STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Compliance Examination

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

June 30, 2016

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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ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

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Year ended June 30, 2016

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

Agency Officials

Executive Director	Audra A. Hamernik – effective February 22, 2016 Vacant January 16, 2016 to February 21, 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	Debra Olson – effective April 12, 2016 Vacant September 19, 2016 to April 11, 2016 Bryan E. Zises – May 23, 2011 to September 18, 2015
General Counsel	Maureen G. Ohle
Chief Financial Officer	Nandini Natarajan
Controller	Vanessa Boykin – effective June 20, 2016 Ronald Gajos (Acting) – March 8, 2016 to June 19, 2016 Michelle Williams – May 19, 2010 to March 7, 2016

Agency Officials were located until October 31, 2016 at:

401 North Michigan Avenue, Suite 700
Chicago, Illinois 60611

Agency moved to new location October 31, 2016:

111 East Wacker Drive, Suite 1000
Chicago, Illinois 60601

ILLINOIS HOUSING
DEVELOPMENT AUTHORITY
www.ihda.org

111 E. Wacker Drive
Suite 1000
Chicago IL 60601
312.836.5200

Bruce Rauner, *Governor*

March 3, 2017

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, 2016. Based on this evaluation, we assert that during the year ended June 30, 2016, 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

SIGNED ORIGINAL ON FILE
Audra Hamernik, Executive Director

SIGNED ORIGINAL ON FILE
Nandini Natarajan, Chief Financial Officer

SIGNED ORIGINAL ON FILE
Maureen G. Ohle, General Counsel / Assistant Secretary

SIGNED ORIGINAL ON FILE
Vanessa Boykin, Controller

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Compliance Report Summary

Year ended June 30, 2016

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	8	14
Repeated findings	5	7
Prior recommendations implemented or not repeated	9	4

Details of findings are presented in this report.

Schedule of Findings and Questioned Costs

Findings (*Government Auditing Standards*)

Item No.	Page	Description	Finding Type
2016-001	18	Inaccurate Financial Reporting	Material weakness
2016-002	21	Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process	Material weakness
2016-003	24	Failure to Reconcile Cash and Investment Accounts	Significant deficiency
2016-004	26	Inadequate Segregation of Duties for Journal Entries	Significant deficiency

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Compliance Report Summary

Year ended June 30, 2016

Findings (*Federal Compliance*)

Item No.	Page	Description	Finding Type
2016-005	28	Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards	Noncompliance and material weakness
2016-006	31	Failure to Follow Established Subrecipient Monitoring Procedures for the HOME Investment Partnerships Program	Noncompliance and significant deficiency
2016-007	34	Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program	Noncompliance and significant deficiency

Findings (*State Compliance*)

Item No.	Page	Description	Finding Type
2016-008	36	Inadequate Controls Over User Access to Information Systems	Noncompliance and significant deficiency

(Continued)

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
2016-001	18	Inaccurate Financial Reporting	Noncompliance and material weakness
2016-002	21	Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process	Noncompliance and material weakness
2016-003	24	Failure to Reconcile Cash and Investment Accounts	Noncompliance and material weakness
2016-004	26	Inadequate Segregation of Duties for Journal Entries	Noncompliance and material weakness

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

Item No.	Page	Description	Finding Type
A	37	Duplicate Vendors in the Accounts Payable Master Vendor File	Significant deficiency

Prior Year Findings Not Repeated (*Federal Compliance*)

Item No.	Page	Description	Finding Type
B	37	Unsupported Amounts in Section 8 Financial Reports	Scope limitation and material weakness
C	37	Inadequate Review of OMB Circular A-133 Audit Reports	Noncompliance and significant deficiency
D	37	Failure to Notify Subrecipients of Federal Funding	Noncompliance and significant deficiency
E	37	Failure to Follow Established Subrecipient Monitoring Procedures for the Community Development Block Grant Cluster Program	Noncompliance and significant deficiency

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Compliance Report Summary

Year ended June 30, 2016

Prior Year Findings Not Repeated (*State Compliance*)

Item No.	Page	Description	Finding Type
F	38	Expenditures Reported in the Incorrect Accounting Period	Noncompliance and significant deficiency
G	38	Delinquent Bond Reporting	Noncompliance and significant deficiency
H	38	Incorrect Information Reported on the Agency Workforce Report	Noncompliance and significant deficiency
I	38	Inadequate Controls Over Information Systems Password Controls	Noncompliance and significant deficiency

(Continued)

Exit Conference

On February 10, 2017, the Illinois Housing Development Authority waived the exit conference relating to the Single Audit and State Compliance examination.

The responses to the recommendations were provided by Vanessa Boykin, Controller, in an email dated February 17, 2017.

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, 2016. 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, 2016. 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 2016-001 through 2016-004 and 2016-008.

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 2016-001 through 2016-004 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2016-008 to be a significant deficiency.

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

The views of Authority officials or 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, 2016, 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 12, 2016, 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 12, 2016.

The accompanying supplementary information for the year ended June 30, 2016 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, 2016 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, 2016 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, 2016.

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, 2015 (not presented herein), and have issued our report thereon dated December 16, 2015, 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, 2015 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, 2015 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 June 30, 2015 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, 2015 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.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
March 3, 2017

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

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2016, 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 12, 2016.

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 2016-001 and 2016-002 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 deficiencies described in the accompanying schedule of findings and questioned costs as findings 2016-003 and 2016-004 to be significant deficiencies.

KPMG

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.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 12, 2016

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 the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Illinois Housing Development Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2016-005 through 2015-007. 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 as the views of "Authority" officials. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-005 to be a material weakness.

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 2016-006 and 2016-007 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 as the views of Authority’s Officials. The Authority’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, a component unit of the State of Illinois, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements. We issued our report thereon dated December 12, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
March 3, 2017

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:	Unmodified opinions			

Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

• 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 deficiencies over major programs disclosed by the audit:

• Material weakness(es) identified?	✓	Yes		No
• Significant deficiencies identified that are not considered to be material weakness(es)?	✓	Yes		None reported
Type of auditors' report issued on compliance for major programs:	Unmodified for all major programs			
Audit findings that are required to be reported in accordance with 2 CFR 200.516(a):	✓	Yes		No

Identification of Major Programs

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

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

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

Finding 2016-001 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, 2016, we noted the following:

- Unearned revenue in the Administrative Fund was overstated by $1,526,081 as of June 30, 2015 as payouts made under the National Foreclosure Mitigation Counsel Program were not properly recorded during fiscal year 2015. An adjustment was made by the Authority to adjust the June 30, 2016 unearned revenue balance of the Administrative Fund by $1,526,081. This adjustment resulted in other revenue being overstated by $1,526,081 for the year ended June 30, 2016. A proposed adjustment for this difference was not recorded by the Authority.

- The Authority incorrectly recorded $281,798 of payroll benefits expense related to fiscal year 2016 during fiscal year 2015, resulting in salaries and benefits expense within the Administrative Fund being understated by $281,798 for the year ended June 30, 2016. A proposed adjustment for this difference was not recorded by the Authority.

- The Authority incorrectly allocated $187,256 and $89,232 of payroll expenses from the Administrative Fund to the Housing Trust Fund and Rental Housing Support Program Fund, respectively, during fiscal years 2014 and 2015, resulting in general and administrative expenditures being overstated during those years. The Authority reduced the current year allocation of payroll expenses from the Administrative Fund to the Housing Trust Fund and Rental Housing Support Program Fund, resulting in general and administrative expenses being understated by $187,256 and $89,232 for the Housing Trust Fund and Rental Housing Support Program Fund, respectively, and salaries and benefits expenses being overstated by $276,488 for the Administrative Fund. A proposed adjustment for these differences was not recorded by the Authority.

- The Authority inaccurately recorded three loan receivable balances in the Administrative Fund. As a result, program loans receivable and interest earned on program loans for the Administrative Fund were overstated by $304,357. A proposed adjustment for this difference was recorded by the Authority.

- The Authority incorrectly recorded cash advances related to real estate held for sale properties as other assets for the Single Family Loan Program Fund, when these amounts should have been included in the real estate held for sale balance. As a result, real estate held for sale was understated by $1,936,940, and other assets were overstated by $1,936,940. A proposed adjustment for this reclassification was not recorded by the Authority.

(Continued)

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

Authority management stated the misstatement related to the National Foreclosure Mitigation Counsel Program was due to staff turnover and insufficient oversight. The payroll expense allocation, benefits expense, and loan receivable misstatements were due to staff error. The recording of cash advances as other assets instead of real estate held for sale was due to management oversight.

Failure to accurately record financial transactions results in the misstatement of the Authority's financial statements. (Finding Code No. 2016-001, 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:

Unearned revenue overstatement:
The staff member responsible for recording the NFMC Program was new to the Accounting department, and did not fully understand how the Program's payouts were to be recorded. The payouts for this program required a 4-line entry, and the staff member only recorded 2 of the 4 necessary journal entry lines. Additionally, the new hire's work was not checked thoroughly for accuracy by the Supervisor, so the oversight that created this recording error went unnoticed. Training has occurred specific to this program, between the staff member and the immediate Supervisor. The full entry was explained and identified, and a journal entry template was provided that identifies all accounts impacted by program payouts for NFMC. During the following fiscal year (FY2016), the Program's general ledger was reviewed for accuracy, subsequent to each payout, and it was determined that all payouts were subsequently recorded accurately.

Payroll benefits recorded in incorrect year:
The year-end payroll accrual was processed as a FY15 payable instead of a FY16 payable. The accounts payable accrual was created and reviewed however this item was an oversight.

Current Findings – *Government Auditing Standards*

Incorrect allocation of payroll expense from Admin Fund to Housing Trust Fund and Rental Housing Support Program Fund:
The staff member responsible for calculating salary\benefits allocations, for the government funded programs, accidentally copied rates that are associated with "percentage of time worked on program", of full-time RHSP program staff, to subsequently listed IHDA staff, staff that only worked on the RHSP on a part-time basis. The allocation reports are maintained in Excel, and the accident that involved applying the rates to subsequent staff, was a manual error.

For the following fiscal year, there were recalculations done on FY2014 and FY2015 salary\benefit allocations, for RHSP, and the funder received credits for the amounts that were overpaid related to the original errors.

The staff member responsible for gathering and completing the salary\benefit allocations has stated that a greater level of accuracy can be ensured with a new cross checking system. The staff member now reviews each IHDA staff's percentage rate, against rates that have been listed with other programs to ensure that the individual's rate do not exceed 100%. This procedure is only done for IHDA staff that are charging to the government funded programs. The Human Resources department is currently evaluating a module within the payroll system to automate the allocation calculation.

Loans receivable overstatement:
A staff member reconciled the administrative loans accounts in April and found that $304,337 in loans was distributed but not recorded on the ledger. The staff member made the adjustment to record the three loans. The May loan reports included the $304K but another staff member missed it thus the double recording. The Authority made the appropriate adjustment to adjust the overage. Account reconciliations are completed before the end of the subsequent month and reconciling variances are investigated, identified and cleared within 30 days.

REO overstatement:
The Authority advances funds to cover various types of insurance and repairs for single family and real estate held for sale properties and has traditionally recorded all of the advances in "other assets". REO proceeds are not recorded against the open ledger balances until all of the proceeds from various sources are collected (i.e., insurance and sales). Traditionally, the unfinalized proceeds are recorded as an "other liability". The Authority will reclass the unfinalized REO proceeds against the REO receivable for reporting purposes until the sale is final at which time the REO proceeds will offset the REO receivable account.

Finding 2016-002 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 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 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 (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 for the multi-family loan programs 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 the multi-family loan programs 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, we reviewed the allowance for loan loss methodology for the single family loan program and noted that the methodology for calculating the probability of default factors did not align with industry practices. We also reviewed the allowance for loan loss methodology for the Hardest Hit program and found that the cash flow analysis provided by the Authority did not support the reserve rate used.

Furthermore, during our testing of 40 multi-family loan relationships risk ratings (62 loans) as of June 30, 2016, 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 29 of the 40 relationships (47 of the 62 loans) and we found the Authority's risk ratings to be unreasonable for 11 of the 40 relationships (15 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:

- Seven differences in Housing Trust Fund loan ratings resulted in an under reserve of $1,686,991 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was not recorded by the Authority.

- Four differences in Home loan ratings resulted in an under reserve of $935,153 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 $620,000 for the Administrative Fund. 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 $5,876 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

- One difference in a Risk Sharing loan rating for which the Authority sold 100% participation interest in the loan to an outside party resulted in an under reserve of $84,274 for the Accrued liabilities and other balance reported for the Administrative Fund. A proposed adjustment for these differences was not recorded by the Authority.

Additionally, there were three 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 $8,229 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for this difference was recorded by the Authority.

- One difference in an ARRA loan rating resulted in an under reserve of $367,237 for the Nonmajor Governmental Funds. A proposed adjustment for this difference was recorded by the Authority.

Furthermore, there were seven loans where our testing indicated that the loans were in the write-off process as of year-end; however, the Authority did not fully reserve for the related loan losses as of year-end. This resulted in the following differences:

- Three differences in Housing Trust Fund loan ratings resulted in an under reserve of $22,060 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for this difference was recorded by the Authority.

- Four differences in Building Blocks loan ratings resulted in an under reserve of $239,655 for the Building Illinois Bonds Program. 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 to provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate and that loan ratings are adequately documented.

Authority management stated the loan rating differences were due to the application and interpretation of loans conditions in accordance with the Authority's internal policies.

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 Code No. 2016-002, 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:

Multi-Family Allowance:
The Authority is in the process of updating its Loan Rating Policy (along with the related forms and procedures) to ensure the allowances for loan loss are appropriately calculated and recorded. While none of the loan losses actually incurred have ever exceeded the loan loss allowances over the same period of time, the Authority strives to be a prudent fiscal administrator and accurately report on the expected value of its loans. As part of the process to update the Loan Rating Policy, IHDA completed an independent assessment of the policy in 2016 using a nationally recognized accounting firm specializing in affordable housing. In addition to addressing the recommendations from that review, IHDA is incorporating helpful suggestions from KPMG received during this audit as well as historical performance of the loans into a revised policy that is expected to be completed in the 1st Quarter of 2017. The Authority has reviewed KPMG's detailed findings for each of the loan rating differences and is committed to implementing a practical and effective loan rating policy that addresses the identified concerns.

Single Family Allowance:
In regards to the Single Family Loan Loss default rates, IHDA will continue to calculate the loan emergence period (LEP) as the average time in which a loan incurs its first charge-off (REO paid in full) back to the determined loss event. We will then take all 60, 90 and 120 day delinquent loans at the start of the LEP and determine the number of these loans that complete the REO paid in full process by the end of the period. This loan count divided by the starting loan count will provide the default rates for the 60, 90 and 120 day buckets as recommended by KPMG to conform to industry standards.

Current Findings – *Government Auditing Standards*

Finding 2016-003 Failure to Reconcile Cash and Investment Accounts

The Illinois Housing Development Authority (Authority) did not prepare month-end reconciliations of the Authority's cash and investment general ledger account balances to external bank account balances.

During our review of cash and investment reconciliations that should have been completed for the months during fiscal year 2016, we noted the Authority did not perform or complete reconciliations over its cash and investments accounts for the months of July 2015 to May 2016.

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

Authority management stated the reconciliations were not completed due to employee turnover and inadequate staffing. Additionally, due to technical issues at one of the Authority's banks, many bank statements were missing. As a result, the Authority was unable to complete the reconciliations.

Failure to perform or complete reconciliations over cash and investment accounts may result in the misstatement of the cash and investment balances in the Authority's financial statements. (Finding Code No. 2016-003)

Recommendation:

We recommend the Authority review its current policies and procedures to ensure reconciliations over cash and investments accounts are prepared, completed, and reviewed on a monthly basis.

Authority Response:

The IHDA employee assigned to complete the reconciliations left the Agency in January, 2016. The staff was working on the Compliance Audit until March, 2016, and the Controller left IHDA March, 7, 2016. The Authority offered the position to an individual April, 2016 and filled the position May, 2016. After the individual started, the accounting and finance departments found that many of the bank statements from the bank were missing due to an IT issue at the bank. During the week of June 20, 2016, we had conversations with the bank and reiterated the gravity of the issue. Over time they were able to reconstruct their system and provided the Authority with the information needed to complete the reconciliations.

(Continued)

A dedicated staff person and back-up has been assigned to complete all bank reconciliations for the Authority by the end of the subsequent month.

Current Findings – *Government Auditing Standards*

Finding 2016-004 Inadequate Segregation of Duties for Journal Entries

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the information systems used in its financial reporting process.

The information technology applications that support the Authority's operations include the JD Edwards Enterprise (JDE), which serves as the 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.

During our audit of the financial statements for the year ended June 30, 2016, we noted one user had the ability to both post and approve journal entries within the JDE general ledger system throughout the year. Moreover, the Authority did not have any compensating controls in place to review journal entries that were posted and approved by the same user.

During our procedures over journal entries posted and approved by the user in question, we noted no inappropriate entries were posted to the general ledger for the year ended June 30, 2016.

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

Authority management stated the inadequate segregation of duties was due to management oversight.

Without adequate segregation of duties in the financial reporting process, inappropriate or even fraudulent journal entries could be posted to the general ledger without being detected. (Finding Code No. 2016-004)

Recommendation:

We recommend the Authority update user access such that the ability to post and approve journal entries in the general ledger is properly segregated.

Authority Response:

The Authority has implemented a compensating control to manually review the monthly journal entries and verify that all entries created and posted by the same person are valid. The Authority is also working with the IT department to make necessary changes to the JDE access roles to ensure the proper segregation of duties. The Authority will review the effort, create the plan and a timeline during the 3rd quarter of FY17.

(3) Findings and Questioned Costs Relating to Federal Awards:

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

Program Name: Section 8 Project-Based Cluster
National Foreclosure Mitigation Counseling Program

CFDA # and Program Expenditures: 14.182/14.856 ($107,151,397)
21.000 ($1,455,120)

Award Numbers: IL901MR0001/IL901MR0002/IL901MR0003/IL901MR0004/
IL901MR0006/IL901MR0007/IL901MR0008 (14.182/14.856)
PL114-113X1350/PL113-235X1350 (21.000)

Federal Award Year: 10/1/14-9/30/15; 10/1/15-9/30/16 (14.182/14.856)
1/1/15-9/30/15; 10/1/15-6/30/17 (21.000)

Questioned Costs: None

Finding 2016-005 – *Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards (SEFA)*

Condition Found:

Expenditures were not properly reported on the SEFA provided by the Authority for our final major program determination. Specifically, we noted the total expenditures and amounts passed through to subrecipients were reported incorrectly as follows:

Program	**CFDA Number**	**Item**	**Reported Amount**	**Actual Amount**	**Understatement**
NFMC	21.000	Total expenditures	$1,311,150	$1,455,120	$143,970
Section 8 New Construction	14.182	Amounts passed through to subrecipients	74,856,625	96,284,714	21,428,089
Section 8 Mod Rehab	14.856	Amounts passed through to subrecipients	5,605,846	5,871,220	265,374

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended. At a minimum, the schedule must include (1) a list individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs; (2) for Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included; (3) provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available; (4) include total amount provided to subrecipient from each Federal Program; (5) include notes that describe the significant accounting policies used in preparing the schedule.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure expenditures and amounts passed through to subrecipients are properly reported on the schedule of expenditures of Federal awards.

Cause:

In discussing these conditions with Authority officials, they stated the initial errors in the Federal expenditures and amounts passed through to subrecipients reported on the SEFA were due to oversight and a misunderstanding of what was required to be reported.

Possible Asserted Effect:

Failure to accurately report federal expenditures and amounts passed through to subrecipients prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2015-004. (Finding Code No. 2016-005, 2015-004)

Statistical Sampling:

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

Recommendation:

We recommend the Authority review its current procedures to ensure the schedule of expenditures of Federal awards is prepared accurately and in accordance with the Uniform Guidance.

Views of Authority Officials:

The Authority concurs with the recommendation and a review of current procedures for the Schedule of Expenditures of Federal Awards will occur. Accounting staff responsible for preparation of the SEFA will review reporting updates for the 2016 OMB 2 C.F.R. 200, Appendix XI Compliance Supplement. As new updates are listed in the Compliance Supplement, the Accounting staff will implement the updates into the SEFA.

(Continued)

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 ($266,456,640)
Award Numbers:	M16-SG170100/M15-SG-170100/M14-SG-170100
Federal Award Year:	10/1/13-9/30/14; 10/1/14-9/30/15; 10/1/15-9/30/16
Questioned Costs:	None

Finding 2016-006 – *Failure to Follow Established Subrecipient Monitoring Procedures for the HOME Investment Partnerships Program*

Condition Found:

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 25 subrecipients (with expenditures of $2,107,497) of the HOME program, we noted the Authority did not follow its established on-site monitoring procedures as follows:

- The Authority did not issue a management decision letter within 45 days of communicating the findings from the on-site review for one grant subrecipient (with expenditures of $201,990). The delay in communicating the findings from the on-site review was 40 days.

- The Authority did not close out the on-site review files for two grant subrecipients (with expenditures totaling $263,948) within 90 days. Delays in closing out the on-site reviews were 34 and 67 days.

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

Amounts passed through to subrecipients under the HOME program during the year ended June 30, 2016 totaled $265,348,396.

(Continued)

Criteria or Requirement:

According 2 CFR section 200.331(d)(1) a pass-through entity is required to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Additionally, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring on-site review procedures are performed in a timely manner, are designed to monitor fiscal controls, and are performed to ensure compliance with program regulations

Cause:

In discussing these conditions with Authority officials, they stated the exceptions identified were caused by staffing constraints and the lack of response from the subrecipients.

Possible Asserted Effect:

Failure to follow on-site monitoring procedures may result in subrecipients not properly administering the HOME program in accordance with statutes, regulations, and the grant agreement.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2015-006. (Finding Code No. 2016-006, 2015-006, 2014-004, 2013-007)

Statistical Sampling:

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

Recommendation:

We recommend the Authority ensure on-site monitoring files are closed and management decision letters are issued within reasonable timeframes. In addition, we recommend the Authority review its policies and procedures for the HOME program and establish timeframes for closing files and issuing management decisions on monitoring findings.

Views of Authority Officials:

At the present time, IHDA does not anticipate using HOME funding for Single Family activities. No HOME funds were allocated for Single Family after fiscal year 2014. If these plans were to change in the future, IHDA would review and update its policies and procedures for the HOME Program and establish

(Continued)

timeframes for closing files and issuing management decisions and monitoring findings. Additionally, IHDA would confirm the on-site monitoring files are closed and management decision letters are issued and established timeframes are adhered to according to its policies and procedures.

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 ($107,151,397)
Award Numbers:	IL901MR0001/IL901MR0002/IL901MR0003/IL901MR0004/ IL901MR0006/IL901MR0007/ IL901MR0008
Federal Award Year:	10/1/14-9/30/15; 10/1/15-9/30/16
Questioned Costs:	None

Finding 2016-007– *Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program*

Condition Found:

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

The Authority has implemented procedures whereby program staff perform periodic on-site and desk reviews of subrecipients' compliance with regulations applicable to the Section 8 Cluster program administered by the Authority. These reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. The Authority's policies require the subrecipient file to be closed within 90 days of the subrecipient being notified of any findings.

During our testwork over on-site review procedures performed for 25 subrecipients (with expenditures of $39,724,460) of the Section 8 Cluster program, we noted the Authority did not close out the on-site review files for four subrecipients (with expenditures totaling $6,417,341) within 90 days. Delays in closing out the on-site reviews ranged from 4 to 99 days.

Amounts passed through to subrecipients under the Section 8 program during the year ended June 30, 2016 totaled $102,155,934.

Criteria or Requirement:

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

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

Cause:

In discussing these conditions with Authority officials, they stated these exceptions were the result of staffing constraints and a lack of cooperation by the development owners.

Possible Asserted Effect:

Failure to adequately follow on-site monitoring procedures may result in subrecipients not properly administering the Section 8 Cluster program in accordance with statutes, regulations, and the grant agreement.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2015-007. (Finding Code No. 2016-007, 2015-007, 2014-003, 2013-005, 12-05, 11-11)

Statistical Sampling:

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

Recommendation:

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

Views of Authority Officials:

Asset Management Services will review its existing procedures to ensure on-site monitoring files are completed and closed in accordance with established policies and procedures. IHDA will take further action to ensure existing procedures and timelines are adhered to.

(Continued)

Finding 2016-008 – Inadequate Controls Over User Access to Information Systems

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

The information technology applications that support the Authority's operations include the following:

- *JD Edwards Enterprise (JDE)*: serves as the 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.
- *Mitas*: serves as the loan servicing system for single family loans
- *Benedict*: serves as the loan servicing system for multi-family loans

The Authority's IT Policies and Procedures Manual addresses computer security, including the removal of system access for terminated users. During our testwork of the Authority's controls over user access to the Authority's applications, we noted four of 49 users tested retained access to the Benedict loan servicing system subsequent to their termination dates.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective computer security controls, including timely removal of terminated employees from IHDA's information systems, provide for safeguarding, securing, and controlling access to hardware, software, and information stored in information systems.

Authority management stated that the application administrators for the Benedict application did not disable the terminated user accounts as required when notified by the Authority's electronic notification process.

Without adequate access management procedures, there is a greater risk of unauthorized or improper access to information systems. (Finding Code No. 2016-008)

Recommendation:

We recommend the Authority implement additional controls necessary to ensure terminated users are removed in a timely manner in accordance with established procedures.

Views of Authority Officials:

The Authority concurs with the recommendation. In order to ensure terminated users are removed in a timely manner, the Authority will update the policy and procedures so the Information Technology department help desk has primary responsibility for terminating or disabling access to applications.

Government Auditing Standards

A. Duplicate Vendors in the Accounts Payable Master Vendor File

In the prior year, the Authority had duplicate vendors within its accounts payable master vendor file. (Finding Code No. 2015-003)

In the current year, the Authority performed a review of their accounts payable master vendor file to remove instances where the same vendor was assigned multiple identification numbers. Minor instances of duplicate vendors will be reported in the Immaterial Letter.

Federal Compliance

B. Unsupported Amounts in Section 8 Financial Reports

In the prior year, the Authority was unable to provide documentation to support various amounts on financial reports submitted for the Section 8 Project-Based Cluster program. (Finding Code No. 2015-005)

In the current year, similar exceptions were not identified.

C. Inadequate Review of OMB Circular A-133 Audit Reports

In the prior year, the Authority did not adequately review OMB Circular A-133 audit reports received from its subrecipients for the Community Development Block Grant Cluster and HOME Investment Partnerships programs. (Finding Code No. 2015-008, 2014-006)

In the current year, similar exceptions were not identified in the follow up procedures performed.

D. Failure to Notify Subrecipients of Federal Funding

In the prior year, the Authority did not communicate required federal program information to subrecipients of the Community Development Block Grant Cluster program. (Finding Code No. 2015-009, 2014-008)

In the current year, similar exceptions were not identified in the follow up procedures performed.

E. Failure to Follow Established Subrecipient Monitoring Procedures for the Community Development Block Grant Cluster Program

In the prior year, the Authority did not follow its established policies and procedures for monitoring subrecipients of the Community Development Block Grant Cluster program. (Finding Code No. 2015-010, 2014-005)

In the current year, similar exceptions were not identified in the follow up procedures performed.

(Continued)

State Compliance

F. Expenditures Reported in the Incorrect Accounting Period

The Authority had not established adequate internal controls over accurately identifying and recording transactions at period end. (Finding Code No. 2015-011)

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

G. Duplicate Bond Reporting

In the prior year, the Authority did not timely submit a copy of the prospectus and maturity schedule for newly issued bonds, and the Authority's contractor did not timely report bond payments. (Finding Code No. 2015-012)

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

H. Incorrect Information Reported on the Agency Workforce Report

In the prior year, 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. Finding Code No. 2015-013)

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

I. Inadequate Controls Over Information Systems Password Controls

The Authority had not established adequate internal controls over information systems used in its financial reporting process to ensure that password configurations met their internal requirements. (Finding Code No. 2015-014, 2014-009)

In the current year, the Authority updated its policy to reflect the actual password complexity settings in use, noting certain limitations inherent in its system.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Financial Related Information Summary

Year ended June 30, 2016

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 auditors' opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal Agency/Program or Cluster Title	CFDA number	Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:			
Interest Reduction Payments – Rental and Cooperative Housing for Lower Income Families	14.103	$ 1,197,963	1,197,963
Section 8 Project-Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation	14.182	100,441,785	96,284,714
Lower Income Housing Assistance Program - Section 8 Moderated Rehabilitation	14.856	6,709,612	5,871,220
Total Section 8 Project-Based Cluster		107,151,397	102,155,934
HOME Investment Partnerships Program:			
Administrative expenditures	14.239	1,108,244	—
Grant expenditures	14.239	2,716,247	2,716,247
Beginning loan balances	14.239	250,989,300	250,989,300
Current year loan disbursements	14.239	11,642,849	11,642,849
Total HOME Investment Partnerships Program		266,456,640	265,348,396
Passed through the State of Illinois:			
CDBG - State Administered Small Cities Program Cluster:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	1,513,226	1,513,226
Neighborhood Stabilization Program I - Program Income	14.228	606,474	606,474
Total CDBG - State Administered Small Cities Program Cluster		2,119,700	2,119,700
U.S. Department of Treasury:			
Passed through NeighborWorks America:			
National Foreclosure Mitigation Counseling Program			
Administrative expenditures	21.000	143,970	—
Grant Expenditures	21.000	1,311,150	1,311,150
Total National Foreclosure Mitigation Counseling Program		1,455,120	1,311,150
Total		$ 378,380,820	372,133,143

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

(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, 2016.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting for proprietary funds and modified accrual basis of accounting for governmental funds.

A. For the Proprietary Fund, the types of costs that are found in this Fund are Grant Expenditures, Mortgage Loan Subsidies, Housing Assistance Payments and Administrative Fees.

B. For the Government Funds, the types of costs that are found in this Fund are Grant Expenditures, Program Loans, Recaptured Funds (Program Income), and Administrative Fee Reimbursements.

Expense/Expenditure

Amounts reported as expenses in the Schedule of Expenditures of Federal Awards include $6,247,677 in administrative expenditures funded by fees collected by the Authority.

(3) Federal Loan Program

The HOME program is administered directly by the Authority and balances and transactions relating to this program are included in the Authority's financial statements. Loans made by the Authority to eligible subrecipients under the HOME program during the fiscal year ended June 30, 2016 was $11,642,849.

The balance of loans outstanding under the HOME program was $259,938,471 and $250,989,300 at June 30, 2016 and 2015, respectively. The Authority received administrative fees of $1,108,244 under the HOME program during the fiscal year ended June 30, 2016. The balance of loans outstanding at June 30, 2016 consist of the following amounts:

Outstanding balance as of 7/1/15	$	250,989,300
Loans disbursed		11,642,849
Repayments		(2,693,678)
Outstanding balance as of 6/30/16	$	259,938,471

(4) Indirect Costs

The Authority does not use the de minimus indirect cost rate permitted under the Uniform Guidance or have a negotiated indirect cost rate. The Authority has a Cost Allocation Plan with HUD, the Authority's cognizant agency, which dictates how indirect costs are charged to the government funded programs.

The current Cost Allocation Plan was submitted to HUD in April 2013.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Supplementary Information for State Compliance Purposes

Summary

Year ended June 30, 2016

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, 2016 and 2015

		2016	2015
Administrative Fund:			
Cash received from:			
Interest from program loans	$	2,225,277	2,257,710
Service fees from program loans		10,437,703	11,756,295
Principal from program loans and other		28,818,269	20,203,086
		41,481,249	34,217,091
Proceeds from federal assistance programs		108,917,341	114,250,508
Proceeds from sale of revenue bonds and notes		84,380,041	—
Interest on investments		23,630,574	32,326,663
Proceeds from sales and maturities of investment securities		830,412,270	1,442,569,184
Other		4,906,346	22,228,210
Total	$	1,093,727,821	1,645,591,656
Mortgage Loan Program Fund – Housing Bonds:			
Cash received from:			
Interest from program loans	$	20,888,709	20,576,964
Principal from program loans		26,474,195	35,334,305
		47,362,904	55,911,269
Proceeds from federal assistance programs		743,169	2,012,133
Proceeds from sale of revenue bonds and notes		—	66,540,000
Interest on investments		864,355	298,151
Proceeds from sales and maturities of investment securities		269,080,453	271,647,902
Other		9,238,127	11,102,992
Total	$	327,289,008	407,512,447

(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, 2016 and 2015

		2016	2015
Single Family Program Fund:			
Cash received from:			
Interest from program loans	$	11,813,442	18,973,185
Principal from program loans		45,883,720	52,182,241
Receipts for real estate held for sale		5,440,418	4,981,650
		63,137,580	76,137,076
Interest on investments		16,427,006	6,998,025
Proceeds from sale of revenue bonds		162,360,077	111,251,529
Proceeds from sales and maturities of investment securities		199,002,567	163,071,168
Transfer of funds from administrative funds		25,577,662	15,000,000
Other		863,615	5,553,344
Total	$	467,368,507	378,011,142
Illinois Affordable Housing Trust Fund:			
Cash received from:			
Interest on investments	$	29,283	13,183
Grant from State of Illinois		10,603,369	28,703,596
Total	$	10,632,652	28,716,779
Mortgage Loan Program Fund – Affordable Housing Program Trust Fund Bonds:			
Cash received from:			
Interest from program loans	$	306,704	528,580
Principal from program loans		3,818,788	8,343,416
		4,125,492	8,871,996
Interest on investments		—	—
Transfer of funds from Illinois Affordable Housing Trust Fund		5,200,000	5,200,000
Proceeds from sales and maturities of investment securities		29,431,984	—
Other		—	3,840,393
Total	$	38,757,476	17,912,389

(Continued)

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, 2016 and 2015

		2016	2015
HOME Program Fund:			
Cash received from:			
Interest from program loans	$	2,011,706	2,010,707
Principal from program loans		2,693,677	2,223,628
Other		570,508	185,296
		5,275,891	4,419,631
Interest on investments		11,654	3,836
Federal HOME funds		15,395,061	22,705,798
Total	$	20,682,606	27,129,265
Mortgage Loan Program Fund – Multi-Family Housing Revenue Bonds (Marywood):			
Cash received from:			
Principal from program loans	$	—	6,492,625
Total	$	—	6,492,625
IHDA Dispositions LLC:			
Cash received from:			
Receipts from operations	$	49,528	146,851
Receipts from sale of properties		204,222	—
Total	$	253,750	146,851

(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, 2016 and 2015

		2016	2015
Rental Housing Support Program Fund:			
Cash received from:			
Interest on investments	$	75,390	87,088
Grant from State of Illinois		23,597,926	428,635
Total	$	23,673,316	515,723
Mortgage Loan Program Fund – Multifamily Initiative Bonds:			
Cash received from:			
Interest from program loans	$	2,095,414	2,155,848
Principal from program loans		2,615,751	1,009,273
Other		1,443,920	1,281,024
		6,155,085	4,446,145
Proceeds from sales and maturities of investment securities		2,076,735	—
Total	$	8,231,820	4,446,145
ARRA Fund:			
Cash received from:			
Interest from program loans	$	200,942	231,692
Principal from program loans		147,033	187,568
Total	$	347,975	419,260
Hardest Hit Fund:			
Cash received from:			
Principal from program loans	$	10,236,366	1,540,826
Borrower payments		1,674,180	11,869,384
		11,910,546	13,410,210
Interest on investments		4,568	2,883
Federal grant funds		50,603,557	35,000,000
Total	$	62,518,671	48,413,093

(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, 2016 and 2015

		2016	**2015**
Build Illinois Bond Program Fund:			
Cash received from:			
Interest on investments	$	669,030	105,920
Grant from State of Illinois		—	57,813,020
Total	$	669,030	57,918,940
Foreclosure Prevention Program Fund:			
Cash received from:			
Grant from State of Illinois	$	102,511	936,809
Total	$	102,511	936,809
Community Development Block Grant Fund:			
Cash received from:			
Federal grant funds	$	1,513,226	1,409,143
Total	$	1,513,226	1,409,143
Neighborhood Stabilization Program Fund:			
Cash received from:			
Grant recapture payments	$	935,826	838,415
Total	$	935,826	838,415
Abandoned Property Program Fund:			
Cash received from:			
Grant from State of Illinois	$	80,821	514,715
Total	$	80,821	514,715
Section 811 Project Rental Assistance Demonstration Program Fund:			
Cash received from:			
Federal grant funds	$	237,141	311,490
Total	$	237,141	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, 2016

Description		Balance at June 30, 2015	Additions	Depreciation and amortization expense	Retirements	Balance at June 30, 2016
Real estate	$	43,462,470	1,201,422	—	—	44,663,892
Accumulated depreciation – real estate		(19,253,310)	—	(1,016,274)	—	(20,269,584)
Furniture and equipment		94,065	—	—	—	94,065
Accumulated depreciation – furniture and equipment		(78,177)	—	(10,764)	—	(88,941)
Computer equipment		760,822	39,080	—	(37,363)	762,539
Accumulated depreciation – computer equipment		(383,919)	—	(133,525)	37,363	(480,081)
Computer software		2,815,417	162,627	—	(145,848)	2,832,196
Accumulated amortization – computer software		(1,985,850)	—	(303,751)	145,848	(2,143,753)
Leasehold improvements		18,370	—	—	(14,935)	3,435
Accumulated amortization – leasehold improvements		(14,409)	—	(3,674)	14,935	(3,148)
	$	25,435,479	1,403,129	(1,467,988)	—	25,370,620

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

Schedule 3

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Furniture, Equipment, and Leasehold Improvements

June 30, 2016

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 extended through November 6, 2016. The 122 facility is leased on a monthly basis under a space utilization agreement with another Illinois agency. On October 31, 2016, the Authority relocated its offices to the 10^{th} and 11^{th} floors of 111 E. Wacker Drive in Chicago, Illinois pursuant to the terms of a lease dated April 6, 2016.

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, 2016, the net carrying value of ML-181 was $24,394,308 which is net of accumulated depreciation of $20,269,584. Depreciation expense for fiscal year 2016 was $1,016,274. 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, 2016 totaling $199,657 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 $72,800 during fiscal year 2016.

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, 2016

Cash and investments of the Authority's proprietary funds increased $104.6 million from June 30, 2015 to $1,001.4 million at June 30, 2016. This increase is primarily a net result of the following factors:

(a) Cash receipts from interest, service fees, and principal on program loans exceeded interest paid on revenue bonds and notes and cash payments for operating expenses by $92.3 million.

(b) Interest received on investments and transfers in (net) totaled $66.0 million.

(c) Other receipts totaled $14.2 million.

(d) Payments for loan originations and grants totaled $67.8 million.

Net program loans receivable of the Authority's proprietary funds decreased approximately $37.4 million during fiscal year 2016, consisting of decreases in the Authority's Single Family Program Fund ($29.4 million), Mortgage Loan Program Fund ($5.6 million) and Administrative Fund ($2.4 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 $3.6 million from the June 30, 2015 balance primarily from decreases in the Build Illinois Bond Program (BIBP) Fund ($32.6 million) and Nonmajor Governmental Funds ($1.5 million), offset by increases in the Hardest Hit Fund (HHF) Program ($16.8 million) and Federal HOME Program Fund ($13.7 million). 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 is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program (RHSP) Fund are ultimately disbursed as grant or administrative expenses, and therefore no net position is recorded on the Authority's financial statements.

Net program loans receivable for the Authority's governmental activities decreased by $2.4 million primarily attributable to a decrease in the HHF Program ($13.0 million), partially offset by increases in the Federal HOME Program Fund ($8.5 million) and the BIBP Fund ($2.5 million). Cash and investments decreased by $28.1 million, primarily attributable to decreases in the BIBP Fund ($35.1 million), Illinois Affordable Housing Trust Fund ($17.6 million) and RHSP Fund ($7.6 million), offset by an increase in the HHF Program ($29.7 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, 2016

At June 30, 2016, total outstanding bonds and notes payable were approximately $3.6 million below the prior fiscal year-end. Issuance of the following bonds and notes (showing a balance outstanding at June 30, 2016) occurred during fiscal year 2016 (in millions):

Homeowner Mortgage Revenue Bonds, 2016 Series A	$	88.7
Revenue Bonds, 2016 Series A		70.1
Administrative Fund Direct Bank Loans		47.9
Administrative Fund Federal Home Loan Bank Advances		36.4

The Authority redeemed $37.8 million of Mortgage Loan Program Fund Bonds, $145.9 million of Single Family Program Fund Bonds, and $66.2 million of Administrative Fund Direct Bank Loans and Federal Home Loan Bank Advances during the fiscal year.

As of June 30, 2016, the Authority had the following debt outstanding (net of unamortized discount and premium, thereon):

	Number of outstanding issues		Balance June 30, 2016 (In millions)
Housing Bonds	27	$	338.9
Multifamily Initiative Bonds	9		146.3
Affordable Housing Program Trust Fund Bonds	1		14.8
Total Mortgage Loan Program Fund	37		500.0
Residential Mortgage Revenue Bonds	2		0.1
Homeowner Mortgage Revenue Bonds	15		302.7
Housing Revenue Bonds	7		152.5
Revenue Bonds	1		72.8
Total Single Family Program Fund	25		528.1
Administrative Fund	6		52.3
Total Proprietary Funds	68	$	1,080.4

Other assets increased $30.3 million primarily due to increased grants receivable ($40.1 million) within the Authority’s governmental activities and lower other assets ($8.5 million) within the Authority’s proprietary funds due to the write-off of funds advanced for real estate held for sale. Deposits held in escrow decreased $7.1 million due to lower required funding levels. A portion of the Authority’s Administrative Funds Unrestricted Net Position has been designated by resolution. Net Position designated by resolution of the Authority ($150.0 million) increased from the amount designated as of June 30, 2015. The Members of the Authority have designated $75.0 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 issuances of Authority debt or sold in the secondary market,

(Continued)

$50.0 million to support the purchase of Multi-Family loans originated under the Mortgage Loan Program and/or the purchase/repurchase of Mortgage Participation Certificates originated under the Mortgage Participation Certificate Program, $5.0 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, $5.0 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, 2016

Proprietary Funds

Interest earned on program loans decreased by $5.1 million, or 12.1% mainly due to the prepayment of mortgage loans. Decreases mainly occurred within the Authority's Mortgage Loan Program Fund ($0.5 million) and the Single Family Program Fund ($4.5 million). Investment income increased $4.9 million or 13.0% from an increase in the Single Family Program Fund ($9.8 million) due to increased fair market value of investments and Mortgage Loan Program Fund ($0.7 million), offset by a decrease in the Administrative Fund ($5.6 million).

Interest expense decreased $3.7 million, or 9.8% from decreases within the Mortgage Loan Program Fund ($1.7 million) and Single Family Program Fund ($2.1 million) due to lower outstanding debt and decreased interest rates, offset by an increase in the Administrative Fund ($0.1 million).

Operating expenses, other than interest expense and federal assistance programs, decreased approximately $5.4 million. The components of the change were:

a. A $1.0 million (6.3%) 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 2013 through 2016 is listed in the Analysis of Operations-Average Number of Employees section of this report.

b. A $0.5 million (21.7%) decrease in professional fees primarily due to lower expenses for professional and technical consulting and other contractual payments.

c. A $4.1 million (52.6%) decrease in general and administrative due to lower expenses within the Administrative Fund ($1.8 million), mainly related to expenses incurred on Authority owned property, and Single Family Program Fund ($2.3 million), for expenses paid to service loans.

d. A $1.7 million (51.5%) decrease in program grant expenses due to lower program funding.

Governmental Activities

Total revenues of the Authority's governmental activities decreased $54.8 million from the prior year, due to decreases in the BIB Program Fund ($57.2 million), Illinois Affordable Housing Trust Fund ($18.1 million), HOME Program Fund ($6.9 million), and Nonmajor Governmental Funds ($1.1 million) and offset by increases in the Rental Housing Support Program Fund ($23.1 million) and HHF ($5.4 million).

Total expenses of the Authority's governmental activities decreased $110.1 million from the prior year, due to decreases in the BIB Program Fund ($89.1 million), Illinois Affordable Housing Trust Fund ($18.1 million), HOME Program Fund ($7.1 million), HHF ($13.1 million) and Nonmajor Governmental Funds ($5.9 million), offset by an increase in the Rental Housing Support Program Fund ($23.2 million).

(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, 2016

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, 2016

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

Description		2016	2015
Employee holiday reception	$	5,502	7,650

See accompanying independent accountants' report.

Schedule 7

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Description of Cash Accounts

June 30, 2016

The Authority's cash and cash equivalents for proprietary funds at June 30, 2016 were maintained in bank accounts, as follows:

Administrative Fund:		
The Northern Trust Company – HUD Section 8 Depository	$	249,546
Bank of America		8,571,493
Bank of New York		141,871,704
Chase Bank		4,448,512
Federal Home Loan Bank of Chicago		7,016,439
Total Administrative Fund		162,157,694
Mortgage Loan Program Fund:		
Housing Bonds:		
Bank of New York		110,056,024
Multifamily Initiative Bonds:		
Bank of New York		6,262
Affordable Housing Program Trust Fund Bonds:		
Bank of New York		652,292
Total Mortgage Loan Program Fund		110,714,578
Single Family Program Fund:		
Homeowner Mortgage Revenue Bonds:		
Bank of New York		3,665,668
Residential Mortgage Revenue Bonds:		
Bank of New York		358
Housing Revenue Bonds:		
Bank of New York		5,422,892
Revenue Bonds:		
Bank of New York		904,496
Total Single Family Program Fund		9,993,414
Illinois Housing Authority, LLC:		
BMO Harris Bank		25,297
Total Illinois Housing Authority, LLC		25,297
Total Proprietary Funds	$	282,890,983

See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Description of Investments

June 30, 2016

The fair value of investments for the Authority's governmental and proprietary funds at June 30, 2016 is delineated by type, as follows:

Type		Fair value
United States Agency Obligations	$	728,595,324
United States Government Obligations		21,612,447
Demand Repurchase Agreements		100,000
	$	750,307,771

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, 2016

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, 2016, total funds held were $17,225,186, 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, 2016

		Amount	Percent
Federal expenditures (A)	$	127,391,520	45%
Nonfederal expenditures/expenses		152,939,694	55%
Total expenditures/expenses		280,331,214	100%
Less amount representing loans and applied program income		(11,049,229)	
Total expenses (B)	$	269,281,985	

Source:
(A) Schedule of Expenditures of Federal Awards (excluding beginning loan balances)
(B) Statement of Activities for the year ended June 30, 2016

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 238 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 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 General Revenue Funds are received by the Authority for its operations, 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, Abandoned Properties Program, and the Foreclosure Prevention Fund.

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.

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

The Authority is the designated administrator of the *Illinois Affordable Housing Program*. The program is funded by the Illinois Affordable Housing Trust Fund, with funds derived from 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.

(Continued)

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

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

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

The Authority is the administrator of the Abandoned Properties Program, created in 2010 and funded by an additional plaintiff-paid foreclosure filing fee. The program makes grants to municipalities and counties to secure, maintain, demolish, and/or rehabilitate abandoned rental properties under their jurisdictions. Statutory allocation is: 25% City of Chicago; 30% - Cook County; 30% collar counties; and 15% other areas of the state.

The Authority, through federal grants provided through the National Foreclosure Mitigation Counseling program, is allocating 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 was the administrator for the Neighborhood Stabilization Program which provided grants and/or loans to municipalities and developers to rehabilitate abandoned or foreclosed properties in communities adversely affected by the foreclosure crisis.

The 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 provide targeted aid to families struggling with the effects of the economic and housing market downturn. Five sub-programs exist under the Illinois Hardest Hit Fund program:

- The Homeowner Emergency Help Program (HELP) assists borrowers who have experienced a 20 percent reduction in income through a qualifying hardship with up to $35,000 in assistance for reinstatement and/or mortgage payment assistance for up to 18 months.
- The Mortgage Resolution Fund (MRF) is designed to purchase existing underwater loans at deep discounts, modify them to an affordable level for the homeowner, and rewrite the loan after a successful trial period.
- The Home Preservation Program (HPP) used HHF dollars to facilitate a permanent solution to troubled homeowners through a refinance, recast or permanent modification of the first mortgage.
- The Blight Reduction Program (BRP) provides funding to Illinois units of local government and their nonprofit partners to complete demolition, greening and eventual reuse of blighted residential properties.
- The 1stHomeIllinois program uses HHF dollars to provide first-time homebuyers in targeted counties with $7,500 in down payment assistance. Congress recently reauthorized HHF funding in its FFY 2016 appropriations bill.

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 Federal 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.

The Authority is the statewide administrator of the Federal HOME program. Under this program, $494.2 million and $16.7 million for federal fiscal years 1992 through 2015 and 2016, respectively, have been allocated to be administered by the Authority under the HOME provisions of the 1990 National Affordable Housing Act. In 2016 the Authority was designated as the participating jurisdiction to receive the funds directly from the Federal Government rather than the program administrator receiving funds through the Illinois Department of Revenue as a State pass through.

The Authority was designated the program administrator for Section 1602 of the American Recovery and Reinvestment Act of 2009 (ARRA) for grants appropriated to the State of Illinois by the United States Department of the Treasury to finance construction or acquisition and rehabilitation of qualified low-income building for low-income housing in lieu of low-income housing tax credits. In addition, HUD made awards to the Authority under the Tax Credit Assistance Program (TCAP) to facilitate the development of projects

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that received or will receive funding in order to be completed and placed in service in accordance with the requirements of Section 42 of the Internal Revenue Code of 1986 and the regulations promulgated thereunder. These awards were then allocated to sub-grantees and the Authority is responsible for the monitoring and reporting of the use of these funds.

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

Throughout the years, various 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, 2016, the Authority has entered into forty-three Risk Sharing Loans totaling $204.7 million and elected that HUD assume 10% to 90% of the loss with respect to these loans. Ten of these loans totaling $55.5 million were financed through the issuance of the Authority's Housing Bonds, nine loans totaling $49.2 million were financed through the issuance of the Authority's Multifamily Initiative Bonds and three loans totaling $13.0 million were financed by the Administrative Fund. The remaining twenty-one loans totaling $87.0 million 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, 2016 comprised approximately 0.01% 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,

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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.

Planning Program

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. It was amended in 2016 to extend through 2026.

IHDA's Office of Housing Coordination Services serves as staff for the Housing Task Force and is responsible for the overall coordination of the development of the Authority's annual federal and state required housing plans and progress reports. In addition to the Housing Task Force's Comprehensive Housing Plan, these include the HUD-required Consolidated Plan which outlines the state's strategy for housing and community development activities, and the Annual Action Plan which serves as the state's application for federal funding. The Office also coordinates housing programs and services between State agencies and maintains a statewide information clearinghouse on available affordable housing programs and services.

In 2013, IHDA created a Strategic Planning and Research (SPAR) department to improve the Authority's funding and decision making capabilities via a balanced approach to data and metrics, analytic tools, and indicators. SPAR works with virtually all of IHDA's departments to provide data services, analysis, programmatic input, and performance measurements that allow the Authority to better identify and accept those developments that best achieve the Authority's goals of providing low and moderate economically integrated housing throughout the State, while at the same time maintaining the financial viability of the Authority.

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Analysis of Operations Section (Unaudited)

June 30, 2016

Average Number of Employees

	2016	2015	2014	2013
Financial and computer services	40	41	42	44
Human resources, administration, and legal	37	41	44	38
Director's office and housing programs	161	158	167	183
Total	238	240	253	265

Emergency Purchases

The Authority did not have any emergency purchases during fiscal year 2016.

Summary Production Data

Unit production for fiscal year 2016 was 17,251 units, and total production since Authority inception was 280,166 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, 2016

(Unaudited)

	Active		**No longer active (3)**		**Total**	
Portfolio	**Developments**	**Units**	**Developments**	**Units**	**Developments**	**Units**
Multi-family Programs	1,479	117,609	416	24,162	1,895	141,771
Single Family Programs (1)	412	4,414	970	24,526	1,382	28,940
Technical Assistance	2	0	69	1,513	71	1,513
MCC & MRB (2)	n/a	107,942	n/a	n/a	—	107,942
Totals	1,893	229,965	1,455	50,201	3,348	280,166

(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, 2016

(Unaudited)

Percent of Area Median Income	Multi-family and single family programs	MCC & MRB (1) (2)	Total
Less than 30%	7,451	2,207	9,658
31%–50%	58,434	17,545	75,979
51%–80%	90,581	47,791	138,372
81%–100%	n/a	24,409	24,409
101%–120%	509	11,102	11,611
Greater than 121% or Market	15,249	4,888	20,137
Totals	172,224	107,942	280,166

(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, 2016

(Unaudited)

	Programs				
Region (1)	**Multi-Family**	**Single Family**	**Technical Assistance**	**MCC & MRB (2)**	**Total Developments**
Central	7,147	1,164	-	7,604	15,915
East Central	3,569	586	-	4,366	8,521
North Central	7,230	2,189	-	10,490	19,909
Northeast	98,292	7,122	13	56,853	162,280
Northern Stateline	3,993	812	-	7,711	12,516
Northwest	7,271	2,342	-	5,537	15,150
Southeastern	2,218	878	-	1,862	4,958
Southern	3,175	4,813	-	2,724	10,712
Southwestern	4,866	3,406	-	7,878	16,150
West Central	2,577	1,336	-	2,790	6,703
Statewide	1,433	4,292	1,500	127	7,352
Total	141,771	28,940	1,513	107,942	280,166

(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