

UNIFORM GUIDANCE REPORT AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Chicago Housing Authority
Year Ended December 31, 2024
With Report of Independent Auditors

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Chicago Housing Authority

Uniform Guidance Report and Schedule of
Expenditures of Federal Awards

Year Ended December 31, 2024

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 |

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, 2024. 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, 2024.

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 |
|--------------------|-------------------------------|--------------------------------------|---|
| 2024-001 | 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 |
| 2024-003 | 14.881 | Moving to Work Demonstration Program | Special Tests and Provisions: N17. Environmental Contaminants Testing and Remediation |
| 2024-004 | 14.881 | Moving to Work Demonstration Program | N. Special Tests and Provisions: N3. Utility Allowance Schedule |
| 2024-007 | 14.881 | Moving to Work Demonstration Program | I. Procurement, Suspension and Debarment |

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 and a significant deficiency.

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 2024-001 and 2024-003 through 2024-007 to be material weaknesses, as follows:

| Finding No. | Assistance Listing No. | Program Name | Compliance Requirement |
|--------------------|-------------------------------|--------------------------------------|--|
| 2024-001 | 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 |
| 2024-003 | 14.881 | Moving to Work Demonstration Program | Special Tests and Provisions: N17. Environmental Contaminants Testing and Remediation |
| 2024-004 | 14.881 | Moving to Work Demonstration Program | N. Special Tests and Provisions: N3. Utility Allowance Schedule |
| 2024-005 | 14.881 | Moving to Work Demonstration Program | N. Special Tests and Provisions: N4. NSPIRE/Housing Quality Standards Inspections |
| 2024-006 | 14.881 | Moving to Work Demonstration Program | N. Special Tests and Provisions: N1. Wage Rate Requirements |
| 2024-007 | 14.881 | Moving to Work Demonstration Program | I. Procurement, Suspension and Debarment |

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. We consider the deficiency

in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency, as follows:

| Finding No. | Assistance Listing No. | Program Name | Compliance Requirement |
|--------------------|-------------------------------|--------------------------------------|---|
| 2024-002 | 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 |

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, 2024, 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 XX, 2025, 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.

September XX, 2025

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CHICAGO HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2024

| <i>Federal Awarding Agency/Program Title</i> | <i>Federal Assistance Listing Number</i> | <i>Additional Award Identification</i> | <i>Name of Pass-through Entity</i> | <i>Identifying Number Assigned by Pass-through Entity</i> | <i>Total Amount Provided to Sub-Recipients</i> | <i>Federal Expenditures</i> | <i>Federal Program Total</i> | <i>Cluster Name</i> | <i>Cluster Total</i> |
|---|--|--|------------------------------------|---|--|-----------------------------|------------------------------|---------------------------------|----------------------|
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | | | | |
| LOWER INCOME HOUSING ASSISTANCE PROGRAM SECTION 8 MODERATE REHABILITATION | 14.856 | | | | | \$4,362,636 | \$4,362,636 | SECTION 8 PROJECT-BASED CLUSTER | \$4,362,636 |
| RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES - SERVICE COORDINATORS | 14.870 | | | | | \$310,690 | \$310,690 | N/A | \$0 |
| SECTION 8 HOUSING CHOICE VOUCHERS | 14.871 | VASH | | | | \$14,488,404 | \$31,862,324 | HOUSING VOUCHER CLUSTER | \$36,109,873 |
| SECTION 8 HOUSING CHOICE VOUCHERS | 14.871 | EHV | | | | \$17,373,920 | \$31,862,324 | HOUSING VOUCHER CLUSTER | \$36,109,873 |
| MAINSTREAM VOUCHERS | 14.879 | | | | | \$4,247,549 | \$4,247,549 | HOUSING VOUCHER CLUSTER | \$36,109,873 |
| MOVING TO WORK DEMONSTRATION PROGRAM | 14.881 | | | | | \$1,061,611,176 | \$1,061,611,176 | N/A | \$0 |
| JOBS-PLUS PILOT INITIATIVE | 14.895 | | | | | \$1,354,907 | \$1,354,907 | N/A | \$0 |
| FAMILY SELF-SUFFICIENCY PROGRAM | 14.896 | | | | | \$1,338,000 | \$1,338,000 | N/A | \$0 |
| TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | <u>\$1,105,087,282</u> | | | |
| DEPARTMENT OF AGRICULTURE | | | | | | | | | |
| COMMODITY SUPPLEMENTAL FOOD PROGRAM | 10.565 | | Greater Chicago Food Depository | None | | \$1,542,150 | \$1,542,150 | N/A | \$0 |
| TOTAL DEPARTMENT OF AGRICULTURE | | | | | | <u>\$1,542,150</u> | | | |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | | | <u>\$1,106,629,432</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, 2024

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, 2024. 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, 2024

Section I – Summary of Auditor’s Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

____ Yes

 X No

Significant deficiency(ies) identified?

____ Yes

 X None reported

Noncompliance material to financial statements noted?

____ Yes

 X No

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?

 X Yes

____ No

Significant deficiency(ies) identified?

 X Yes

____ No

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

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:

\$3,319,888

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.

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Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs

Finding 2024-001 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: U.S. Department of Housing and Urban Development (HUD)

Federal Assistance Listing Number: 14.881

Federal Program Name: Moving to Work (MTW) Demonstration Program

Public and Indian Housing (Public Housing)

Program Year: January 1, 2024 through December 31, 2024

Program No.: IL002-01-00024D

Section 8 – Housing Choice Vouchers (HCV) and Rental Assistance Demonstration (RAD)

Program Year: January 1, 2024 through December 31, 2024

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) *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)."

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:

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

- 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).

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.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

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 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 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 internal controls over compliance with the eligibility and Form HUD-50058 MTW reporting requirements for the program. These same tenants and participants were tested for compliance with Form HUD-50058 MTW reporting requirements. For the 80 tenants and participants selected, 40 were Public Housing and RAD tenants (23 Public Housing and 17 RAD) and 40 were Housing Choice Voucher (HCV) participants.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

There were five Public Housing tenants, two RAD tenants, and four HCV participants for which control deviations were noted over eligibility and Form HUD-50058 reporting requirements (13.8% overall MTW deviation rate).

There was one Public Housing tenant and one RAD tenant for which compliance exceptions were noted over Form HUD-50058 MTW reporting requirements (2.5% overall MTW exception rate).

The nature of the control deviations and compliance exceptions identified are as follows:

Control:

- In the case that a certification and/or recertification was to be performed in 2024, relevant forms were signed after effective date and submittal to HUD (Low Rent—three instances and RAD—one instance).
- In the case that a certification and/or recertification was to be performed in 2024, it was not retained on file. (Low Rent—one instance).
- In the case that a recertification was to be performed in 2024, the examination/re-examination checklist was initialed by the certification specialist (CS), but forms were missing and/or not signed by tenant and recertification clerk. (Low Rent—one instance).
- In the case that a change in unit was to be performed in 2024, previous re-examination was not retained on file and HUD Key Line items could not be agreed (RAD—one instance).
- In the case that a certification and/or recertification was to be conducted in 2024, relevant forms were not signed before HUD 50058 effective date (HCV—two instances).
- In the case that a certification and/or recertification was to be conducted in 2024, recertification was not conducted (HCV—one instance).
- In the case that a certification and/or recertification was to be conducted in 2024, the Form HUD 50058, Family Report, was not sent (ie., no MTCS sent date was visible in Yardi) (HCV—one instance).

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Compliance:

- In the case that a certification and/or recertification was to be performed in 2024, it was not retained on file and HUD Key Line items could not be agreed. (Low Rent—one instance).
- In the case that a change in unit was to be performed in 2024, previous re-examination was not retained on file and HUD Key Line items could not be agreed (RAD—one instance).

In addition, 80 tenants and participants were selected for testing of compliance with eligibility requirements for the program. For the 80 tenants and participants selected, 40 were Public Housing and RAD tenants (23 Public Housing and 17 RAD) and 40 were HCV participants. In our testing, there were six Public Housing tenants, two RAD tenants and one HCV participant with compliance exceptions (11.3% 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 performed, relevant forms were not signed (Low Rent—one instance).
- In the case that a certification and/or recertification was to be performed, annual income was not properly calculated. Therefore, rent was not properly calculated (Low Rent—one instance).
- In the case that a certification and/or recertification was to be performed, relevant forms were not signed and annual income support was not provided. Therefore, EY could not determine if annual income and rent was properly calculated (Low Rent—one instance).
- In the case that a certification and/or recertification was to be performed, annual income support was not provided. Therefore, EY could not determine if annual income and rent was properly calculated (Low Rent—one instance).
- In the case that a certification and/or recertification was to be performed, relevant forms were signed after effective date and submittal to HUD (Low Rent—two instances and RAD—one instance).
- In the case that a certification and/or recertification was to be conducted in 2024, recertification was not conducted (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 2024, recertification was not conducted (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 for the entirety of FY24. In addition, management did not design an internal control to ensure findings identified in the quality control review are resolved. Also, for HCV, a control was tested in FY23 but found to be ineffective due to control design deficiency: The Authority was not consistently documenting follow-up activities on identified findings from the quality control reviews in a timely manner. Corrective action was not implemented until late 2024. However, as a substantial portion of the audit year was not subject to the revised control.

Cause:

Management has not designed an internal control to ensure that the compliance requirements are 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 12,417 (Low Rent) and 5,706 (RAD) tenants on its rent rolls, respectively, as of December 31, 2024. The Low Rent and RAD programs reviewed 6,630 and 4,923 tenants, respectively, during 2024. The HCV program had 51,403 participants as of December 31, 2024, and 33,545 participants that were reviewed for eligibility during 2024. All active tenants and participants have a Form HUD-50058 MTW, which is filed annually (Public Housing and RAD), biennially (HCV), or triennially (HCV).

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Identification as a Repeat Finding, if Applicable:

This finding is a repeat of finding 2023-001 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)

Finding 2024-002 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: U.S. Department of Housing and Urban Development (HUD)
Federal Assistance Listing Number: 14.881
Federal Program Name: Moving to Work (MTW) Demonstration Program

Public and Indian Housing (Public Housing)
Program Year: January 1, 2024 through December 31, 2024
Program No.: IL002-01-00024D

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).”

Condition:

Nineteen (19) Declarations of Trust (DOTs) were selected for testing compliance with the recording of DOTs against public housing property. For two of the 19 DOTs tested (10.5%), we noted that the Authority’s Excel monitoring spreadsheet used to track the accuracy and completeness of recorded DOTs contained incomplete information. While the recorded DOTs were accurate, the Excel monitoring spreadsheet contained incomplete property address information.

Cause:

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

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Effect or Potential Effect:

DOTs may not be properly recorded for public housing.

Questioned Costs:

None.

Context:

The Public Housing program had 189 DOTs recorded against public housing property for the year ended December 31, 2024.

Identification as a Repeat Finding, if Applicable:

This finding is a partial repeat of finding 2024-002 from the prior year.

Recommendation:

The Authority should ensure that its periodic quality control review of its DOT Excel monitoring spreadsheet against recorded DOTs for continued accuracy and completeness is operating effectively.

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 2024-003 N. Special Tests and Provisions – N17. Environmental Contaminants Testing and Remediation

Identification of the federal program:

Federal Agency: U.S. Department of Housing and Urban Development (HUD)

Federal Assistance Listing Number: 14.881

Federal Program Name: Moving to Work (MTW) Demonstration Program

Public and Indian Housing (Public Housing)

Program Year: January 1, 2024 through December 31, 2024

Program No.: IL002-01-00024D

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.”

Condition:

Forty (40) failed uniform physical condition standards (UPCS) inspections and 30 failed environmental inspections were selected for compliance testing out of the total 5,633 failed UPCS inspections and 176 failed environmental inspections, respectively, reported by the Authority.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Internal controls were not in place to ensure that failed UPCS and environmental inspections were remediated.

For 23 of the 40 (57.5%) failed UPCS inspections and 17 of the 30 (56.7%) failed environmental inspections tested for compliance, the Authority did not maintain adequate supporting documentation to evidence that the safety/environmental concern from the failed inspection was remediated or remediated in a timely manner. The nature of the issues are as follows:

- For eight failed UPCS inspections sampled, remediation was not completed.
- For 15 failed UPCS inspections sampled, remediation was not completed timely.
- No work order was available for 10 failed environmental inspections sampled; therefore, testing for remediation/correction of safety concerns/findings could not be performed
- For four failed environmental inspection sampled, the work order was in completed status; however, no documentation/support was available to evidence that the safety concerns/findings were remediated/completed.
- For three failed environmental inspections sampled, the remediation was not completed in a timely manner.

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.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Context:

The Public Housing program had a total of 15,263 UPCS inspections performed during the year ended December 31, 2024, of which 5,633 were failed inspections that required remediation, 6,267 passed with comments, 2,763 were inconclusive, and 600 were canceled. The Public Housing program had a total of 176 environmental inspections performed during the year ended December 31, 2024.

Identification as a Repeat Finding, if Applicable:

This finding is a repeat of finding 2024-003 from the prior year.

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 2024-004 N. Special Tests and Provisions – N3. Utility Allowance Schedule

Identification of the federal program:

Federal Agency: U.S. Department of Housing and Urban Development (HUD)

Federal Assistance Listing Number: 14.881

Federal Program Name: Moving to Work (MTW) Demonstration Program

Rental Assistance Demonstration (RAD)

Program Year: January 1, 2024 through December 31, 2024

Program No.: Multiple

Criteria or specific requirement (including statutory, regulatory or other citation):

The Uniform Guidance 2 CFR section 200.303 states, “The Non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

“The 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).”

Condition:

RAD – The underlying details supporting the analysis of changes in utility rate data and evidence of review over the annual utility allowance schedule was not retained.

Cause:

RAD – Supporting documentation for the inputs to the utility allowance schedule analysis of changes in utility rate data prepared by a third-party service provider and evidence of review over the annual utility allowance schedule by Authority management was not retained by the Authority.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Effect or Potential Effect:

RAD – The utility allowance schedule could be inaccurate or incomplete.

Questioned Costs:

None.

Context:

The RAD program had 5,706 tenants on its rent rolls as of December 31, 2024.

Identification as a Repeat Finding, if Applicable:

This finding is a partial repeat of finding 2024-004 from the prior year.

Recommendation:

RAD – 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.

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)

Finding 2024-005 N. Special Tests and Provisions – N4. NSPIRE/Housing Quality Standards Inspections

Identification of the federal program:

Federal Agency: U.S. Department of Housing and Urban Development (HUD)

Federal Assistance Listing Number: 14.881

Federal Program Name: Moving to Work (MTW) Demonstration Program

Section 8 – Housing Choice Vouchers (HCV) and Rental Assistance Demonstration (RAD)

Program Year: January 1, 2024 through December 31, 2024

Program No.: Multiple

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).”

Condition:

For 4 of 40 (10%) inspections sampled to test the Authority’s internal controls to ensure inspections are completed in accordance with the Authority’s HCV Administrative Plan and meet housing quality standards (HQS), we noted that the inspections completed by the Compliance Specialist in fiscal year 2024 were not conducted in accordance with the required biennial timeframe. Based on the date of the prior inspections, the inspections were not conducted within the two years required by the HCV Administrative Plan.

Cause:

The Authority’s internal control, whereby a knowledgeable Compliance Specialist (i.e., Inspector) performs a biennial inspection of the unit and completes a standardized inspection checklist to confirm the unit meets the housing quality standards, was not operating effectively during the fiscal year.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Effect or Potential Effect:

HQS inspections may not be conducted biennially in accordance with the Authority's HCV Administrative Plan.

Questioned Costs:

None.

Context:

There were 28,111 HQS inspections performed for the HCV program under the MTW during the fiscal year ended December 31, 2024.

Identification as a Repeat Finding, if Applicable:

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

Recommendation:

The Authority should follow its established internal control over HQS inspections as outlined in its HCV Administrative Plan.

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)

Finding 2024-006 N. Special Tests and Provisions – N1. Wage Rate Requirements

Identification of the federal program:

Federal Agency: U.S. Department of Housing and Urban Development (HUD)

Federal Assistance Listing Number: 14.881

Federal Program Name: Moving to Work (MTW) Demonstration Program

Public and Indian Housing (Public Housing)

Program Year: January 1, 2024 through December 31, 2024

Program No.: IL002-01-00024D

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).”

Condition:

For three of 24 (12.5%) contracts/task orders sampled to test the Authority’s internal control to ensure certified payroll reports (CPR) are submitted by contractors/subcontractors, we noted the following:

- For one (4.2%) of the 24, the contract summary checklist completed at contract closeout was not prepared or reviewed correctly, as it was noted that CPR findings were still outstanding and the contract could not be closed.
- For two (8.3%) of the 24, the reviewed contract summary checklist was not provided.

Cause:

The Authority’s internal control to ensure all CPRs have been submitted prior to contract closeout was not operating effectively.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Effect or Potential Effect:

Required CPRs from contractors and subcontractors may not be submitted.

Questioned Costs:

None.

Context:

Public Housing expenditures reported in the schedule of expenditures of federal awards \$171,219,053 for the year ended December 31, 2024, representing 15.1% of total federal expenditures under Assistance Listing No. 14.881 of \$1,106,629,432.

Identification as a Repeat Finding, if Applicable:

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

Recommendation:

The Authority should follow its established internal control to ensure all CPRs are submitted by contractors/subcontractors prior to contract close-out.

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)

Finding 2024-007 Procurement, Suspension and Debarment

Identification of the federal program:

Federal Agency: U.S. Department of Housing and Urban Development (HUD)

Federal Assistance Listing Number: 14.881

Federal Program Name: Moving to Work (MTW) Demonstration Program

Public and Indian Housing (Public Housing)

Program Year: January 1, 2024 through December 31, 2024

Program No.: IL002-01-00024D

Criteria or specific requirement (including statutory, regulatory or other citation):

The Uniform Guidance 2 CFR section 200.303 states, “The Non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

The Uniform Guidance 2 CFR section 200.318, general procurement standards states “(a) *Documented procurement procedures*. The recipient or subrecipient must maintain and use documented procedures for procurement transactions under a Federal award or subaward, including for acquisition of property or services.”

The Uniform Guidance 2 CFR section 200.319 states that “all procurement transactions under the Federal award must be conducted in a manner that provides for full and open competition and is consistent with the standards of this section and §200.320.”

The Authority’s procurement policy for a cooperative (“piggyback”) procurement requires an agency contract and amendments. The Authority’s internal control procedures require procurements more than \$500,000 to have Board of Commissioners approval.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

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

Condition:

For one of nine (11.1%) procurement transactions sampled to test the Authority's internal controls to ensure procurements are executed and documented in accordance with the Uniform Guidance procurement standards, we noted that the procurement was not approved by the Board of Commissioners and there was no executed agreement or amendment that covered fiscal year 2024.

Cause:

The Authority's internal control over the review and approval of procurement transactions was not operating effectively.

Effect or Potential Effect:

Procurements may not be following Uniform Guidance procurement standards.

Questioned Costs:

\$3,500,000 related to Assistance Listing No. 14.881, representing the one procurement that was not approved by the Board and did not have an agreement or amendment in place that covered fiscal year 2024.

Context:

The one procurement totaled \$3,500,000 out of nine procurement transactions sampled totaling \$4,983,902.

Public Housing expenditures reported in the schedule of expenditures of federal awards \$171,219,053 for the year ended December 31, 2024, representing 15.1% of total federal expenditures under Assistance Listing No. 14.881 of \$1,106,629,432.

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 follow its established internal control over the review and approval of procurement transactions.

Views of Responsible Officials:

Management concurs with the finding and has developed a plan to correct the finding.

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