

SINGLE AUDIT REPORT AND
ACCOMPANYING SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

Chicago Housing Authority
Year Ended December 31, 2019
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, 2019

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Report of Independent Auditors

The Board of Commissioners
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, 2019 and 2018, 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, 2019 and 2018. 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, Kenmore and Pomeroy Limited Liability Partnerships, or Caroline Hedger Housing Development and Patrick Sullivan Senior Housing Limited Liability Companies, which are described in Note 9 as blended component units, as of and for the periods ended December 31, 2019 and 2018, and which statements reflect total assets constituting 12.88% and 12.88% of the total assets reflected on the statements of net position and 9.7% and 6.2% 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, 2019 and 2018, 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, Kenmore and Pomeroy Limited Liability Partnerships, or Caroline Hedger Housing Development and Patrick Sullivan Senior Housing Limited Liability Companies 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, 2019 and 2018, 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 98 through 99 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.

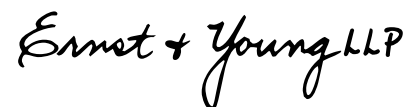
Supplementary and Other Information

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. We have not performed any procedures with respect to the audited financial statements that collectively comprise the basic financial statements subsequent to May 20, 2020. The accompanying combining schedule of programs on pages 102 through 106, individual program schedules on pages 108 through 128 and Financial Data Schedules on pages 130 through 256 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 accompanying 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 May 20, 2020, 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.



May 20, 2020



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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
Chicago Housing Authority

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 as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Chicago Housing Authority's basic financial statements, and have issued our report thereon dated May 20, 2020. Our report includes a reference to other auditors who audited the financial statements of the Chicago Housing Authority Employees' Retirement Plan (the Plan), Britton Budd, Fannie Emanuel, Kenmore and Pomeroy Limited Liability Partnerships, and Caroline Hedger Housing Development and Patrick Sullivan Senior Housing Limited Liability Companies, as described in our report on the Chicago Housing Authority's financial statements. The financial statements of the Plan, Britton Budd, Fannie Emanuel, Kenmore and Pomeroy Limited Liability Partnerships, and Caroline Hedger Housing Development and Patrick Sullivan Senior Housing Limited Liability Companies 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 Chicago Housing 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 Chicago Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chicago Housing 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.

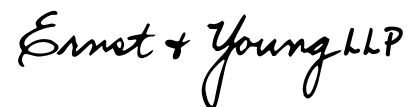
Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies 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 Chicago Housing 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 results 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.



May 20, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited the Chicago Housing Authority's 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 each of the Chicago Housing Authority's major federal programs for the year ended December 31, 2019. The Chicago Housing Authority's major federal programs are 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 compliance for each of the Chicago Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 Chicago Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Chicago Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

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

Finding No.	CFDA No.	Program Name	Compliance Requirement
2019-001	14.881	Moving to Work Demonstration Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Our opinion on each major federal program is not modified with respect to this matter.

The Chicago Housing Authority’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Chicago Housing 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 Chicago Housing 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 Chicago Housing 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 Chicago Housing Authority’s internal control over compliance.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be, material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a material weakness.

Finding No.	CFDA No.	Program Name	Compliance Requirement
2019-001	14.881	Moving to Work Demonstration Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The Chicago Housing Authority’s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Chicago Housing 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.

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 business-type activities (Enterprise Fund) and the aggregate remaining fund information of the Chicago Housing Authority as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Chicago Housing Authority's basic financial statements. We have issued our report thereon dated May 20, 2020, which contained an unmodified opinion on those financial statements. We have not performed any procedures with respect to the audited basic financial statements subsequent to May 20, 2020. Our audit was conducted for the purpose of forming an opinion on the basic 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ernst + Young LLP

December 11, 2020

**CHICAGO HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2019**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - DIRECT AWARDS						
LOWER INCOME HOUSING ASSISTANCE PROGRAM SECTION 8 MODERATE REHABILITATION	14.856		\$6,453,797	\$6,453,797	SECTION 8 PROJECT-BASED CLUSTER	\$6,453,797
DEMOLITION AND REVITALIZATION OF SEVERLY DISTRESSED PUBLIC HOUSING	14.866	\$432,347	\$432,347	\$432,347	HOPE VI CLUSTER	\$432,347
RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES - SERVICE COORDINATORS	14.870		\$144,303	\$144,303	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871		\$10,319,209	\$10,319,209	HOUSING VOUCHER CLUSTER	\$11,037,411
MAINSTREAM VOUCHERS	14.879		\$718,202	\$718,202	HOUSING VOUCHER CLUSTER	\$11,037,411
MOVING TO WORK DEMONSTRATION PROGRAM	14.881		\$842,001,874	\$842,001,874	N/A	\$0
JOBS-PLUS PILOT INITIATIVE	14.895	\$750,724	\$750,724	\$750,724	N/A	\$0
FAMILY SELF-SUFFICIENCY PROGRAM	14.896		\$819,137	\$819,137	N/A	\$0
ROSS SUPPORTIVE SERVICES PROGRAMS	14.898	\$118,205	\$118,205	\$118,205	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>\$1,301,276</u>	<u>\$861,757,798</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES - DIRECT AWARD						
EVIDENCE-BASED FALLS PREVENTION PROGRAMS FINANCED SOLELY BY PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.761		\$11,864	\$11,864	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$11,864</u>			
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$1,301,276</u>	<u>\$861,769,662</u>			

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of the schedule.

Chicago Housing Authority

Notes to Schedule of Expenditures of Federal Awards

December 31, 2019

1. Significant Accounting Policies Used in Preparing the Schedules of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Chicago Housing Authority under programs of the federal government for the year ended December 31, 2019. 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 Chicago Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Chicago Housing Authority.

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.

2. 10% De Minimis Cost Rate

The Chicago Housing 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, 2019

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 programs:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X No

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

Unmodified for all major federal programs

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

 X Yes No

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
CFDA 14.881	Moving to Work Demonstration Program
CFDA 14.871 and 14.879	Housing Voucher Cluster
CFDA 14.856	Section 8 Project-Based Cluster

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

\$3,000,000

Auditee qualified as low-risk auditee?

Yes 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 2019-001 Activities Allowed or Unallowed and 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, 2019, through December 31, 2019
Program No.: IL002-001-00019D

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

The Uniform Guidance 2 CFR section 200.303 states, “The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

The Uniform Guidance 2 CFR section 200.403 includes the factors affecting allowability of costs and states, “except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- (g) Be adequately documented.”

Condition:

Supporting documentation for payroll expenses, including evidence of approval, could not be provided for payroll transactions originating at one of the Chicago Housing Authority’s third-party property management firms. In addition, for payroll transactions originating at two other third-party property management firms, evidence of approval could not be provided by the Chicago Housing Authority.

Cause:

The Chicago Housing Authority ceased to have a relationship with one of the three third-party property management firms in question subsequent to June 30, 2019. As a result, the Chicago Housing Authority was unable to obtain supporting documentation or formal evidence of approval for the payroll transactions from this third-party property management firm. For the other two third-party property management firms, signed documentation evidencing approval of the payroll transaction was not provided by the third-party property management firm.

Questioned Costs:

CFDA 14.881 – \$32,641.

Context:

We selected 40 payroll transactions for testing of allowability for major program CFDA 14.881. Of these payroll transactions, 34 related to Public Housing (totaling \$310,084). For eight of the 34 payroll transactions (totaling \$43,601) tested, the expenditures originated at three of the Chicago Housing Authority’s third-party property management firms and had the following compliance exceptions and control deviations:

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

- For one third-party property management firm, the Chicago Housing Authority could not provide adequate source documentation for five payroll transactions to evidence approval or allowability of the payroll expenditures (totaling \$32,641).
- For the two other third-party property management firms, the Chicago Housing Authority could not provide adequate source documentation for three payroll transactions to evidence approval of the payroll expenditures (totaling \$10,960).

Total federal expenditures for CFDA 14.881 are \$842,001,874.

Effect or Potential Effect:

The Chicago Housing Authority has a material weakness in internal control over compliance with the activities allowed or unallowed and allowable costs/cost principles requirements of CFDA 14.881 as it relates to review, approval and maintenance of supporting documentation of payroll expenditures originating at its contracted third-party property management firms. Further, unallowable expenditures could be charged to the federal program.

Identification as a repeat finding, if applicable:

This is a repeat finding and relates to the prior year finding 2018-005.

Recommendation:

The Chicago Housing Authority should strengthen existing policies, procedures, and internal controls over the review and approval of expenditures and the Chicago Housing Authority should retain adequate source documentation for expenditures originating at the property management firms to support the allowability of expenditures to comply with federal activities allowed or unallowed and allowable costs/cost principles compliance requirements.

Views of Responsible Officials:

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

About EY

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CHICAGO HOUSING
AUTHORITY™

CHICAGO HOUSING AUTHORITY SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Financial Statement Findings for the Year Ended December 31, 2018:

- None identified

Federal Award Findings and Questioned Costs for the Year Ended December 31, 2018:

Angela Hurlock
Chairperson

Craig Chico
Vice-Chairman

Matthew Brewer
Dr. Mildred Harris
Meghan Harte
James Matanky
Debra Parker
Bill Thanoukos
Francine Washington
Board of Commissioners

Tracey Scott
Chief Executive Officer

James L. Bebley
Chief Operating Officer

- **Finding 2018-001 Eligibility and Reporting (Form HUD-50058) HCV and Public Housing (CFDA 14.881)**
 - The finding was corrected.
- **Finding 2018-002 Special Tests and Provisions: N2 – Public Housing Waiting List (CFDA 14.881)**
 - The finding was corrected.
- **Finding 2018-003 Special Tests and Provisions: N14 – Recording of Declarations and Trust (DOT) Against Public Housing Property (CFDA 14.881)**
 - The finding was corrected.
- **Finding 2018-004 Special Tests and Provisions: N8 – Depository Agreements (CFDA 14.881)**
 - The finding was corrected.
- **Finding 2018-005 Allowable Costs/Cost Principles (CFDA 14.881)**
 - Refer to current Year Finding 2019-001
 - Recurrence reason: Third Party documentation deficiency

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)**
 - The finding was corrected.
- **Finding 2017-002 Reporting (CFDA 14.881)**
 - The finding was corrected.
- **Finding 2017-003 Special Tests and Provisions: N2 – Public Housing Waiting List (CFDA 14.881)**
 - The finding was corrected.

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- **Finding 2017-004 Special Tests and Provisions: N6 – Housing Assistance Payment (CFDA 14.881)**
 - The finding was corrected.

Angela Hurlock
Chairperson

Craig Chico
Vice-Chairman

Matthew Brewer
Dr. Mildred Harris
Meghan Harte
James Matanky
Debra Parker
Bill Thanoukos
Francine Washington
Board of Commissioners

Tracey Scott
Chief Executive Officer

James L. Bebley
Chief Operating Officer



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

Attachment: Notes and Findings/Action Plans

PHA Information

PHA Code: IL002

Fiscal Year End Date: 12/31/2019

PHA Name: Chicago Housing Authority (“Authority”)

Submission Type: Audited/A133

Angela Hurlock
Chairperson

Craig Chico
Vice-Chairman

**Matthew Brewer
Dr. Mildred Harris
Meghan Harte
James Matanky
Debra Parker
Bill Thanoukos
Francine Washington**
Board of Commissioners

Tracey Scott
Chief Executive Officer

James L. Bebley
Chief Operating Officer

**Finding 2019-001 Allowable Costs/Cost Principles (CFDA
14.881)**

Corrective Action Plan:

Contact Person: Michael Moran, Chief Financial Officer

Planned Actions: This was brought to management’s attention in 2019 during the 2018 Uniform Guidance Audit. New procedures were implemented in the fourth quarter of 2019. Signature approval on supporting payroll documentation is now required to be provided by third-party property management firms as part of the monthly financial reports submitted to CHA.

Anticipated Completion Date: Completed in fourth quarter of 2019.

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