

UNIFORM GUIDANCE REPORT AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Chicago Housing Authority
Year Ended December 31, 2023
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, 2023

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Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, WV 25301

Tel: +1 304 343 8971
Fax: +1 304 357 5994
ey.com

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, 2023. 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 its major federal program for the year ended December 31, 2023.

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 each 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 each 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
2023-001	14.881	Moving to Work Demonstration Program	E. Eligibility, L. Reporting, N. Special Tests and Provisions – N1. Waiting List, N2. Reasonable Rent, N3. Utility Allowance Schedule, N6. Housing Assistance Payment
2023-002	14.881	Moving to Work Demonstration Program	N14. Recording of Declarations of Trust/ Declaration of Restrictive Covenants Against Public Housing Property
2023-003	14.881	Moving to Work Demonstration Program	N17. Environmental Contaminants Testing and Remediation
2023-004	14.881	Moving to Work Demonstration Program	N. Special Tests and Provisions: N3. Utility Allowance Schedule

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 2023-001, 2023-002, 2023-003, and 2023-004 to be material weaknesses, as follows:

Finding No.	Assistance Listing No.	Program Name	Compliance Requirement
2023-001	14.881	Moving to Work Demonstration Program	E. Eligibility and L. Reporting, and N. Special Tests and Provisions – N1. Waiting List, N2. Reasonable Rent, N3. Utility Allowance Schedule, N6. Housing Assistance Payment
2023-002	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
2023-003	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: N17. Environmental Contaminants Testing and Remediation
2023-004	14.881	Moving to Work Demonstration Program	N. Special Tests and Provisions: N3. Utility Allowance Schedule

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, 2023, 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 10, 2024, 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 of America. 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 10, 2024

**CHICAGO HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2023**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal Assistance Listing Number</i>	<i>Additional Award Identification</i>	<i>Total Amount Provided to Subrecipients</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			\$4,791,084	\$4,791,084	SECTION 8 PROJECT-BASED CLUSTER	\$4,791,084
RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES - SERVICE COORDINATORS	14.870			\$226,798	\$226,798	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871	VASH		\$11,600,872	\$29,392,347	HOUSING VOUCHER CLUSTER	\$32,711,741
SECTION 8 HOUSING CHOICE VOUCHERS	14.871	EHV		\$17,791,475	\$29,392,347	HOUSING VOUCHER CLUSTER	\$32,711,741
MAINSTREAM VOUCHERS	14.879			\$3,319,394	\$3,319,394	HOUSING VOUCHER CLUSTER	\$32,711,741
MOVING TO WORK DEMONSTRATION PROGRAM	14.881			\$1,079,997,652	\$1,079,997,652	N/A	\$0
JOBS-PLUS PILOT INITIATIVE	14.895			\$425,498	\$425,498	N/A	\$0
FAMILY SELF-SUFFICIENCY PROGRAM	14.896			\$1,137,019	\$1,137,019	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>\$1,119,289,792</u>			
FEDERAL COMMUNICATIONS COMMISSION							
AFFORDABLE CONNECTIVITY OUTREACH GRANT PROGRAM	32.011			\$72,447	\$72,447	N/A	\$0
TOTAL FEDERAL COMMUNICATIONS COMMISSION				<u>\$72,447</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
EVIDENCE-BASED FALLS PREVENTION PROGRAMS FINANCED SOLELY BY PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.761			\$42,926	\$42,926	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$42,926</u>			
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$1,119,405,165</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, 2023

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, 2023. 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, 2023

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:

\$3,358,215

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 2023-001 Eligibility, Reporting (Form HUD-50058 MTW), and N. Special Tests and Provisions – N1. Waiting List, N2. Reasonable Rent, N3. Utility Allowance Schedule, N6. Housing Assistance Payment

Identification of the Federal Program:	Federal Agency and Program Name	Assistance Listing #
	U.S. Department of Housing and Urban Development (HUD): Moving to Work (MTW) Demonstration Program: Public and Indian Housing (Public Housing) Program Year: January 1, 2023 through December 31, 2023 Program No.: IL002-01-00023D	14.881
	Section 8 – Housing Choice Vouchers (HCV) and Rental Assistance Demonstration (RAD) Program Year: January 1, 2023 through December 31, 2023 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) <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (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: (1) one or more release forms to allow the PHA to obtain information from third parties; (2) a federally prescribed general release form for employment information; and (3) 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: (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 section 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 section 960.253, 960.257, 960.259, and 982.516).

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

In addition, the Chicago Housing Authority (the Authority) is participating in HUD's 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 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 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) Lines 3b, 3c – *Last Name, First Name*
- (6) Line 3e – *Date of Birth*
- (7) Line 3n – *Social Security Numbers*

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

- (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*
- (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 and participants selected, 40 were Public Housing and RAD tenants (27 Public Housing and 13 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 11 Public Housing tenants, three RAD tenants, and two HCV participants for which control deviations were noted (20% overall MTW deviation rate). The nature of the control deviations identified is as follows:

- In the case that a certification and/or recertification was to be performed in 2023, relevant forms were signed after effective date and submittal to HUD (Low Rent and RAD—10 instances).
- In the case that a certification and/or recertification was to be performed in 2023, third-party income support was not available and/or on file (Low Rent—three 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 2023, 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 (Low Rent—one instance).
- In the case that a recertification was to be performed in 2023, the examination/re-examination checklist was initialed by the certification specialist (CS), but forms were missing and/or not signed (Low Rent and RAD—three instances).
- In the case that a certification and/or recertification was to be conducted in 2023, recertification was not conducted, and an old recertification was used (Low Rent—one instance).
- In the case that a certification and/or recertification was to be conducted in 2023, recertification was not conducted on time and participant passed away (Low Rent—one instance).
- In the case that a certification and/or recertification was to be performed in 2023, annual income was not properly calculated. Therefore, proper documentation did not tie to key line items in the Form HUD-50058 (RAD—one instance).
- In the case that a certification and/or recertification was to be performed in 2023, relevant forms were missing and/or missing signature by tenant and recertification clerk (Low Rent and RAD—four instances).
- Income calculated did not agree to third-party income support (HCV—one instance).
- The Housing Assistance Payment (HAP) contract was signed after 60 days of effective date (HCV—one instance).

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

In addition, 80 tenants and participants were selected for testing over the compliance requirements over eligibility and Form HUD-50058 MTW reporting for the program. For the 80 tenants and participants selected, 40 were Public Housing and RAD tenants (27 Public Housing and 13 RAD) and 40 were HCV participants. In our testing, there were seven Public Housing tenants, two RAD tenants and two HCV participants with compliance exceptions (14% overall MTW exception rate). The nature of the compliance exceptions identified is as follows:

- In the case that a certification and/or recertification was to be conducted in 2023, the recertification was not conducted on time (Low Rent and RAD—three instances).
- In the case that a certification and/or recertification was to be performed in 2023, relevant forms were missing and/or missing signature by tenant and recertification clerk (Low Rent and RAD—seven instances).
- In the case that a certification and/or recertification was to be performed in 2023, third-party income support was not available and/or on file (Low Rent—five instances).
- In the case that a certification and/or recertification was to be performed in 2023, relevant support to tie to key line items was not available and/or on file (Low Rent—four instances).
- In the case that a certification and/or recertification was to be conducted in 2023, recertification was not conducted on time and tenant passed away (Low Rent—one instance).
- In the case that a certification and/or recertification was to be performed in 2023, annual income was not properly calculated (RAD—one instance).

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

- In the case that a certification and/or recertification was to be conducted in 2023, the recertification was not conducted (HCV—one instance).
- Income and rent was miscalculated (HCV—one instance).
- As income and rent was miscalculated, key line items on Form HUD-50058 did not agree to source documentation (HCV—one instance).

Furthermore, for Public Housing, RAD and HCV, the quality review specialists perform a quality review of a sample of tenant/participant recertification files to ensure compliance with eligibility and reporting (Form HUD-50058 MTW) requirements. For Public Housing and RAD, management did not maintain evidence of documentation of completeness and accuracy regarding populations utilized in selecting samples for the quality control reviews performed. In addition, management did not design an internal control to ensure findings identified in the quality control review are resolved. Also, for HCV we reperformed 40 of the quality control reviews. Of the 40 tested, the following exceptions were identified:

- No support is available to evidence correction of findings and/or continuous follow-ups (22 instances).
- The Authority approver email in population does not match support provided (three instances).
- Missing detail findings page support to ensure findings were corrected and/or disputed (four instances).
- File was deemed as pass; however, findings regarding signatures were present (four instances).

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Cause:	Management has not designed an internal control to ensure that the compliance requirements are being met.
Effect or Potential Effect:	Ineligible tenants or participants may be inappropriately allowed to participate in federal programs, and information reported to HUD could be inaccurate or incomplete.
Questioned Costs:	None.
Context:	The Public Housing programs had 14,825 (Low Rent) and 6,423 (RAD) tenants on its rent rolls, respectively, as of December 31, 2023. The Low Rent and RAD programs reviewed 10,911 and 5,444 tenants, respectively, during 2023. The HCV program had 45,949 participants as of December 31, 2023, and 7,321 participants that were reviewed for eligibility during 2023. All active tenants and participants have a Form HUD-50058 MTW, which is filed annually (Public Housing and RAD), biennially (HCV), or triennially (HCV).
Identification as a Repeat Finding, if Applicable:	This finding is a repeat of finding 2022-001 from the prior year.
Recommendation:	The Authority should design sufficiently precise policies, procedures, and internal controls to ensure ineligible tenants or participants are not inappropriately allowed to participate in federal programs and reporting to HUD is complete and accurate.
Views of Responsible Officials:	Management concurs with the finding and has developed a plan to correct the finding.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Finding 2023-002 N. Special Tests and Provisions – N14. Recording of Declarations of Trust/Declaration of Restrictive Covenants Against Public Housing Property

Identification of the Federal Program:	Federal Agency and Program Name	Assistance Listing #
	U.S. Department of Housing and Urban Development (HUD): Moving to Work (MTW) Demonstration Program: Public and Indian Housing (Public Housing) Program Year: January 1, 2023 through December 31, 2023 Program No.: IL002-001-00023D	14.881

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.”

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Condition: Twenty-five Declarations of Trust (DOTs) were selected for testing of internal controls over and compliance with the recording of DOTs against public housing property. For 17 of the 25 DOTs tested, we noted control deviations and compliance exceptions of the following nature:

- We identified six DOTs with 18 instances in which incorrect DOT Property Identification Numbers (PINs) were recorded in the Authority's DOT Excel monitoring spreadsheet when comparing the DOT filed with the State of Illinois to the Authority's DOT Excel monitoring spreadsheet (control deviations).
- We identified two DOTs with four instances in which PINs/address were not recorded within the Authority's DOT Excel monitoring spreadsheet (control deviations).
- We identified 10 DOTs with 16 instances in which incorrect DOT addresses were recorded in the Authority's DOT Excel monitoring spreadsheet when comparing the DOT filed with the State of Illinois to the Authority's DOT Excel monitoring spreadsheet (control deviations).
- We identified seven DOTs with seven instances in which DOT PINs were not recorded in the Authority's DOT Excel monitoring spreadsheet when comparing to the Scrivener's Affidavit that was processed (control deviations).
- We identified one DOT in which DOT document support was not signed by the Authority (compliance/control deviation).
- We identified two DOTs with two instances in which DOT addresses were recorded in the Excel monitoring spreadsheet but were no longer applicable (control deviations).

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

- We identified two DOTs with two instances whereby the location was released; however, the address was still listed in the DOT population (control deviations).
- We identified one DOT whereby the release document support was missing for a PIN/address (compliance/control deviation).
- We identified four DOTs related to 10 PINs/addresses where the Excel monitoring spreadsheet contained a duplicate entry (control deviations).
- We identified one DOT with one instance where the Excel monitoring spreadsheet has addresses together while the DOT support document has them stated separately (control deviation).

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

Effect or Potential Effect: DOTs may not be properly recorded for public housing.

Questioned Costs: None.

Context: The Public Housing program had 179 DOTs recorded against public housing property for the year ended December 31, 2023.

Identification as a Repeat Finding, if Applicable: The finding is a repeat of finding 2022-002 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.

Views of Responsible Officials: Management concurs with the finding and has developed a plan to correct the finding.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Finding 2023-003 N. Special Tests and Provisions – N17. Environmental Contaminants Testing and Remediation

Identification of the Federal Program:	Federal Agency and Program Name	Assistance Listing #
	U.S. Department of Housing and Urban Development (HUD): Moving to Work (MTW) Demonstration Program: Public and Indian Housing (Public Housing) Program Year: January 1, 2023 through December 31, 2023 Program No.: IL002-001-00023D	14.881

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 (40) failed uniform physical condition standards (UPCS) inspections and 40 failed environmental inspections were selected for compliance testing out of the total 3,372 failed UPCS inspections and 411 failed environmental inspections, respectively, reported by the Authority. Internal controls were not in place to ensure that failed UPCS and environmental inspections were remediated.

For 10 of the 40 (25%) failed UPCS inspections and 21 of the 40 (53%) failed environmental inspections tested, the Authority did not maintain adequate supporting documentation to evidence that the safety/environmental concern from the failed inspection was remediated. The nature of the issues are as follows:

- No support was provided for 10 failed UPCS inspections sampled; therefore, the failed UPCS inspection could not be tested for compliance (compliance/control exception).
- No work order was available for four failed environmental inspections sampled; therefore, testing for remediation/correction of safety concerns/findings could not be performed (compliance/control exception).
- For one failed environmental inspection sampled, the work order was in completed status, but remediation is only partially complete. No documentation/support was available to evidence that the remaining safety concerns/findings were remediated/completed (compliance/control exception).
- For five failed environmental inspections sampled, remediation was outsourced to a third-party vendor/contractor. The scope of work/notice to proceed was provided, but documentation/support to evidence that remediation was complete was not provided (compliance/control exception).

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

- For three failed environmental inspections sampled, remediation was not completed but the tenant was moved from the unit. However, no support was provided to evidence the tenant's move and/or assurance that no other tenant resides in the unit (compliance/control exception).
- For two failed environmental inspections sampled, remediation was outsourced to a third-party vendor/contractor. No further support was provided (compliance/control exception). For 11 failed environmental inspections, remediation/correction of the safety concerns/findings did not occur timely (compliance/control exception).

Cause: Internal controls were not in place over the creation and follow-up of work orders related to failed UPCS and environmental inspection reports to ensure the identified safety/environmental concerns were remediated.

Effect or Potential Effect: HUD housing may not meet the physical condition standards and environmental contaminants may not get remediated.

Questioned Costs: None.

Context: The Public Housing program had a total of 16,032 UPCS inspections performed during the year ended December 31, 2023, of which 6,603 were failed inspections that required remediation, 5,821 passed with comments, 2,787 were inconclusive, and 821 were canceled. The Public Housing program had a total of 411 environmental inspections performed during the year ended December 31, 2023.

Identification as a Repeat Finding, if Applicable: The finding is a repeat of finding 2022-003 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 UPCS and environmental inspections to ensure that identified safety/environmental concerns are remediated. Adequate supporting documentation should be maintained of all remediation activities.

Views of Responsible Officials: Management concurs with the finding and has developed a plan to correct the finding.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Finding 2023-004 N. Special Tests and Provisions – N3. Utility Allowance Schedule

Identification of the Federal Program:	Federal Agency and Program Name	Assistance Listing #
	U.S. Department of Housing and Urban Development (HUD): Moving to Work (MTW) Demonstration Program: Section 8 – Housing Choice Vouchers (HCV) and Rental Assistance Demonstration (RAD) Program Year: January 1, 2023 through December 31, 2023 Program No.: Multiple	14.881
Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):	<p>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).”</p> <p>“The PHA must maintain an up-to-date utility allowance schedule. The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised (24 CFR section 982.517).”</p>	
Condition:	<p>HCV – For two of the 40 participants selected for testing to ensure the utility allowable schedule was applied correctly at the tenant-level, we noted incorrect utility allowance amounts were used in line 12m or 15g of the Form HUD-50058 as compared to the utility allowance schedule.</p> <p>RAD – The supporting analysis and evidence of review over the annual utility allowance schedule was not retained.</p>	

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Cause:	<p>HCV – Internal controls were not effective to ensure the correct utility allowance is being reported in line 12m or 15g of the HUD-50058 per the Authority’s approved utility allowance schedule.</p> <p>RAD – Supporting documentation was not retained to evidence review of the annual utility allowance schedule.</p>
Effect or Potential Effect:	<p>HCV – Tenant could pay more for utilities than required and therefore incorrect amounts could be recorded.</p> <p>RAD – The utility allowance schedule could be inaccurate or incomplete.</p>
Questioned Costs:	<p>None.</p>
Context:	<p>For the first tenant, the difference between the correct utility allowance per the utility allowance schedule and the utility allowance reported in Form HUD-50058 was \$127 for six months, or \$762.</p> <p>For the second tenant, the difference between the correct utility allowance per the utility allowance schedule and the utility allowance reported in Form HUD-50058 was \$39 for nine months, or \$351.</p> <p>The HCV program had 45,949 participants as of December 31, 2023. The RAD program had 6,423 tenants on its rent rolls as of December 31, 2023.</p>
Identification as a Repeat Finding, if Applicable:	<p>This is not a repeat finding from the prior year.</p>
Recommendation:	<p>The Authority should implement and retain supporting documentation of internal controls over the utility allowance schedule and amounts reported on line 12m or 15g of the Form HUD-50058.</p>
Views of Responsible Officials:	<p>Management concurs with the finding and has developed a plan to correct the finding.</p>

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