LEGISLATIVE
AUDIT
COMMISSION

Review of
Illinois Housing Development Authority
Year Ended June 30, 2015

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REVIEW: 4456
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
YEAR ENDED JUNE 30, 2015

FINDINGS/RECOMMENDATIONS - 14

ACCEPTED AND PARTIALLY IMPLEMENTED - 4
IMPLEMENTED - 10

REPEATED RECOMMENDATIONS - 7

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 11

This review summarizes the auditors' reports on the Illinois Housing Development Authority for the year ended June 30, 2015, filed with the Legislative Audit Commission on December 23, 2015 (financial) and March 31, 2016 (compliance). The auditors performed a financial audit and compliance examination in accordance with *Government Auditing Standards* and State law and the requirements of the Federal Single Audit Act and OMB Circular A-133. The auditors stated that the financial statements of the Authority are fairly presented.

A bipartisan Board of nine members appointed by the Governor and confirmed by the State Senate governs the Illinois Housing Development Authority. The statutory mandate of the Authority is to increase the production and supply of low and moderate income housing within the State. This goal is accomplished through several State and federal programs. *The Mortgage Loan Program* and *The Affordable Housing Bond Program* provides mortgage financing at rates lower than those available from commercial lenders for housing developments meeting Authority criteria. Through *The Homeowner Mortgage Purchase Program*, the Authority, through a Master Servicer, purchases mortgage-backed securities with underlying mortgage loans on which it provides affordable rate financing from certain institutions which have made home purchase loans available to eligible borrowers.

The Authority is the administrator of several other programs including:

- Illinois Affordable Housing Program
- Rental Housing Support Program
- Build Illinois Bond Program
- Foreclosure Prevention Program
- Illinois Affordable Housing Tax Credit Program
- Low Income Housing Tax Credit Program
- Federal HOME Program
- Section 8 Housing Program
- Risk Sharing Agreement with HUD
- Homeowner Mortgage Loan Program
- American Recovery and Reinvestment Act, Section 1602
- National Foreclosure Mitigation Counseling Program
- Cook County Mortgage Foreclosure Mediation Program
- Neighborhood Stabilization Program

- Hardest Hit Fund

The bonds and notes outstanding as of June 30, 2015 consist of both general and special limited obligations of the Authority. The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Illinois Housing Development Act (Act) to have up to $3.6 billion of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2015, amounts outstanding against this limitation were approximately $1.7 billion.

Some developments financed by the Authority are eligible for federal subsidies for interest and/or rents. The Authority makes mortgage loan commitments after an extensive study of the feasibility of a development.

The Authority's operations are financed by fees and charges paid by borrowers, interest income from investments securities, and other administration fees. No State appropriations are received by the Authority and no State tax dollars are provided directly to the Authority, except as a partial reimbursement of expenses related to the administration of the Affordable Housing Trust Fund, the Rental Housing Support Program Fund, and the Foreclosure Prevention Fund. Payment of any amounts on behalf of the Authority by the State is subject to appropriation. Accordingly, IHDA does not create a legally enforceable obligation on the part of the State nor does it create a debt enforceable against the State.

Mary Kenney was Executive Director of the Illinois Housing Development Authority during the audit period and until September 2015. Acting Executive Director from September 2015 to February 2016 was Bryan E. Zises. The Agency's new Executive Director, Audra Hamernik, was appointed to her position in February. Ms. Hamernik has more than 20 years of public and private industry housing experience, bringing a strong background in housing policy, finance and development to the post.

The average number of full-time employees is as follows:

	Fiscal Years		
	2015	**2014**	**2013**
Financial and Computer Services	41	42	44
Human Resources, Administration and Legal	41	44	38
Director's Office and Housing Programs	158	167	183
TOTAL	**240**	**253**	**265**

Operating expenses from the Administrative Fund for the Authority in FY15 were about $141.6 million compared to $146.2 million in FY14.

Appendix A provides selected activity measures of the Authority for FY15 and FY14. Over 80% of the Authority's production since inception has been to households with 80% or below of the area median income.

Financial Statements

Appendix B provides the market value of cash and investments at June 30, 2015 and 2014. The Authority's cash and cash equivalents for its proprietary funds and investments for all funds totaled $947 million in FY15 compared to $946 million in FY14. The preponderance of the investments is United States Agency Obligations.

Appendix C provides a statement of net position for the Authority as of June 30, 2015 and 2014. Total net position was almost $982.1 million at June 30, 2015 and the restated net position for FY14 was almost $982.8 million. The reason for the restatement is discussed in Finding No. 1 and involves an overstatement of $11.6 million in funds held by the State Treasurer. Total assets were $2.66 billion in FY15 compared to $2.87 billion in FY14 (restated) while liabilities were $1.66 billion in FY15 compared to $1.89 billion in FY14.

Appendix D provides a summary of the Authority's revenues, expenditures, and changes in fund balances for the Authority's governmental funds. These funds include the Illinois Affordable Housing Trust Fund, the HOME Program Fund, the Rental Housing Support Program Fund, the ARRA Fund, the Hardest Hit Fund, the Build Illinois Bond Program Fund, and other programs. Revenues less expenditures decreased from $94.5 million in FY14 to $(38.9 million) in FY15. Net assets of governmental activities decreased to $(39 million) in FY15 from $89.4 million in FY14 due to $163 million less in total revenues.

Appendix E provides a summary of the Authority's revenues, expenditures, and changes in net position for the Authority's proprietary funds. These funds include the Administrative Fund, the Mortgage Loan Program Funds, the Single Family Program Fund, and the Illinois Housing Authority LLC which maintains, improves and disposes of multi-family properties acquired through foreclosure or deed-in-lieu of foreclosure. Net position was about $38 million greater in FY15 than FY14.

Loan originations for business-type activities were $21.4 million in FY15 compared to $89.8 million in FY14. Authority debt issuances during FY15 totaled $179.7 million. The Authority's debt outstanding of $1.084 billion in FY15 was $198 million less than the amount outstanding as of June 30, 2014.

Accountants' Findings and Recommendations

Condensed below are the 14 findings and recommendations, seven repeated, presented in the auditors' reports. The following recommendations are classified on the basis of updated information received from Vanessa Boykin, Controller, Illinois Housing Development Authority, via electronic mail on August 10, 2016.

Accepted or Implemented

1. Review current internal control policies and procedures to ensure financial transactions are accurately reported in the general ledger and the financial statements.

<u>Finding</u>: The Authority has not established adequate internal controls over the financial reporting process. During audit of the financial statements as of June 30, 2015, auditors noted the following:

- The Funds held by State Treasurer in the Home Program Fund balance sheet, which is also included in the governmental activities statement of net position, was overstated by $11,613,795 as of June 30, 2015 as program income payouts/withdrawals were being recorded within the general ledger as a credit to federal funds revenue rather than as a credit to Funds held by State Treasurer. This general ledger error occurred in FY13 and FY14. An adjustment was made by the Authority to adjust the July 1, 2014 beginning fund balance of the Home Program Fund and the beginning net position of the governmental activities by $11,613,795.

- The Authority correctly recorded $5,200,000 of receipts related to FY16 as unearned revenue within the Mortgage Loan Program Fund. However, the Authority also incorrectly recorded the $5,200,000 as both unearned revenue and an other asset within the Illinois Affordable Housing Trust Fund. An adjustment was made by the Authority to remove the $5,200,000 recorded as unearned revenue and as an other asset within the Illinois Affordable Housing Trust Fund.

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

- The Authority incorrectly recorded an Illinois Affordable Housing Trust Fund loan payment received during FY15 as a liability within the Administrative Fund. As a result, program loans receivable for the Illinois Affordable Housing Trust Fund were overstated by $250,000, and accrued liabilities and other for the Administrative Fund were overstated by $250,000. A proposed adjustment for this difference was recorded by the Authority.

- The Authority did not record updated financial information for Renaissance Apartments, which is included within the IHDA Dispositions LLC Fund. Proposed adjustments for the differences between the preliminary financial statements and the final financial statements were recorded by the Authority.

Authority management stated they reasonably believed the recording of the $5.2 million receipts as both unearned revenue and as another asset in the Illinois Affordable Housing Trust Fund to be justified since it related to the certification by the Authority to the Illinois Department of Revenue for debt service to be paid on the Affordable Housing Trust Fund

Bonds during FY16, although the funds were received in FY15. The reclassification of approximately $8.4 million of unearned revenue to a noncurrent liability was due to an oversight of certain fees with time related conditions. The $11.6 million Home Program Fund adjustment related to staff error, and a subsequent oversight of the reported cash balance of Funds held by State Treasurer as reported within the Authority's GAAP package during the reconciliation process with the Illinois Department of Revenue. The $250,000 loan payment was received in June 2015 and held pending a final loan modification agreement. The Authority relied on financial statements as submitted by Renaissance Apartments during FY15 and were notified on November 17, 2015 of revised statements which was approximately 4 months after the closing of the Authority's books on July 31, 2015 and subsequent to the Authority submitting its financial audit report to the external auditors on September 2, 2015.

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

Updated Response: Implemented.

(1) The agency accounting department will complete month-end and year-end variance analyses on the financial statements and program reports.

(2) As of 3rd quarter of 2015, the Authority is now the Project Jurisdiction (PJ) for HOME and funds are deposited in Authority banks accounts instead of the State Treasury. Issue has been resolved.

(3) The following is the policy put in place to address payments on matured loans that are currently undergoing a modification.

"Payments Received on Matured Loans - Developments whose loans have matured and balloon payments are due, shall continue to remit payments if they are actively working with

Accepted and Implemented – continued

Asset Management to secure a workout plan. LPM will extend the maturity date by one year in Benedict so the system will continue to accept the payment. This will be reviewed on an annual basis. Once new terms have been executed, LPM will modify the loan record in Benedict as per the new loan documents."

2. Review 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 loan ratings are adequately documented. (Repeated-2014)

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

The auditors reviewed the allowance for loan loss methodology for the single family loan program and the multi-family loan program and noted that the Authority could not produce an analysis supporting the rationale for its calculation of the loan loss reserve factors for the single family loan program (probability of default) or the multi-family loan program (probability of default and expected loss) that are used in its allowance for loan loss calculation and has not recently performed an analysis to further substantiate the ongoing appropriateness of the metrics used in the allowance for loan loss estimate.

The Authority has not documented how the loan loss reserve factors have been historically calculated and over what period the probability of default is measured. Further, the Authority did not perform back-testing (typically performed on at least an annual basis) on its allowance for loan loss estimates for either the single family loan program or the multi-family loan program to determine whether the allowance for loan loss produces estimates that have been historically sufficient to cover incurred losses over a period of time that aligns with the period used to estimate the probability of default values.

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

Some of the difference in loan rates were as follows. No adjustments for these differences were recorded by the Authority:

- Six differences in Housing Trust Fund loan ratings resulted in an under reserve of $1,131,263 and one difference in a Housing Trust Fund loan rating resulted in an over reserve of $55,550 for the Illinois Affordable Housing Trust Fund.

- Two differences in Home loan ratings resulted in an under reserve of $1,021,499 for the Home Program Fund.

- Two differences in Administrative loan ratings resulted in an under reserve of $536,395 for the Administrative Fund.

- Two differences in a Trust Fund Bond loan ratings resulted in an under reserve of $505,148 for the Mortgage Loan Program Fund.

- One difference in a Home loan rating resulted in an over reserve of $224,848 for the Home Program Fund.

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

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

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

<u>Updated Response:</u> Accepted and Partially Implemented. The Single Family loan loss reserve policy has been updated and is based on GAAP standards and historical performance and is in use for the FY16 loans. The Multifamily loan rating policy is currently under review by an outside accounting firm (Novogradac) and that review, along with any

Accepted and Implemented – continued

recommendations for modifications and improvements is expected to be completed by the end of 2016.

3. Review current procedures for identifying duplicate vendors and consider any changes necessary to ensure duplicate vendor records are purged from the system.

Finding: The Authority has duplicate vendors within its accounts payable master vendor file.

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

Authority management stated there is an established policy and procedure that addresses reviewing the Master Vendor listing for duplicate vendors and required approvals for adding new vendors to the listing. The Authority implemented a new general ledger ERP system, which included accounts payable, during June 2014 in which the number of vendors transferred matched the vendor records in the old system. This discrepancy is believed to have occurred during FY15 when the policy in place was not consistently followed by accounts payable staff. In addition, the annual review process for the Master Vendor listing would not be scheduled to occur until after the end of FY15. The timing of such review usually coincides with the annual financial audit, at which time such discrepancies would have been expected to be found and subsequently corrected.

Updated Response: Accepted and Partially Implemented. Accounting and IT reviewed the accounts payable vendor listings and inactivated accounts as warranted January, 2016. The accounting department is also working with IT to purge the remaining duplicate accounts payable vendor records that appeared as a result of the conversion of the legacy system to JD Edwards. The purge is scheduled to be completed September, 2016.

4. Establish procedures to accurately report Federal expenditures, including program income, on the SEFA in the correct accounting period. Also, implement procedures to ensure amounts passed through to subrecipients are accurately reported.

Finding: The Authority did not accurately report Federal expenditures under the HOME Program, Section 8 Program, Community Development Block Grants (CDBG), Neighborhood Stabilization Program (NSP), and the National Foreclosure Mitigation Counseling (NFMC) programs. Federal expenditures reported on the initial draft of the

Schedule of Expenditures of Federal Awards (SEFA) did not agree to the Authority's financial records. Specifically, auditors noted the following differences:

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

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

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

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

In addition to the reporting errors noted above, auditors identified two disbursements of program income (totaling $1,385,899) out of six tested were reported by the Authority in the incorrect fiscal year. Specifically, auditors noted these transactions should have been reported in FY14.

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

Updated Response: Implemented.

(1) Accounting will complete variance analysis to review changes in expenditures year over year.

Accepted and Implemented – continued

(2) Employee was trained on proper recording of Federal Funds.

(3) Accounting will review program financial statements and complete balance sheet and expense analyses to provide reasonable assurance that the balances are properly reported.

(4) Related to NSP (Neighborhood Stabilization Program), HUD confirmed that program income associated with NSP needed to be reflected in the SEFA. Changes were made to the FY15 SEFA report to add the program income.

5. Review the process and procedures in place to prepare financial reports required for the Section 8 Project-Based Cluster Program and implement procedures to ensure the reports are accurate and supporting documentation is maintained.

Finding: The Authority was unable to provide documentation to support various amounts on financial reports submitted for the Section 8 program.

The Authority is required to prepare HUD-52633, *Requisition for Partial Payment of Annual Contributions*, on an annual basis at the beginning of the fiscal year, and HUD-52681, *Voucher for Payment of Annual Contributions and Operating Statement,* on an annual basis at the end of the fiscal year. These reports are required to be prepared for each of the Authority's open grant awards.

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

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

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

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

Updated Response: Implemented. Asset management prepared new internal worksheets to document and explain the process for completing the Mod-Rehab Budget and Financial Report forms. Staff used the worksheets to complete the forms in 2016. Issue resolved.

6. Ensure on-site monitoring reviews are performed and documented for subrecipients of the HOME program in accordance with established policies and procedures. Also, review process for reporting and following up on findings relative to subrecipient on-site monitoring reviews to ensure timely corrective action is taken. (Repeated-2013)

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

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

- The Authority did not receive written responses to the findings after communicating the on-site review findings for two subrecipients with on-site monitoring reviews conducted in FY14 (with expenditures of $239,105).

- The Authority did not issue timely management decision letters (within 45 days) after communicating the findings from the on-site review for one subrecipient with an on-site monitoring review conducted in FY14 (with expenditures of $113,505) and one subrecipient with an on-site monitoring review conducted in FY15 (with expenditures

- of $278,423). The delay in communicating the findings to both subrecipients was 85 days.
- On-site monitoring review files for one subrecipient with an on-site monitoring review conducted in FY13 (with expenditures of $198,036) and six subrecipients with on-site monitoring reviews conducted in FY14 (with expenditures of $1,352,307) did not have evidence that a supervisory review was performed.

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

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

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

Response: Accepted. In FY16, the HOME staff has established new processes for ensuring monitoring reviews are completed in a timely manner. A spreadsheet tracks all dates of visits by HOME staff and inspection staff. HOME staff is working more closely with inspection staff via email and shared Excel tracking sheets to increase communication regarding joint responses in a timely manner. Further, as of June 2015, a supervisor reviews and signs all reviews before management responses are released to the subrecipient.

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

Updated Response: Implemented. Ongoing. The process put in place during FY16 is functioning and visits and reports are conducted and reported timely.

7. Ensure on-site monitoring reviews are performed and documented for subrecipients of the Section 8 program in accordance with established policies and procedures. Also, review process for reporting and following up on findings relative to subrecipient on-site monitoring reviews to ensure timely corrective action is taken. (Repeated-2011)

Finding: The Authority did not follow its established policies and procedures for monitoring subrecipients of the Section 8 program.

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

- The Authority did not receive timely written responses (within 60 days) to the findings of the on-site reviews for one subrecipient (with expenditures of $1,649,364) and appropriate follow-up action was not taken. Delay in obtaining the written response was 37 days after the required timeframe.

- The Authority did not receive written responses to the findings after communicating the on-site/management desk review findings for five subrecipients (with expenditures of $12,783,596). Further, auditors noted the Authority did not follow up to obtain responses from these subrecipients.

- The Authority was unable to provide documentation to support when the written responses were received for the on-site and desk review findings for two subrecipients (with expenditures of $3,925,142). As a result, the timeliness of the subrecipient response cannot be determined.

- The Authority did not perform a monitoring review for two subrecipients (with expenditures of $2,179,525) in FY15 in accordance with the Authority's policies and procedures.

- The Authority did not maintain evidence of the completion and supervisory review of the on-site review monitoring tool for one subrecipient (with expenditures of $1,383,024).

- The Authority did not timely close out (within 90 days) the on-site review for two subrecipients (with expenditures of $4,913,034). Delays ranged from nine to 32 days.

- The Authority was unable to provide documentation to support when the on-site monitoring file was closed for four subrecipients (with expenditures of $6,609,349). As a result, the timeliness of the file closure cannot be determined.

- The Authority did not have evidence in the on-site monitoring review file that the monitoring file was closed for four subrecipients (with expenditures of $11,400,572).

Additionally, the Authority does not have policies and procedures in place for the timely issuance of a findings notification letter after the inspection/desk review date. During testwork over on-site and desk reviews, auditors noted for 10 of the 25 subrecipients (with expenditures of $22,937,949), the Authority did not communicate a findings notification letter to the subrecipient within 60 days of the inspection/desk review date, ranging from six to 153 days late. Further, the Authority was unable to provide for a letter sent to one subrecipient (with expenditures of $1,383,024). As a result, the timeliness of the finding notification issuance cannot be determined.

Amounts passed through to grant subrecipients under the Section 8 program during FY15 totaled $108,253,745.

Accepted and Implemented – continued

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

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

Updated Response: Implemented. Asset Management has taken steps to ensure that reviews are completed on time, even during extended employee absences. Asset management now reassigns properties to be reviewed by other personnel when staffing issues occur.

8. Establish procedures to ensure: (1) subrecipient A-133 audit reports are obtained and reviewed within established deadlines, (2) management decisions are issued for all findings affecting federal programs in accordance with OMB Circular A-133, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action. (Repeated-2014)

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

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

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

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

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

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

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

Updated Response: Accepted and Partially Implemented.

(1) Complete and ongoing.

(2) On schedule. Staff began collecting A-133 Certifications for Subrecipients' FY2016 year-end audits.

(3) Email reminders will be scheduled via the email scheduling function in Outlook and will be sent based on estimated dates of audit receipt. The estimated start date for this process is 10/1/16.

9. Review current process for preparing subrecipient funding notifications to ensure all required information is properly communicated to subrecipients. (Repeated-2014)

Finding: The Authority did not communicate required federal program information to subrecipients of the Community Development Block Grant program,

Accepted and Implemented – continued

During testwork over five subrecipients of the Block Grant program (with expenditures of $1,409,143), auditors noted the Authority did not communicate the Catalog of Federal Domestic Assistance (CFDA) number to any of the subrecipients tested.

Amounts passed through to subrecipients totaled $2,285,620.

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

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

Updated Response: Implemented. There is no further action due or warranted. The action plan was followed.

10. Ensure on-site monitoring reviews are performed and documented for subrecipients of the Community Development Block Grant program in accordance with established policies and procedures. (Repeated-2014)

Finding: The Authority did not follow its established policies and procedures for monitoring subrecipients of the Community Development Block Grant program.

During testwork over on-site review procedures performed for five subrecipients (with expenditures of $1,409,143) of the Block Grant program, auditors noted the Authority did not follow its established on-site monitoring procedures as follows:

- The Authority did not perform on-site monitoring reviews of two subrecipients (with expenditures of $219,986) in FY15 in accordance with the Authority’s policies and procedures.
- The Authority did not receive written responses to the findings after communicating the on-site monitoring review of one subrecipient (with expenditures of $2,885).
- The Authority did not timely close out (within 90 days) the on-site review for two subrecipients (with expenditures of $124,744). Delays ranged from 309 to 384 days.

Amounts passed through to subrecipients under the Block Grant program totaled $2,285,620.

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

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

Updated Response: Implemented. Asset Management has taken steps to ensure that reviews are completed within the fiscal year. Asset management developed a tracking schedule for reporting and monitors the program frequently.

11. Review current procedures to ensure expenditures and program income disbursements are recorded in the proper accounting period.

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

The Authority prepares its financial statements on the accrual basis of accounting. Under this basis of accounting, expenditures are reported when they are incurred. During review of 25 miscellaneous expenditures (totaling $129,352), auditors noted one expenditure (totaling $11,985) was incurred, in part, in the prior fiscal year. Specifically, $2,996 of the expenditure related to FY14; however, the entire transaction was reported in FY15.

Additionally, during testwork over six loan disbursements (totaling $4,547,980) for the HOME Program, auditors noted two program income disbursements (totaling $1,385,899) were reported by the Authority in the incorrect fiscal year. Specifically, auditors noted these transactions should have been reported in FY14.

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

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

Accepted and Implemented – continued

Updated Response: Implemented.

(1) Accounting requests unpaid bills and expense detail from the Authority Directors and

reviews unpaid expense vouchers and payments in the current year to create an accrual for year-end.

(2) As of 3rd quarter of 2015, the agency is now the Project Jurisdiction (PJ) for HOME and program funds are deposited in Authority banks accounts instead of the State Treasury. Issue has been resolved.

12. Review current procedures for preparing and submitting bond reports to ensure all required reports are submitted as required.

Finding: The Authority did not timely submit a copy of the prospectus and maturity schedule for 10 newly issued bonds during the fiscal year ended June 30, 2015. Additionally, the Authority's contractor did not timely report bond payments during FY15.

The Authority contracts with a bank to administer its bonds and related reporting. During test work, auditors noted the bank and/or trustees on the bond issues were late in submitting 126 Notices of Payment during FY15.

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

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

Updated Response: Implemented. There is no further response at this time. The finding has been addressed and the procedures that have been put in place should resolve any issues going forward.

13. Review current procedures for preparing the Agency Workforce Report and implement any changes necessary to ensure all required information is accurately reported. Also, file an amended Agency Workforce Report.

Finding: 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.

During testwork over the report submitted during FY15, auditors noted demographic information was reported incorrectly.

Income	Minorities Reported on Agency Workforce Report	Minorities on Employee Listing	Amount Under Stated
Total Employees	106	154	48

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

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

Updated Response: Implemented. There is no further response at this time. The finding has been addressed and the procedures that have been put in place should resolve any issues going forward.

14. Update password settings to comply with those documented in the IT Policies and Procedures Manual or amend the policy as appropriate. (Repeated-2014)

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

Accepted and Implemented – concluded

During testwork of the Authority's controls over user access to the Authority's applications, auditors noted the Authority's password configurations did not always meet the requirements as defined in their internal policies and procedures.

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

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

Updated Response: Accepted and Partially Implemented.

Regarding the Mitas application, the Authority implemented a software change and configuration updates to the Mitas application that allow for the use of Active Directory as the login authenticator. The Active Directory password settings comply with the Authority's IT Policies and Procedures. The change to use Active Directory for the Mitas application was implemented to the production environment on June 29, 2015.

Regarding the Benedict application, the Authority has worked with the vendor to update the system to correct the system limitations that prevented enabling of password complexity settings that comply with the Authority's IT Policies and Procedures.

Regarding the JDE application, a system limitation only allows the application to enforce and prevent the reuse of 10 previous passwords, not 12 previous passwords as required in the Authority's IT Policies and Procedures. The JDE system exception has been noted in the IT Policies and Procedures. IT was informed this approach was discussed with the external auditors and it would be satisfactory.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

The Authority filed no affidavits for emergency purchases during FY15.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time. In July 2015, the Illinois Housing Development Authority reported it had eight employees assigned to locations other than official headquarters.

APPENDIX A

Selected Activity Measures

	FY15	FY14
Production of Housing Units	263,577	233,430
Total Number of Bond Issues Outstanding	66	78
Total Bond Issue Liability	$ 1,083,900,000	$ 1,281,700,000

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APPENDIX B

Cash Accounts and Investments

	FY15	FY14
Administrative Fund:		
The Northern Trust Company - HUD Section 8	$ 249,922	$ 867,781
Bank of America	30,016,350	43,048,349
Bank of New York	148,697,240	155,392,521
Chase Bank	3,733,866	7,985,366
Federal Home Loan Bank of Chicago	95,296,216	60,583,015
Total Administrative Fund	277,993,594	267,877,032
Mortgage Loan Program Fund:		
Family Housing Bonds:		
Bank of New York	190,371,741	81,153,191
Multi-Family Initiative Bonds:		
Bank of New York	3,613,357	3,699,681
Affordable Housing Program Trust Fund Bonds:		
Bank of New York	23,338,011	10,370,461
Total Mortgage Loan Program Fund	217,323,109	95,223,333
Single Family Program Fund:		
Homeowner Mortgage Revenue Bonds:		
Bank of New York	37,199,232	67,299,689
Residential Mortgage Revenue Bonds:		
Bank of New York	131,345	143,822
Housing Revenue Bonds:		
Bank of New York	4,612,105	2,986,398
Total Single Family Program Fund	41,942,682	70,429,909
Illinois Housing Authority, LLC:		
Bank of America	-	1,234,058
BMO Harris Bank	11,554	-
PNC Bank	8,318	4,846
Total Illinois Housing Authority	19,872	1,238,904
Total Proprietary Funds	$ 537,279,257	$ 434,769,178
Investments (all funds)		
Demand Repurchase Agreements	195,079	223,462
United State Agency Obligations	396,282,031	487,516,572
United State Government Obligations	14,032,729	24,002,267
Municipal Obligations	-	399,909
Total Investments	$ 410,509,839	$ 512,142,210
Total Cash Accounts and Investments	$ 947,789,096	$ 946,911,388

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APPENDIX C

Statement of Net Position

ASSETS	FY15	FY14
Current Assets:		
Cash & cash equivalents	$ 659,115,671	$ 642,063,604
Funds held by State Treasurer	522,252	12,363,710
Investments	104,293,828	92,545,748
Investment income receivable	579,580	156,432
Investment income receivable - restricted	836,817	881,367
Program loans receivable	73,422,597	67,497,924
Grant receivable	2,732,655	22,792,642
Securities lending collateral	360,000	747,000
Interest receivable on program loans	4,006,624	5,271,797
Other	776,390	3,815,976
Total current assets	846,646,414	848,136,200
Noncurrent Assets:		
Investments - restricted	306,216,011	419,596,462
Program loans receivable, net of current portion	1,420,869,975	1,537,191,014
Less allowance for estimated losses	(48,037,280)	(74,519,061)
Net program loans receivable	1,372,832,695	1,462,671,953
Real estate held for sale (net)	11,342,468	15,957,229
Less allowance for estimated losses	(6,439,974)	
Net real estate held for sale	4,902,494	
Due from Fannie Mae	92,884,148	93,965,168
Due from Freddie Mac	4,736,347	4,736,346
Capital assets (net)	25,435,479	25,636,910
Derivative instrument asset	9,148	41,815
Other	13,512,535	12,521,953
Total noncurrent assets	1,820,528,857	2,035,127,836
Total Assets	**$ 2,667,175,271**	**$ 2,883,264,036**
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	1,663,047	2,097,158
Unamortized loss on bond refunding	1,403,305	2,442,787
Total deferred outflows of resources	3,066,352	4,539,945

Appendix C - continued

	FY15	FY14
LIABILITIES		
Current Liabilities:		
Due to grantees	45,302,087	53,619,841
Due to State of Illinois	43,126,968	46,372,696
Securities lending collateral obligation	360,000	747,000
Bonds & notes payable	30,208,968	39,004,000
Accrued interest payable	13,764,636	18,042,283
Unearned revenue	2,772,371	10,685,577
Deposits held in escrow	150,156,886	156,651,805
Accrued liabilities & other	13,209,917	19,248,691
Amounts due brokers for securities purchased	-	-
Prepaid rent	-	-
Accrued property taxes	-	6,877
Total Current Liabilities	298,901,833	344,378,770
Noncurrent Liabilities:		
Due to State of Illinois	305,097,435	303,427,799
Bonds & notes payable, net of current portion	1,053,772,598	1,243,071,926
Derivative instrument liability (after bonds)	1,663,047	2,097,158
Unearned revenue	8,388,583	-
Security deposits	8,665	2,750
Total non-current liabilities	$ 1,368,930,328	$ 1,548,599,633
Total Liabilities	**$ 1,667,832,161**	**$ 1,892,978,403**
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivatives	9,148	2,097,158
Unamortized gain on bond refunding	266,668	2,442,787
Unearned revenue	20,061,377	-
Total deferred inflows of resources	20,337,193	-
NET POSITION		
Invested in capital assets (net)	(3,649,521)	(5,148,090)
Restricted for bond resolution purposes	352,081,420	328,747,862
Restricted for loan and grant programs	477,186,974	527,090,683
Unrestricted	156,453,396	143,702,212
Total net position	**$ 982,072,269**	$ 994,392,667
FY14 Restated		**$ 982,778,872** *

* See Finding No. 1.

APPENDIX D

Governmental Funds - Revenues, Expenditures and Changes in Fund Balances

Revenues	**FY15**	**FY14**
Grant from State of Illinois	$ 93,596,775	$ 127,524,104
Federal funds	59,426,431	177,137,490
Interest and investment income	15,348,405	26,878,511
Total Revenues	168,371,611	331,540,105
Expenditures		
General & administrative	27,730,873	24,619,322
Grants	186,941,023	211,094,946
Program income transferred to State of Illinois	13,182	8,893
Provision for (reversal of) estimated losses on program loans receivable	(12,591,108)	1,289,622
Total Expenditures	202,093,970	212,393,461
Excess (Deficiency) of Revenues over (under) Expenditures	(33,722,359)	94,527,322
Operating Transfer out	(5,200,000)	(5,200,000)
Net change in fund balances	(38,922,359)	89,327,322
Amounts reported for governmental activities in the statement of activities are different due to:		
Unearned interest receivable on certain program loans receivable	(14,268)	16,381
Capital outlay	31,500	92,753
Depreciation and amortization on capital assets	(83,376)	(23,944)
Changes in net position of governmental activities	**$ (38,988,503)**	**$ 89,412,512**

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APPENDIX E

Proprietary Funds -
Revenues, Expenditures and Changes in Fund Net Position

	FY15	FY14
Operating Revenues:		
Interest and other investment income	$ 37,315,892	$ 27,788,751
Net increase in fair value of investments	(380,920)	3,982,630
Total investment income	36,934,972	31,771,381
Interest earned on program loans	42,230,120	47,029,997
Federal assistance programs	116,262,641	119,890,678
Service fees	11,756,295	12,379,450
Development fees	986,375	1,324,924
HUD savings	646,713	864,233
Rental Income	109,915	923,954
Other	16,854,812	16,129,331
Total operating revenues	225,781,843	214,184,617
Operating Expenses:		
Interest expense	37,614,175	49,125,025
Federal assistance programs	116,262,641	119,890,678
Salaries and benefits	15,935,708	15,425,054
Professional fees	2,310,043	429,225
Other general and administrative	7,853,479	10,312,860
Financing costs	4,640,621	4,447,248
Program grant	3,271,772	4,287,441
Change in accrual for estimated losses on mortgage participation certificate program	(29,357)	(655,378)
Provision for (reversal of) estimated losses on program loans receivable	(1,259,113)	4,207,540
Provision for estimated losses on real estate held for sale	6,439,974	-
Total Operating Expenses	193,039,943	207,469,693
Operating Income (Loss)	$ 32,741,900	$ 22,844,255
Total nonoperating revenues	-	1,076,274
Income (loss) before contributions and transfers	$ 32,741,900	$ 23,920,529

Appendix E - continued

	FY15	FY14
Capital contributions	340,000	89,843
Transfers in	20,692,558	30,695,950
Transfers out	(15,492,558)	(25,495,950)
Total Capital contribution and transfers	5,540,000	5,289,843
Changes in net position	38,281,900	29,210,372
Net position at beginning year	**$ 508,322,309**	**$ 479,111,937**
Net position at end of year	**$ 546,604,209**	**$ 508,322,309**