STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Compliance Examination

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

June 30, 2015

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

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Year ended June 30, 2015

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

Agency Officials

Executive Director	Audra Hamernick – effective February 22, 2016 Bryan E. Zises (Acting) – September 19, 2015 to January 15, 2016 Mary R. Kenney – March 28, 2011 to September 18, 2015
Assistant Executive Director / Chief of Staff	Vacant – effective January 15, 2016 Bryan E. Zises – May 23, 2011 to January 15, 2016
General Counsel	Maureen G. Ohle
Chief Financial Officer	Nandini Natarajan
Controller	Ronald Gajos (Acting) – effective March 8, 2016 Michele Williams – May 19, 2010 to March 7, 2016

Agency Officials are located at:

401 North Michigan Avenue, Suite 700
Chicago, Illinois 60611

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

March 21, 2016

KPMG LLP
200 East Randolph Street, Suite 5500
Chicago, Illinois 60601

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Housing Development Authority (the Authority). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following assertions during the year ended June 30, 2015. Based on this evaluation, we assert that during the year ended June 30, 2015, 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. State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

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

Yours truly,

Illinois Housing Development Authority

Audra Hamernik

Audra Hamernik, Executive Director

Natarajan

Nandini Natarajan, Chief Financial Officer

Maureen G. Ohle, General Counsel / Assistant Secretary

Ronald J. Gajos

Ronald J. Gajos, Acting Controller

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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Compliance Report Summary

Year ended June 30, 2015

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

Accountants' Report

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

Summary of Findings

Number of	Current report	Prior report
Findings	14	11
Repeated findings	7	2
Prior recommendations implemented or not repeated	4	8

Details of findings are presented in this report.

Schedule of Findings and Questioned Costs

Findings (*Government Auditing Standards*)

Item No.	Page	Description	Finding Type
2015-001	18	Inaccurate Financial Reporting	Material weakness
2015-002	21	Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process	Material weakness
2015-003	25	Duplicate Vendors in the Accounts Payable Master Vendor File	Significant deficiency

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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Compliance Report Summary

Year ended June 30, 2015

Findings (*Federal Compliance*)

Item No.	Page	Description	Finding Type
2015-004	27	Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards	Noncompliance and material weakness
2015-005	30	Unsupported Amounts in Section 8 Financial Reports	Scope limitation and material weakness
2015-006	33	Failure to Follow Established Subrecipient Monitoring Procedures for the HOME Investment Partnership Program	Noncompliance and significant deficiency
2015-007	35	Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program	Noncompliance and significant deficiency
2015-008	38	Inadequate Review of OMB Circular A-133 Audit Reports	Noncompliance and significant deficiency
2015-009	41	Failure to Notify Subrecipients of Federal Funding	Noncompliance and significant deficiency
2015-010	43	Failure to Follow Established Subrecipient Monitoring Procedures for the Community Development Block Grant Cluster Program	Noncompliance and significant deficiency

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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Compliance Report Summary

Year ended June 30, 2015

Findings (*State Compliance*)

Item No.	Page	Description	Finding Type
2015-011	45	Expenditures Reported in the Incorrect Accounting Period	Noncompliance and significant deficiency
2015-012	47	Delinquent Bond Reporting	Noncompliance and significant deficiency
2015-013	49	Incorrect Information Reported on the Agency Workforce Report	Noncompliance and significant deficiency
2015-014	51	Inadequate Controls Over Information Systems Password Controls	Noncompliance and significant deficiency

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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Compliance Report Summary

Year ended June 30, 2015

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

Item No.	Page	Description	Finding Type
2015-001	18	Inaccurate Financial Reporting	Noncompliance and material weakness
2015-002	21	Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process	Noncompliance and material weakness
2015-003	25	Duplicate Vendors in the Accounts Payable Master Vendor File	Noncompliance and significant deficiency

Prior Year Findings Not Repeated (*Government Auditing Standards*)

Item No.	Page	Description	Finding Type
A	52	Inaccurate Recording of Grant Revenue	Material weakness

Prior Year Findings Not Repeated (*Federal Compliance*)

Item No.	Page	Description	Finding Type
B	52	Failure to Report Subaward Information Required by FFATA	Noncompliance and significant deficiency

Prior Year Findings Not Repeated (*State Compliance*)

Item No.	Page	Description	Finding Type
A	52	Inaccurate Recording of Grant Revenue	Noncompliance and material weakness
C	52	Inadequate Monitoring of Cash Collateralization Requirements	Noncompliance and significant deficiency
D	52	Improper Calculation of Payroll Adjustments	Noncompliance and significant deficiency

(Continued)

Exit Conference

The federal and state compliance findings and recommendations appearing in this report were discussed with Authority personnel at an exit conference on March 17, 2016. Attending were:

Illinois Housing Development Authority

Audra Hamernik	Executive Director
Nandini Natarajan	Chief Financial Officer
Kevin O'Connor	Chief Internal Auditor
Maureen Ohle	General Counsel
Kathy Finn	Deputy General Counsel
Ronald Gajos	Acting Controller

KPMG LLP

Catherine Baumann	Partner
Jason Rosheisen	Senior Manager
Andrew Balsley	Manager

Illinois Office of the Auditor General

Thomas L. Kizziah	Audit Manager

The responses to the findings were received in an email dated March 17, 2016 from Ronald Gajos, Acting Controller.

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

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

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

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Housing Development Authority's 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, 2015. The management of the Illinois Housing Development Authority (the Authority) is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

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

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

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

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2015. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 2015-001 through 2015-003 and 2015-011 through 2015-014.

Internal Control

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Authority's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2015-001 and 2015-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2015-003 and 2015-011 through 2015-014 to be significant deficiencies.

There were no immaterial findings that have been excluded from this report.

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 (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 16, 2015, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 16, 2015.

The accompanying supplementary information for the year ended June 30, 2015 in Schedules 1 through 10 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2015 in Schedules 1 through 10 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2015 in Schedules 1 through 10 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Authority's basic financial statements as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated November 26, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 10 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, 2014 financial statements. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 10 has been subjected to the auditing procedures applied in the audit of the June 30, 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 10 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

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

This report is intended solely for the information and use of the Illinois Auditor General, the Illinois General Assembly, the Illinois Legislative Audit Commission, the Governor of the State of Illinois, Authority management, the Board of Directors of the Authority, others within the Authority, and 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.

KPMG LLP

Chicago, Illinois
March 21, 2016

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

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 Board of Directors
Illinois Housing Development Authority:

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2015-001 and 2015-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2015-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Chicago, Illinois
December 16, 2015

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

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

Report on Compliance for Each Major Federal Program

We have audited the Illinois Housing Development Authority's (the Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2015. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Qualified Opinion on Section 8 Project-Based Cluster Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Authority with CFDA 14.182/14.856 Section 8 Project-Based Cluster program as described in finding number 2015-005 for Reporting, because the Authority was unable to provide documentation supporting amounts reported in key line items on required financial reports. Consequently, we were unable to determine whether the Authority complied with the requirements applicable to that program.

Qualified Opinion on Section 8 Project-Based Cluster Program

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 Project-Based Cluster Program for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 2015-004 and 2015-006 through 2015-010. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-006 through 2015-010 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, a component unit of the State of Illinois, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 16, 2015, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 16, 2015. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Chicago, Illinois
March 21, 2016

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified opinions			
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:
Scope Limitation for Section 8 Project-Based Cluster program
Unmodified for HOME Investment Partnerships program

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

Identification of Major Programs

CFDA number(s)	Name of federal program or cluster
14.182 and 14.856	Section 8 Project-Based Cluster
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs:	$3,000,000			
Auditee qualified as low-risk auditee?		Yes	✓	No

Current Findings – *Government Auditing Standards*

Finding 2015-001 Inaccurate Financial Reporting

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the financial reporting process.

During our audit of the financial statements as of June 30, 2015, we noted the following:

- The Funds held by State Treasurer in the Home Program Fund balance sheet, which is also included in the governmental activities statement of net position, was overstated by $11,613,795 as of June 30, 2015 as program income payouts/withdrawals were being recorded within the general ledger as a credit to federal funds revenue rather than as a credit to Funds held by State Treasurer. This general ledger error occurred in fiscal years 2013 and 2014. An adjustment was made by the Authority to adjust the July 1, 2014 beginning fund balance of the Home Program Fund and the beginning net position of the governmental activities by $11,613,795.

- The Authority correctly recorded $5,200,000 of receipts related to fiscal year 2016 as unearned revenue within the Mortgage Loan Program Fund. However, the Authority also incorrectly recorded the $5,200,000 as both unearned revenue and an other asset within the Illinois Affordable Housing Trust Fund. An adjustment was made by the Authority to remove the $5,200,000 recorded as unearned revenue and as an other asset within the Illinois Affordable Housing Trust Fund.

- The Authority incorrectly recorded $11,160,954 of unearned revenue as a current liability in the Administrative Fund. However, $8,388,583 of the unearned revenue represented a noncurrent liability. An adjustment was made by the Authority to record $8,388,583 of unearned revenue as a noncurrent liability.

- The Authority incorrectly recorded an Illinois Affordable Housing Trust Fund loan payment received during fiscal year 2015 as a liability within the Administrative Fund. As a result, program loans receivable for the Illinois Affordable Housing Trust Fund were overstated by $250,000, and accrued liabilities and other for the Administrative Fund were overstated by $250,000. A proposed adjustment for this difference was recorded by the Authority.

- The Authority did not record updated financial information for Renaissance Apartments, which is included within the IHDA Dispositions LLC Fund. Preliminary financial statements for the year ended June 30, 2015 for Renaissance Apartments were provided to the Authority by its property manager in July 2015, however, these preliminary financial statements were subsequently updated and the IHDA Dispositions LLC Fund activity was not updated for the final financial statements. Proposed adjustments for the differences between the preliminary financial statements and the final financial statements were recorded by the Authority.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately record financial transactions and accurately prepare financial statements.

Authority management stated they reasonably believed the recording of the $5.2 million receipts as both unearned revenue and as an other asset in the Illinois Affordable Housing Trust Fund to be justified since it related to the certification by the Authority to the Illinois Department of Revenue for debt service to be paid on the Affordable Housing Trust Fund Bonds during fiscal year 2016, although the funds were received in fiscal year 2015. The reclassification of approximately $8.4 million of unearned revenue to a noncurrent liability was due to an oversight of certain fees with time related conditions. The $11.6 million Home Program Fund adjustment related to staff error, and a subsequent oversight of the reported cash balance of Funds held by State Treasurer as reported within the Authority’s GAAP package during the reconciliation process with the Illinois Department of Revenue. The $250,000 loan payment was received in June 2015 and held pending a final loan modification agreement. The Authority relied on financial statements as submitted by Renaissance Apartments during our fiscal year end close in July 2015 and we were notified on November 17, 2015 of revised statements which was approximately 4 months after the closing of the Authority’s books on July 31, 2015 and subsequent to the Authority submitting its financial audit report to the external auditors on September 2, 2015.

Failure to accurately record financial transactions results in the misstatement of the Authority’s financial statements. (Finding Code 2015-001)

Recommendation:

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

Authority Response:

Authority management concurs with the recommendation. We note that current accounting policies and procedures address reviewing accounts during the close process to ensure transactions are properly recorded in the general ledger, and that the discrepancies noted were reasonably believed to be recorded correctly. An additional review of final general ledger balances will occur with executive staff prior to submission of the audit draft report to ensure all transactions have been accurately reported in the financial statements. As to the specific HOME program finding, we note that the process used in 2013 and 2014 for recording HOME program income/payout transactions as received from the loan servicing subsidiary ledger into the general ledger has been changed from a manual journal entry process to an automated entry from the servicing subsidiary ledger to the correct general ledger account and that this change in process was recently tested for accuracy by the Accounting department. With regards to the Trust Fund loan repayment, we note that the Loan and Portfolio Management Department ("LPM") held funds pending receipt of an executed final loan modification agreement and that LPM has developed new policies and procedures to ensure loan payments continue to be applied to the loan while the loan is pending a workout resolution. Authority management will continue its financial and compliance due diligence of properties owned by the LLC to achieve accuracy of the information reported until such time as disposition can be achieved.

Finding 2015-002 Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process

The Illinois Housing Development Authority (Authority) was unable to support the historical detail assumptions used in its allowance for loan loss calculation for both the single family loan programs and the multi-family loan programs. Additionally, the Authority has not established adequate internal controls over updating loan ratings with current information, documenting the rationale for certain loan ratings, and ensuring the allowance for loan loss is properly calculated and presented in its financial statements.

During our audit, we reviewed the allowance for loan loss methodology for the single family loan program and the multi-family loan program and noted that the Authority could not produce an analysis supporting the rationale for its calculation of the loan loss reserve factors for the single family loan program (probability of default) or the multi-family loan program (probability of default and expected loss) that are used in its allowance for loan loss calculation and has not recently performed an analysis to further substantiate the ongoing appropriateness of the metrics' used in the allowance for loan loss estimate. The Authority has not documented how the loan loss reserve factors have been historically calculated and over what period the probability of default is measured. Further, the Authority did not perform back-testing (typically performed on at least an annual basis) on its allowance for loan loss estimates for either the single family loan program or the multi-family loan program to determine whether the allowance for loan loss produces estimates that have been historically sufficient to cover incurred losses over a period of time that aligns with the period used to estimate the probability of default values.

Additionally, during our testing of 41 multi-family loan relationships risk ratings (62 loans) as of June 30, 2015, we noted differences in the ratings determined by the Authority on their loan rating scale compared to our independent ratings determined during our review. We found the Authority's risk ratings to be reasonable on 27 of the 41 relationships (41 of the 62 loans) and we found the Authority's risk ratings to be unreasonable for 14 of the 41 relationships (21 of the 62 loans). These loan rating differences are primarily attributable to the Authority's application of various aspects of their allowance for loan loss rating policy and the timing of updating the loan risk ratings by the Authority.

The following differences in loan ratings are attributable to the Authority's application of various aspects of their allowance for loan loss rating policy:

- Six differences in Housing Trust Fund loan ratings resulted in an under reserve of $1,131,263 and one difference in a Housing Trust Fund loan rating resulted in an over reserve of $55,550 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was not recorded by the Authority.

- Two differences in Home loan ratings resulted in an under reserve of $1,021,499 for the Home Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

- Two differences in Administrative loan ratings resulted in an under reserve of $536,395 for the Administrative Fund. A proposed adjustment for this difference was not recorded by the Authority.

(Continued)

- One difference in a Housing Bonds loan rating resulted in an over reserve of $81,615 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

- Two differences in a Trust Fund Bond loan ratings resulted in an under reserve of $505,148 for the Mortgage Loan Program Fund. A proposed adjustment for these differences was not recorded by the Authority.

The following differences in loan ratings are attributable to the timing of updating the loan risk ratings by the Authority:

- One difference in a Housing Trust Fund loan rating resulted in an under reserve of $9,000 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for this difference was not recorded by the Authority.
- One difference in a Home loan rating resulted in an under reserve of $119,800 and one difference in a Home loan rating resulted in an over reserve of $15,207 for the Home Program Fund. A proposed adjustment for these differences was not recorded by the Authority.
- One difference in a Community Development Block Grant loan rating resulted in an over reserve of $83,780 for the Nonmajor Government Funds. A proposed adjustment for this difference was not recorded by the Authority.
- One difference in a Housing Bonds loan rating resulted in an under reserve of $51,372 and two differences in Housing Bonds loan ratings resulted in an over reserve of $39,803 for the Mortgage Loan Program Fund. A proposed adjustment for these differences was not recorded by the Authority.

Additionally, there were six additional loans where our testing indicated that the Authority had approved updated loan ratings for loan conditions existing as of year-end; however, the Authority did not update the loan rating used to calculate the related loan reserves as of year-end. This resulted in the following differences:

- Two differences in Housing Trust Fund loan ratings resulted in a net over reserve of $58,500 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for this difference was not recorded by the Authority.
- One difference in a Home loan rating resulted in an over reserve of $224,848 for the Home Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

(Continued)

- Three differences in Housing Bond loan ratings resulted in a net over reserve of $78,674 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

Furthermore, the Authority incorrectly calculated the June 30, 2015 allowance for loan loss for the Hardest Hit Fund which resulted in an under reserve of $72,872. A proposed adjustment for this difference was recorded by the Authority.

Generally accepted accounting principles require the estimate for the allowance for loan loss to be supported by appropriate assumptions and accurate information. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate and that loan ratings are adequately documented.

Authority management stated they agree with the auditor ratings in 8 cases where, due to timing, rating changes were made during the normal course of business after fiscal year end. The Authority believes that alternative interpretations of facts and policies result in different outcomes in 9 instances where the Authority believes said facts and policies are in accordance with the loan rating policy and loan loss ratings as calculated. In 3 cases the Authority believes a combination of interpretation and timing resulted in rating discrepancies. In 1 case, IHDA clerical error was the cause of the discrepancy in loan ratings.

Failure to support the assumptions in the allowance for loan loss calculation, appropriately document loan ratings, and calculate the allowance for loan loss may result in the misstatement of the allowance for loan loss in the Authority’s financial statements. (Finding Codes 2015-002, 2014-001)

Recommendation:

We recommend the Authority review its current policies and procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate, loan rating assessments are performed timely based on available financial information, and that loan ratings are adequately documented.

Authority Response:

Authority management concurs with the recommendations to continue improving the loan rating and allowance for loan loss processes. IHDA is reviewing current policies and procedures to ensure methodologies used in the allowance for loan loss calculation are appropriate. In addition, IHDA has performed an internal review of historical losses and is in the process of seeking a qualified financial services firm to conduct an independent verification and review of the Authority's allowance for loan loss system. The objective of the review will be to evaluate the policies and methodology of the loan loss system to ensure assumptions are accurate and appropriate based on GAAP standards, historical performance and the Agency's mission to finance the creation and preservation of affordable housing across Illinois. Additionally, as part of this review, IHDA will evaluate procedures to ensure reasonable timelines and documentation standards for loan ratings and allowances for loan loss are more clearly stated and achieved.

(Continued)

Finding 2015-003 Duplicate Vendors in the Accounts Payable Master Vendor File

The Illinois Housing Development Authority (Authority) has duplicate vendors within its accounts payable master vendor file.

During our review of the Authority's accounts payable master vendor file (with 3,462 total vendors), we noted there were 202 duplicate records (5.8%) representing 96 vendors. The vendors had the same name, address, and tax identification number, but were given different vendor identification numbers in the accounts payable system.

Good business practices recommend that the accounts payable master vendor file be reviewed for possible duplicate vendor data. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires each State Agency to establish and maintain an effective system of internal control, which would include controls over the master vendor file.

Authority management stated there is an established policy and procedure that addresses reviewing the Master Vendor listing for duplicate vendors and required approvals for adding new vendors to the listing. The Authority implemented a new general ledger ERP system, which included accounts payable, during June 2014 in which the number of vendors transferred matched the vendor records in the old system. This discrepancy is believed to have occurred during fiscal year 2015 when the policy in place was not consistently followed by accounts payable staff. In addition, the annual review process for the Master Vendor listing would not be scheduled to occur until after the end of fiscal year 2015. The timing of such review usually coincides with the annual financial audit, at which time such discrepancies would have been expected to be found and subsequently corrected.

Failure to remove duplicate vendors from the accounts payable master vendor file may result in an unauthorized vendor payment. (Finding Code 2015-003)

Recommendation:

We recommend the Authority review its current procedures for identifying duplicate vendors and consider any changes necessary to ensure duplicate vendor records are purged from the system.

Authority Response:

Authority management concurs with the recommendation. We note that current accounting policies and procedures have an established process for additions/updates to the listing and also require an annual review of the master vendor listing. The timing of such review normally coincides with the annual financial audit, and so the Accounting department has rescheduled this review to begin during December 2015 and to be completed by January 31, 2016. Discrepancies noted during this review, including duplicate vendors, will be removed per the policy guidelines. Accounting will revise its policies and procedures to conduct an initial review of the master vendor listing prior to the fiscal year end to assess any potential risks within the

(Continued)

accounts payable process. This revision will include a review of the vendor add/update forms to ensure continued compliance related to additions/changes to the master vendor listing.

Current Findings – *Federal Compliance*

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)
U.S. Department of the Treasury (USTRE)

Program Name: Section 8 Project-Based Cluster
State Administered Community Development Block Grant Cluster
HOME Investment Partnerships Program
National Foreclosure Mitigation Counseling Program

CFDA # and Program Expenditures: 14.182/14.856 ($113,777,801)
14.228 ($2,285,620)
14.239 ($261,331,980)
21.000 ($1,634,767)

Award Numbers: IL901MR0001/IL901MR0002/ IL901MR0003/IL901MR0004/IL901MR0006/
IL901MR0007/IL901MR0008
B-11-DN-17-0001/08-351001
M-15-SG-17-0100/M-14-SG-17-0100
PL113-76X1350

Questioned Costs: None

Finding 2015-004 Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards

The Authority did not accurately report Federal expenditures under the HOME Investment Partnership Program (HOME), Section 8 Project-Based Program (Section 8), Community Development Block Grants Cluster (CDBG), Neighborhood Stabilization Program (NSP), and the National Foreclosure Mitigation Counseling (NFMC) programs.

Federal expenditures reported on the initial draft of the Schedule of Expenditures of Federal Awards (SEFA) did not agree to the Authority's financial records. Specifically, we noted the following differences for the year ended June 30, 2015:

Program	Federal Expenditures Reported in the Authority's Records	Federal Expenditures Initially Reported on the SEFA	Difference
HOME	$25,976,631	$22,705,798	$3,270,833
NSP	$876,477	–	$876,477
NFMC	$1,634,767	$108,686	$1,526,081

(Continued)

In addition to compilation errors in preparing the initial SEFA, we noted several of the differences above related to the fact that the Authority did not properly report program income amounts relative to its federal programs on the initial SEFA. We also noted the Authority did not properly identify the expenditures for the NFMC program were received from a pass through entity.

Additionally, the following differences were identified relative to amounts passed through to subrecipients for the following programs:

Program	Amounts Passed-Through Reported in the Authority Records	Amounts Initially Reported on SEFA	Difference
Section 8	$108,253,754	$113,777,801	$5,524,047
HOME	$23,728,290	$22,705,798	$1,022,492
NFMC	$1,526,081	$108,686	$1,417,395
CDBG	$2,285,620	$1,409,143	$876,477

In addition to the reporting errors noted above, we identified two disbursements of program income (totaling $1,385,899) out of six tested (totaling $4,547,980) were reported by the Authority in the incorrect fiscal year. Specifically, we noted these transactions should have been reported in fiscal year 2014.

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires nonfederal entities receiving awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure Federal expenditures are accurately reported on the SEFA.

Authority management stated contributing to these errors was a transition of duties among accounting personnel, as well as staff knowledge and familiarity with the Authority's new general ledger system that was implemented on June 1, 2014. Differences in amounts initially reported as passed through to recipients were due to issues with management oversight.

Failure to accurately report Federal expenditures inhibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of Federal funding. (Finding Code 2015-004)

Recommendation:

We recommend the Authority establish procedures to accurately report Federal expenditures, including program income, on the SEFA in the correct accounting period. We also recommend the Authority implement procedures to ensure amounts passed through to subrecipients are accurately reported.

Authority Response:

The Authority concurs with the recommendation and will develop procedures to accurately report federal expenditures on the SEFA in the current accounting period and ensure amounts are supported by financial activity in the general ledger. Accounting personnel have been trained and instructed in modified procedures to properly record federal expenditures. Authority management will also establish procedures to ensure that amounts passed through to subrecipients are accurately reported. Additionally, the Authority will continue to work with HUD for further clarification and guidance.

(Continued)

Current Findings – *Federal Compliance*

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)

Program Name: Section 8 Project-Based Cluster

CFDA # and Program Expenditures: 14.182/14.856 ($113,777,801)

Award Numbers: IL901MR0001/IL901MR0002/ IL901MR0003/IL901MR0004/IL901MR0006/ IL901MR0007/IL901MR0008

Questioned Costs: None

Finding 2015-005 Unsupported Amounts in Section 8 Financial Reports

The Authority was unable to provide documentation to support various amounts on financial reports submitted for the Section 8 Project-Based (Section 8) Cluster program.

The Authority is required to prepare HUD-52633, *Requisition for Partial Payment of Annual Contributions (OMB No. 2577-0169)*, on an annual basis at the beginning of the fiscal year, and HUD-52681, *Voucher for Payment of Annual Contributions and Operating Statement (OMB No. 2577-0169)*, on an annual basis at the end of the fiscal year. These reports are required to be prepared for each of the Authority's open grant awards.

During our testwork over the annual HUD-52633 reports and the annual HUD-52681 reports submitted for seven open grant awards, we noted the Authority was unable to provide supporting documentation for several key line items on each report. Specifically, we noted the Authority could not provide support for amounts reported on the following line items:

Report	Line Item
HUD 52663	Number of Units Under Lease to Eligible Families as of Date of Requisition
	Average Monthly Housing Assistance Payment Per Unit as of Date of Requisition
	Estimated Number of Units to be under Lease at End of Requested Year
	Unit Months Under Lease Year to Date
	Average Monthly Housing Assistance Payment per Unit Year to Date
	Estimated Housing Assistance Payments (Account 4715)
	Estimated Ongoing Administrative Fee
	Independent Public Accountant Audit Costs (Section 8 Only)

Report	**Line Item**
HUD 52681	Number of Unit Months under lease by Bedroom Size:
	1Bedroom
	2Bedroom
	3Bedroom
	4Bedroom
	Other
	Average Tenant Contribution
	HA Actual Total – 4715 Housing Assistance Payments
	Approved Budget Estimates – 4715 Housing Assistance Payments
	HA Actuals Total – Ongoing Administrative Fees Earned
	Approved Budget Estimates – Ongoing Administrative Fees Earned
	HA Actuals Total – Actual Independent Accountant Audit Costs
	Approved Budget Estimates – Actual Independent Public Accountant Audit Costs
	HA Actuals Total – Total Partial Payments Approved by HUD for Fiscal Year
	Approved Budget Estimates – Total Partial Payments Approved by HUD for Fiscal Year

According to 24 CFR 882.808(p), recipients of assistance must keep any records and make any reports that HUD may require within the timeframe required. Additionally, OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial reports are complete and accurate, and supporting documentation is maintained.

Authority management stated the cause to be related to the staff who prepared the forms no longer being employed at the Authority and remaining staff being unable to locate the former staff members' supporting documentation for some of the estimated numbers on the forms.

Failure to provide supporting documentation to support the preparation of financial reports in accordance with reporting requirements inhibits the ability to perform an audit of the Section 8 Project-Based Cluster program in accordance with OMB Circular A-133. (Finding Code 2015-005)

Recommendation:

We recommend the Authority review the process and procedures in place to prepare financial reports required for the Section 8 Project-Based Cluster program and implement procedures to ensure the reports are accurate and supporting documentation is maintained.

Authority Response:

The Authority concurs with the recommendation. For fiscal year 2016, the Authority will review the process and procedures in place and implement new procedures to ensure the reports are accurate and the supporting documentation is maintained.

Current Findings – *Federal Compliance*

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)

Program Name: HOME Investment Partnerships Program

CFDA # and Program Expenditures: 14.239 ($261,331,980)

Award Numbers: M-15-SG-17-0100/M-14-SG-17-0100

Questioned Costs: None

Finding 2015-006 Failure to Follow Established Subrecipient Monitoring Procedures for the HOME Investment Partnerships Program

The Authority did not follow its established policies and procedures for monitoring subrecipients of the HOME Investment Partnerships (HOME) program.

The Authority has implemented procedures whereby program staff perform periodic on-site and desk reviews of subrecipient compliance with regulations applicable to the HOME program administered by the Authority. These reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. The Authority's policies require the subrecipient to respond to each finding by providing a written response.

During our testwork over on-site review procedures performed for 20 subrecipients (with expenditures of $5,293,176) of the HOME program, we noted the Authority did not follow its established on-site monitoring procedures as follows:

- The Authority did not receive written responses to the findings after communicating the on-site review findings for two subrecipients with on-site monitoring reviews conducted in fiscal year 2014 (with expenditures of $239,105).
- The Authority did not issue timely management decision letters (within 45 days) after communicating the findings from the on-site review for one subrecipient with an on-site monitoring review conducted in fiscal year 2014 (with expenditures of $113,505) and one subrecipient with an on-site monitoring review conducted in fiscal year 2015 (with expenditures of $278,423). The delay in communicating the findings from the on-site reviews for both subrecipients was 85 days.
- On-site monitoring review files for one subrecipient with an on-site monitoring review conducted in fiscal year 2013 (with expenditures of $198,036) and six subrecipients with on-site monitoring reviews conducted in fiscal year 2014 (with expenditures of $1,352,307) did not have evidence that a supervisory review was performed.

Additionally, the Authority's policies and procedures for HOME program monitoring do not include guidelines for timely receipt of responses to monitoring reviews and file close out.

(Continued)

Amounts passed through to subrecipients under the HOME program during the year ended June 30, 2015 totaled $23,728,290.

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

Additionally, OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site review procedures are performed in a timely manner, are designed to monitor fiscal controls, and are performed to ensure compliance with program regulations.

Authority management stated the exceptions identified are the result of staffing constraints and timing requirements. Specifically, the Authority staff monitoring this program was reduced by 50%, including the loss of one supervisor, which makes the 45 day time period for management review and decision letters difficult to achieve.

Failure to adequately perform and document on-site monitoring reviews of subrecipients and notify the subrecipients of findings in a timely manner may result in subrecipients not properly administering the HOME program in accordance with laws, regulations, and the grant agreement. (Finding Code 2015-006, 2014-004, 2013-007)

Recommendation:

We recommend the Authority ensure on-site monitoring reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, we recommend the Authority review its process for reporting and following up on findings relative to subrecipient on-site monitoring reviews to ensure timely corrective action is taken.

Authority Response:

The Authority concurs with the recommendation. In fiscal year 2016, the HOME staff has established new processes for ensuring monitoring reviews are completed in a timely manner. A spreadsheet tracks all dates of visits by HOME staff and inspection staff. HOME staff is working more closely with inspection staff via email and shared Excel tracking sheets to increase communication regarding joint responses in a timely manner. Further, as of June 2015, a supervisor reviews and signs all reviews before management responses are released to the subrecipient.

To meet required deadlines, the Authority will institute an automated reminder tool. This tool will not only assist in reminding HOME staff to request audits it will also assist in reminding management responses to be sent in the required period. Lastly, HOME staff will update the policies and procedures to incorporate guidelines for timely responses to monitoring reviews as well as file close out.

(Continued)

Current Findings – *Federal Compliance*

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)

Program Name: Section 8 Project-Based Cluster

CFDA # and Program Expenditures: 14.182/14.856 ($113,777,801)

Award Numbers: IL901MR0001/IL901MR0002/ IL901MR0003/IL901MR0004/IL901MR0006/ IL901MR0007/IL901MR0008

Questioned Costs: None

Finding 2015-007 Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program

The Authority did not follow its established policies and procedures for monitoring subrecipients of the Section 8 Project-Based (Section 8) Cluster program.

The Authority has implemented procedures whereby program staff perform periodic on-site and desk reviews of subrecipient compliance with regulations applicable to the Section 8 Cluster program administered by the Authority. These reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. The Authority's policies require the subrecipient to respond to each finding by providing a written response.

During our testwork over on-site review procedures performed for 25 subrecipients (with expenditures of $45,577,355) of the Section 8 Cluster program, we noted the Authority did not follow its established on-site monitoring procedures as follows:

- The Authority did not receive timely written responses (within 60 days) to the findings of the on-site reviews for one subrecipient (with expenditures of $1,649,364) and appropriate follow-up action was not taken. Delay in obtaining the written response was 37 after the required timeframe.
- The Authority did not receive written responses to the findings after communicating the on-site/management desk review findings for five subrecipients (with expenditures of $12,783,596). Further, we noted the Authority did not follow up to obtain responses from these subrecipients.
- The Authority was unable to provide documentation to support when the written responses were received for the on-site and desk review findings for two subrecipients (with expenditures of $3,925,142). As a result, the timeliness of the subrecipient response cannot be determined.
- The Authority did not perform a monitoring review for two subrecipients (with expenditures of $2,179,525) in fiscal year 2015 in accordance with the Authority's policies and procedures.
- The Authority did not maintain evidence of the completion and supervisory review of the on-site review monitoring tool for one subrecipient (with expenditures of $ 1,383,024).
- The Authority did not timely close out (within 90 days) the on-site review for two subrecipients (with expenditures of $4,913,034). Delays in closing out the on-site reviews ranged from 9 to 32 days.

 (Continued)

- The Authority was unable to provide documentation to support when the on-site monitoring file was closed for four subrecipients (with expenditures of $6,609,349). As a result, the timeliness of the file closure cannot be determined.
- The Authority did not have evidence in the on-site monitoring review file that the monitoring file was closed for four subrecipients (with expenditures of $11,400,572).

Additionally, the Authority does not have policies and procedures in place for the timely issuance of a findings notification letter after the inspection/desk review date. During our testwork over on-site and desk reviews, we noted for 10 of the 25 subrecipients (with expenditures of $22,937,949), the Authority did not communicate a findings notification letter to the subrecipient within 60 days of the inspection/desk review date. Specifically, the number of days a letter was issued after the on-site inspection/desk review date ranged from 66 to 213 days. Further, the Authority was unable to provide documentation to support when the finding notification letter was sent to one subrecipient (with expenditures of $1,383,024). As a result, the timeliness of the finding notification issuance cannot be determined.

Amounts passed through to grant subrecipients under the Section 8 Cluster program during the year ended June 30, 2015 totaled $108,253,745.

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

Additionally, OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site review procedures are performed in a timely manner, are designed to monitor fiscal controls, and are performed to ensure compliance with program regulations.

Authority management stated these exceptions were the result of staffing issues resulting in inconsistent documentation and retention of supporting documentation.

Failure to adequately perform and document on-site monitoring reviews of subrecipients and notify the subrecipients of findings in a timely manner may result in subrecipients not properly administering the Section 8 Cluster program in accordance with laws, regulations, and the grant agreement. (Finding Code 2015-007, 2014-003, 2013-005, 12-05, 11-11)

Recommendation:

We recommend the Authority ensure on-site monitoring reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, we recommend the Authority review its process for reporting and following up on findings relative to subrecipient on-site monitoring reviews to ensure timely corrective action is taken.

(Continued)

Authority Response:

The Authority concurs with the recommendation and will complete the recommended actions in the fiscal year ending June 30, 2016. While the Authority acknowledges delays in completing some steps of the oversight process within the internally-established timeline goals, all of the steps have been completed for all properties. A majority of the delays noted in the finding were related to one employee that was injured and out of the office for an extended period of time, subsequently resigned, and proceeding to hire a new employee for that position.

Current Findings – *Federal Compliance*

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)

Program Name: State Administered Community Development Block Grant Cluster
HOME Investment Partnerships Program

CFDA # and Program Expenditures: 14.228 ($2,285,620)
14.239 ($261,331,980)

Award Numbers: B-11-DN-17-0001/08-351001
M-15-SG-17-0100/M-14-SG-17-0100

Questioned Costs: None

Finding 2015-008 Inadequate Review of OMB Circular A-133 Audit Reports

The Authority did not adequately review OMB Circular A-133 audit reports received from its subrecipients for the Community Development Block Grant (CDBG) Cluster and HOME Investment Partnerships (HOME) programs.

Subrecipients who receive more than $500,000 in federal awards are required to submit an OMB Circular A-133 audit report to the Authority. The Authority is responsible for reviewing these reports and working with program personnel to issue formal management decisions on any findings applicable to the Authority's programs.

During our testwork over 5 CDBG Cluster subrecipients (with expenditures of $1,409,143) and 20 subrecipients of the HOME program (with expenditures of $5,293,176), we noted the Authority had not obtained OMB Circular A-133 reports or issued management decisions in accordance with federal regulations for all of its subrecipients. Specifically, we noted the following:

- OMB Circular A-133 reports were not obtained and reviewed during the fiscal year for three CDBG Cluster subrecipients (with expenditures of $1,221,381) and one HOME subrecipient (with expenditures of $165,765). We also noted the Authority had not performed procedures to follow up with these subrecipients to obtain audit reports or otherwise verify the subrecipient had complied with audit requirements and had no reportable findings.
- OMB Circular A-133 reports were obtained, but a review of the reports was not documented for two CDBG subrecipients (with expenditures of $186,762).
- Management decisions were not issued for one HOME subrecipient (with expenditures of $113,505).

Additionally, we noted that a standard desk review checklist was not used to document the review of subrecipient A-133 reports received from subrecipients of the CDBG Cluster program to determine whether: (1) the audit reports met the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconciled to CDBG records to ensure subrecipients properly included amounts in the SEFA; and (3) Type A programs were audited at least every three years.

Amounts passed through to subrecipients under the CDBG Cluster and HOME programs totaled $1,409,143 and $23,728,290, respectively.

(Continued)

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement , a pass-through entity is required to 1) ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, 2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Additionally, OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure (1) federal awards passed through to subrecipients have been properly included in the subrecipients' OMB Circular A-133 audits, (2) subrecipients expending $500,000 or more in Federal awards during the subrecipients fiscal year have met the audit requirements of OMB Circular A-133, including that the audits are completed within nine months after the end of the subrecipients fiscal year end, (3) the subrecipient audit reports are reviewed in a timely manner, and (4) management decisions on reported findings are issued within six months after receipt of the subrecipients' audit reports.

Authority management stated these exceptions were the result of staffing constraints and insufficient training.

Failure to obtain and review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. Additionally, failure to issue management decisions within six months of receiving OMB Circular A-133 audit reports results in noncompliance with federal regulations. (Finding Code 2015-008, 2014-006)

Recommendation:

We recommend the Authority establish procedures to ensure: (1) subrecipient A-133 audit reports are obtained and reviewed within established deadlines, (2) management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

(Continued)

Authority Response:

With respect to the multifamily projects, the Authority concurs with the recommendation and will complete the recommended actions in the fiscal year ending June 30, 2016. A-133 audits were obtained for all properties transferred to the long term monitoring department for the fiscal year being audited. Additionally, none of the audits contained any findings or corrective actions that required follow up documentation.

With respect to the single family projects, the Authority concurs with the recommendation. To ensure that all A-133 audits are received in a timely manner, the HOME staff has worked carefully to create a spreadsheet tracking timelines and when the Authority should expect to receive them. To ensure that we are aware of those subrecipients that are responsible for submitting an A-133 audit we will institute new checks, including, review of the Federal Auditor Clearinghouse and sending all subrecipients a Financial Report and A-133 Certification form near the end of their Fiscal Year that will require them to check a box verifying if they are required to submit an A-133. To meet deadlines required, the Authority will institute an automated reminder tool. While HOME staff will do the best they can, in some instances timing is delayed by city and/or county board approval and is not something that can be predicted.

Current Findings – *Federal Compliance*

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)

Program Name: State Administered Community Development Block Grant Cluster

CFDA # and Program Expenditures: 14.228 ($2,285,620)

Award Numbers: B-11-DN-17-0001/08-351001

Questioned Costs: None

Finding 2015-009 Failure to Notify Subrecipients of Federal Funding

The Authority did not communicate required federal program information to subrecipients of the Community Development Block Grant (CDBG) Cluster program,

During our testwork over 5 subrecipients of the CDBG Cluster program (with expenditures of $1,409,143), we noted the Authority did not communicate the Catalog of Federal Domestic Assistance (CFDA) number to any of the subrecipients tested.

Amounts passed through to subrecipients under the CDBG Cluster program totaled $2,285,620 during the year ended June 30, 2015.

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is research and development, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

Additionally, OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure all required information is provided to each subrecipient.

Authority management stated that they communicated the best available information from its grantor.

Failure to notify subrecipients of federal award information could result in subrecipients improperly omitting expenditures from their schedules of expenditures of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with OMB Circular A-133. (Finding Code 2015-009, 2014-008)

Recommendation:

We recommend the Authority review its current process for preparing subrecipient funding notifications to ensure all required information is properly communicated to its subrecipients.

Authority Response:

The Authority concurs with the recommendation and notes that the Authority communicated all the same information it received from the Illinois Department of Commerce and Economic Opportunity ("DCEO"), the administrator of the CDBG Program, to the subrecipients. Going forward, the Authority will confirm with the granting agency, the CFDA title and number, award name and number, award year, and if the award is research and development, the name of the Federal agency. The Authority will include the information provided to it from the granting agency on the commitment letter or funding notification to subrecipients.

(Continued)

Current Findings – *Federal Compliance*

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)

Program Name: State Administered Community Development Block Grant Cluster

CFDA # and Program Expenditures: 14.228 ($2,285,620)

Award Numbers: B-11-DN-17-0001/08-351001

Questioned Costs: None

Finding 2015-010 Failure to Follow Established Subrecipient Monitoring Procedures for the Community Development Block Grant Cluster Program

The Authority did not follow its established policies and procedures for monitoring subrecipients of the Community Development Block Grant (CDBG) Cluster program.

The Authority has implemented procedures whereby program staff perform periodic on-site and desk reviews of subrecipient compliance with regulations applicable to the CDBG Cluster program administered by the Authority. These reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. The Authority's policies require the subrecipient to respond to each finding by providing a written response.

During our testwork over on-site review procedures performed for 5 subrecipients (with expenditures of $1,409,143) of the CDBG Cluster program, we noted the Authority did not follow its established on-site monitoring procedures as follows:

- The Authority did not perform on-site monitoring reviews of two subrecipients (with expenditures of $219,986) in fiscal year 2015 in accordance with the Authority's policies and procedures.
- The Authority did not receive written responses to the findings after communicating the on-site monitoring review of one subrecipient (with expenditures of $2,885).
- The Authority did not timely close out (within 90 days) the on-site review for two subrecipients (with expenditures of $124,744). Delays in closing out the on-site review ranged from 309 to 384 days.

Amounts passed through to subrecipients under the CDBG Cluster program during the year ended June 30, 2015 totaled $2,285,620.

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

 (Continued)

Additionally, OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site review procedures are performed in a timely manner and are designed to monitor fiscal controls.

Authority management acknowledges and concurs with the above noted incidents and states that the causes include: inadequate attention to the final close out step in the monitoring process, inadequate response by one subrecipient to Authority communications, completion of the review within the calendar year (in accordance with departmental policy) as opposed to fiscal year, and failure to communicate transfer of subrecipient to long-term monitoring department due to an error during an email system conversion.

Failure to adequately perform and document on-site monitoring reviews of subrecipients and notify the subrecipients of findings in a timely manner may result in subrecipients not properly administering the CDBG Cluster program in accordance with laws, regulations, and the grant agreement. (Finding Code 2015-010, 2014-005)

Recommendation:

We recommend the Authority ensure on-site monitoring reviews are performed and documented for subrecipients in accordance with established policies and procedures.

Authority Response:

The Authority concurs with the recommendation and will complete the recommended actions in the fiscal year ending June 30, 2016. All monitoring, compliance findings and close out tasks have been completed for all properties transferred to the long term monitoring department, although they were not completed within the fiscal year.

Finding 2015-011 – Expenditures Reported in the Incorrect Accounting Period

The Authority has not established adequate internal controls over accurately identifying and recording transactions at period end.

The Authority prepares its financial statements on the accrual basis of accounting. Under this basis of accounting, expenditures are reported when they are incurred. During our review of 25 miscellaneous expenditures (totaling $129,352), we noted one expenditure (totaling $11,985) was incurred, in part, in the prior fiscal year. Specifically, $2,996 of the expenditure related to fiscal year 2014; however, the entire transaction was reported in fiscal year 2015.

Additionally, during our testwork over six loan disbursements (totaling $4,547,980) for the HOME Investment Partnership Program (HOME), we noted two program income disbursements (totaling $1,385,899) were reported by the Authority in the incorrect fiscal year. Specifically, we noted these transactions should have been reported in fiscal year 2014.

Miscellaneous expenditures reported by the Authority during the year ended June 30, 2015 totaled $1,529,884. Loan disbursements reported by the Authority during the year ended June 30, 2015 totaled $16,471,680.

Generally accepted accounting principles require transactions to be reported in the period they are incurred. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to maintain a system of fiscal and administrative controls. Effective internal controls should include procedures to ensure expenditures are reported in the proper accounting period.

Authority management stated these exceptions were the result of issues with the oversight of staff at the time of review of said transaction activity and transition matters related to the Authority’s new general ledger system in June 2014. Additionally, the program income disbursement items were the result of inadequate review and reconciliation of loan activity between the Authority’s loan servicing system and the general ledger.

Failure to record expenditures in the proper accounting period may result in inaccurate financial statements and related supplementary reports and information. (Finding Code 2015-011)

(Continued)

Recommendation:

We recommend the Authority review its current procedures to ensure expenditures and program income disbursements are recorded in the proper accounting period.

Authority Response:

The Authority concurs with the recommendation and will reinforce current procedures to review expenditures and record amounts incurred in the proper accounting period. With respect to the disbursement of program income, formalized supervisory review of loan activity will be performed. In addition, procedures have recently been revised to specifically designate program income activity in the loan serving system to generate appropriate journal entries for recording in the general ledger.

Finding 2015-012 – Delinquent Bond Reporting

The Authority did not timely submit a copy of the prospectus and maturity schedule for 10 newly issued bonds during the fiscal year ended June 30, 2015. Additionally, the Authority's contractor did not timely report bond payments during the fiscal year ended June 30, 2015.

The Authority contracts with a bank to administer its bonds and related reporting. Under the terms of the contract, the bank is responsible to prepare and submit the Notices of Payment of Bond Interest and/or Principal forms (Form C-08) and the Bond and Interest Redemption Schedule (Form C-05) to the Illinois Office of the Comptroller (IOC) on the Authority's behalf. During our testwork, we noted the bank and/or trustees on the bond issues were late in submitting 126 Notices of Payment during the fiscal year ended June 30, 2015.

Section 31.30.10 of the SAMS Manual requires that a copy of the prospectus and maturity schedule be submitted by revenue bonds issuing agencies within 30 days subsequent to the closing date or beginning date of borrowing, whichever is later. Also, if the new bond issue refunds any previous issues, a completed form C-31 (Schedule of Footnote Disclosure of Current and Advance Refunding Debt), or its equivalent, is to be submitted with the copy of the prospectus and maturity schedule. Additionally, Section 31.30.20 requires a Notice of Payment (C-08) to be submitted within 30 days from the date the voucher is processed for payment of principal and/or interest or within 15 days from the agency's receipt of the trustee's monthly statement.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the Authority's resources. Effective internal controls should include procedures to ensure notices of bond payments are reported in a timely manner.

Authority management stated there were inconsistent notifications regarding new bond issuances which contributed to the delays in filing the prospectus and maturity schedule with the Office of the Comptroller.

Failure to timely report the Notices of Payment and copies of prospectuses and maturity schedules inhibits the IOC from performing its statutory obligation to maintain current records indicating the outstanding bond indebtedness of the State and of all State agencies. (Finding Code 2015-012)

Recommendation:

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

(Continued)

Authority Response:

The Authority concurs with the recommendation and has implemented changes to address and resolve the finding. Specifically, on January 1, 2015, the Authority implemented new procedures for the submission and reconciliation of both the C-05 and C-08 forms. This policy/procedure was updated to include a new issuance notification procedure which requires a member of the Authority's Finance department staff to gather and submit all necessary bond issuance documentation to the Accounting department on issuance date or as soon thereafter as the documents are available. The Authority's new procedure for the C-05 submission resolved the delinquent filings by March of 2015. The new policy/procedures also require a member of the Authority's Finance department staff to monitor all C-08 filings by reconciling all required bond payments and Bank/Trustee statements monthly to assure that all required C-08 filings have been received. The Authority then submits copies of these forms to the IOC via email which results in a dated submission confirmation. This updated C-08 process required the Banks/Trustees to create additional reporting structures thus resulting in a slight delay in effectiveness. The Authority's new procedures for the C-05 resolved the delinquent filings by June 2015.

Finding 2015-013 – Incorrect Information Reported on the Agency Workforce Report

The Authority did not report accurate information on the Agency Workforce Report submitted to the Office of the Governor and the Office of the Secretary of State.

The Agency Workforce Report is submitted annually to the Governor's Office and Secretary of State as part of the State Employment Records Act. The report is designed to provide data for the calendar year relative to: (1) the number and income levels of Authority employees, (2) the number of employees by gender, and (3) the number of employees by minority group. The Authority generates this report based upon information reported by employees.

During our testwork over the report submitted during fiscal year 2015, we noted the following demographic information to be reported incorrectly:

Income	Minorities Reported on Agency Workforce Report	Minorities on Employee Listing	Amount Under (Over) Stated
\$30,000-39,000	6	17	11
\$40,000-49,000	27	37	10
\$50,000-59,000	18	41	23
\$60,000-69,000	19	22	3
\$70,000-79,000	11	12	1
\$80,000-99,000	10	15	5
Over \$100,000	15	10	(5)
Total Employees	106	154	48

The State Employment Records Act (5 ILCS 410/5(b) and (c)) requires and develops within existing State administrative processes a comprehensive procedure to collect, classify, maintain, and publish, for State and public use, information that provides the General Assembly and the People of this State with adequate information of the number of minorities, women, and persons with physical disabilities employed by State government within the State work force. The Act provides State officials, administrators and the People of the State with information to help guide efforts to achieve a more diversified State work force, the total number of persons employed within the State work force shall be tabulated in a comprehensive manner to provide meaningful review of the number and percentage of minorities, women, and persons with physical disabilities employed as part of the State work force.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to maintain a system of fiscal and administrative controls. Effective internal controls should include procedures to ensure information reported on the Agency Workforce Report is accurate.

(Continued)

Authority management stated the errors were the result of reporting only males instead of minorities. The reporting error was the result of human error.

Failure to accurately report information on the Agency Workforce Report results in noncompliance with State regulations and could deter efforts by State officials, administrators, and residents to achieve a more diversified workforce. (Finding Code 2015-013)

Recommendation:

We recommend the Authority review its current procedures for preparing the Agency Workforce Report and implement any changes necessary to ensure all required information is accurately reported. We also recommend that the Authority file an amended Agency Workforce Report.

Authority Response:

The Authority concurs with the recommendation. We have reviewed our current Agency Workforce Report Procedures and added a final step to check over the report for accuracy before submission. The current Agency Workforce Report Procedures offers instructions on correcting errors. As a result, the report was corrected and resubmitted to meet compliance.

Finding 2015-014 – Inadequate Controls Over Information Systems Password Controls

The Authority had not established adequate internal controls over information systems used in its financial reporting process.

The Authority operates and maintains a general ledger system application to manage the accounts payable, fixed assets, and purchasing activities of the Authority in addition to supporting information system applications for accounts receivable and loan servicing.

The Authority's IT Policies and Procedures Manual addresses computer security, password management, disaster recovery, and physical security of the information systems to ensure the reliability of the data generated by the systems. During our testwork of the Authority's controls over user access to the Authority's applications, we noted the Authority's password configurations did not always meet the requirements as defined in their internal policies and procedures.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. In addition, generally accepted information technology guidance endorses the development and implementation of suitable change management procedures to control changes to information systems. In addition, effective computer security controls, including unique User-IDs and regularly changed passwords, provide for safeguarding, securing, and controlling access to hardware, software, and information stored in information systems.

Authority management stated system limitations exist that prevent the enabling of password complexity settings that comply with the Authority's IT Policies and Procedures.

Without adequate access management procedures, there is a greater risk of unauthorized or improper access to information systems. In addition, lack of strong security parameters increase the risk of unauthorized access to information systems. (Finding Code 2015-014, 2014-009)

Recommendation:

We recommend the Authority update password settings to comply with those documented in the Authority's IT Policies and Procedures Manual or amend the policy as appropriate.

Authority Response:

The Authority concurs with the recommendation. The Authority has updated the policy to note the exceptions that exist due to system limitations. The Authority will continue to work with vendors to address the system limitations where feasible.

Prior Year Findings Not Repeated

Year ended June 30, 2015

Government Auditing Standards

A. Inaccurate Recording of Grant Revenue

The Authority did not accurately record grant revenue received from the State of Illinois. (Finding Code 2014-002)

In the current year, similar exceptions were not identified in the sample tested.

Federal Compliance

B. Failure to Report Subaward Information Required by FFATA

The Authority did not report information required by the Federal Funding Accountability and transparency Act (FFATA) for awards granted to subrecipients of the Community Development Block grant (CDBG) and HOME Investment Partnerships (HOME) programs. (Finding Code 2014-007)

In the current year, similar exceptions were not identified in our testing of these reports.

State Compliance

C. Inadequate Monitoring of Cash Collateralization Requirements

The Authority had not established adequate internal controls to ensure sufficient collateral was obtained to secure public funds held at a bank or savings and loan association where those funds were not covered by the Federal Deposit Insurance Corporation (FDIC). (Finding Code 2014-010)

In the current year, similar exceptions were not identified in our testing.

D. Improper Calculation of Payroll Adjustments

The Authority did not properly calculate payments for employees who terminated employment or took a leave of absence. (Finding Code 2014-011)

In the current year, similar exceptions were not identified in the sample tested.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Financial Related Information Summary

Year ended June 30, 2015

Financial related information presented in this section of the report includes the following:

- Financial Related Schedules:
  - Schedule of Expenditures of Federal Awards
  - Notes to the Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards presented in this section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The findings and auditor's reports on compliance testing and questioned costs and internal control related to federal awards are presented in the Compliance Report section of this report.

(Continued)

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Agency/Program or Cluster Title	CFDA number		Expenditures
U.S. Department of Housing and Urban Development:			
Interest Reduction Payments – Rental and Cooperative Housing for Lower Income Families	14.103	$	2,367,781
Section 8 Project-Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation	14.182		106,434,037
Lower Income Housing Assistance Program - Section 8 Moderated Rehabilitation	14.856		7,343,764
Total Section 8 Project-Based Cluster			113,777,801
HOME Investment Partnerships Program:			
Administrative expenditures	14.239		1,816,421
Program income expenditures	14.239		4,443,788
Grant expenditures	14.239		7,256,610
Beginning loan balances	14.239		235,355,349
Current year loan disbursements	14.239		12,459,812
Total HOME Investment Partnerships Program			261,331,980
Passed through the State of Illinois:			
CDBG - State Administered Small Citites Program Cluster:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		1,409,143
Neighborhood Stabilization Program I - Program Income	14.228		661,611
Neighborhood Stabilization Program III - Program Income	14.228		214,866
Total CDBG - State Administered Small Citites Program Cluster			2,285,620
U.S. Department of Treasury:			
Passed through NeighborWorks America:			
National Foreclosure Mitigation Counseling Program	21.000		1,634,767
Total		$	381,397,949

See accompanying notes to the schedule of expenditures of federal awards.
See accompanying independent auditors’ report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Notes to Schedule of Expenditures of Federal Awards

June 30, 2015

(1) General

The accompanying Schedule of Expenditures of Federal Awards (Schedule) summarizes the federal awards expended by the Authority for the year ended June 30, 2015.

(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 $7,256,610 in grant expenditures. The amount of HOME loans disbursed during the year ended June 30, 2015 is $16,471,680. The amount of HOME loans outstanding at June 30, 2015 is $250,989,300.

Expense/Expenditure

Amounts reported as expenses in the Schedule of Expenditures of Federal Awards include approximately $7,881,083 in administrative fees retained by the Authority.

Subrecipients

The following amounts were passed through to subrecipients during the year ended June 30, 2015:

CFDA number		Subrecipient amount
14.182 and 14.856	$	108,253,745
14.239		23,728,290
14.103		2,367,781
14.228		2,285,620
21.000		1,526,081
	$	138,161,517

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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Supplementary Information for State Compliance Purposes

Summary

Year ended June 30, 2015

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.

Schedule 1

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2015 and 2014

		2015	2014
Administrative Fund:			
Cash received from:			
Interest from program loans	$	2,257,710	1,977,099
Service fees from program loans		11,756,295	12,379,450
Principal from program loans and other		20,203,086	6,475,068
		34,217,091	20,831,617
Proceeds from federal assistance programs		114,250,508	116,914,884
Proceeds from sale of revenue bonds and notes		—	41,396,400
Interest on investments		32,326,663	16,768,328
Proceeds from sales and maturities of investment securities		1,442,569,184	574,507,062
Other		22,228,210	15,623,040
Total	$	1,645,591,656	786,041,331
Mortgage Loan Program Fund – Housing Bonds:			
Cash received from:			
Interest from program loans	$	20,576,964	21,902,215
Principal from program loans		35,334,305	61,804,372
		55,911,269	83,706,587
Proceeds from federal assistance programs		2,012,133	2,975,794
Proceeds from sale of revenue bonds and notes		66,540,000	12,000,000
Interest on investments		298,151	261,508
Proceeds from sales and maturities of investment securities		271,647,902	312,035,121
Other		11,102,992	7,280,675
Total	$	407,512,447	418,259,685

(Continued)

Schedule 1

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

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2015 and 2014

		2015	2014
Single Family Program Fund:			
Cash received from:			
Interest from program loans	$	18,973,185	23,113,449
Principal from program loans		52,182,241	70,297,714
Receipts for real estate held for sale		4,981,650	1,006,546
		76,137,076	94,417,709
Interest on investments		6,998,025	10,940,632
Proceeds from sale of revenue bonds		111,251,529	16,927,940
Proceeds from sales and maturities of investment securities		163,071,168	184,195,193
Transfer of funds from administrative funds		15,000,000	—
Other		5,553,344	6,055,593
Total	$	378,011,142	312,537,067
Illinois Affordable Housing Trust Fund:			
Cash received from:			
Interest on investments	$	13,183	8,507
Grant from State of Illinois		28,703,596	12,511,098
Total	$	28,716,779	12,519,605
Mortgage Loan Program Fund – Affordable Housing Program Trust Fund Bonds:			
Cash received from:			
Interest from program loans	$	528,580	1,103,283
Principal from program loans		8,343,416	8,160,127
		8,871,996	9,263,410
Interest on investments		—	75,984
Transfer of funds from Illinois Affordable Housing Trust Fund		5,200,000	5,200,000
Proceeds from sales and maturities of investment securities		—	61,911,814
Other		3,840,393	1,771
Total	$	17,912,389	76,452,979

(Continued)

Schedule 1

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2015 and 2014

		2015	2014
HOME Program Fund:			
Cash received from:			
Interest from program loans	$	2,010,707	2,107,216
Principal from program loans		2,223,628	4,008,808
Other		185,296	924,247
		4,419,631	7,040,271
Interest on investments		3,836	9,404
Federal HOME funds		22,705,798	19,334,416
Total	$	27,129,265	26,384,091
Mortgage Loan Program Fund – Multi-Family Housing Revenue Bonds (Marywood):			
Cash received from:			
Principal from program loans	$	6,492,625	—
Transfers in		—	11,522,731
Other		—	4,106,514
Total	$	6,492,625	15,629,245
IHDA Dispositions LLC:			
Cash received from:			
Receipts from operations	$	146,851	2,158,089
Receipts from sale of properties		—	7,382,281
Transfers in		—	2,897,073
Total	$	146,851	12,437,443

(Continued)

Schedule 1

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2015 and 2014

		2015	2014
Mortgage Loan Program Fund – Multi-Family Bonds (Turnberry):			
Cash received from:			
Interest from program loans	$	—	20,772
Principal from program loans		—	4,887,499
Other		—	21,940
Total	$	—	4,930,211
Rental Housing Support Program Fund:			
Cash received from:			
Interest on investments	$	87,088	46,452
Grant from State of Illinois		428,635	8,800,174
Total	$	515,723	8,846,626
Mortgage Loan Program Fund – Multifamily Initiative Bonds:			
Cash received from:			
Interest from program loans	$	2,155,848	2,328,594
Principal from program loans		1,009,273	12,407,695
Other		1,281,024	37,379
		4,446,145	14,773,668
Interest on investments		—	1,128
Proceeds from sales and maturities of investment securities		—	1,995,695
Total	$	4,446,145	16,770,491
ARRA Fund:			
Cash received from:			
Interest from program loans	$	231,692	211,615
Principal from program loans		187,568	146,341
Total	$	419,260	357,956
Hardest Hit Fund			
Cash received from:			
Principal from program loans	$	1,540,826	3,891,813
Borrower payments		11,869,384	20,570,803
		13,410,210	24,462,616
Interest on investments		2,883	2,438
Federal grant funds		35,000,000	150,000,000
Total	$	48,413,093	174,465,054

(Continued)

Schedule 1

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2015 and 2014

		2015	**2014**
Build Illinois Bond Program Fund:			
Cash received from:			
Interest on investments	$	105,920	21,691
Grant from State of Illinois		57,813,020	80,519,847
Total	$	57,918,940	80,541,538
Foreclosure Prevention Program Fund:			
Cash received from:			
Grant from State of Illinois	$	936,809	1,230,587
Total	$	936,809	1,230,587
Community Development Block Grant Fund:			
Cash received from:			
Federal grant funds	$	1,409,143	6,157,249
Total	$	1,409,143	6,157,249
Neighborhood Stabilization Fund:			
Cash received from:			
Grant recapture payments	$	838,415	2,972,772
Federal grant funds		—	3,325,201
Total	$	838,415	6,297,973
Abandoned Property Program Fund:			
Cash received from:			
Grant from State of Illinois	$	514,715	6,949,137
Total	$	514,715	6,949,137
Section 811 Project Rental Assistanc e Demonstration Program Fund:			
Cash received from:			
Federal grant funds	$	311,490	—
Total	$	311,490	—

See accompanying independent accountants’ report.

Schedule 2

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Schedule of Changes in Authority Property

Year ended June 30, 2015

Description	Balance at June 30, 2014	Additions	Depreciation and amortization expense	Retirements	Balance at June 30, 2015
Real estate	$ 42,322,953	1,139,517	—	—	43,462,470
Accumulated depreciation – real estate	(18,263,852)	—	(989,458)	—	(19,253,310)
Furniture and equipment	101,935	—	—	(7,870)	94,065
Accumulated depreciation – furniture and equipment	(75,061)	—	(10,986)	7,870	(78,177)
Computer equipment	690,717	90,355	—	(20,250)	760,822
Accumulated depreciation – computer equipment	(273,510)	—	(130,659)	20,250	(383,919)
Computer software	2,664,067	187,255	—	(35,905)	2,815,417
Accumulated amortization – computer software	(1,737,687)	—	(284,068)	35,905	(1,985,850)
Leasehold improvements	18,370	—	—	—	18,370
Accumulated amortization – leasehold improvements	(11,022)	—	(3,387)	—	(14,409)
	$ 25,436,910	1,417,127	(1,418,558)	—	25,435,479

This schedule has been reconciled to property reports submitted to the Office of the Comptroller.
See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Furniture, Equipment, and Leasehold Improvements

June 30, 2015

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

Capital assets in the Administrative Fund consist of investments in furniture, fixtures, and equipment; computer hardware; computer software; and leasehold improvements and are defined by the Authority as assets with an initial, individual historical cost of $5,000 or more. Depreciation and amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Leasehold improvements are amortized over the term of the lease.

The Authority records depreciation against Lakeshore Plaza (ML-181) on a straight-line basis over forty years. At June 30, 2015, the net carrying value of ML-181 was $24,209,160 which is net of accumulated depreciation of $19,253,310. Depreciation expense for fiscal year 2015 was $989,458. Although the Authority does not regularly own and operate properties as part of its normal business operations for the benefit of furthering their affordable housing mission it is within their scope to do so. Since its acquisition ML-181 has continued to be owned and operated by the Authority as part of its business operations and therefore is reported as a capital asset. The Authority will continue to evaluate the operation of ML-181 and its impact on operations accordingly.

Capital assets for governmental activities at June 30, 2015 totaling $253,342 are used in the Hardest Hit Fund (HHF). Depreciation and amortization for these items are recorded on a straight-line basis over three years and amounted to $83,376 during fiscal year 2015.

See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Analysis of Significant Account Balances

June 30, 2015

Cash and investments of the Authority's proprietary funds decreased $23.1 million from June 30, 2014 to $896.8 million at June 30, 2015. 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 $118.0 million.

(b) Interest received on investments and transfers in (net) totaled $44.8 million.

(c) Other receipts totaled $19.1 million.

(d) Payments for loan originations and grants totaled $7.8 million.

(e) Payments of bond principal exceeded proceeds of bond issuances by $198.1 million.

Net program loans receivable of the Authority's proprietary funds decreased approximately $113.6 million during fiscal year 2015, consisting of decreases in the Authority's Single Family Program Fund ($51.1 million), Mortgage Loan Program Fund ($45.0 million) and Administrative Fund ($17.5 million). The decrease in program loans receivable in the Single Family Program Fund was due to Illinois whole loans being packaged into GNMA certificates and FNMA mortgage-backed securities.

Net position of the Authority's governmental activities decreased $39.0 million from the June 30, 2014 balance primarily from decreases of grant receipts in the Build Illinois Bond (BIB) Program Fund ($44.5 million) and Nonmajor Governmental Funds ($6.3 million), partially offset by an increase in the Federal HOME Program Fund ($13.5 million) due to the conversion of grant revenues to program loans receivable. No net position of the Authority's other two governmental activities are recorded on the Authority's financial statements. 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 Fund are ultimately disbursed as grant or administrative expenses, and therefore no net position is recorded on the Authority's financial statements.

Net program loans receivable for the Authority's governmental activities increased by $29.7 million primarily attributable to the Federal HOME Program Fund ($13.8 million) and the Illinois Affordable Housing Trust Fund ($3.4 million). Cash and investments decreased by $61.8 million, primarily attributable to the Build Illinois Bond (BIB) Program Fund ($42.9 million) and the Federal Hardest Hit Fund (HHF) Program ($19.4 million). State statute and federal regulations restrict the use of governmental funds to program activities.

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Analysis of Significant Account Balances

June 30, 2015

At June 30, 2015, total outstanding bonds and notes payable were approximately $198.1 million below the prior fiscal year-end. Issuance of the following bonds and notes (showing a balance outstanding at June 30, 2015) occurred during fiscal year 2015 (in millions):

Housing Bonds, 2015 Series A	$	66.5
Homeowner Mortgage Revenue Bonds, 2014 Series A and B		102.5

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Analysis of Significant Account Balances

June 30, 2015

The Authority redeemed $96.2 million of Mortgage Loan Program Fund Bonds and $241.8 million of Single Family Program Fund Bonds during the fiscal year.

As of June 30, 2015, the Authority had the following debt outstanding (net of unamortized discount and premium, thereon):

	Number of outstanding issues		Balance June 30, 2015 (In millions)
Housing Bonds	27	$	369.3
Multifamily Initiative Bonds	9		150.3
Affordable Housing Program Trust Fund Bonds	1		18.1
Total Mortgage Loan Program Fund	37		537.7
Residential Mortgage Revenue Bonds	3		0.1
Homeowner Mortgage Revenue Bonds	17		337.8
Housing Revenue Bonds	7		174.2
Total Single Family Program Fund	27		512.1
Administrative Fund	2		34.1
Total Proprietary Funds	66	$	1,083.9

Other assets declined $35.5 million primarily due to decreased grants receivable ($20.1 million) within the Authority's governmental activities and lower valuation of real estate held for sale ($11.1 million) within the Authority's proprietary funds due to the establishment of a provision for estimated losses on real estate held for sale. Deposits held in escrow decreased $6.5 million due to lower required funding levels. Other liabilities decreased $10.8 million mainly due to the final disposition of Marywood Apartment Homes ($4.1 million) and lower accrued interest payable ($4.3 million). A portion of the Authority's Administrative Funds Unrestricted Net Position has been designated by resolution. Net Position designated by resolution of the Authority ($140.0 million) increased from the amount designated as of June 30, 2014. The Members of the Authority have designated $50.0 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, $50.0 million to provide funds and reserves to support the Mortgage Participation Certificate Program, including the purchase of loans within the Program, $15.0 million to pay possible losses arising in the Single Family Bond Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans, $10.0 million to the Down Payment Assistance Program, $10.0 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, and $5.0 million to pay expenses for planned technology program enhancements.

See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Analysis of Significant Variations in Revenue and Significant

Variations in Expenditures/Expenses

June 30, 2015

Proprietary Funds

Interest earned on program loans decreased by $4.8 million, or 10.2% mainly due to the prepayment of mortgage loans. Decreases occurred within the Authority's Mortgage Loan Program Fund ($3.5 million) and the Single Family Program Fund ($1.6 million). Investment income increased $5.2 million or 16.4% from an increase in the Administrative Fund ($9.2 million) due to increased sales of mortgage backed securities sold at a premium compared to the prior year, offset by a decrease in the Single Family Program Fund ($4.0 million) due to lower market interest rates.

Interest expense decreased $11.5 million, or 23.4% mainly due to lower outstanding debt within the Mortgage Loan Program Fund ($4.6 million), Single Family Program Fund ($6.7 million) and the Administrative Fund ($0.2 million).

Operating expenses, other than interest expense and federal assistance programs, increased approximately $0.7 million. The major components of the change were:

a. A $0.4 million (2.6%) increase in salaries and benefits primarily due to timing of hiring staff and compensation levels, in addition to lower allocations of these costs in some instances to governmental programs that experienced budget constraints, the administration for which the Authority is reimbursed. The average number of full-time equivalent employees for fiscal years 2012 through 2015 is listed in the Analysis of Operations-Average Number of Employees section of this report.

b. A $1.9 million (475.0%) increase in professional fees primarily due to higher expenses for professional and technical consulting and other contractual payments.

c. A $2.4 million (23.3%) decrease in general and administrative mainly due to lower expenses within the Administrative Fund ($1.5 million) and lower operating expenses for properties within IHDA Dispositions LLC ($0.5 million).

d. A $0.2 million (4.5%) increase in financing costs.

e. A $1.7 million increase in the provision for estimated losses on program loans receivable, mortgage participation certificate program and real estate held for sale. The above provision 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 $1.0 million decrease in program grant expenses.

(Continued)

Schedule 5

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

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

June 30, 2015

Governmental Activities

Total revenues of the Authority’s governmental activities decreased $151.6 million from the prior year, primarily due to decreases in the Rental Housing Support Program Fund ($18.4 million), HHF ($123.7 million), BIB Program Fund ($22.6 million) and in Nonmajor Governmental Funds ($17.2 million), partially offset by increases in the Illinois Affordable Housing Trust Fund ($16.1 million) and HOME Program Fund ($14.2 million).

Total expenses of the Authority’s governmental activities decreased $34.8 million from the prior year, primarily due to decreases in the HOME Program Fund ($2.2 million), Rental Housing Support Program Fund ($18.4 million), HHF ($110.3 million), and Nonmajor Governmental Funds ($1.4 million), partially offset by increases in the Illinois Affordable Housing Trust Fund ($16.1 million) and BIB Program Fund ($81.2 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.

See accompanying independent accountants’ report.

Schedule 6

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Analysis of Administrative Costs

June 30, 2015

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

Description	**2015**	**2014**
Employee holiday reception	$ 7,650	7,500

See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Description of Cash Accounts

June 30, 2015

The Authority's cash and cash equivalents for proprietary funds at June 30, 2015 were maintained in bank accounts, as follows:

Administrative Fund:		
The Northern Trust Company – HUD Section 8 Depository	$	249,922
Bank of America		30,016,350
Bank of New York		148,697,240
Chase Bank		3,733,866
Federal Home Loan Bank of Chicago		95,296,216
Total Administrative Fund		277,993,594
Mortgage Loan Program Fund:		
Housing Bonds:		
Bank of New York		190,371,741
Multifamily Initiative Bonds:		
Bank of New York		3,613,357
Affordable Housing Program Trust Fund Bonds:		
Bank of New York		23,338,011
Total Mortgage Loan Program Fund		217,323,109
Single Family Program Fund:		
Homeowner Mortgage Revenue Bonds:		
Bank of New York		37,199,232
Residential Mortgage Revenue Bonds:		
Bank of New York		131,345
Housing Revenue Bonds:		
Bank of New York		4,612,105
Total Single Family Program Fund		41,942,682
Illinois Housing Authority, LLC:		
BMO Harris Bank		11,554
PNC Bank		8,318
Total Illinois Housing Authority, LLC		19,872
Total Proprietary Funds	$	537,279,257

See accompanying independent accountants' report.

Schedule 8

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Description of Investments

June 30, 2015

The fair value of investments for the Authority’s governmental and proprietary funds at June 30, 2015 is delineated by type, as follows:

Type	Fair value
United States Agency Obligations	$ 396,282,031
United States Government Obligations	14,032,729
Demand Repurchase Agreements	195,079
	$ 410,509,839

See accompanying independent accountants’ report.

Schedule 9

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Affordable Housing Trust Fund

June 30, 2015

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, 2015, total funds held were $34,861,502, which consisted of cash and investments held by the Authority escrow agent for pending disbursement of loans and grants.

See accompanying independent accountants' report.

Schedule 10

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Schedule of Federal and Nonfederal Expenses

June 30, 2015

		Amount	Percent
Federal expenditures (A)	$	146,042,600	35%
Nonfederal expenditures/expenses		265,481,196	65%
Total expenditures/expenses		411,523,796	100%
Less amount representing loans and applied program income		(16,338,007)	
Total expenses (B)	$	395,185,789	

Source:
(A) Schedule of Expenditures of Federal Awards (excluding beginning loan balances)
(B) Statement of Activities for the year ended June 30, 2015

See accompanying independent accountants' report.

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. Audra Hamernik is the current Executive Director of the Authority. In addition, the Authority employs a staff of approximately 240 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, proceeds from the sale of mortgage-backed 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

(Continued)

housing grants, loans and investments for low-income families, individuals, senior citizens and persons with disabilities, and at-risk displaced veterans.

The Authority is the administrator of the Foreclosure Prevention Program which is funded by a $50 filing fee the plaintiff pays each time a foreclosure complaint is filed. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority makes grants to HUD certified counseling agencies and community based organizations statewide for pre and post purchase housing counseling, foreclosure counseling/education, counselor/staff training, outreach events, and other capacity building activities.

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

The Authority is the State-level Tax Credit administrator for the Low Income Housing Tax Credit Program, designed to encourage the production of affordable housing, providing an income tax credit to qualifying investors of low-income housing. Project developers typically syndicate these credits up front at a discounted rate to raise cash equity to help finance developments. The limited partner tax credit investor pays a fee in exchange for dollar-for-dollar reduction in federal tax liability. The City of Chicago serves in the same capacity as a local tax credit administrator for its allowed home rule proportional allotment of credits.

Executive Order 2003-18, issued in September of 2003, called for the creation of a State Annual Comprehensive Housing Plan to be created by a Governor appointed Housing Task Force, of which the Authority's Executive Director was designated as Chair. The first plan, Building for Success, was issued in January 2005, with annual plans published in each subsequent year, as well as annual progress reports. In June 2006, the General Assembly codified the Governor's Executive Order into law with the passage of the Comprehensive Housing Planning Act, which extended the Housing Task Force and its successful planning efforts until 2016.

In addition, the Authority has been designated as the statewide administrator of the Federal HOME program. Under this program, $483.0 million and $25.6 million for federal fiscal years 1992 through 2014 and 2015, 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, and therefore, the Authority found it necessary to devise other types of credit enhancements to continue its ability to provide mortgage financing rates at lower than those of commercial lenders. As such, insurance and other surety protection was sought to ensure that the Authority is able to issue its bonds and notes at the lowest possible interest rates.

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

As of June 30, 2015, the Authority has entered into forty-five Risk Sharing Loans totaling $254,055,699 and elected that HUD assume 10% to 90% of the loss with respect to these loans. Nine of these loans totaling $59,121,699 were financed through the issuance of the Authority's Housing Bonds, ten loans totaling $67,898,000 were financed through the issuance of the Authority's Multifamily Initiative Bonds and three loans totaling $14,725,000 were financed by the Administrative Fund. The remaining twenty-three loans totaling $112,311,000 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, Standard & Poor's and Fitch ratings on such debt. The Authority's current Issuer Credit Ratings are A1 (Stable) by Moody's Investors Service, AA- (Stable) by Standard & Poor's and AA- (Stable) by Fitch Ratings. No bonds or notes of the Authority are debts of the State of Illinois.

With respect to certain outstanding debt, which as of June 30, 2015 comprised approximately .01% 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 with 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 first mortgage loan upon funding would be securitized into mortgage-backed securities either as GNMA or Fannie Mae. The Authority would either issue bonds to finance the acquisition of the mortgage-backed securities or sell it into the secondary market.

The Authority is the designated program administrator for Section 1602 of the American Recovery and Reinvestment Act of 2009 (ARRA) for grants appropriated to the State of Illinois by the United States Department of the Treasury to finance construction or acquisition and rehabilitation of qualified low-income building for low-income housing in lieu of low-income housing tax credits. In addition, HUD makes awards to the Authority under the Tax Credit Assistance Program (TCAP) to facilitate the development of projects that received or will receive funding in order to be completed and placed in service in accordance with the requirements of Section 42 of the Internal Revenue Code of 1986 and the regulations promulgated thereunder. These awards are then allocated to sub-grantees and the Authority will be responsible for the monitoring and reporting of the use of these funds.

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

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

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

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

Planning Program

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

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

Average Number of Employees

	2015	2014	2013	2012
Financial and computer services	41	42	44	44
Human resources, administration, and legal	41	44	38	36
Director's office and housing programs	158	167	183	192
Total	240	253	265	272

Emergency Purchases

The Authority did not have any emergency purchases during fiscal year 2015.

Summary Production Data

Unit production for fiscal year 2015 was 17,110 units, and total production since Authority inception was 263,577 units.

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

Service Efforts and Accomplishments

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

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

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

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

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, 2015

(Unaudited)

	Active		**No longer active (3)**		**Total**	
Portfolio	**Developments**	**Units**	**Developments**	**Units**	**Developments**	**Units**
Multi-family Programs	1,576	119,118	287	20,201	1,863	139,319
Single Family Programs (1)	410	4,402	970	24,526	1,380	28,928
Technical Assistance	2	—	69	1,513	71	1,513
MCC & MRB (2)	n/a	93,817	n/a	n/a	—	93,817
Totals	1,988	217,337	1,326	46,240	3,314	263,577

(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

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

Analysis of Operations Section (Unaudited)

Service Efforts and Accomplishments

Unit Production by Percent of Area Median Income Since Inception

June 30, 2015

(Unaudited)

Percent of Area Median Income	Multi-family and single family programs	MCC & MRB (1) (2)	Total
Less than 30%	7,132	1,342	8,474
31%–50%	58,512	14,017	72,529
51%–80%	88,276	40,755	129,031
81%–100%	n/a	22,134	22,134
101%–120%	506	10,598	11,104
Greater than 121% or Market	15,334	4,971	20,305
Totals	169,760	93,817	263,577

(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.

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

Analysis of Operations Section (Unaudited)

Service Efforts and Accomplishments

Unit Production by Economic Development Region Since Inception

June 30, 2015

(Unaudited)

	Programs				
Region (1)	**Multi-Family**	**Single Family**	**Technical Assistance**	**MCC & MRB (2)**	**Total Developments**
Central	6,871	1,179	—	7,051	15,101
East Central	3,569	586	—	4,044	8,199
North Central	6,984	2,178	—	9,415	18,577
Northeast	96,652	7,112	13	48,100	151,877
Northern Stateline	3,923	812	—	6,285	11,020
Northwest	7,231	2,335	—	5,063	14,629
Southeastern	2,218	905	—	1,720	4,843
Southern	3,175	4,807	—	2,509	10,491
Southwestern	4,686	3,395	—	7,034	15,115
West Central	2,577	1,327	—	2,596	6,500
Statewide	1,433	4,292	1,500	—	7,225
Total	139,319	28,928	1,513	93,817	263,577

(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