of the Office of the Comptroller to prepare financial reporting information in a timely manner and to subsequently publish the CAFR by December 31, 2012. (Finding Code No. 12-13)

Recommendation

We recommend that the Authority implement procedures to ensure all required financial information is filed within the Office of the Comptroller's required deadline.

Authority Response

Authority management concurs with the recommendation and now that the Authority is aware that a separate audit of the LLC may be required we can plan accordingly to issue draft financial statements and footnotes to the Office of the Comptroller by the October 31 reporting deadline.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Prior Findings Not Repeated

Government Auditing Standards

A. Inconsistencies in the Loan Monitoring and Loan Rating System

The Illinois Housing Development Authority (Authority) has inconsistencies in the process for monitoring problem loans and inconsistencies in rating loans that are deemed uncollectible in the multi-family loan program. (Finding Code Nos. 11-01, 10-02, 09-01, 08-02)

During the current year, the Authority made significant improvements in their process for monitoring problem loans. The dollar amount (\$12,000) of the error was significantly less than prior year. This will be reported in the immaterial finding letter as finding IM 12-01.

B. Duplicate Vendors in the Accounts Payable Master Vendor List

The Illinois Housing Development Authority's (Authority) accounts payable master vendor list has duplicate vendors. (Finding Code No. 11-03)

During the current year, the Authority implemented procedures to remove duplicate vendors from the accounts payable system.

Federal Compliance

C. Inadequate Monitoring of Section 3 Reports from Homeownership and Multifamily and Inadequate Procedures in Preparing Section 3 Summary Report of the Authority

The Authority has inadequate monitoring procedures of Section 3 Reports for the Homeownership Program and the Multifamily Program and did not adequately prepare the Section 3 Summary Report sent to HUD. (Finding Code No. 11-05)

During the current year, the Authority implemented procedures to prepare the Section 3 Summary Report sent to HUD.

D. Inadequate Sub-recipient Monitoring

The Authority did not properly monitor sub-recipients reporting requirements for the Home Investment Partnerships Program. (Finding Code No. 11-07)

During the current year, the Authority implemented procedures to monitor the reporting requirements of sub-recipients.

E. Miscalculation of Utility Allowance

The Authority did not use the proper effective date to calculate the utility allowance. (Finding Code No. 11-08)

During the current year, the Authority implemented procedures to ensure utility allowances are calculated accurately.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Prior Findings Not Repeated (Continued)

F. Inadequate Sub-recipient Monitoring

The Authority did not properly monitor subrecipients reporting requirements for the Neighborhood Stabilization Program. (Finding Code No. 11-10)

During the current year, the Authority implemented procedures to monitor the reporting requirements of sub-recipients.

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal grant/program title	CFDA number	Award amount	Due to (from) June 30, 2011	Revenue	Expense/ expenditure	Due to (from) HUD June 30, 2012
U.S. Department of Housing and Urban Development:						
Major programs:						
Section 8 Project-Based Cluster:						
Section 8 New Construction and Substantial Rehabilitation	14.182	\$ -	\$ -	\$ 126,466,027	\$ 126,466,027	\$ -
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856	-	261,027	7,689,033	7,531,045	419,015
Total Section 8 Project-Based Cluster		-	261,027	134,155,060	133,997,072	419,015
HOME Investment Partnerships Program	14.239	31,022,545	-	31,022,545	31,022,545	-
Interest Reduction Payments – Rental and Cooperative Housing for Lower Income Families	14.103	4,244,079	-	4,244,079	4,244,079	-
Neighborhood Stabilization Program	14.228	11,083,585	-	11,083,585	11,083,585	-
Nonmajor program:						
American Recovery and Reinvestment Act Tax Credit Assistance Program	14.258	1,528,859	-	1,528,859	1,528,859	-
U.S. Department of the Treasury:						
Nonmajor program:						
National Foreclosure Mitigation Counseling Program	21.000	2,347,913	-	2,347,913	2,347,913	-
Total		<u>\$ 50,226,981</u>	<u>\$ 261,027</u>	<u>\$ 184,382,041</u>	<u>\$ 184,224,053</u>	<u>\$ 419,015</u>

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

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

(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, 2012 of \$419,015 is included in the business-type activities Administrative Fund with accrued liabilities and other on the Authority's Statement of Net Assets.

(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 \$11,871,780 in grant expenditures. The amount of HOME loans disbursed during the year ended June 30, 2012 is \$20,801,783. The amount of HOME loans outstanding at June 30, 2012 is \$232,112,385.

Expense/Expenditure

Amounts reported as expenses on this schedule include approximately \$6,958,000 in administrative fees retained by the Authority.

Subrecipients

The following amounts were passed through to subrecipients during the year ended June 30, 2012:

<u>CFDA number</u>	<u>Subrecipient Amount</u>
14.182 and 14.856	\$ 133,997,072
14.239	31,022,545
14.258	1,528,859
14.103	4,244,079
14.228	11,083,585
21.000	<u>2,347,913</u>
	<u>\$ 184,224,053</u>

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Fiscal Schedules and Analysis Section

Supplementary Information for State Compliance Purposes

Year Ended June 30, 2012

Summary

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

- Fiscal Schedules and Analysis Section:
 - 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
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Schedule 1

Fiscal Schedules and Analysis Section
 Comparative Schedule of Cash Receipts
 Years Ended June 30, 2012 and 2011

	2012	2011
Administrative Fund:		
Cash received from:		
Interest from program loans	\$ 3,877,931	\$ 4,104,486
Service fees from program loans	13,989,518	10,527,381
Principal from program loans	<u>6,880,893</u>	<u>4,652,802</u>
	24,748,342	19,284,669
Proceeds from federal assistance programs	136,700,053	135,940,122
Proceeds from sale of revenue bonds and notes	27,670,000	-
Interest on investments	4,803,654	428,023
Interest on escrow deposits	58,989	454,479
Proceeds from sales and maturities of investment securities	252,843,290	908,415,604
Transfer of funds from single family program funds	8,836	-
Other	<u>18,922,211</u>	<u>30,795,082</u>
Total	<u>\$ 465,755,375</u>	<u>\$ 1,095,317,979</u>
Mortgage Loan Program Fund – Housing Bonds:		
Cash received from:		
Interest from program loans	\$ 22,894,718	\$ 24,668,964
Principal from program loans	<u>29,755,678</u>	<u>35,764,294</u>
	52,650,396	60,433,258
Proceeds from federal assistance programs	3,855,065	3,589,585
Interest on investments	1,444,413	603,962
Proceeds from sales and maturities of investment securities	249,516,894	251,118,545
Other	<u>5,673,317</u>	<u>5,077,556</u>
Total	<u>\$ 313,140,085</u>	<u>\$ 320,822,906</u>

(Continued)

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Fiscal Schedules and Analysis Section
Comparative Schedule of Cash Receipts (Continued)
Years Ended June 30, 2012 and 2011

Schedule 1

	2012	2011
Single Family Program Fund:		
Cash received from:		
Interest from program loans	\$ 20,092,223	\$ 23,139,265
Principal from program loans	81,052,824	94,783,615
Receipts for real estate held for sale	<u>2,456,770</u>	<u>9,572,411</u>
	103,601,817	127,495,291
Interest on investments	10,805,574	5,191,221
Proceeds from sale of revenue bonds	67,809,245	46,001,277
Proceeds from sales and maturities of investment securities	2,823,402,294	3,768,577,452
Transfer of funds from administrative funds	<u>878,170</u>	<u>496,057</u>
Total	<u><u>\$ 3,006,497,100</u></u>	<u><u>\$ 3,947,761,298</u></u>
Illinois Affordable Housing Trust Fund:		
Cash received from:		
Interest on investments	\$ 1,567	\$ 23,914
Grant from State of Illinois	<u>12,623,698</u>	<u>10,632,537</u>
Total	<u><u>\$ 12,625,265</u></u>	<u><u>\$ 10,656,451</u></u>
Mortgage Loan Program Fund – Affordable Housing Program Trust		
Fund Bonds:		
Cash received from:		
Interest from program loans	\$ 1,147,404	\$ 1,356,428
Principal from program loans	<u>44,694</u>	<u>12,203,866</u>
	1,192,098	13,560,294
Interest on investments	71,205	71,140
Transfer of fund from Illinois Affordable Housing Trust Fund	5,200,000	5,200,000
Proceeds from sales and maturities of investment securities	106,410,118	73,394,914
Other	<u>-</u>	<u>3,530</u>
Total	<u><u>\$ 112,873,421</u></u>	<u><u>\$ 92,229,878</u></u>

(Continued)

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
 Fiscal Schedules and Analysis Section
 Comparative Schedule of Cash Receipts (Continued)
 Years Ended June 30, 2012 and 2011

Schedule 1

	2012	2011
HOME Program Fund:		
Cash received from:		
Interest from program loans	\$ 2,071,263	\$ 1,712,132
Principal from program loans	2,266,789	1,973,357
Other	162,033	81,675
	<u>4,500,085</u>	<u>3,767,164</u>
Interest on investments	5,509	8,738
Federal HOME Funds	31,022,545	21,943,446
	<u>31,022,545</u>	<u>21,943,446</u>
Total	<u>\$ 35,528,139</u>	<u>\$ 25,719,348</u>
Mortgage Loan Program Fund – Multi-Family Housing Revenue		
Bonds (Marywood):		
Cash received from:		
Loan from Administrative funds for interest payment	\$ -	\$ 744,749
Interest from foreclosed property interest	6,935,811	-
	<u>6,935,811</u>	<u>-</u>
Total	<u>\$ 6,935,811</u>	<u>\$ 744,749</u>

(Continued)

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Fiscal Schedules and Analysis Section
Comparative Schedule of Cash Receipts (Continued)
Years Ended June 30, 2012 and 2011

Schedule 1

	2012	2011
Mortgage Loan Program Fund – Multi-Family Bonds (Turnberry):		
Cash received from:		
Interest from program loans	\$ 288,912	\$ 221,961
Principal from program loans	67,475	45,802
Other	-	519
	<u>356,387</u>	<u>268,282</u>
Interest on investments	4	295
Proceeds from sales and maturities of investment securities	<u>128,994</u>	<u>560,004</u>
Total	<u>\$ 485,385</u>	<u>\$ 828,581</u>
Rental Housing Support Program Fund:		
Cash received from:		
Interest on investments	\$ 35,017	\$ 101,641
Grant from State of Illinois	<u>20,973,148</u>	<u>9,976,160</u>
Total	<u>\$ 21,008,165</u>	<u>\$ 10,077,801</u>
Mortgage Loan Program Fund – Multifamily Initiative Bonds:		
Cash received from:		
Interest from program loans	\$ 2,354,069	\$ 1,560,325
Principal from program loans	9,510,310	38,672
Other	<u>33,589</u>	<u>14,114</u>
	11,897,968	1,613,111
Interest on investments	5,874	123,985
Proceeds from sale of revenue bonds	121,550,000	62,530,000
Proceeds from sales and maturities of investment securities	<u>515,601,869</u>	<u>2,514,542,247</u>
Total	<u>\$ 649,055,711</u>	<u>\$ 2,578,809,343</u>
ARRA Fund		
Cash received from:		
Federal ARRA funds	<u>\$ 70,232,364</u>	<u>\$ 230,215,074</u>
Total	<u>\$ 70,232,364</u>	<u>\$ 230,215,074</u>

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Fiscal Schedules and Analysis Section
Schedule of Changes in Authority Property
Year Ended June 30, 2012

Schedule 2

Description	Balance at June 30, 2011	Additions	Depreciation and amortization expense	Retirements	Balance at June 30, 2012
Real estate	\$ 41,224,690	\$ 289,006	\$ -	\$ -	\$ 41,513,696
Accumulated depreciation – real estate	(14,211,000)	-	(800,000)	-	(15,011,000)
Furniture and equipment	77,059	51,515	-	(5,330)	123,244
Accumulated depreciation – furniture and equipment	(61,195)	-	(13,004)	5,330	(68,869)
Computer equipment	114,040	137,544	-	-	251,584
Accumulated depreciation – computer equipment	(95,395)	-	(12,369)	-	(107,764)
Computer software	1,536,531	58,729	-	-	1,595,260
Accumulated amortization - computer software	(1,447,331)	-	(42,341)	-	(1,489,672)
Leasehold improvements	-	18,370	-	-	18,370
Accumulated amortization - leasehold improvements	-	-	(3,833)	-	(3,833)
	<u>\$ 27,137,399</u>	<u>\$ 555,164</u>	<u>\$ (871,547)</u>	<u>\$ -</u>	<u>\$ 26,821,016</u>

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

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Fiscal Schedules and Analysis Section

Furniture, Equipment, and Leasehold Improvements

Schedule 3

Year Ended June 30, 2012

The Authority leases office facilities under a lease which extends through July 31, 2016, which 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 Authority leased additional office space for the administration of the Hardest Hit Fund (“HHF”) program and moved HHF staff into the new building on July 5, 2011. This establishes a second office location for the Authority at 122 S. Michigan Avenue.

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 \$106,911 were expensed during fiscal year 2012. 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.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Fiscal Schedules and Analysis Section

Analysis of Significant Account Balances

Schedule 4

Year Ended June 30, 2012

Cash and investments of the Authority's proprietary funds decreased \$33.8 million from June 30, 2011 to \$916.7 million at June 30, 2012. This decrease 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 \$39.4 million.
- (b) Interest received on investments and transfers in (net) totaled \$22.3 million.
- (c) Other receipts totaled \$16.3 million.
- (d) Payments for loan originations totaled \$37.8 million.
- (e) Payments of bond principal exceeded proceeds of bond issuances by \$57.1 million.

Net program loans receivable of the Authority's proprietary funds decreased approximately \$104.0 million during fiscal year 2012. This decrease is attributable to decreases in the Authority's Single Family Program Fund (\$91.4 million), Mortgage Loan Program Funds (\$11.4 million) and the Administrative Fund (\$1.2 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 assets of the Authority's governmental activities increased \$98.4 million from the June 30, 2011 balance from increases in the Federal HOME program due to the conversion of grant revenues to program loans receivable and grant receipts in the Hardest Hit Fund, Build Illinois Bond Program and Nonmajor Governmental Funds. There are no net assets for the Authority's other two 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 \$20.5 million primarily due to the Federal HOME program. Cash and investments increased by \$79.6 million, due primarily to increased Hardest Hit Fund and Build Illinois Bond program revenues. State statute and federal regulations restrict the use of governmental funds to program activities.

At June 30, 2012, total outstanding bonds and notes payable were approximately \$57.1 million below the prior fiscal year-end. Issuance of the following bonds and notes (with a balance outstanding at June 30, 2012) occurred during fiscal year 2012:

	<u>June 30, 2012</u>
	(In millions)
Housing Revenue Bonds, 2011 Series 1A, 1B & 1C	\$ 67.6
Multifamily Initiative Bonds, Series 2009D, E, F, G, H, I & J	121.5
Federal Home Loan Bank Advances	27.7

The Authority redeemed \$99.4 million of various Single Family Program Fund Bonds and \$167.8 million of Mortgage Loan Program Bonds during the fiscal year.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Fiscal Schedules and Analysis Section

Analysis of Significant Account Balances (Continued)

Schedule 4

Year Ended June 30, 2012

As of June 30, 2012, the Authority had the following debt outstanding (net of unamortized discount and deferred loss on refunding, thereon):

	Number of outstanding issues	Balance June 30, 2012
		(In millions)
Housing Bonds	32	\$ 371.0
Multifamily Initiative Bonds	9	174.7
HUD Riskshare Debenture (Marywood)	1	14.9
Multifamily Bonds (Turnberry II)	1	4.9
Affordable Housing Program Trust Fund Bonds	2	57.3
Total Mortgage Loan Program Fund	45	622.8
Residential Mortgage Revenue Bonds	7	0.3
Homeowner Mortgage Revenue Bonds	26	795.5
Housing Revenue Bonds	3	65.1
Total Single Family Program Fund	36	860.9
Administrative Fund	3	27.7
Total Proprietary Funds	84	\$ 1,511.4

Deposits held in escrow increased \$4.7 million, due to additions in funding levels related to the implementation of programs within the Federal ARRA Fund and Treasury Program. Capital assets decreased approximately \$200 thousand primarily due to depreciation of Lakeshore Plaza. A portion of the Authority's Administrative Funds Unrestricted Net Assets have been designated by resolution. Net assets designated by resolution of the Authority (\$100.0 million) changed from the amount designated as of June 30, 2011. The Members of the Authority have designated \$45 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, \$30 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.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Fiscal Schedules and Analysis Section

Analysis of Significant Variations in Revenue and Significant

Schedule 5

Variations in Expenditures/Expenses

Year Ended June 30, 2012

Proprietary Funds

Interest earned on program loans decreased by \$7.8 million, or 12.1% due to decreases within the Authority's Mortgage Loan Program Fund (\$1.1 million), Single Family Program Fund (\$6.5 million) and the Administrative Fund (\$0.2 million). 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, 2012 in the Single Family Program Fund were \$91.4 million below the prior year-end amounts, which resulted in the decline in interest earned on program loans. 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 2011. Investment income increased \$11.3 million, or 188.3% due to higher yields on investments.

Interest expense decreased \$3.2 million, or 5.3% due to decreased expenses within the Mortgage Loan (\$0.6 million) and Single Family (\$2.7 million) Program Funds.

Operating expenses, other than interest expense and federal assistance programs, increased approximately \$22.8 million. The major components of the change were:

- a. A \$1.4 million (9.2%) decrease in salaries and benefits primarily due to timing of hiring staff and compensation levels, partially offset by higher allocations of these costs to governmental programs, the administration for which the Authority is reimbursed. Gross salary and benefit expenses (before allocations and deferrals) increased \$1.9 million or 10.6%. The average number of full-time equivalent employees for fiscal years 2009 through 2012 is listed in the Analysis of Operations Average Number of Employees section of this report.
- b. A \$0.3 million (37.5%) decrease in professional fees primarily due to decreased legal fees and expenses.
- c. A \$0.1 million (20.5%) increase in general and administrative expenses due to increases in a number of Administrative Fund accounts.
- d. A \$1.6 million (94.1%) increase in financing costs due to increased costs within the Single Family Program Fund for higher trustee administration costs.
- e. A \$16.5 million increase 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 \$4.9 million increase in program grant expenses due to higher funding requirements and down payment assistance.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Fiscal Schedules and Analysis Section

Analysis of Significant Variations in Revenue and Significant

Schedule 5

Variations in Expenditures/Expenses (Continued)

Year Ended June 30, 2012

Governmental Activities

Total revenues of the Authority's governmental activities decreased \$29.1 million from the prior year, primarily due to lower revenues in the ARRA Fund (\$160.0 million) and the Non-major Governmental Funds (\$2.7 million), partially offset by increases in the Illinois Affordable Housing Trust Fund (\$2.9 million), HOME Program (\$8.7 million), Rental Housing Support Program (\$11.0 million), Hardest Hit Fund (\$76.8 million) and Build Illinois Bond Program Fund (\$34.2 million).

Total expenses of the Authority's governmental activities decreased \$61.1 million from the prior year, primarily due to decreases in the ARRA Fund (\$118.3 million) and the Non-major Governmental Funds (\$5.7 million), partially offset by increases in the Illinois Affordable Housing Trust Fund (\$2.9 million), HOME Program (\$2.8 million), Rental Housing Support Program (\$11.0 million), Hardest Hit Fund (\$40.8 million) and Build Illinois Bond Program Fund (\$5.3 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 Mortgage Loan Program Fund.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Fiscal Schedules and Analysis Section

Analysis of Administrative Costs

Year Ended June 30, 2012

Schedule 6

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

<u>Description</u>	<u>2012</u>	<u>2011</u>
Employee holiday reception	<u>\$ 1,503</u>	<u>\$ 4,751</u>

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Schedule 7

Fiscal Schedules and Analysis Section
 Description of Cash Accounts
 Year Ended June 30, 2012

The Authority's cash and cash equivalents for proprietary funds at June 30, 2012 were maintained in bank accounts, as follows:

Administrative Fund:

The Northern Trust Company – HUD Section 8 Depository	\$ 557,771
Bank of America	20,878,809
Bank of New York	173,046,979
Chase Bank	<u>18,999,393</u>
Total Administrative Fund	<u>213,482,952</u>

Mortgage Loan Program Fund:

Housing Bonds:	
Bank of New York	3,160,392
Multifamily Initiative Bonds:	
Bank of New York	32,982,693
Multifamily Bonds (Turnberry):	
Bank of New York	261,337
Affordable Housing Program Trust Fund Bonds:	
Bank of New York	<u>13,553,657</u>
Total Mortgage Loan Program Fund	<u>49,958,079</u>

Single Family Program Fund:

Homeowner Mortgage Revenue Bonds:	
Bank of New York	15,149,324
Residential Mortgage Revenue Bonds:	
Bank of New York	761
Housing Revenue Bonds:	
Bank of New York	<u>348,372</u>
Total Single Family Program Fund	<u>15,498,457</u>

Illinois Housing Authority, LLC

PNC Bank	<u>1,067,007</u>
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Total Proprietary Funds	<u><u>\$ 280,006,495</u></u>
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**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Fiscal Schedules and Analysis Section

Year Ended June 30, 2012

Description of Investments

Schedule 8

The fair value of investments for the Authority's governmental and proprietary funds at June 30, 2012 are delineated by type, as follows:

<u>Type</u>	<u>Fair value</u>
Demand Repurchase Agreements	\$ 6,497,261
United States Agency Obligations	413,351,915
United States Government Obligations	<u>251,279,038</u>
	<u>\$ 671,128,214</u>

Affordable Housing Trust Fund

Schedule 9

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, 2012, total funds held were \$14,212,717, which consisted of cash held by the Authority escrow agent for pending disbursement of loans and grants.

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
 Fiscal Schedules and Analysis Section
 Schedule of Federal and Nonfederal Expenses
 Year Ended June 30, 2012

Schedule 10

	Amount	Percent
Federal expenditures (A)	\$ 184,224,053	43%
Nonfederal expenditures/expenses	<u>245,154,727</u>	<u>57%</u>
Total expenditures/expenses	429,378,780	<u><u>100%</u></u>
Less: Amount representing loans	<u>(16,964,818)</u>	
Total expenses (B)	<u><u>\$ 412,413,962</u></u>	

Source:

- (A) Schedule of Expenditures of Federal Awards
- (B) Statement of Activities for the year ended June 30, 2012

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Analysis of Operations Section (Unaudited)

Year Ended June 30, 2012

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 272 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.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Analysis of Operations Section (Unaudited)

Year Ended June 30, 2012

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 \$24.8 million for federal fiscal years 1992 through 2011 and 2012, 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 three Risk Sharing Loans totaling \$309,446,699 and elected that HUD assume 10% to 90% of the loss with respect to these loans. Eleven of these loans totaling \$67,412,699 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 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 2012, 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.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Analysis of Operations Section (Unaudited)

Year Ended June 30, 2012

With respect to certain outstanding debt, which as of June 30, 2012 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.

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Analysis of Operations Section (Unaudited)

Year Ended June 30, 2012

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Financial and computer services	44	44	45	47
Human resources, administration, and legal	36	28	29	28
Director's office and housing programs	<u>192</u>	<u>149</u>	<u>138</u>	<u>127</u>
Total	<u><u>272</u></u>	<u><u>221</u></u>	<u><u>212</u></u>	<u><u>202</u></u>

The average number of full-time employees of 272 in fiscal year 2012 was 23% above the fiscal year 2011 average primarily from increases in staffing of the Hardest Hit Fund and Legal departments.

Emergency Purchases

The Authority had no emergency purchases during the year ended June 30, 2012.

Summary Production Data

Unit production for fiscal year 2012 was 5,179 units, and total production since Authority inception was 213,685 units.

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

**STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

Analysis of Operations Section (Unaudited)

Year Ended June 30, 2012

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, 2012

(Unaudited)

<u>Portfolio</u>	<u>Active</u>		<u>No Longer Active (3)</u>		<u>Total</u>	
	<u>Developments</u>	<u>Units</u>	<u>Developments</u>	<u>Units</u>	<u>Developments</u>	<u>Units</u>
Multi-family Programs	1,306	103,242	365	23,121	1,671	126,363
Single Family Programs (1)	431	5,420	810	21,905	1,241	27,325
Technical Assistance	3	400	66	1,113	69	1,513
MCC & MRB (2)	n/a	58,484	n/a	n/a	n/a	58,484
Totals	<u>1,740</u>	<u>167,546</u>	<u>1,241</u>	<u>46,139</u>	<u>2,981</u>	<u>213,685</u>

(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, 2012

(Unaudited)

<u>Percent of Area Median Income</u>	<u>Multi-Family and Single Family Programs</u>	<u>MCC and MRB (1) (2)</u>	<u>Total</u>
Less than 30%	4,235	604	4,839
31% – 50%	55,703	7,353	63,056
51% – 80%	80,199	25,229	105,428
81% – 100%	n/a	14,745	14,745
101% – 120%	78	6,685	6,763
Greater than 121% or Market	<u>14,986</u>	<u>3,868</u>	<u>18,854</u>
Totals	<u>155,201</u>	<u>58,484</u>	<u>213,685</u>

(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, 2012

(Unaudited)

Region (1)	Programs				Total Developments
	Multi-Family	Single Family	Technical Assistance	MCC & MRB (2)	
Central	6,632	1,118	-	4,123	11,873
East Central	3,426	586	-	2,676	6,688
North Central	6,054	2,120	-	4,998	13,172
Northeast	86,190	6,756	13	29,572	122,531
Northern Stateline	3,762	750	-	3,703	8,215
Northwest	7,142	1,819	-	3,543	12,504
Southeastern	2,062	861	-	1,395	4,318
Southern	3,117	4,654	-	1,915	9,686
Southwestern	4,236	3,260	-	4,393	11,889
West Central	2,309	1,247	-	2,166	5,722
Statewide	1,433	4,154	1,500	-	7,087
Total	126,363	27,325	1,513	58,484	213,685

(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