

AUGUST 23, 2024

THE CHICAGO HOUSING AUTHORITY'S USE OF CARES ACT FUNDS

CHA OFFICE OF THE
INSPECTOR GENERAL

OIG# A2022-09-001



CARES Act

Coronavirus Aid, Relief and Economic Security Act



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ACRONYMS

- CHA: Chicago Housing Authority
- OIG: Office of the Inspector General
- CARES Act: Coronavirus Aid, Relief and Economic Security Act
- HUD: Housing and Urban Development
- GL: General Ledger
- PH: Public Housing
- HCV: Housing Choice Voucher

EXECUTIVE SUMMARY

The Chicago Housing Authority (CHA) Office of the Inspector General (OIG) audited the CHA's use of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds from March 1, 2020, to December 31, 2021. CHA received a total of \$45,896,636 in CARES Act funding from the U.S. Department of Housing and Urban Development (HUD). The money was issued in four separate awards, each designated for specific purposes including public housing, housing choice voucher (HCV) programming, and administrative fees. All funds were required to be expended by December 31, 2021.

The OIG audit found that CHA spent all CARES Act emergency funds in accordance with federal requirements. The audit confirmed that CHA maintained all supporting documentation, and provided accurate spending reports to HUD.

AUTHORITY AND ROLE

The authority to perform this audit is pursuant to the Chicago Housing Authority (CHA) Board of Commissioners approved Inspector General Charter, which states that the Office of the Inspector General (OIG) has the authority and duty to review CHA programs. The OIG is tasked with identifying any inefficiencies, waste, and potential for misconduct therein; and recommending policies and methods for the elimination of inefficiencies and waste, as well as for the prevention of misconduct. Accordingly, the OIG conducts independent audits of CHA operations and programs and makes recommendations for improvement when appropriate.

STANDARDS

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate¹ evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

INDEPENDENCE

The OIG auditors involved in this audit are free both in fact and appearance from personal, organizational, and external impairments to independence. All opinions judgments, conclusions, and recommendations are impartial and should be viewed as impartial by third parties.

AUDIT OBJECTIVES

The OIG's audit objectives were to analyze and assess the CHA's use of emergency pandemic relief funds it received as a result of the CARES Act to determine whether CHA:

1. Appropriately allocated relief funds in accordance with program requirements and U.S. Department of Housing and Urban Development (HUD) guidance.
2. Maintained all supporting documentation and accurately reported spending.
3. Established controls to prevent waste, theft, and abuse of funds.

¹ The U.S. Government Accountability Office, Comptroller General of the U.S. (2018), Government Auditing Standards (The Yellow Book). Washington, DC: GAO.

SCOPE

The OIG reviewed the CHA's documentation regarding CARES Act spending between March 1, 2020, to December 31, 2021.

METHODOLOGY

The OIG provided CHA Senior Management with a draft report and provided an opportunity to submit a written response. Management acknowledged the findings and had no additional comment. The OIG presents all final audit reports and management responses to the CHA Board of Commissioners Finance and Audit Committee.

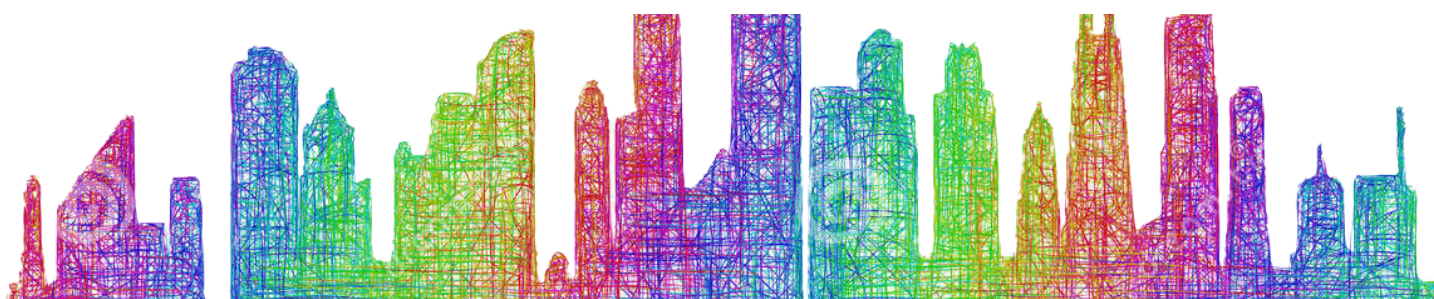
- HUD PIH 2022-35 CARES ACT Supplemental Operating Funds Close out Procedures
- HUD PIH Notice 2022-21 CARES Act Funding Reconciliation and Closeout
- OBM Form SF-425 CARES Act Funds Closeout
- CHA Report to HUD: Use of CARES Act Funds by The Chicago Housing Authority (IL002)
- CHA Lawson Systems: GL 90, GL290, AP90, AP270, Invoices
- HUD Eligible Activities List for CARES Act Supplemental Administrative Fee Funds
- HUD COVID-19-Related Frequently Asked Questions (FAQs)

Based on the evidence obtained, the OIG determined there was reasonable basis for the outlined findings and conclusions. These were aligned with the audit objectives, which aimed to identify conditions or environment that may lead to waste, fraud, abuse, misconduct, or mismanagement.

BACKGROUND

The CARES Act was an emergency stimulus bill passed by Congress in 2020 in response to the Covid 19 epidemic. The bill appropriated \$5 billion to HUD. A percentage of this funding was disbursed to public housing agencies such as the CHA to help with costs incurred by the pandemic. HUD required that public housing authorities expend all funds by December 31, 2021.

Between March 2020 and December 31, 2021, CHA received a total of \$45,896,636 in CARES Act funding from HUD, in four separate awards, each designated for specific purposes.



Notice PIH-2020-07 Operating Fund (Public Housing)	\$23,580,827
Notice PIH-2020-08 HCV Program Administrative Fees	\$8,889,728
Notice PIH-2020-08 HCV Program Administrative Fees (2 nd Award)	\$12,454,880
Administrative Fees: Block grant, Mainstream, Mod Rehab	\$971,201
Total	\$45,896,636

Per the HUD Notices, the Operating Funds for Public Housing (\$23,580,827) and HCV Program Administrative Fees (\$21,344,608 total) received under the CARES Act were to be used for “preparing, preventing, or responding to the coronavirus outbreak, as well as for any eligible expense of these programs.”

In its final closing report to HUD, CHA reported that it has expended a total of \$22,452,985 in CARES Act funds for HCV Administration. This sum includes \$22,264,260 for HCV Administration, \$47,547 for Mainstream Administration, and \$141,178 for MOD Rehab HAP. The CHA was not required to report its Public Housing expenditures to an external entity. CHA’s Internal Audit team reviewed CHA’s use of CARES Act funding oversight twice.

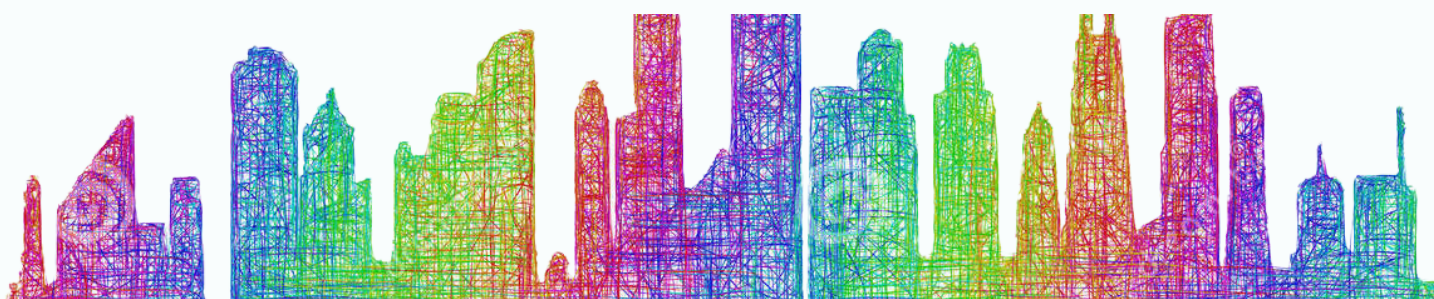
- The first review was in 2020 with the scope of March 1, 2020, to September 30, 2020.
- The second review had a scope of January 1, 2021, to September 30, 2021.

Both reviews examined CHA’s processes to monitor spending, the controls in place to retain supporting documentation, and the effectiveness of CHA’s performance reporting.

During the 2020 audit, Internal Audit examined transactions from CHA accounts the PH Operating CARES Act Funds (F119), and Administrative/HCV CARES Act Funds (F303), along with supporting documentation. Internal Audit found no exceptions. However, they recommended that management formally document their processes and procedures regarding CARES oversight and document CHA’s interpretation of HUD’s guidance on CARES Act spending.

During the 2021 audit, Internal Audit examined F119 and F303. During 2021, CHA reclassified prior expenses from a utilities F100 account to the CARES F119 account. Therefore, the F119 account was no longer in use following the reclassification entry. Consistent with the previous audit, Internal Audit did not identify any exceptions.

Given the unprecedented influx of millions of dollars to the CHA in a short period of time, the OIG undertook an independent review of CARES Act spending after the program was complete.



OIG REVIEW**CHA APPROPRIATELY ALLOCATED CARES ACT FUNDS**

OIG examined the documentation in Lawson, CHA's accounting software, to support the categories of CARES Act spending reported by the CHA. The accounting categories utilized by CHA were Operating Expenses and Administrative Fees. Within Operating Expenses, sub-categories included property operations, technology, workplace, and residents.

The OIG conducted a sample audit of invoices from each category listed below and found no exceptions. Upon reviewing the documentation in the Lawson system, it was confirmed that the required documentation had been properly uploaded, and expenditures were accurately recorded for the CARES Act Fund 119.

Given the absence of findings requiring action, no recommendations are made at this time. We commend the management and staff for their diligence and adherence to policies and procedures.

CHA allocated \$23,632,376 from the operating CARES Act funding to cover the costs of Public Housing operations.

Category	2020 Expenditures	2021 Expenditures	TOTAL
Unit Turns	\$ 16,160,466		\$ 16,160,466
ITS	\$ 2,437,814		\$ 2,437,814
FIC	\$ 724,500		\$ 724,500
PAM	\$ 683,047	\$ 2,548,287	\$ 3,231,334
RS	\$ 587,616		\$ 587,616
CCD	\$ 473,373		\$ 473,373
Gen Services	\$ 14,868		\$ 14,868
Pope	\$ 1,170		\$ 1,170
Treasury	\$ 1,099		\$ 1,099
HCV	\$ 135		\$ 135
Total	\$ 21,084,089	\$ 2,548,287	\$ 23,632,376

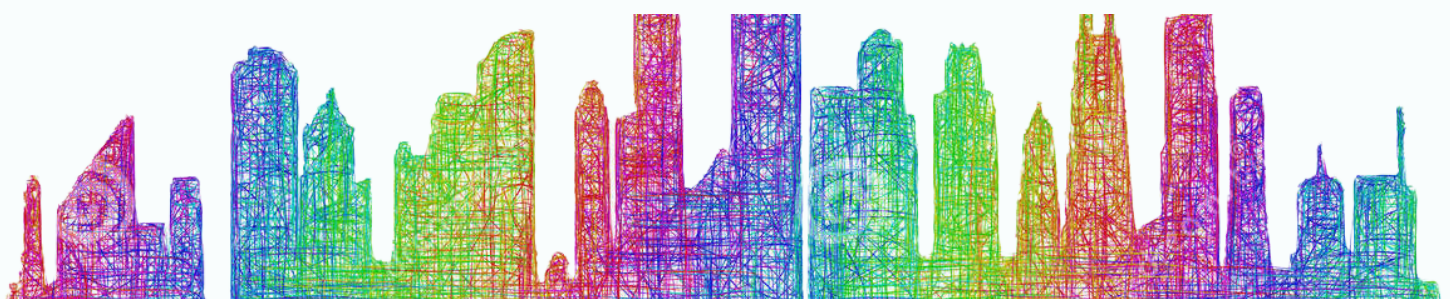
CHA allocated \$22,264,261 of the CARES Act funding to cover the costs of its HCV operations. Administrative Fees of \$21,406,154 were disbursed to CHA's vendor managing the HCV program. Additionally, \$533,220 was allocated for technology to facilitate remote work. CHA also engaged a single company for bio-hazard cleaning, with expenses totaling \$322,239.

Category	Expenditure	Tested Amount	Exception	% of Exception
HCV Administrative	\$21,406,154	\$21,406,154	\$ -	0%
Information Technology	\$533,220	\$533,220	\$ -	0%
Bio-Hazard Cleaning	\$322,239	\$322,239	\$ -	0%
Operating	\$2,648	\$2,648	\$ -	0%
Totals	\$22,264,261	\$22,264,261	\$ -	0%

HUD required PHAs awarded CARES Act funds to complete and submit the OMB Form SF-425 Federal Financial Report to HUD. The CARES Act provided supplemental housing assistance payments (HAP) and Administrative Fees to PHAs administering the HCV Program and the Mainstream Vouchers, and supplemental HAP to the Moderate Rehabilitation (MR) Program.

CHA submitted the Excel fillable SF-425 workbook to HUD as detailed below:

Federal Cash (To report multiple grants, also use FFR Attachment):	HCV Admin	Mainstream Admin	Mod Rehab HAP	Total
a. Cash Receipts- Cumulative total of disbursed from HUD through date shown in block 9	\$22,264,260	\$ 47,547	\$ -	\$22,311,807
b. Cash Disbursements- Cumulative total of federal disbursements (Refer to all A10-16s)	\$22,264,260	\$ 47,547		\$22,311,807
c. Cash on Hand (line a minus b) - NOTE: Payment will be reduced by any Cash on Hand, if any).	\$ -	\$ -	\$ -	\$ -
Federal Expenditures and Unobligated Balance:				
d. Total Federal funds authorized - Total Federal award amount	\$22,264,260	\$47,547	\$141,178	\$22,452,985
e. Federal share of expenditures - Same as line 10b above --(minus 10f, if appl.)	\$22,264,260	\$47,547		\$22,311,807
f. Federal share of unliquidated obligations (Unspent obligated funds)				
g. Total Federal share (sum of lines e and f)	\$22,264,260	\$47,547	\$ -	\$22,311,807
h. Unobligated balance of Federal funds (line d minus g) - Remaining balance of award Return to HUD	\$ -	\$ -	\$141,178	\$ -



APPENDIX

CHA identified the accounts utilized to track CARES Act funding. OIG examined each account to ascertain the expenses and categories for which the CARES Act funding was expended.

HCV Accounts	Public Housing Accounts
8000303001: HCV CARES ACT F303 BAL	9001100001: COVID F100 BALANCE SHEET
8000303210: HCV CARES ACT F303 INFORM SVS	9001100777: COVID F100 DEPR
8000303520: HCV CARES ACT F303 HCV COVID	9001119001: COVID F119 BALANCE SHEET
8000303543: HCV CARES ACT F303 GEN SERVICE	9001119102: COVID F119 RES SERVICES
8000303685: HCV CARES ACT F303 HCV OVERTON	9001119203: COVID F119 TREASURY
8000303803: HCV CARES ACT F303	9001119210: COVID F119 IT
8000303807: HCV CARES ACT F303 CVR	9001119440: COVID F119 FIC
8000303996: HCV CARES ACT F303 REV	9001119441: COVID F119 POPE
	9001119520: COVID F119
	9001119543: COVID F119 GENERAL SERVICES
	9001119550: COVID F119 OAKLAND
	9001119555: COVID F119 REG 1
	9001119570: COVID F119 REG 4
	9001119610: COVID F119 CHA HQ
	9001119800: COVID F119 RESIDENT SERVICES
	9001119996: COVID F119 REV

