

UNIFORM GUIDANCE REPORT AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS

Chicago Housing Authority
Year Ended December 31, 2021
With Report of Independent Auditors

Ernst & Young LLP



Chicago Housing Authority
Uniform Guidance Report and
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Contents

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 1

Schedule of Expenditures of Federal Awards 6

Notes to Schedule of Expenditures of Federal Awards 7

Schedule of Findings and Questioned Costs 8



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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
Chicago Housing Authority

Report of Independent Auditors on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Chicago Housing Authority's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Chicago Housing Authority's major federal program for the year ended December 31, 2021. The Chicago Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Chicago Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing No. 14.881, Moving to Work Demonstration Program, for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Chicago Housing Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Chicago Housing Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Chicago Housing Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Chicago Housing Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Chicago Housing Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Chicago Housing Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Chicago Housing Authority’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Chicago Housing Authority’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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:

Finding No.	Assistance Listing No.	Program Name	Compliance Requirement
2021-001	14.881	Moving to Work Demonstration Program	E. Eligibility and L. Reporting
2021-002	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N14. Recording of Declarations of Trust/ Declaration of Restrictive Covenants Against Public Housing Property
2021-003	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N17. Environmental Contaminants Testing and Remediation

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

Government Auditing Standards requires the auditor to perform limited procedures on the Chicago Housing Authority’s responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Chicago Housing Authority’s responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002 and 2021-003 to be material weaknesses as follows:

Finding No.	Assistance Listing No.	Program Name	Compliance Requirement
2021-001	14.881	Moving to Work Demonstration Program	E. Eligibility and L. Reporting
2021-002	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N14. Recording of Declarations of Trust/ Declaration of Restrictive Covenants Against Public Housing Property
2021-003	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N17. Environmental Contaminants Testing and Remediation

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Chicago Housing Authority's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Chicago Housing Authority's responses were not subjected to the other 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 basic 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, 2021, 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 September 19, 2022, which contained an unmodified opinion on those financial statements. 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 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 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

September 27, 2022

**CHICAGO HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal Assistance Listing Number</i>	<i>Additional Award Identification</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
LOWER INCOME HOUSING ASSISTANCE PROGRAM SECTION 8 MODERATE REHABILITATION	14.856		\$5,445,012	\$5,445,012	SECTION 8 PROJECT-BASED CLUSTER	\$5,445,012
DEMOLITION AND REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)	14.866		\$37,498	\$37,498	HOPE VI CLUSTER	\$37,498
RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES - SERVICE COORDINATORS	14.870		\$263,258	\$263,258	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871		\$11,306,304	\$11,681,243	HOUSING VOUCHER CLUSTER	\$13,611,806
SECTION 8 HOUSING CHOICE VOUCHERS	14.871	EHV	\$374,939	\$11,681,243	HOUSING VOUCHER CLUSTER	\$13,611,806
MAINSTREAM VOUCHERS	14.879		\$1,930,563	\$1,930,563	HOUSING VOUCHER CLUSTER	\$13,611,806
MOVING TO WORK DEMONSTRATION PROGRAM	14.881		\$872,007,211	\$889,892,229	N/A	\$0
COVID-19 MOVING TO WORK DEMONSTRATION PROGRAM	14.881	COVID-19	\$17,885,018	\$889,892,229	N/A	\$0
JOBS-PLUS PILOT INITIATIVE	14.895		\$187,247	\$187,247	N/A	\$0
FAMILY SELF-SUFFICIENCY PROGRAM	14.896		\$904,560	\$904,560	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$910,341,610</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791		\$394	\$394	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$394</u>			
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$910,342,004</u>			

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

Chicago Housing Authority

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

1. Significant Accounting Policies Used in Preparing the Schedule 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, 2021. 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, 2021

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?

 Yes X No

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

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:

Assistance Listing No.	Name of Federal Program or Cluster
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.

Section III – Federal Award Findings and Questioned Costs

Finding 2021-001 Eligibility and Reporting (Form HUD-50058 MTW)

Information on the Federal Program:

U.S. Department of Housing and Urban Development
Assistance Listing No. 14.881 – Moving to Work Demonstration Program (MTW):

Public and Indian Housing (Public Housing)
Program Year: January 1, 2021 through December 31, 2021
Program No.: IL002-01-00021D

Section 8 – Housing Choice Vouchers – Rental Assistance Demonstration (RAD)
Program Year: January 1, 2021 through December 31, 2021
Program No.: Multiple

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

2 CFR section 200.303 of the Office of Management and Budget’s (OMB) Title 2, U.S. *Code of Federal Regulations*, Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) states the following regarding internal control: “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).”

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

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).

For both family income examinations and reexaminations, obtain and document in the family file third-party verification of: (a) reported family annual income; (b) the value of assets; (c) expenses related to deductions from annual income; and (d) 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 as necessary using the documentation from third-party verification (24 CFR sections 960.253, 960.257, 960.259, and 982.516).

In addition, the Chicago Housing Authority (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 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

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

extended the Authority's participation in the MTW program through December 31, 2018. On April 4, 2016, the MTW Agreement was further modified and extended through December 31, 2028. 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 or triennially.

Reporting (Form HUD-50058 MTW) – Per 24 CFR Part 908 and 24 CFR Section 982.158, the PHA is required to submit the Form HUD-50058 MTW, *Family Report*, each time the PHA completes an admission, annual reexamination, interim reexamination, 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.

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

- (1) Line 1c – *Program*
- (2) Line 2a – *Type of Action*
- (3) Line 2b – *Effective Date of Action*
- (4) Line 2k – *FSS Participation Now or in the Last Year*
- (5) Line 3b, 3c – *Last Name, First Name*
- (6) Line 3e – *Date of Birth*
- (7) Line 3n – *Social Security Numbers*
- (8) Line 5a – *Unit Address*
- (9) Line 5h – *Date Unit Last Past HQS Inspection*
- (10) Line 5i – *Date of Last Annual HQS Inspection*
- (11) Line 7i – *Total Annual Income*

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

(12) Line 13h – *Contract Rent to Owner*

(13) Line 13k – *Tenant Rent*

(14) Line 13x – *Mixed Family Tenant Rent*

(15) Line 17a – *Participation in Special Programs – Participation in the Family Self Sufficiency (FSS) Program*

(16) Line 17k(2) – *FSS Account Information – Balance*

Condition:

Eighty tenants and participants were selected for testing of internal controls over compliance with the eligibility and Form HUD-50058 MTW reporting requirements for the program. For the 80 tenants selected, 40 were Public Housing and RAD tenants (30 Public Housing and 10 RAD) and 40 were Housing Choice Voucher (HCV) participants. In our testing of the Authority's internal controls over compliance with the eligibility and Form HUD-50058 MTW reporting requirements, there were eight Public Housing tenants and six RAD tenants for which control deviations/compliance exceptions were noted (17.5% overall MTW deviation rate). The nature of the control deviations identified are as follows:

- In the case that a recertification was to be performed in 2021, the examination/re-examination checklist was not initialed by the certification specialist (CS); therefore, the Authority did not retain evidence that the CS inspected all relevant forms (two instances).
- In the case that a recertification was to be performed in 2021, the examination/re-examination checklist was initialed by the CS, but forms were missing and/or not signed (four instances).
- In the case that a recertification was to be performed in 2021, the examination/re-examination checklist was missing for section II and section IV (two instances).
- In the case that a recertification was to be performed in 2021, relevant forms were missing and/or missing signature by the tenant and CS (11 instances).

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

- In the case that a recertification was to be performed in 2021, relevant forms were signed after the effective date and submittal to HUD (five instances).
- In the case that a recertification was to be performed in 2021, relevant support was not in the tenant file for each key line item (three instances).

In addition, 50 tenants and participants were selected for testing over the compliance requirements over eligibility and Form HUD-50058 MTW reporting for the program. For the 50 tenants selected, 25 were Public Housing and RAD tenants (20 Public Housing and 5 RAD) and 25 were HCV tenants. In our testing, there were two compliance exceptions (4.0% overall MTW exception rate). The nature of the compliance exceptions identified is as follows:

- The Authority did not complete the certification for the tenant in a timely manner. We identified one instance in which a Form HUD-50058 report was effective August 2021 but was not processed by the Authority until April 2022, along with all relevant forms.
- In the case that a recertification was performed in 2021, relevant forms were missing and/or missing signatures by the tenant and CS. Relevant forms included the following: authorization and consent release, Form HUD-9886, application for continued eligibility, and debts owed forms.

In addition, for Public Housing, RAD and HCV, the quality review staff performs a review of a sample of tenant/participant recertification files to ensure compliance with eligibility and reporting (Form HUD-50058 MTW) requirements. From the population of tenant/participant recertification files reviewed by the Authority during the fiscal year, we selected a sample of 25 Public Housing and RAD tenant recertifications and 25 HCV participant recertifications, for a total of 50 tenant/participant recertifications to test the operating effectiveness of internal controls related to the Authority's quality control review.

Based on our testing, we identified nine control deviations (18.0%), whereby there was no evidence of the Authority following-up on and/or correcting findings that were identified as part of the quality control review. Eight of the control deviations are related to Public Housing and one control deviation is related to RAD.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Cause:

The volume of examinations and quality control reviews, as well as human error, led to incomplete tenant files and unresolved/undocumented quality control review findings.

Context:

The Public Housing and RAD programs had 13,267 and 4,985 tenants on its rent rolls, respectively, as of December 31, 2021. The HCV program had 47,316 participants as of December 31, 2021. All active tenants and participants have a Form HUD-50058 MTW, which is filed annually (Public Housing and RAD), biennially (HCV), or triennially (HCV). In addition, the total number of tenant/participant recertification files that were subject to the Authority's quality control review for the Public Housing, HCV and RAD programs during 2021 was 7,154.

Effect or Potential Effect:

Ineligible tenants or participants may be inappropriately allowed to participate in the federal program, and information reported to HUD could be inaccurate or incomplete. In addition, the Authority's quality control review is utilized to monitor the accuracy and completeness of tenant or participant files. When the review occurs and issues are not resolved or corrected, inaccuracies or inconsistencies can occur.

Identification as a Repeat Finding, if Applicable:

This finding is a repeat of finding 2020-001 from the prior year.

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 (Form HUD-50058 MTW) requirements. In addition, the Authority should ensure all findings identified through its quality control review are followed up on and corrected in the system in a timely manner to ensure compliance with federal eligibility and reporting (HUD Form-50058 MTW) 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 and has developed a plan to address the finding.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Finding 2021-002 N14. Recording of Declarations of Trust/Declaration of Restrictive Covenants Against Public Housing Property

Information on the Federal Program:

U.S. Department of Housing and Urban Development
Assistance Listing No. 14.881 – Moving to Work Demonstration Program (MTW):

Public and Indian Housing (Public Housing)
Program Year: January 1, 2021 through December 31, 2021
Program No.: IL002-001-00021D

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).”

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.”

Condition:

Twelve Declarations of Trust (DOTs) were selected for testing of internal controls over and compliance with the recording of DOTs against public housing property. Based on our testing, we noted two control deviations and one compliance exception, as follows:

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

- We identified one instance in which incorrect Property Index Numbers (PINs) were recorded within the Authority’s DOT Excel monitoring spreadsheet when comparing the information to the DOT. As such, the Authority’s Excel monitoring spreadsheet required updating due to inaccurate data (control deviation).
- We identified one instance in which incorrect PINs were recorded within the DOT when comparing the DOT to the Authority’s DOT Excel monitoring spreadsheet. As such, a Scrivener’s Affidavit was required to be recorded by the Authority (control deviation and compliance exception).

Cause:

The Authority’s DOT Excel schedule used to monitor the accuracy and completeness of DOTs contained inaccuracies which were due to human error.

Questioned Costs:

None.

Context:

The Public Housing program had 131 DOTs recorded against public housing property for the year ended December 31, 2021.

Effect or Potential Effect:

DOTs may not be properly recorded for public housing.

Identification as a Repeat Finding, if Applicable:

This finding is a repeat of finding 2020-002 from the prior year.

Recommendation:

The Authority should perform a periodic quality control review of its DOT Excel monitoring spreadsheet against recorded DOTs to ensure continued accuracy and completeness.

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 and has developed a plan to address the finding.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Finding 2021-003 N17. Environmental Contaminants Testing and Remediation

Information on the Federal Program:

U.S. Department of Housing and Urban Development
Assistance Listing No. 14.881 – Moving to Work Demonstration Program (MTW):

Public and Indian Housing (Public Housing)
Program Year: January 1, 2021 through December 31, 2021
Program No.: IL002-001-00021D

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).”

2 CFR section 5.703 states, “HUD housing must be decent, safe, sanitary and in good repair. Owners of housing described in §5.701(a), mortgagors of housing described in §5.701(b), and PHAs and other entities approved by HUD owning housing described in §5.701(c), must maintain such housing in a manner that meets the physical condition standards set forth in this section in order to be considered decent, safe, sanitary and in good repair. These standards address the major areas of the HUD housing: the site; the building exterior; the building systems; the dwelling units; the common areas; and health and safety considerations.”

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Condition:

Forty failed inspections were selected for testing of internal controls over and compliance with the physical condition standards of the federal program. Based on our testing, we noted the following:

- Internal controls were not in place to ensure that failed inspections were remediated.
- For five of the 40 failed inspections tested, the Authority did not maintain adequate supporting documentation to evidence that the safety concern from the failed inspection was remediated.

Cause:

Internal controls were not in place over the creation and follow-up of work orders related to failed inspection reports.

Questioned Costs:

None.

Context:

The Public Housing program had a total of 16,358 inspections performed during the year ended December 31, 2021, of which 7,482 were failed inspections that required remediation.

Effect or Potential Effect:

HUD housing may not meet the physical condition standards.

Identification as a Repeat Finding, if Applicable:

This finding is not a repeat finding from the prior year.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Recommendation:

The Authority should implement internal controls over the monitoring of failed inspections to ensure that identified safety concerns are remediated. Adequate supporting documentation of remediation activities should be maintained.

Views of Responsible Officials:

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

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