

SINGLE AUDIT REPORT AND
ACCOMPANYING SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Chicago Housing Authority
Year Ended December 31, 2014
With Reports of Independent Auditors

Ernst & Young LLP



Building a better
working world

Chicago Housing Authority

Single Audit Report and Accompanying
Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

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Report of Independent Auditors

The Board of Commissioners of the Chicago Housing Authority
Chicago, Illinois

Report on the Financial Statements

We have audited the basic financial statements, not included herein, of the Proprietary Fund Type and Fiduciary Fund Type activities of the Chicago Housing Authority, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Chicago Housing Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Chicago Housing Authority Employee's Retirement Plan (the Plan), which is shown as the Fiduciary Fund Type – Pension Trust Fund as of and for the years ended December 31, 2014 and 2013. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plan, is based on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Pension Trust Fund were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proprietary Fund Type activities and the Fiduciary Fund Type activities of the Chicago Housing Authority as of December 31, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis and the Schedule of Funding Progress on pages 22 through 33 and 83, included in the Comprehensive Annual Financial Report, not included herein, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

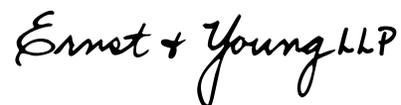
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chicago Housing Authority's basic financial statements. The combining schedule of programs, included in the Comprehensive Annual Financial Report, not included herein, on pages 86 through 91, individual program schedules on pages 94 through 110 and Financial Data Schedules on pages 112 through 227, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section, included in the Comprehensive Annual Financial Report, not included herein, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 31, 2015 on our consideration of the Chicago Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chicago Housing Authority's internal control over financial reporting and compliance.



March 31, 2015



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Commissioners and Management of the
Chicago Housing Authority
Chicago, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements, not included herein, of the Proprietary Fund Type and Fiduciary Fund Type activities of the Chicago Housing Authority (the Authority) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 31, 2015. Our report includes a reference to other auditors who audited the financial statements of the Chicago Housing Authority Employee's Retirement Plan (the Plan), as described in our report on the Authority's financial statements. The financial statements of the Plan were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 31, 2015

Single Audit Report



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Report of Independent Auditors on Compliance With Requirements for Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Board of Commissioners and Management of the
Chicago Housing Authority
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Chicago Housing Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2014. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-001. Our opinion on the major federal program is not modified with respect to this matter.

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2014-001	14.881	Moving to Work Demonstration Program	Special Tests and Provisions: Public Housing Waiting List

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2014-001	14.881	Moving to Working Demonstration Program	Special Tests and Provisions: Public Housing Waiting List

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Authority as of and for the year ended December 31, 2014, and have issued our report thereon dated March 31, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst + Young LLP

July 21, 2015

Chicago Housing Authority

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

Federal Department/ Pass-Through Entity/ Program Title/ Project Description	CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
11 <u>U.S. Department of Commerce</u>			
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557		\$ 1,375
Total U.S. Department of Commerce			<u>1,375</u>
14 <u>U.S. Department of Housing and Urban Development</u>			
Section 8 Project-Based Cluster:			
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856		8,233,149
Total Section 8 Project-Based Cluster			<u>8,233,149</u>
Public and Indian Housing/Low-Rent Housing (Development)	14.850		239,265
Demolition and Revitalization of Severely Distressed Public Housing	14.866		1,188,077
Resident Opportunity and Supportive Services – Service Coordinators	14.877		39,290
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers/HUD-Veteran Affairs Supportive Housing Program	14.871		5,608,945
Mainstream Vouchers/Mainstream 5-Year Program	14.879		479,355
Total Housing Voucher Cluster			<u>6,088,300</u>
Moving to Work Demonstration Program:			
Public and Indian Housing/Low-Rent Housing (Operations)			152,068,531
Section 8 Housing Choice Vouchers			523,608,191
Public Housing Capital Fund			51,042,036
Total Moving to Work Demonstration Program	14.881		<u>726,718,758</u>
Total U.S. Department of Housing and Urban Development			<u>742,506,839</u>
16 <u>U.S. Department of Justice</u>			
Pass-Through Illinois Criminal Justice Information Authority			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	410042	330,551
Total U.S. Department of Justice			<u>330,551</u>
Total Expenditures of Federal Awards			<u>\$ 742,838,765</u>

Chicago Housing Authority

Notes to Schedule of Expenditures of Federal Awards

December 31, 2014

1. Single Audit Reporting Entity

The Chicago Housing Authority (the Authority) includes expenditures in its schedule of expenditures of federal awards (the Schedule) for all federal programs administered by the same funds, agencies, boards, and commissions, including component units, included in the Authority's reporting entity used for its basic financial statements.

2. Basis of Accounting

The Schedule has been presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid.

3. Categorization of Expenditures

The Schedule reflects federal expenditures for all individual grants that were active during the year. The categorization of expenditures by program included in the Schedule is based on the *Catalog of Federal Domestic Assistance* (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued annually. In accordance with the Authority's policy, the Schedule for the fiscal year ended December 31, 2014, reflects CFDA changes issued through December 2014.

4. Expenditures to Subrecipients

Of the federal expenditures presented in the Schedule, the Authority provided federal awards to subrecipients under CFDA 14.866, Demolition and Revitalization of Severely Distressed Public Housing, during the year ended December 31, 2014, as follows:

Other Program Title	CFDA No.	Grant Reference No.	Amount Provided to Subrecipients
Hope VI Community Supportive Services – 1998 ABLA	14.866	IL06URD002I198	\$ 145,329
Hope VI Community Supportive Services – 2001 Taylor A	14.866	IL06URD002I101	185,096
Hope VI Community Supportive Services – 2001 Rockwell	14.866	IL06URD002I201	158,221
			<u>\$ 488,646</u>

Chicago Housing Authority

Schedule of Findings and Questioned Costs

December 31, 2014

Part I – Summary of Auditor’s Results

Financial Statements Section

Type of auditor’s report issued (unmodified, qualified, adverse, or disclaimer): Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> No

Type of auditor’s report issued on compliance for major programs (unmodified, qualified, adverse, or disclaimer): CFDA 14.881 – Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? X Yes No

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

Part I – Summary of Auditor’s Results (continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 14.881	Moving to Work Demonstration Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes X No

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

None noted.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 Section .510(a) (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

Finding 2014-001 Special Tests and Provisions: Public Housing Waiting List

Federal Program Information:

U.S. Department of Housing and Urban Development
CFDA 14.881 – Moving to Work Demonstration Program (MTW):

Public and Indian Housing (Public Housing)
Program Year: January 1, 2014 through December 31, 2014
Program No.: IL02-001-00010D

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

Per 24 CFR sections 960.202 through 960.206, the Public Housing Authority (PHA) must establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejections of an applicant.

Condition:

One-hundred tenants were selected for testing of compliance with and controls over both the addition of new applicants to the Waiting Lists and the selection of applicants from the Waiting Lists. For the 100 tenants selected, 50 were Public Housing applicants, and 50 were Housing Choice Voucher (HCV) applicants, and each of these samples was split between testing new additions to the Waiting Lists and testing the placement of applicants from the Waiting Lists. Three control deviations were noted in our testing of the placement of applicants from the Public Housing Waiting List (12%). In all three instances, the issue primarily related to the incorrect exclusion of applicants from placement in an available unit due to errors in the manual process of sorting the Waiting List based on an applicant's preferences or priority according to the Authority's policies.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

Finding 2014-001 Special Tests and Provisions: Public Housing Waiting List (continued)

Questioned Costs:

None

Context:

The Public Housing program and HCV program had 6,305 applicants and 3,606 applicants on its Waiting Lists, respectively, as of December 31, 2014. During the year ended December 31, 2014, the Public Housing program and HCV program had 1,616 and 2,716 applicants placed from the Waiting Lists into units, respectively.

Effect:

The Authority has a material weakness in internal control over compliance with the special tests and provisions requirements of CFDA 14.881 as it relates to the placement of applicants from the Public Housing Waiting Lists.

Cause:

Public Housing – The three control deviations were caused by user error. While the Authority's Yardi computer system tracks all waitlist applicants and can filter by date of application and unit size, the process to filter applicants by Americans with Disabilities Act unit need, geographic preference, and work compliance status is all a manual process. As such, the likelihood of errors is increased due to the complexities associated with the manual process of sorting, filtering and adding waitlist applicants to the screening queue.

Recommendation:

The Authority should implement application-based controls to eliminate the manual aspects of the sorting and identifying of applicants from the Waiting Lists based on their preferences and priorities, in accordance with the Authority's policies, to enable compliance with federal Waiting List requirements.

Chicago Housing Authority

Schedule of Findings and Questioned Costs (continued)

Finding 2014-001 Special Tests and Provisions: Public Housing Waiting List (continued)

Views of Responsible Officials and Planned Corrective Actions:

Public Housing – While the Authority’s management acknowledges the three procedural errors related to applicants on the public housing waitlist that were incorrectly excluded from the screening queue, all three of these applicants were subsequently screened for housing.

However, we take all such errors seriously. In order to address these issues, Asset Management has retrained all of the employees responsible for these functions to ensure the complex tasks are being conducted correctly. Additionally, Asset Management will perform periodic internal quality control reviews of the waitlist process. Finally, Asset Management is working with Information Technology Services to enhance Yardi by adding automatic system controls to minimize the manual aspects of the sorting and filtering process of waitlist applicants.

Chicago Housing Authority

Summary Schedule of Prior Audit Findings

Federal Award Findings and Questioned Costs for the Year Ended December 31, 2013

Finding 2013-001 Reporting (CFDA 14.881)

Corrective action taken

Federal Award Findings and Questioned Costs for the Year Ended December 31, 2012

Finding 2012-01 Reporting (CFDA 14.881, CFDA 14.856)

Corrective action taken

Finding 2012-02 Special Tests and Provisions (Vacant Units – CFDA 14.856)

Corrective action taken

Finding 2012-03 Special Tests and Provisions (Tenant Utility Allowances – CFDA 14.856)

Corrective action taken

Finding 2012-04 Cash Management (CFDA 14.866)

Corrective action taken

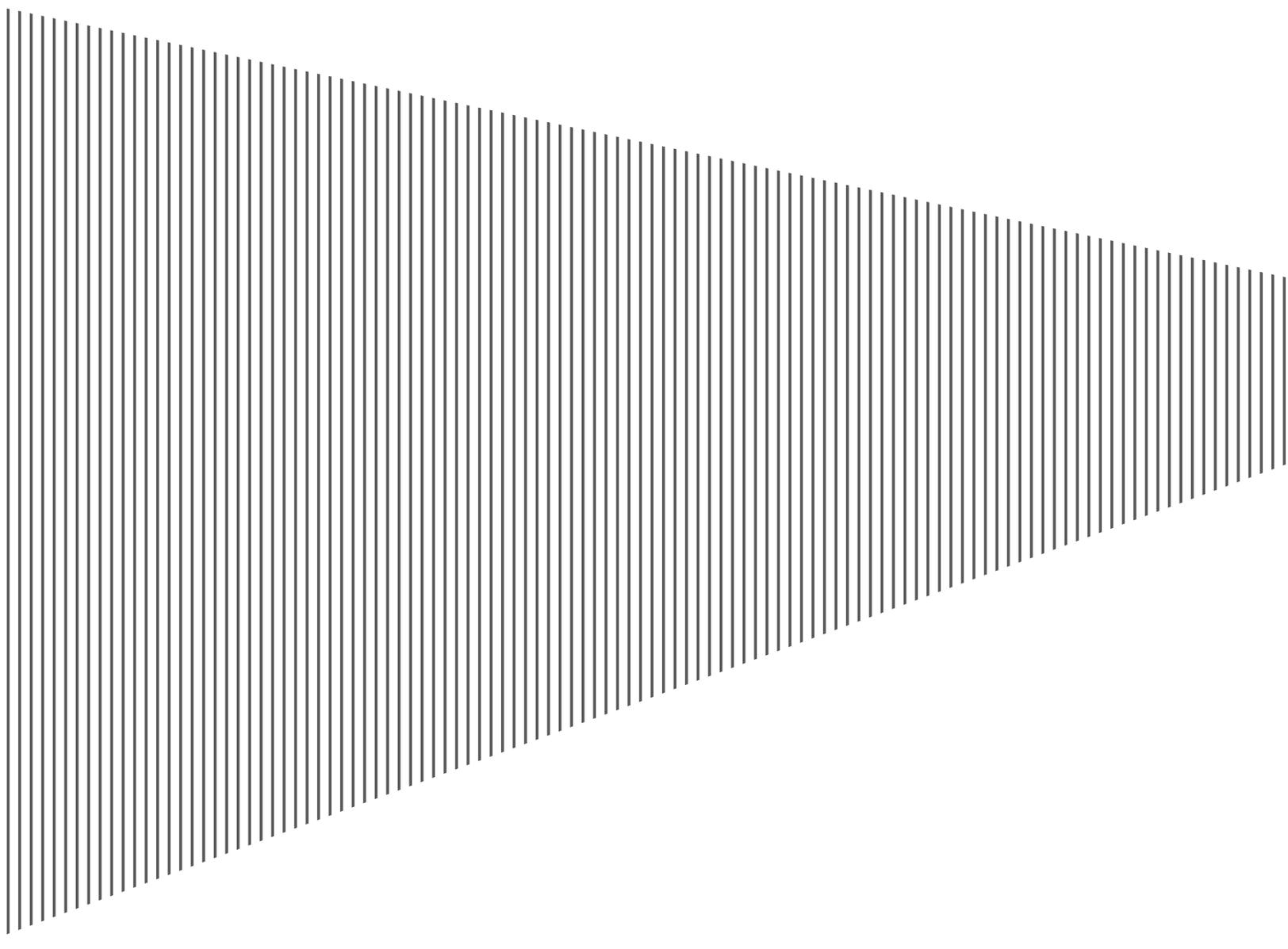
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Acting Chief Executive Officer

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

Attachment: Notes and Findings / Action Plans

PHA Information

PHA Code: IL002
Fiscal Year End Date: 12/31/2014
PHA Name: Chicago Housing Authority
Submission Type: Audited/A133

Part III – Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 Section .510(a) (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

**Finding 2014-001 Special Tests and Provisions: Public Housing
Waiting List**

Federal Program Information:

U.S. Department of Housing and Urban Development
CFDA 14.881 – Moving to Work Demonstration Program (MTW):

Public and Indian Housing (Public Housing)
Program Year: January 1, 2014 through December 31, 2014
Program No.: IL02-001-00010D

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

Per 24 CFR sections 960.202 through 960.206, the PHA must establish and adopt written policies for admission of tenants. The PHA tenant

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selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejections of an applicant.

Condition:

One-hundred tenants were selected for testing of compliance with and controls over both the addition of new applicants to the Waiting Lists and the selection of applicants from the Waiting Lists. For the one-hundred tenants selected, 50 were Public Housing applicants, and 50 were HCV applicants, and each of these samples was split between testing new additions to the Waiting Lists and testing the placement of applicants from the Waiting Lists. Three control deviations were noted in our testing of the placement of applicants from the Public Housing Waiting List (12%). In all three instances, the issue primarily related to the incorrect exclusion of applicants from placement in an available unit due to errors in the manual process of sorting the Waiting List based on an applicant's preferences or priority according to the Authority's policies.

Questioned Costs:

None

Context:

The Public Housing program and HCV program had 6,305 applicants and 3,606 applicants on its Waiting Lists, respectively, as of December 31, 2014. During the year ended December 31, 2014, the Public Housing program and HCV program had 1,616 and 2,716 applicants placed from the Waiting Lists into units, respectively.

Effect:

The Authority has a material weakness in internal control over compliance with the special tests and provisions requirements of CFDA 14.881 as it relates to the placement of applicants from the Public Housing Waiting Lists.

Cause:

Public Housing – The three control deviations were caused by user error. While CHA's Yardi computer system tracks all waitlist applicants and can filter by date of application and unit size, the process to filter applicants by ADA unit need, geographic preference, and work

compliance status is all a manual process. As such, the likelihood of errors are increased due to the complexities associated with the manual process of sorting, filtering and adding waitlist applicants to the screening queue.

Recommendation:

The Authority should implement application-based controls to eliminate the manual aspects of the sorting and identifying of applicants from the Waiting Lists based on their preferences and priorities, in accordance with the Authority's policies, to enable compliance with federal Waiting List requirements.

Views of Responsible Officials and Planned Corrective Actions:

Public Housing –

While CHA management acknowledges the three procedural errors related to applicants on the public housing waitlist that were incorrectly excluded from the screening queue, all three of these applicants were subsequently screened for housing.

However, we take all such errors seriously. In order to address these issues, Asset Management has retrained all of the employees responsible these functions to ensure the complex tasks are being conducted correctly. Additionally, Asset Management will perform periodic internal quality control reviews of the waitlist process. Finally, Asset Management, is working with Information Technology Services to enhance Yardi, by adding automatic system controls to minimize the manual aspects of the sorting and filtering process of waitlist applicants.

Corrective Action Plan:

Contact person: Deputy Chief Housing Officer, Asset Management

Planned Actions: Retraining employees

Anticipated Completion Date: Fourth Quarter 2015