

SINGLE AUDIT REPORT AND  
ACCOMPANYING SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS

Chicago Housing Authority  
Year Ended December 31, 2018  
With Reports of Independent Auditors

Ernst & Young LLP



Chicago Housing Authority

Single Audit Report and Accompanying  
Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

**Contents**

Report of Independent Auditors.....1

Report of Independent Auditors on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards .....4

Report of Independent Auditors on Compliance for the Major Federal Program;  
Report on Internal Control Over Compliance and Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance .....6

Schedule of Expenditures of Federal Awards.....11

Notes to Schedule of Expenditures of Federal Awards .....12

Schedule of Findings and Questioned Costs:  
Section I – Summary of Auditor’s Results .....13  
Section II – Financial Statement Findings .....14  
Section III – Federal Award Findings and Questioned Costs .....15



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## Report of Independent Auditors

The Board of Commissioners of the Chicago Housing Authority

### **Report on the Financial Statements**

We have audited the financial statements of the business-type activities (Enterprise Fund) and the aggregate remaining fund information of the Chicago Housing Authority, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Chicago Housing Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Chicago Housing Authority Employees' Retirement Plan (the "Plan"), which is shown as the Fiduciary Fund Type – Pension Trust Fund as of and for the years ended December 31, 2018 and 2017. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Plan, are based on the report of the other auditors. We also did not audit the financial statements of the Britton Budd, Fannie Emanuel (2018 only), Kenmore and Pomeroy Limited Liability Partnerships, which are described in Note 10 as blended component units, as of and for the periods ended December 31, 2018 and 2017, and which statements reflect total assets constituting 6.2% and 5.7% of the total assets reflected on the statements of net position and 1.4% and 2.9% of total operating revenues reflected on the statements of revenues, expenses and changes in net position as of and for the years ended December 31, 2018 and 2017, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the identified blended component units, are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable

assurance about whether the financial statements are free of material misstatement. The financial statements of the Pension Trust Fund and Britton Budd, Fannie Emanuel (2018 only), Kenmore and Pomeroy Limited Liability Partnerships were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Chicago Housing Authority as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, Schedule of Changes in Plan's Net Pension Liability and Related Ratios, and Schedule of Employer Plan Contributions on pages 26 through 37 and 96 through 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or

provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chicago Housing Authority's basic financial statements. The combining schedule of programs on pages 100 through 105, individual program schedules on pages 105 through 128 and Financial Data Schedules on pages 130 through 243 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated April 15, 2019 on our consideration of the Chicago Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Chicago Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chicago Housing Authority's internal control over financial reporting and compliance.

*Ernst + Young LLP*

April 15, 2019



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## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Commissioners, Chief Executive Officer, and  
Chief Financial Officer of the Chicago Housing Authority  
Chicago, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities (Enterprise Fund) and the aggregate remaining fund information of the Chicago Housing Authority (the Authority) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated April 15, 2019. Our report includes a reference to other auditors who audited the financial statements of the Authority Employees' Retirement Plan (the Plan) and certain blended component units, as described in our report on the Authority's financial statements. The financial statements of the Plan and certain blended component units were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

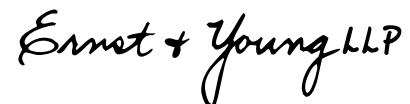
Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



April 15, 2019



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## Report of Independent Auditors on Compliance for the Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Commissioners, Chief Executive Officer, and  
Chief Financial Officer of the Chicago Housing Authority  
Chicago, Illinois

### **Report on Compliance for the Major Federal Program**

We have audited the Chicago Housing Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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



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

***Opinion on the Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2018.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying schedule of findings and questioned costs as follows.

<b>Finding No.</b>	<b>CFDA No.</b>	<b>Program Name</b>	<b>Compliance Requirement</b>
2018-001	14.881	Moving to Work Demonstration Program	Eligibility and Reporting
2018-002	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N2 – Public Housing Waiting List
2018-003	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N14 – Recording of Declarations of Trust Against Public Housing Property
2018-004	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N8 – Depository Agreements

Our opinion on the major federal program is not modified with respect to these matters.

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

## Report on Internal Control Over Compliance

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2018-002 to be a material weakness.

<b>Finding No.</b>	<b>CFDA No.</b>	<b>Program Name</b>	<b>Compliance Requirement</b>
2018-002	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N2 – Public Housing Waiting List

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2018-001, 2018-003, 2018-004 and 2018-005 to be significant deficiencies.

<b>Finding No.</b>	<b>CFDA No.</b>	<b>Program Name</b>	<b>Compliance Requirement</b>
2018-001	14.881	Moving to Work Demonstration Program	Eligibility and Reporting
2018-003	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N14 – Recording of Declarations of Trust Against Public Housing Property
2018-004	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N8 – Depository Agreements
2018-005	14.881	Moving to Work Demonstration Program	Allowable Costs/Cost Principles

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

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

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

We have audited the financial statements of the Authority as of and for the year ended December 31, 2018, and have issued our report thereon dated April 15, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been



subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Ernst + Young LLP*

July 12, 2019

# Chicago Housing Authority

## Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Chicago Housing Authority (the Authority) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following applicable cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Chicago Housing Authority

Schedule of Findings and Questioned Costs

December 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes    X No

Significant deficiency(ies) identified?

\_\_\_ Yes    X None Reported

Noncompliance material to financial statements noted?

\_\_\_ Yes    X No

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?

X Yes    \_\_\_ No

Significant deficiency(ies) identified?

X Yes    \_\_\_ No

Type of auditor’s report issued on compliance for major federal program:

CFDA 14.881 – Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X Yes    \_\_\_ No

Identification of major federal program:

CFDA Number

Name of Federal Program

CFDA 14.881

Moving to Work Demonstration Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

\_\_\_ Yes    X No

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

**Section II – Financial Statement Findings**

None identified.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### Section III – Federal Award Findings and Questioned Costs

##### **Finding 2018-001 Eligibility and Reporting (Form HUD-50058)**

###### *Information on the Federal Program:*

U.S. Department of Housing and Urban Development (HUD)  
CFDA 14.881 – Moving to Work Demonstration Program (MTW):

Public and Indian Housing (Low Rent Housing)  
Program Year: January 1, 2018 through December 31, 2018  
Program No.: IL002-001-00018D

Section 8 – Housing Choice Vouchers (Project Based Vouchers)  
Program Year: January 1, 2018 through December 31, 2018  
Program No.: Multiple

Section 8 – Housing Choice Vouchers (Rental Assistance Demonstration)  
Program Year: January 1, 2018 through December 31, 2018  
Program No.: Multiple

###### *Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):*

Eligibility – Most Public Housing Authorities (PHAs) devise their own application forms that are filled out by the PHA staff during an interview with the tenant. The head of the household signs: (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a federally prescribed general release form for employment information; and (c) a privacy notice. Under some circumstances, other members of the family are required to sign these forms (24 CFR sections 5.212, 5.230, and 5.601 through 5.615).

The PHA must:

As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, 960.259, and 982.516).



## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs (continued)**

For both family income examinations and reexaminations, obtain and document in the family file third-party verification of: (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent (24 CFR sections 960.259 and 982.516).

Determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification in accordance with 24 CFR part 5 subpart F (24 CFR section 5.601 et seq.) (24 CFR sections 960.253, 960.255, 960.259, 982.201, 982.515, and 982.516).

Select tenants from the Waiting List (24 CFR sections 960.206 through 960.208 and 982.202 through 982.207).

Reexamine family income and composition at least once every 12 months (Public Housing program) or 24 months (HCV program) and adjust the tenant rent and housing assistance payment (HAP) as necessary using the documentation from third-party verification (24 CFR sections 960.253, 960.257, 960.259, and 982.516).

In addition, the Authority is participating in the Department of Housing and Urban Development's (HUD) Moving-to-Work (MTW) demonstration program. The Authority's initial MTW Demonstration Agreement was signed by the Authority and HUD on February 6, 2000, at which time HUD allowed the Authority to implement its Plan for Transformation. On June 26, 2008, the Authority and HUD signed the Amended and Restated MTW Agreement that extends the Authority's participation in the MTW program until 2018. Through this agreement, HUD waived selected statutory and regulatory requirements to allow the Authority flexibility in achieving the stated objectives of the MTW demonstration program. As such, per the Authority's Section 8 Housing Choice Vouchers (HCV) Administrative Plan, reexamination of family income and composition under the HCV program is performed biennially.

Reporting (Form HUD-50058) – Per 24 CFR Part 908 and 24 CFR Section 982.158, the PHA is required to submit the Form HUD-50058, Family Report, electronically to HUD each time the PHA completes an admission, annual re-examination, interim re-examination, portability move-in, or other change of unit for a family. The PHA must also submit the Form HUD-50058 when a family ends participation in the program or moves out of the PHA's jurisdiction under portability.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### Section III – Federal Award Findings and Questioned Costs (continued)

The following key line items on the Form HUD-50058 contain critical information:

- (1) Line 1c – Program
- (2) Line 2a – Type of action
- (2) Line 2b – Effective date of action
- (3) Line 2k – FSS participation now or in the last year
- (4) Line 3b, 3c – Last name, First name
- (5) Line 3e – Date of birth
- (6) Line 3n – Social Security numbers
- (7) Line 5a – Unit address
- (8) Line 5h – Date unit last past HQS inspection
- (9) Line 5i – Date of last annual HQS inspection
- (10) Line 7i – Total annual income
- (11) Line 13h – Contract rent to owner
- (12) Line 13k – Tenant rent
- (13) Line 13x – Mixed family tenant rent
- (14) Line 17a – Participation in special programs – participation in the Family Self Sufficiency (FSS) Program
- (15) Line 17k(2) – FSS account information – balance

Section .300(b) of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (OMB Circular A-133) states the following regarding internal control:

“The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with law, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

#### *Condition:*

One hundred and twenty individuals were selected for testing of controls over and compliance with the eligibility and Form HUD-50058 reporting requirements for the program. For the 120 individuals selected, 40 were Public Housing tenants, 40 were HCV tenants, and 40 were RAD tenants. The RAD program is reported under the HCV component of the MTW program. In our testing of the Authority’s controls over and compliance with the eligibility and Form HUD-50058

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs (continued)**

requirements, there were six Public Housing tenants, two HCV tenants, and five RAD tenants for which eligibility control deviations/compliance exceptions were noted (10.8% overall MTW deviation/exception rate). The nature of the control deviations/compliance exceptions identified related to untimely or missing signatures by the certification specialists or the tenants on key eligibility documentation, incorrect calculation of tenant/family annual income or insufficient third-party support for tenant/family annual income, missing tenant file or incorrect information reported on the Form HUD-50058, including action type, total annual income and contract rent to owner.

#### *Cause:*

HCV – The finding was a result of inaccurate data entry in one instance and a result of supporting documents for the tenant wage income not being in the tenant file in the other instance.

Public Housing and RAD – Volume of examinations led to incomplete tenant files.

#### *Questioned Costs:*

\$2,200 – CFDA 14.881

#### *Context:*

The Public Housing program, HCV program, and RAD program had 14,493 tenants, 40,359 tenants, and 3,468 tenants on its rent rolls, respectively, as of December 31, 2018. All active tenants have a Form HUD-50058, which is filed annually (Public Housing and RAD) or biennially (HCV).

#### *Effect or Potential Effect:*

The Authority has a significant deficiency in internal control over compliance with the eligibility and reporting requirements of CFDA 14.881. Further, ineligible tenants may be inappropriately allowed to participate in the federal program and information reported to HUD could be incomplete or inaccurate.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs (continued)**

##### *Identification as a Repeat Finding, if Applicable:*

The finding is a repeat finding from the prior audit and the prior year audit finding numbers are Finding 2017-001 and 2017-002.

##### *Recommendation:*

The Authority should strengthen existing policies, procedures, and internal controls so that adequate documentation of eligibility and reporting activities is properly maintained and reviewed in order to comply with federal eligibility and reporting requirements.

##### *Views of Responsible Officials:*

Management agrees with the finding.

HCV – The Authority will continue to conduct quality control reviews of the tenant files. The quality control reviews will check that the tenant file contains a reexamination completed within 24 months of the previous reexamination (or 36 months for elderly/disabled families with fixed income). The quality controls reviews will also ensure that all supporting documents are properly scanned and indexed into the tenant’s electronic files. The Authority will conduct no less than HUD’s recommended sample size selections.

Public Housing and RAD – The Authority requires all personnel whom touches the tenant file to be rent calculation certified (certification must be updated every two years). The Portfolio Management Team will continue to audit 12% of tenant files annually for both Public Housing and RAD files. Portfolio Managers tenant file audits must be conducted using the tenant file audit tool in Yardi (the Authority’s property management system). The closeout process will require that all exceptions noted during the file review be completed by the site manager and an email notifying the portfolio manager that the exceptions are now corrected. The Authority will require interims to be completed immediately upon noticing any rent calculation errors during the tenant file audit review by the portfolio manager and/or property manager. The private property management companies will be required to submit a certified statement that they have completed their own audit of 100% of all tenant files. The Authority’s Portfolio Management Team will conduct a “perfect file folder” training by the end of the fourth quarter of 2019.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### Section III – Federal Award Findings and Questioned Costs (continued)

##### **Finding 2018-002 Special Tests and Provisions: N2 – Public Housing Waiting List**

###### *Information on the Federal Program:*

U.S. Department of Housing and Urban Development  
CFDA 14.881 – Moving to Work Demonstration Program (MTW):

Public and Indian Housing (Public Housing)  
Program Year: January 1, 2018 through December 31, 2018  
Program No.: IL002-001-00018D

###### *Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):*

Per 24 CFR sections 960.202 through 960.206, the PHA must establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and Waiting Lists, description of the policies for selection of applicants from the Waiting Lists, and policies for verification and documentation of information relevant to acceptance or rejections of an applicant.

Section .300(b) of OMB Circular A-133 states the following regarding internal control:

“The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with law, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

###### *Condition:*

One hundred and sixty-five tenants were selected for testing of controls over and compliance with both the addition of new applicants to the Waiting Lists and the selection of applicants from the Waiting Lists. For the 165 tenants selected, 80 were Public Housing applicants, 40 were HCV applicants and 45 were RAD applicants, and each of these samples was split between testing new additions to the Waiting Lists and testing the placement of applicants from the Waiting Lists, as applicable.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs (continued)**

As a result of our testing of applicants placed into units from the Waiting Lists in FY2018, we identified two Public Housing applicants where the Authority's Wait List procedures were not properly followed in the sample of 80 applicants from the Public Housing Waiting Lists. In the errors identified, the issues related to the incorrect exclusion of applicants from consideration for placement in an available unit due to errors in the manual process of sorting the Waiting List based on an applicant's preferences or priority according to the Authority's policies. The two applicants were not selected for an interview although each was qualified to be selected. These errors evidence a design deficiency in applying the Authority's tenant selection policies and represent control deviations and compliance exceptions.

*Cause:*

Both names were omitted due to human error while sorting the list of applicants to identify names whose priority and preference matched the available units.

*Questioned Costs:*

None

*Context:*

The Public Housing program, HCV program and RAD program had 24,035 applicants, 10,000 applicants (none added during 2018) and 2,778 applicants on its Waiting Lists, respectively, as of December 31, 2018. During the year ended December 31, 2018, the Public Housing program, HCV program and RAD program had 895 applicants, 768 applicants, and 124 applicants, respectively, placed from the Waiting Lists into units.

*Effect or Potential Effect:*

The Authority has a material weakness in internal control over compliance with the special tests and provisions requirements of CFDA 14.881 as it relates to the placement of applicants from the Public Housing Waiting Lists. Further, applicants that should be considered to be placed into housing from the Waiting Lists may be inappropriately missed or skipped in the placement process.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs (continued)**

*Identification as a Repeat Finding, if Applicable:*

This is a repeat finding from the prior audit and the prior year audit finding number is Finding 2017-003.

*Recommendation:*

The Authority should implement application-based controls to eliminate the manual aspects of the sorting and identifying of applicants from the Public Housing Waiting Lists based on their preferences and priorities, in accordance with the Authority's policies, to enable compliance with federal Waiting List requirements.

*Views of Responsible Officials:*

Management agrees with the finding. An automated waitlist selection portal is in development and expected to launch in the third quarter of 2019. The portal will eliminate the manual sorting and filtering by preference and further streamline the waitlist selection process.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

**Section III – Federal Award Findings and Questioned Costs (continued)**

**Finding 2018-003 Special Tests and Provisions: N14 – Recording of Declarations of Trust Against Public Housing Property**

*Information on the Federal Program:*

U.S. Department of Housing and Urban Development  
CFDA 14.881 – Moving to Work Demonstration Program (MTW):

Public and Indian Housing (Public Housing)  
Program Year: January 1, 2018 through December 31, 2018  
Program No.: IL002-001-00018D

*Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):*

2 CFR section 905.505(c)(4) states, “*Declaration of Trust*. All public housing rental projects must show evidence satisfactory to HUD of an effective Declaration of Trust being recorded in first position, meeting the requirements of paragraph (c) of this section and covering the term of the financing. If part of a mixed-finance project, this evidence will be with the mixed-finance evidentiary documents.”

Section .300(b) of OMB Circular A-133 states the following regarding internal control:

“The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with law, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

*Condition:*

Twelve declarations of trust were selected for testing of compliance with and controls over the recording of declarations of trust against public housing property. Based on our testing, we noted two control deviations/compliance exceptions (16.7% deviation/exception rate). In one instance, we identified that one of the two parcel identification numbers (PINs) associated with the declaration of trust per the “Vacant Lots for Development” population were not included within the declaration of trust. The property associated with these PINs should have had a declaration of trust recorded against it but did not in error. In the other instance, we identified that for one PIN, the wrong address was included within the declaration of trust.



## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs (continued)**

*Cause:*

In one instance, the property should have had a declaration of trust recorded against the land shortly after acquisition, but it was inadvertently not done at that time. In the other instance of incorrect addresses, the cause was in part human error in the initial declarations of trust project and recording of new declarations of trust against all Authority-owned properties, since the older declarations of trust had previously expired or were due to expire, and in part the initial creation of the Excel spreadsheet that allowed for cell information to easily drop down without restricting this function.

*Questioned Costs:*

None.

*Context:*

The Public Housing program had 125 declarations of trust recorded against public housing property for the year ended December 31, 2018.

*Effect or Potential Effect:*

The Authority has a significant deficiency in internal control over compliance with the special tests and provisions requirements of CFDA 14.881 as it relates to the recording of declarations of trust against public housing property. Furthermore, declarations of trust may not be properly recorded for public housing.

*Identification as a repeat finding, if applicable:*

This is not a repeat finding from the immediately prior audit.

*Recommendation:*

The Authority should strengthen existing policies, procedures, and internal controls so that declarations of trust are properly executed and recorded in order to comply with federal declarations of trust requirements.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs (continued)**

##### *Views of Responsible Officials:*

Management agrees with the finding. In the future, all attempts to make sure the declarations of trust that should be recorded against property sites will be reviewed promptly. In addition, a careful review of the documentation being recorded with the copies of deed documents for review will assist with recurring errors with reference to proofreading typed documentation. Also, the specific human error with the Excel spreadsheet is a rare occurrence and will be carefully watched regarding sites above and below the inputted sites already a part of the Excel spreadsheet, when new sites are added to the spreadsheet.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### Section III – Federal Award Findings and Questioned Costs (continued)

##### **Finding 2018-004 Special Tests and Provisions: N8 – Depository Agreements**

*Information on the Federal Program:*

U.S. Department of Housing and Urban Development  
CFDA 14.881 – Moving to Work Demonstration Program (MTW):

Section 8 – Housing Choice Vouchers (Rental Assistance Demonstration)  
Program Year: January 1, 2018 through December 31, 2018  
Program No.: Multiple

*Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):*

PHAs are required to enter into depository agreements with their financial institutions in the form required by HUD. The agreements serve as safeguards for Federal funds and provide third-party rights to HUD. Among the terms in many agreements are requirements for funds to be placed in an interest-bearing account (24 CFR section 982.156).

Section .300(b) of OMB Circular A-133 states the following regarding internal control:

“The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with law, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

*Condition:*

Twenty-two bank accounts were selected for testing of controls over and compliance with depository agreement requirements for the program (N15 for Public Housing and N8 for HCV and RAD). For the 22 bank accounts selected, 12 were Public Housing bank accounts, five were HCV bank accounts, and five were RAD bank accounts. In our testing of the Authority’s controls over and compliance with depository agreement requirements, there were five RAD bank accounts for which control deviations/compliance exceptions were noted (23% overall MTW deviation/exception rate). We noted that the RAD depository agreement on file covering the five RAD bank accounts expired in 2017 and the Authority did not amend or extend the agreement for 2018.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs (continued)**

*Cause:*

The active date of the executed HUD General Depository Agreement (GDA) form in use lapsed.

*Questioned Costs:*

None.

*Context:*

During 2018, there were a total of 189 bank accounts (113 Public Housing bank accounts, 27 HCV bank accounts and 49 RAD bank accounts) for the MTW program required to be covered by a depository agreement.

*Effect or Potential Effect:*

The Authority has a significant deficiency in internal control over compliance with the special tests and provisions requirements of CFDA 14.881 as it relates to depository agreements over the RAD program. A lapsed depository agreement could cause Federal funds to not be properly safeguarded.

*Identification as a repeat finding, if applicable:*

This is not a repeat finding from the immediately prior audit.

*Recommendation:*

The Authority should strengthen existing policies, procedures, and internal controls over depository agreements related to the RAD program in order to comply with federal requirements.

*Views of Responsible Officials:*

Management agrees with the finding. Treasury will monitor HUD forms as it relates to GDA and other mutual agreements to ensure compliance with the latest forms or HUD announcements.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

**Section III – Federal Award Findings and Questioned Costs (continued)**

**Finding 2018-005 Allowable Costs/Cost Principles**

*Information on the Federal Program:*

U.S. Department of Housing and Urban Development  
CFDA 14.881 – Moving to Work Demonstration Program (MTW):

Public and Indian Housing (Public Housing)  
Program Year: January 1, 2018 through December 31, 2018  
Program No.: IL002-001-00018D

*Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):*

Section .300(b) of OMB Circular A-133 states the following regarding internal control:

“The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with law, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

*Condition:*

Expenditures originating at certain of the Authority’s third-party property management firms lacked formal evidence of supervisory approval by the third-party property management personnel.

*Cause:*

Third-party property management firms did not provide signed documentation for some payroll expenses.

*Questioned Costs:*

None.

## Chicago Housing Authority

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs (continued)**

*Context:*

We selected 40 payroll, 40 non-payroll and 25 transfer transactions for testing of allowability for major program CFDA 14.881. Of these transactions, 33 payroll, 10 non-payroll and 13 transfer transactions related to Public Housing. For 8 of the 33 payroll transactions, the expenditures originated at certain of the Authority's third-party property management firms (which are interfaced with the Authority's property management system) and lacked evidence of supervisory approval.

*Effect or Potential Effect:*

The Authority has a significant deficiency in internal control over compliance with the allowable costs/cost principles requirements of CFDA 14.881 as it relates to review and approval of expenditures originating at its contracted third-party property management firms. Furthermore, unallowable expenditures could be charged to the federal program.

*Identification as a repeat finding, if applicable:*

This is not a repeat finding from the immediately prior audit.

*Recommendation:*

The Authority should strengthen existing policies, procedures, and internal controls over the review and approval of expenditures originating at the property management firms to support the allowability of expenditures to comply with federal allowable costs/cost principles compliance requirements.

*Views of Responsible Officials:*

Management agrees with the finding and has developed a plan to address the finding.

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# **CHICAGO HOUSING AUTHORITY**

## **2018 SINGLE AUDIT REPORT**

### **NOTES AND FINDINGS AND CORRECTIVE ACTION PLANS**





**CHICAGO HOUSING AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Financial Statement Findings for the Year Ended December 31, 2017:**

- None identified

**Federal Award Findings and Questioned Costs for the Year Ended December 31, 2017:**

- **Finding 2017-001 Eligibility (CFDA 14.881)**
  - Refer to current year Finding 2018-001
  - Recurrence reason: (Public Housing and RAD) human error
  - Recurrence Reason: (HCV) human error during data entry
- **Finding 2017-002 Reporting (CFDA 14.881)**
  - Refer to current year Finding 2018-001
  - Recurrence reason: Form HUD-50058 – added training and quality control techniques did not increase the level of accuracy in the reporting requirements.
- **Finding 2017-003 Special Tests and Provisions: N2 – Public Housing Waiting List (CFDA 14.881)**
  - Refer to current Year Finding 2018-002
  - Recurrence reason: Manual waitlist filtering process
- **Finding 2017-004 Special Tests and Provisions: N6 – Housing Assistance Payment (CFDA 14.881)**
  - The finding was corrected.

**Financial Statement Findings for the Year Ended December 31, 2016:**

- None identified

**Federal Award Findings and Questioned Costs for the Year Ended December 31, 2016:**

- **Finding 2016-001 Eligibility (CFDA 14.881)**
  - Refer to current year Finding 2018-001
  - Recurrence reason: Human error
- **Finding 2016-002 Reporting (CFDA 14.881)**
  - Refer to current year Finding 2018-001

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- Recurrence reason: Form HUD-50058 – Added training and quality control techniques did not increase the level of accuracy in the reporting requirements.
- Form HUD-60002 – The finding was corrected.
- **Finding 2016-003 Special Tests and Provisions: N2 – Public Housing Waiting List (CFDA 14.881)**
  - Refer to current year Finding 2018-002
  - Recurrence reason: Manual waitlist filtering process



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**Real Estate Assessment Center  
Financial Assessment Subsystem (FASS-PH)**

**Attachment: Notes and Findings/Action Plans**

**PHA Information**

**PHA Code: IL002**  
**Fiscal Year End Date: 12/31/2018**  
**PHA Name: Chicago Housing Authority (“Authority”)**  
**Submission Type: Audited/A133**

**Finding 2018-001 Eligibility and Reporting (Form HUD-50058) – Housing Choice Voucher**

**Corrective Action Plan:**

**Contact Person:** Chief Housing Choice Voucher Officer

**Planned Actions:**

The CHA will schedule an appointment with the family missing the reexamination documents to conduct an interview. All needed documents will be collected, scanned, and indexed into the tenant’s electronic file. The tenant’s file will be updated in YARDI to reflect the current income and HAP calculations.

The CHA will request the supporting wage income document(s) from the tenant. The supporting wage income document(s) will be scanned and indexed into the tenant file. The tenant record will be updated in YARDI, if needed.

**Anticipated Completion Date:** September 30, 2019



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**Attachment: Notes and Findings/Action Plans**

**PHA Information**

**PHA Code: IL002**

**Fiscal Year End Date: 12/31/2018**

**PHA Name: Chicago Housing Authority (“Authority”)**

**Submission Type: Audited/A133**

**Finding 2018-001 Eligibility and Reporting (Form HUD-50058) – Public Housing and Rental Assistance Demonstration**

**Corrective Action Plan:**

**Contact Persons:** Chief Property Officer, Deputy Chief Property Officer, Deputy Chief, Rental Assistance Demonstration Programming

**Planned Actions:**

The CHA requires all personnel whom touches the tenant file to be Rent Calculation Certified (certification must be updated every two years). The Portfolio Management Team will continue to audit 12% of tenant files annually for both Public Housing and Rental Assistance Demonstration Files. Portfolio Managers tenant file audits must be conducted using the Tenant File Audit tool in YARDI. The closeout process will require that all exceptions noted during the file review be completed by the site manager and an email sent notifying the portfolio manager that the exceptions are now corrected. CHA will require interims to be completed immediately upon noticing any rent calculation errors during the tenant file audit review by the portfolio manager and/or

property manager. The Private Property Management companies will be required to submit a certified statement that they have completed their own audit of 100% of all tenant files. CHA's Portfolio Management Team will conduct a Perfect File Folder Training by end of Q4 2019.

**Anticipated Completion Date:** Q4 2019



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**Attachment: Notes and Findings/Action Plans**

**PHA Information**

**PHA Code: IL002**

**Fiscal Year End Date: 12/31/2018**

**PHA Name: Chicago Housing Authority (“Authority”)**

**Submission Type: Audited/A133**

**Finding 2018-002 Special Tests and Provisions: N2 – Public  
Housing Waiting List**

**Corrective Action Plan:**

**Contact Persons:** Chief Property Officer, Director, Housing  
Policy and Occupancy

**Planned Actions:** An automated waitlist selection portal is  
in development and expected to launch Q3 2019. The portal  
will eliminate the manual sorting and filtering by preference  
and further streamline the waitlist selection process.

**Anticipated Completion Date:** September 30, 2019

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**Attachment: Notes and Findings/Action Plans**

**PHA Information**

**PHA Code: IL002**  
**Fiscal Year End Date: 12/31/2018**  
**PHA Name: Chicago Housing Authority (“Authority”)**  
**Submission Type: Audited/A133**

**Finding 2018-003 Special Tests and Provisions: N14 –  
Recording of Declarations and Trust (DOT) Against Public  
Housing Property**

**Corrective Action Plan:**

**Contact Person: Chief Legal Officer**

**Planned Actions:**

*The property associated with two parcel identification numbers (PINs) should have had a declaration of trust (DOT) recorded against it but did not, in error.*

The property should have had a DOT recorded against the land shortly after acquisition, but it was inadvertently not done at that time. A DOT was subsequently prepared on April 4, 2019 and recorded on April 2, 2019.

*The wrong address was included in the DOT and/or DOT property listing.*

One DOT appears to have been prepared initially with an error in the directional notation of the street (West vs. East) and omitted an additional numbering of the property. This

was done due to human error in the initial DOT project of preparing and recording new declarations of trust documents against all CHA-owned properties, since the older DOT had previously expired or were due to expire. This error has since been corrected by preparing a Scrivener's Error Affidavit which was filed with the Cook County recorder of Deeds Office on June 13, 2019 and now properly identifies the CHA property.

The error found on the DOT property listing was due, in part to human error and in part, to the initial creation of the Excel spreadsheet that allowed for cell information to easily drop down without restricting this function. The spreadsheet has since been corrected to properly identify the correct property addresses associated with the proper PIN for both addresses. Further, in correcting the foregoing error, it was also discovered that another error existed, in that, another property address was input incorrectly on the spreadsheet. This error has also been corrected and the property address now agrees to the deed conveyance document.

**Anticipated Completion Date:** June 13, 2019





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**Attachment: Notes and Findings/Action Plans**

**PHA Information**

**PHA Code: IL002**

**Fiscal Year End Date: 12/31/2018**

**PHA Name: Chicago Housing Authority (“Authority”)**

**Submission Type: Audited/A133**

**Finding 2018-004 Special Tests and Provisions: N8 –  
Depository Agreements**

**Corrective Action Plan:**

**Contact Persons: Chief Investment Officer**

**Planned Actions: Obtain executed signatory on new HUD  
General Depository Agreement (GDA)**

**Anticipated Completion Date: July 10, 2019**

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**Attachment: Notes and Findings/Action Plans**

**PHA Information**

**PHA Code: IL002**

**Fiscal Year End Date: 12/31/2018**

**PHA Name: Chicago Housing Authority (“Authority”)**

**Submission Type: Audited/A133**

**Finding 2018-005 Allowable Costs/Cost Principles**

**Corrective Action Plan:**

**Contact Person: Chief Financial Officer**

**Planned Actions:** CHA will require all third-party management companies to provide signed documentation indicating approval of payroll expenses.

**Anticipated Completion Date:** Third quarter of 2019.

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# **CHICAGO HOUSING AUTHORITY**

## **2018 SINGLE AUDIT REPORT**

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