

LEGISLATIVE AUDIT COMMISSION



Review of
Illinois Housing Development Authority
Year Ended June 30, 2014

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ILLINOIS HOUSING DEVELOPMENT AUTHORITY
YEAR ENDED JUNE 30, 2014

FINDINGS/RECOMMENDATIONS - 11
ACCEPTED - 5
IMPLEMENTED - 6

REPEATED RECOMMENDATIONS - 2

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 10

This review summarizes the auditors' reports on the Illinois Housing Development Authority for the year ended June 30, 2014, filed with the Legislative Audit Commission on December 4, 2014 (financial) and March 26, 2015 (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
- Risk Sharing Agreement
- Homeowner Mortgage Loan Program
- Neighborhood Stabilization Program
- American Recovery and Reinvestment Act, Section 1602
- National Foreclosure Mitigation Counseling Program
- Cook County Mortgage Foreclosure Mediation Program
- Single Family Program

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- Hardest Hit Fund

The bonds and notes outstanding as of June 30, 2014 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 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, 2014, 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 since April 2011. She had served the Authority as General Counsel since 2000. Ms. Kenney remains as Executive Director.

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

	Fiscal Years		
	2014	2013	2012
Financial and Computer Services	42	44	44
Human Resources, Administration and Legal	44	38	36
Director's Office and Housing Programs	167	183	192
TOTAL	253	265	272

Operating expenses from the Administrative Fund for the Authority in FY14 were about \$146.2 million compared to \$157.2 million in FY13.

Appendix A provides selected activity measures of the Authority for FY14 and FY13. 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, 2014 and 2013. The Authority's cash and cash equivalents for its proprietary funds and investments for all

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funds totaled \$946 million in FY14 compared to \$1.01 billion in FY13. 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, 2014 and 2013. Total net assets were \$994.3 million at June 30, 2014 and \$878.3 million at June 30, 2013. While total assets were about \$14 million greater in FY13 than FY14, liabilities in FY13 were \$128 million greater than liabilities 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 increased from almost \$15 million in FY13 to \$94.5 million in FY14. Net assets of governmental activities increased to \$89.4 million in FY14 from \$9.7 million in FY13 due to higher 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 \$29 million greater in FY14 than FY13.

Loan originations for business-type activities were \$89.8 million in FY14 compared to \$82.2 million in FY13. Authority debt issuances during FY14 totaled \$70 million. The Authority's debt outstanding of \$1.282 billion in FY14 was \$167 million less than the amount outstanding as of June 30, 2013.

Accountants' Findings and Recommendations

Condensed below are the 11 findings and recommendations, two repeated, presented in the auditors' reports. The following recommendations are classified on the basis of updated information provided by Mary R. Kenney, Executive Director of the Illinois Housing Development Authority, via electronic mail received June 3, 2015.

Accepted or Implemented

- 1. 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 that loan ratings are adequately documented.**

Finding: The Illinois Housing Development Authority (Authority) was unable to support the historical detail assumptions used in its allowance for loan loss calculation for both the single family loan programs and the multi-family loan programs. Additionally, the Authority

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Accepted or Implemented – continued

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.

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 (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 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.

Some of the problems the auditors noted follow:

- During testing of 40 multi-family loan relationships risk ratings (61 relationships), auditors found 11 of 40 relationships (15 loans) had risk ratings that were not reasonable.
- During testing of the multi-family loans, auditors became aware that the Authority was not using the most recent financial statements of the borrower in all cases when evaluating the risk rate rating. This practice results in a timing lag between when updated financial statement information is received and when the associated impact to the risk rating is reflected.
- As a result of the timing lag noted above, two differences in Home loan ratings resulted in an under reserve of \$633,445 and four differences in Home loan ratings resulted in an over reserve of \$306,997 for the Home Program Fund.
- Three differences in Housing Trust Fund loan ratings resulted in an over reserve of \$456,625 and one difference in a Housing Trust Fund loan rating resulted in an under reserve of \$161,283 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was not recorded by the Authority.

Furthermore, the Authority is not consistently applying the allowance for loan loss methodology for the Build Illinois Bond Program Fund, the Hardest Hit Fund, the Administrative Fund, and the Single Family Program Fund as noted below:

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- The Build Illinois Bond Program Fund had a net program loans receivable balance at June 30, 2014 of \$2,717,000, however, the Authority did not record an allowance for loan loss related to these loans, as these loans were initially funded in the second half of the Authority's 2014 fiscal year.
- The Authority's reserving methodology for the Hardest Hit Fund is to reserve 50% of outstanding program loans receivable; however, during FY14 the percentage of the allowance for loan loss (\$17,304,094) to the outstanding program loans receivable balance (\$26,653,653) was calculated at 65%. The resulting allowance for loan loss was within acceptable range.
- The Authority erroneously included 22 Section 1602 grants totaling \$75,185,477 in its calculation of the loan reserve for the Administrative Fund; however, these amounts were properly excluded from the Authority's outstanding loan receivable balance at June 30, 2014. This resulted in an over reserve of \$1,576,023. The difference was adjusted and corrected in the Authority's financial statements.
- The allowance for loan losses for the program loans receivable within the Single Family Program Fund were incorrectly calculated at June 30, 2014, resulting in an over reserve of \$802,111.

Authority management stated turnover within the asset management financial analysis staff who are responsible for rating multi-family loans and maintaining sufficient documentation to support the loan ratings has contributed to the time lag in applying the most current information available to the loan rating that is used for calculating the allowance for loan loss.

Updated Response: Accepted. The Authority's Accounting, Asset Management and Loan & Portfolio departments are currently conducting a comprehensive review of all portfolio losses since the inception of the current policy. The Authority will use actual loss data to revise as necessary the policies and underlying assumptions used to determine the allowance for loan loss calculation for IHDA Multi Family and Single Family loans, and develop an ongoing testing protocol. Due to improved staffing within the Asset Management department, the 2015 loan rating process will be completed in a timely manner and in conjunction with the annual review of financial statements and audit reports. Department policies and procedures have been updated to ensure that there is no extended lag time between the annual financial review and the assigning of a loan loss reserve rating, in addition to addressing proper communications and documentation of loan ratings and related changes to the necessary departments for use in calculating accurate loan loss reserve amounts.

2. **Review current policies and procedures to ensure grant revenue is accurately reported in the financial statements.**

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Accepted or Implemented – continued

Finding: The Authority did not accurately record grant revenue received from the State of Illinois.

The grant revenue received from the State of Illinois recorded by the Authority is appropriated to the Illinois Department of Revenue (IDOR) and the funds are held by the State Treasurer. The Authority submits payout requests to IDOR for expenses incurred to administer State grants and the State Treasurer will pay funds to the Authority from the funds appropriated to IDOR.

During FY14, the Authority submitted payout requests to IDOR for expenses incurred during the fiscal year to administer State grants. The State Treasurer paid certain funds to the Authority during the State lapse period (July 1, 2014 through August 31, 2014), however, the Authority did not properly record these payout requests as of June 30, 2014. As a result, the following adjustments were required to accurately record the lapse period appropriations:

- \$1,250,000 adjustment was made to the Illinois Affordable Housing Trust Fund.
- \$10,107,604 adjustment was made to the Rental Housing Support Program Fund.
- \$2,294,572 adjustment was made to the Foreclosure Prevention Program Fund.
- \$6,869,687 adjustment was made to the Abandoned Property Program Fund.

Authority management stated there were a number of disbursement requests submitted by various program staff of the Authority to the Illinois Department of Revenue during the lapse period for funding various approved projects. Some of these requests were not properly communicated to the Accounting Department and therefore this oversight caused the non-recognition of grant revenues that should have been captured as part of the fiscal year 2014 appropriation period.

Updated Response: Accepted. The Authority's Accounting policies and procedures are under review and will be revised by 6/30/15 for the fiscal year-end close and GAAP reporting processes related to grant confirmations during the State's lapse period. Final grant amounts and pending payouts as known from IHDA records will be confirmed with IDOR up to the point of submission of the draft audit report to the external auditors.

- 3. Ensure on-site monitoring reviews are performed and documented for subrecipients of the Section 8 program in accordance with established policies and procedures. In addition, 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.

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During testwork over on-site review procedures performed for 25 subrecipients (with expenditures of \$49,703,246) 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 9 subrecipients (with expenditures of \$22,066,857) and appropriate follow-up action was not taken. Delays in obtaining the written responses ranged from 12 to 266 days.
- The Authority did not timely close out (within 90 days) the on-site review for seven subrecipients (with expenditures of \$18,324,164). Delays in closing out the on-site reviews ranged from 1 to 236 days.
- The Authority did not have evidence in the on-site monitoring review file that a findings notification letter was sent out for one subrecipient (with expenditures of \$2,230,741).
- The Authority did not receive written responses to the findings after communicating the on-site review findings for two subrecipients (with expenditures of \$2,440,305).

Authority management stated that delays in sending out letters and the missing documentation were largely due to staff turnover.

Response: Accepted. The Asset Management department will work to alleviate these delays by providing asset managers with reminder e-mails as the required tasks near the deadlines required in the policies and procedures. In addition Asset Management has hired two new asset managers to fill staff vacancies; the new staff start on March 16, 2015. The department will review and/or update internal policies and procedures as needed to ensure they address instances in which exceptions to required timelines or other requirements may be allowed.

Updated Response: Implemented. The Authority's Asset Management department has reviewed and updated internal policies and procedures to ensure compliance with the Section 8 monitoring procedures and to address instances where occasional exceptions may be required to the timelines.

- 4. Ensure on-site monitoring reviews are performed and documented for subrecipients of the Home program in accordance with established policies and procedures. In addition, review process for reporting and following up on findings relative to subrecipient on-site monitoring reviews to ensure timely corrective actions are taken. (Repeated-2013)**

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

During testwork over on-site review procedures performed for 19 subrecipients (with expenditures of \$7,484,768) of the Home program, auditors noted the Authority did not follow its established on-site monitoring procedures as follows:

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Accepted or Implemented – continued

- The Authority did not receive timely written responses (within 60 days) to the findings of the on-site reviews for two subrecipients (with expenditures of \$978,404) and appropriate follow-up action was not taken. Delays ranged from 5 to 25 days.
- The Authority did not receive written responses to the findings after communicating the on-site review findings for two subrecipients (with expenditures of \$360,790).
- Auditors noted that the Authority did not perform on-site monitoring reviews of three subrecipients (with expenditures of \$1,387,785) in FY14 in accordance with the Authority's planned monitoring schedule.

Authority management stated that delays in follow up and performing reviews were due to staffing constraints.

Updated Response: Implemented. The Authority's Homeownership department staff met in December 2014 to establish a monitoring plan for calendar year 2015. Although the site visits are ongoing, the plan has been implemented and is being followed by all staff responsible for monitoring activities.

5. 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.

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

During testwork over on-site review procedures performed for 5 subrecipients (with expenditures of \$3,749,661) of the CDBG Cluster program, auditors noted the Authority did not follow its established on-site monitoring procedures for four subrecipients (with expenditures of \$3,450,916) in fiscal year 2014 in accordance with the Authority's planned monitoring schedule.

Authority management stated that the delays in monitoring procedures were due to staff vacancies.

Response: Accepted. The Asset Management department will complete loan risk analysis for these developments and will conduct future inspections based on the risks identified from such analysis. We will also continue to perform MOR inspections on all new CDBG developments as they are transferred to the Asset Management Department for long term monitoring. The Asset Management department will review its policies and procedures for MOR inspections and update them as needed to be in compliance with established policies and procedures.

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Updated Response: Implemented. The Authority's Asset Management department has reviewed and updated internal policies and procedures to ensure proper monitoring and compliance of CDBG Block Grant Cluster program and to address instances where occasional exceptions to timelines may be required. Loan risk analysis will be completed to determine future inspections.

6. 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.

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

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

During testwork over 10 subrecipients of the CDBG Cluster program (with expenditures of \$6,620,904), auditors noted the following exceptions:

- For six of the 10 subrecipients (with expenditures of \$4,361,674), an A-133 report was not obtained and reviewed during the fiscal year.
- For four of the 10 subrecipients (within expenditures of \$2,259,230), an A-133 report was obtained, but a review of the report was not documented during the fiscal year.

Additionally, during testwork over 19 subrecipients of the Home program auditors noted for eight subrecipients (with expenditures of \$2,538,522), the Authority did not review audit reports in a timely manner or issue management decisions on reported findings within six months of receiving the audit reports as required. The reviews were completed between 11 and 71 days after the due date for the review. Accordingly, management decisions were issued late.

Authority management stated that delays in performing reviews of audit reports for the CDBG Cluster program were due to transfers of responsibilities between departments and staff vacancies. The delays related to the HOME program resulted from the Authority's practice of only requiring an initial report review to be completed within a six month timeframe.

Response: Implemented. During FY2014, the area responsible for tracking and reviewing audits experienced a 100% turnover in staff, which affected its ability to perform reviews in a timely manner. To address this problem, the department is restructuring its

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Financial Portfolio Management division to improve efficiencies, establish clearer tracking mechanisms and reduce staff turnover in an effort to complete its reviews within the specified time requirements. The Authority believes that reasonable controls are in place for the HOME program and believes that were any significant issues found by the program officer during their review, the issues would have been brought to the attention of the supervisor for immediate attention and/or action as warranted. The Authority has updated its internal procedures to reflect both levels of review within the six month timeframe.

7. Implement procedures to identify and report required subaward information in accordance with Federal Funding Accountability and Transparency Act (FFATA).

Finding: The Authority did not report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Community Development Block Grant (CDBG) and Home programs.

During testwork, auditors noted the Authority did not report information required by FFATA for subawards made to subrecipients of the CDBG and Home programs during the year ended June 30, 2014. .

Authority management stated that they have been unable to report the required information due to difficulties within the federal reporting system that have not been resolved since originally identified in 2012.

Response: Accepted. The Authority recognizes the importance of timely reporting and compliance with all applicable guidelines. We have collected, and will continue to collect, the appropriate FFATA reporting information as required for both the CDBG and HOME programs. Until HUD provides guidance related to a solution for our inability to access the reporting system or we are granted access, the Authority will attempt to input the information into the federal reporting system on at least a quarterly basis. The Authority continues to work with the HUD representative to obtain guidance.

8. Review current process for preparing subrecipient funding notifications to ensure all required information is properly communicated to its subrecipients.

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

During testwork over 10 subrecipients of the CDBG Cluster program, auditors noted the Authority did not communicate the Catalog of Federal Domestic Assistance (CFDA) number or Federal Award Number to any of the subrecipients tested.

Authority management stated that it did not communicate certain federal program information to the subrecipients, but did communicate the best information available at the time of the execution of the agreements with the sub-recipients.

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Response: Accepted. The Authority notes that for the Community Development Block Grant-Disaster Recovery (“IKE”) Program (“CDBG Program”), 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.

9. Perform a periodic review of current user access to information systems to ensure access granted to users is still appropriate and required based on job functions. Additionally, update password settings to comply with those documented in the Authority’s IT Policies and Procedures Manual.

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

- The Authority did not perform a periodic review of user access rights to ensure the current access rights were correctly defined for all users.
- The Authority’s network password configuration did not always meet the requirements as defined in their internal policies and procedures.

Authority management stated the review of current user access is included in the current policy and periodic review plan; however, the instances of excessive login attempts were a misconfiguration.

Response: Accepted. The Authority has since removed Novell from the authentication process and now uses Active Directory as the login authenticator with password settings that comply with the Authority’s IT Policies and Procedures. The Authority will enhance the training and oversight for administrators so the review of current user access is consistently performed and documented.

10. Review current procedures to monitor cash deposits held at banking institutions where those deposits exceed the FDIC coverage limit to ensure sufficient collateral is obtained, and/or put preventative measures in place to keep such accounts from exceeding FDIC coverage limits.

Finding: The Authority has not established adequate internal controls to ensure sufficient collateral is obtained to secure public funds held at a bank or savings and loan association where those funds are not covered by the Federal Deposit Insurance Corporation (FDIC).

Accepted or Implemented – concluded

Auditors noted the Authority had cash deposits in the amount of \$297,102,546. However, the Authority does not have a monitoring process in place to ensure cash deposits held at individual banks that exceeded the FDIC coverage limit of \$250,000 were secured with adequate collateral at June 30, 2014. The Authority had not performed an analysis to evaluate whether cash deposits in excess of the FDIC coverage limit were sufficiently collateralized.

Authority management stated while it is true that the Authority has not monitored the level of collateralization in cash accounts on an ongoing basis it follows the guidelines of its financial management policy, which addresses the collateralization requirements under the various types of investment agreements that the Authority is allowed to engage in. The policy does not specifically address the collateralization requirements of depository accounts that hold cash balances in excess of FDIC coverage limits.

Updated Response: Implemented. The Authority's Finance department is receiving monthly collateral reports from all institutions (except Northern Trust Bank) showing sufficient amounts of collateral for amounts in excess of \$250,000. At Northern Trust, we are in the process of converting to a custodial account; however we have been diligent in making sure that we are not holding greater than \$250,000 in cash at month end in that account.

11. Review process for calculating employee payroll adjustments and implement changes necessary to ensure adjustments are properly calculated and paid. Further, make an attempt to recover overpayments and settle the underpayments identified in the finding.

Finding: The Authority did not properly calculate payments for employees who terminated employment or took a leave of absence.

During testwork of 18 terminated employees and 40 payroll transactions, auditors noted the following errors in processing payroll adjustments:

- Two terminated employees were paid for the entire pay period rather than just the days worked during the pay period. The overpayment was \$3,208.
- One terminated employee received a reduction in the final pay amount for seven unearned vacation days; however, the employee had only taken five unearned vacation days. The underpayment was \$655.
- One employee on a leave of absence received a payment adjustment for eight days of leave when the approved leave form stated the leave was only for seven days. The underpayment was \$198.

Authority management stated with respect to the two terminated employees who were overpaid, a clerical error input the 'effective date' as a 'termination date' on the internal documentation of payroll. This clerical error was due to new staff being trained on the payroll

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system. Similarly for the terminated employee with unearned vacation days, new HR staff incorrectly calculated the number of days earned by the employee. With respect to the employee on leave of absence, this employee returned from their leave earlier than anticipated, which resulted in the incorrect payment. This was adjusted during a following pay period.

Updated Response: Implemented. Authority management states that appropriate staff have been trained on payroll processes. The HR Director reviews all payroll and authorization forms to ensure payroll calculations clearly indicate what needs to be calculated for payroll adjustments.

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 FY14.

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 2014, the Illinois Housing Development Authority reported it had nine employees assigned to locations other than official headquarters.