
CHAPTER 1. GENERAL AUDIT GUIDANCE

- 1-1. **Purpose.** This guide is to assist the independent auditor (auditor) in performing program-specific audits of profit-motivated sponsors (for-profit entities) and not-for-profit sponsors for certain U.S. Department of Housing and Urban Development (HUD) housing and Government National Mortgage Association (Ginnie Mae) programs. These audits must be performed in accordance with the standards for financial audits as promulgated by the American Institute of Certified Public Accountants (AICPA) professional standards (generally accepted auditing standards or GAAS) including Statement on Auditing Standards (SAS) No. 117, Compliance Audits, issued by the AICPA Auditing Standards Board, and government auditing standards (generally accepted government auditing standards or GAGAS), issued by the Comptroller General of the United States.

The objectives of a HUD program-specific audit are to assist HUD program managers in determining whether the auditee has complied with all of the requirements of the program as well as ensuring that the related Federal funds are correctly utilized. Such audits begin with a financial audit to determine that the related financial statements are reported in accordance with generally accepted accounting principles. Additionally, audits performed in accordance with this guide require an increased review of the system of internal control to (1) provide relevant and reliable financial data and reports; (2) provide reasonable assurance that the auditee is managing HUD programs in compliance with applicable laws and regulations; (3) safeguard assets; and (4) promote economic, efficient, and effective resource management and delivery of authorized services to the designated target population. Lastly, these program-specific audits require that the auditor perform specific procedures that enable the auditor to opine on whether the client has complied with the requirements of the HUD program. HUD program audit reports are a primary tool used by program managers to meet their stewardship responsibilities in overseeing these HUD programs and assuring the integrity of Federal funds. Program managers, with the assistance of the HUD Office of Public and Indian Housing's Real Estate Assessment Center (PIH-REAC), the Departmental Enforcement Center (DEC), and the Office of General Counsel, must act upon the areas of noncompliance and internal control weaknesses noted in these reports. To be of value, these reports must contain adequate information to give reported matters perspective and allow the managers to take necessary corrective action.

Another objective of this guide is to provide auditors of for-profit program participants with guidance in performing yearly audits required by their agreements with HUD. While use of this guide is mandatory for audits of all for-profit participants, this guide is not intended to be a complete manual of audit procedures. The guide is not intended to cover all situations that may exist or replace the auditor's judgment of audit work required to meet GAAS and/or GAGAS. It is meant to supplement those standards with information specific to HUD program audits. Suggested audit procedures contained herein might not cover all circumstances or conditions encountered in a particular audit. The auditor should use professional judgment to tailor the procedures so that the audit objectives may be achieved. However, auditors must address all applicable compliance requirements in this guide. If the

auditor determines that certain procedures will not to be performed, the rationale for the exclusion must be explained in detail and documented in the audit documentation in support of the auditor's report, and an appropriate qualification to the auditor's opinion may be required.

This guide is divided into eight chapters. This chapter, chapter 1, documents the purpose, background, and requirements for the performance of HUD program audits. It also includes other matters the auditor should consider in preparing for the audit. Chapter 2 contains the reporting requirements. Both chapters 1 and 2 apply to all audits covered by this guide. Each of the remaining chapters contains procedures for auditing compliance with specific HUD programs' requirements.

Chapters 3 through 8 contain references to relevant program requirements, etc., that were in effect at the time each chapter was issued. PIH-REAC also developed guidelines for the reporting of the audit results in an electronic system. Such guidance requires an additional engagement, and those requirements are known as Uniform Financial Reporting Standards (UFRS) regulations. Program participants and auditors can obtain a copy of PIH-REAC's UFRS guidance from the HUD PIH-REAC Web site at

<http://www.hud.gov/reac/products/prodmf.html>.

Use of the UFRS guide is mandatory for all engagements covered under HUD's UFRS regulations (24 CFR (Code of Federal Regulations) Part 5, Subpart H).

Because program requirements are subject to change, it is important that the auditor ensure that the list of the audit procedures to be used for his/her specific audit is complete and applicable to the period being audited. If additional requirements are identified or program requirements are not applicable to a certain period covered by the audit, audit procedures in this guide should be adjusted accordingly, and those adjustments should be documented in the audit documentation. Federal rules, regulations, and other guidance should be followed, and procedures in this guide should be modified to test compliance with those rules, regulations, and guidance. Examples of such guidance include the issuance of information in mortgage letters or housing notices.

Auditors are required to submit the results of their audits to HUD. If any single audit (entitywide or program-specific), conducted in accordance with Office of Management and Budget Circular A-133 (A-133), includes any HUD program, the data collection form and reporting package must be submitted to the Federal clearinghouse as provided for in A-133.

Any management letter must be submitted directly to the HUD office providing funding/services to the auditee as part of the reporting process. When reporting through an electronic system is available, such management letter should be included in the filing. When electronic filing is not available, management letters should be sent to the local program office in hardcopy format. The auditor should determine the program office

responsible for monitoring the auditee from the review of correspondence during the audit and in discussion with the client.

If a HUD program-specific audit is performed as provided for in paragraph 1-2, below, or if the A-133 Compliance Supplement does not include the program that is being audited, the auditor may establish an audit program using this guide. This guidance is in keeping with part 7 of the A-133 Compliance Supplement, which is to be used when a program is not in the supplement. Part 7 provides information on how to identify compliance requirements. Paragraph 1.d states, "If there is a program-specific audit guide or other audit guidance issued by the Federal agency's Office of Inspector General (OIG), the auditor may wish to consider this guidance in identifying the program objectives, program procedures, and compliance requirements." If the A-133 auditor elects to use another source to identify program-specific requirements, such as a third-party audit guide service, the auditor must ensure that all of the requirements of this guide are included in the final audit program. If this guide is used to fulfill the A-133 requirements, either as a program-specific audit or in building a program in accordance with part 7, the single audit report package must be submitted directly to both HUD and the clearinghouse as stated in chapter 2, paragraph 2-3, of this guide. Also, the submission to the Federal clearinghouse does not remove the requirement for the electronic submission to HUD.

Auditors should also note that many program audit reports and related information about the audit and/or the auditee must also be electronically submitted to HUD. Please refer to the information on HUD PIH-REAC's Web site referenced above for a detailed discussion on HUD's electronic submission reporting requirements for multifamily program participants (refer to 24 CFR Part 5, Subpart H). Electronic submission to HUD does not remove the requirement for the submission of the single audit package to the Federal clearinghouse.

If the auditor desires technical assistance pertaining to HUD programs, their regulations, or operations, the auditor should contact the particular HUD headquarters or field program office contact person/office listed in the applicable chapter or contact the office providing funding/services to the auditee. A list of local and State offices is available on the Internet at the following Web site:

<http://www.hud.gov/localoffices.cfm>.

- 1-2. Use of Guide as a Program-Specific Guide.** This guide shall be used in performing program-specific audits of not-for-profit sponsors or entities covered by A-133. Paragraph 235(a) states, "When an auditor decides to perform a program specific audit, the auditor should contact the Office of Inspector General of the Federal agency to determine whether such a guide is available. When a current program-specific audit guide is available, the auditor shall follow GAGAS and the guide when performing a program-specific audit." When it is decided that a program-specific audit is to be performed to satisfy A-133 requirements, the engagement letter is to be modified to state that the auditor shall comply with the requirements of Handbook 2000.04. Also, since the guide does not contain all of

the requirements of A-133, the engagement letter should state that the auditor must follow the requirements of section 235 of A-133 and that the illustrative auditor reporting in chapter 2 of the guide must be modified to conform to A-133 requirements; otherwise, unless both the reporting requirements of paragraph 235(c) and chapter 2 of this guide are to be followed, the audit report will not be accepted by the Federal clearinghouse or by HUD to fulfill the A-133 or HUD program reporting requirements.

- 1-3. Auditor Qualifications.** An auditor must meet the auditor qualifications requirements as contained in GAGAS, including the qualifications relating to independence and continuing professional education. Additionally, the audit organization is to meet the quality control standards of GAGAS. Further, GAGAS requires audit organizations to make their peer reports available to the public and specifically requires that they are to be provided to the client. It is not necessary to submit the report to the servicing HUD program office, DEC, or HUD OIG unless requested to do so by representatives of those offices or specifically required to do so in other chapters of this guide.

The standards on auditor qualifications in GAGAS require that accountants and accounting firms comply with the applicable provisions of the public accountancy laws and rules of the jurisdictions in which they are licensed and where the audit is being conducted. If the auditee is located in a State outside the home State of the auditor and the auditor performs substantial fieldwork in the auditee's State, the auditor should document his/her compliance with public accountancy laws of that State regarding licensing in the audit documentation. This guide does not impose additional licensing requirements beyond those established by the individual State boards of accountancy (although some States allow temporary practice without a license).

Chapter 3 of GAGAS sets forth the general standards for ensuring the credibility of auditors' results. Paragraph 3.03 states that matters relating to the audit work, the audit organization, and the individual auditor, whether government or public, should be free, both in fact and appearance, from personal, external, and organizational impairments to independence. To perform any of the audits covered by this guide, the auditor must be independent and follow the principles stated in chapter 3 of GAGAS.

Refer to HUD Handbooks 4060.1, 4370.2, and 4470.1 regarding any additional HUD requirements placed on the auditor's relationship with the mortgagor and/or general contractor.

- 1-4. Audit Scope and Approach.** The audit should be sufficiently comprehensive in scope to permit an expression of opinion on the financial statements and in-relation-to opinion on the supplemental data of the HUD-assisted activity.

The opinion on the financial statements should state whether the basic financial statements present fairly, in all material respects, the financial position of the auditee as of the date of the financial statements and the results of its operations and its equity and cash flows for the period then ended in accordance with accounting principles generally accepted in the

United States of America. In addition, the in-relation-to opinion should state that the supplemental data have been subjected to the audit procedures applied in the audit of the basic financial statements and whether the data are fairly stated in all material respects in relation to the financial statements taken as a whole.

GAGAS indicates that the auditor must obtain a sufficient understanding of the entity and its environment, including its internal control, to assess the risk of material misstatement of the financial statements, whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. GAGAS expands on this requirement to include requirements regarding the reporting of internal control over financial reporting as part of planning and performing the audit and reporting on internal controls. Section 1-9 of this guide expands those requirements. The auditor should report on compliance and other matters and on internal controls over financial reporting in accordance with chapter 2 of the guide.

As part of planning and performing the financial statement audit, under GAGAS, the auditor is required to test and report on the auditee's compliance with applicable HUD laws and regulations regardless of the amount of Federal financial assistance. The auditor is to consider compliance and other matters which could have a direct and material effect on the financial statement amounts as well as the auditee's internal control over financial reporting. This guide further enhances this requirement such that the auditor's report on compliance should include an opinion on the auditee's compliance with specific requirements applicable to each of its major programs. Reporting requirements are discussed further in chapter 2. The auditor should use the information in the following table to determine whether a program(s) is considered to be a major program for the type of audit being performed using a specific audit guide chapter. A major program is defined as an individual assistance program or a group of programs in a category of Federal financial expenditures, which is equal to or exceeds the amount shown in the following table during the applicable year or a project that has an outstanding HUD-insured or HUD-guaranteed loan balance, which is equal to or exceeds the amount shown in the table as of the reporting date.

Values to be used in making major program determinations when using this audit guide	
Chapter number	Dollar value of expenditures or outstanding loans to be used in determining a major program
3	\$500,000
4	\$500,000
5	No major program designation needed
6	No dollar amount/any client with a servicing portfolio
7	\$2,000,000
8	\$2,000,000

Note: When an aggregate of a mortgagee's Federal Housing Administration (FHA)-insured loans, originated and/or serviced, exceeds \$2 million during the period under audit, those loans are considered to be a major program.

A Ginnie Mae issuer with a servicing portfolio and any remaining principal balance, as of the reporting date, is also considered a major program.

Although projects, lenders, and/or issuers with HUD-assisted activity of less than the amounts contained above for the period under audit will be considered nonmajor programs, the auditor must still test and report on the entity's compliance with specific requirements. However, such work may be reduced in scope as the auditor is not required to opine on the client's compliance. The auditor's report on compliance with nonmajor programs is described in chapter 2.

HUD requires the reporting of all compliance violations and an identification of total questioned cost for each finding as a result of noncompliance. HUD requires that all instances of noncompliance with any HUD requirement or regulation, material weakness in internal control, all instances of fraud or illegal acts, and contract violations be reported as findings in the audit report. Noncompliance, deficiencies, and instances of violations that were corrected during the audit, after the fiscal year under audit, or before the issuance of the audit report must be included in the report as resolved findings. Audit finding sections are also included in chapter 2 and in chapters 3 through 8 of this guide in the event that the auditor following the audit steps in a specific chapter does not refer to chapter 2. The criteria for reporting findings vary among programs. Please refer to the finding sections in the program chapters for any specific detailed information the program may have on reporting of noncompliance.

- 1-5. Sample Selection.** According to GAGAS, the third fieldwork standard for financial audits states:

The auditor must obtain sufficient appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit.

Audit sampling, when properly applied, can provide sufficient appropriate evidence to support the audit opinion.

Audit sampling is defined as the application of an audit procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class. There are two general approaches to audit sampling: nonstatistical and statistical. Both approaches require the auditor to use professional judgment in planning, performing, and evaluating a sample and in relating the audit evidence produced by the sample to other audit evidence when forming a conclusion about the related account balance or class of transactions.

It is important that the sample selected be representative of the population. The size of a sample necessary to provide sufficient audit evidence depends on both the objectives and the efficiency of the sample. Because of the previous inconsistency in the application of the sampling process in auditing HUD programs, OIG convened a panel consisting of representatives from OIG, PIH-REAC, AICPA, and several auditing firms with significant HUD experience to discuss the issue and potential solutions. Based on the feedback from that panel, OIG initially decided and all participants agreed that attribute sampling is the appropriate sampling methodology for use in auditing programs using this guide to provide consistency and ensure adequate coverage to support the audit opinions rendered. This sampling requirement was initially included as a requirement only in chapter 3, issued July 2008, and has since been endorsed by AICPA in its Audit Guide, Government Auditing Standards and A-133 Audits. Therefore, HUD now requires that attribute sampling be used for all audits performed using all chapters of this guide. Appendix A to chapter 3 is now an appendix A to this guide and applies to all chapters. It is transmitted with this chapter for practitioners' reference and use.

Also in this guide, the attribute sampling method for selecting a sample is to be used to test compliance and for testing of controls, whenever a statement is made that a sample is to be selected. The attached appendix A provides additional information on attribute sampling and minimum sample sizes. The sample sizes stated in appendix A are mandatory and are to be the minimum sample sizes to be used for all testing.

- 1-6. Matters Requiring Immediate Action.** The auditor should specifically assess the risk of material misstatement of the financial statements due to fraud and should consider that assessment in designing the audit procedures to be performed. In making this assessment, the auditor should consider fraud risk factors contained in AICPA statements on auditing standards.

Normally, an audit in accordance with GAGAS does not include audit procedures specifically designed to detect illegal acts. However, procedures applied for the purpose of forming an opinion on the financial statements or on compliance may bring possible illegal acts to the auditor's attention. According to GAGAS, fraud is a type of illegal act involving the obtaining of something of value through willful misrepresentation. Fraud/illegal acts include, but are not limited to theft of program/project funds or assets, unauthorized loans of program/project funds, payment of nonproject/nonprogram expenses, bid rigging, and false claims.

If the auditor becomes aware of illegal acts or fraud that has occurred or is likely to have occurred, the auditor should telephonically advise the HUD OIG single audit coordinator (215-430-6733) of his/her findings and provide an oral briefing on the conditions noted. Discussions will center on the suggested material to be included in the audit report, whether a special report on fraud and/or illegal acts needs to be issued, and the suggested documentation that needs to be transmitted to the single audit coordinator outside any issued audit product or report. Refer to chapter 2, paragraph I, for additional information.

1-7. Planning the Audit.

A. Engagement Letter. A written letter of engagement between the auditee and the auditor is required and shall contain the following mandatory information:

1. That the audit is to be performed in accordance with GAAS; GAGAS; and HUD's audit guide, HUD Handbook 2000.04, dated 2010 (when REV-3 is issued, the auditor is to use the actual issuance date of REV-3).
2. The date the audit report will be delivered to the auditee.
3. That the auditor is required to provide the HUD Secretary or his/her designee, the HUD Inspector General, and the U.S. Government Accountability Office (GAO) or their representatives access to audit documentation or any other documents needed to review the audit (hardcopy or electronic). Access to audit documentation by HUD and GAO representatives includes making necessary photocopies of any or all of the hardcopy audit documentation or any other documents and/or electronic copies of any electronic audit documentation or any other electronic documents.
4. That if the auditor becomes aware of illegal acts or fraud that has occurred or is likely to occur, the auditor is required to bring such acts to the attention of the appropriate level of management, even if the matter is considered inconsequential. In addition, as required in chapter 1, paragraph 1-6, of this audit guide, the auditor is required to telephonically contact the HUD single audit coordinator to discuss the conditions noted. Based on that discussion, the auditor will be requested to prepare a written report on all known or likely illegal acts or fraud. Acceptance of the engagement letter grants the auditor permission to make the telephone contact with the HUD single audit coordinator and discuss the conditions noted.
5. That if the program being audited requires electronic submission of the financial and compliance data to HUD, the responsibilities of the auditor and the client should be included as follows:
 - a. The client is responsible to make the electronic submission to HUD.
 - b. The auditor under a separate agreed-upon procedure review is responsible to ensure that the data submitted are accurate and agree with the client's hardcopies of the supporting documentation. Also, the letter should specify whether the agreed-upon procedure engagement is a part of this engagement or will be a separate engagement.
6. A description of the:
 - a. Scope of the planned audit.

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- b. Contents of the report and that the report will meet the requirements of this audit guide and A-133 if the report is to satisfy both requirements.
 7. Permission for the auditor to review the prior auditor's audit documentation files (working papers) supporting the prior audit and for the auditor to discuss any matters with the prior auditor that may not be adequately explained or documented in the audit documentation or any preexisting condition the auditor notes in his/her review that was not in the prior audit report.
 8. A list of the information the auditor wants the auditee to provide for the audit and the requested delivery date of those items.

Note that it is the auditee's responsibility to ensure that the audit is completed within the time requirements set forth in its contracts/agreements with HUD and that the conditions stated in the engagement letter are met. Extensions to the date the reports are due to HUD will not be granted. Delays caused by the auditee should become the basis of an audit finding.

B. Testing. Generally, the auditor should use professional judgment to determine the extent of testing necessary to support his/her opinion on the auditee's financial statements and to report on the auditee's internal controls and on compliance with applicable laws and regulations. However, the minimum sample requirements stated in appendix A are the smallest sample sizes that can be used for each of the three areas (financial, compliance, and controls) to be tested. One sample is not to be used for all three areas to be tested; each area is to have its own sample to meet the audit objective of that area. Regardless of the amount of funds expended, each of the applicable compliance requirements contained in this guide must be addressed regardless of the amount of Federal financial assistance. If for any reason the auditor decides not to perform detailed testing of a particular compliance requirement, the reasons must be explained in detail and documented in the audit documentation, and an appropriate qualification to the auditor's opinion may be required. A testing plan is included in chapter 3, which may be used when an owner or management agent has many HUD-assisted projects. It provides for sampling of certain described compliance requirements on a consolidated basis. Use of that method must be agreed to by the owner. Also, all other compliance requirements are to be tested separately for each individual project, even when the project is owned or managed by an entity that owns or manages multiple HUD-assisted projects. When there are many projects/programs involved, each is to be considered a universe unto itself, and the sampling guidance is to be followed for each project separately. Sample sizes and sample methodology contained in appendix A must be followed. There have been various interpretations of the wording in chapter 3 by some auditors to reduce the amount of sampling required. Each project is to be considered as its own universe rather than the interpretation by some auditors that all projects constitute one universe for determination of sample size, except for certain compliance requirements that are permitted to be audited on a consolidated basis as defined in chapter 3, paragraph 3-1.

C. Reporting. All material instances of noncompliance or compliance violations identified by the auditor must be reported as a finding, even in those cases in which corrective action was taken by the auditee after the audit period. For guidance, consult the particular program chapter. The schedule of findings and questioned costs (chapter 2, example F) contains all of the information required to be included in a finding as applicable based on the deficiency being reported. Please refer to chapter 2 for further guidance.

Unless specified elsewhere in this guide, the financial and compliance data required to be submitted to HUD, by both for-profit and nonprofit owners, must be the audited financial statements and data.

D. Management Representations. The auditor is required to obtain written representation from management that includes matters concerning compliance with program laws and regulations that have a material effect on the financial statements and each HUD-assisted program and all compliance violations or issues regardless of their materiality, as well as management's responsibilities to establish and maintain effective control over financial reporting and internal control over compliance.

E. Audit Documentation. The auditor shall retain audit documentation (previously referred to as audit working papers) and reports for a minimum of 6 years from the submission of the audit report to HUD, unless the auditor is notified in writing by HUD or GAO to extend the retention period. A hardcopy of the bound audit report with the original auditor's signature is to be included as a part of the audit documentation. When an auditor becomes aware that HUD or the auditee is contesting an audit finding in the report, the auditor shall contact the single audit coordinator for further guidance regarding the length of time the related audit documentation should be held before destruction of that audit documentation and report.

F. Communication With Prior Auditor. It is important that the auditor gain an understanding of the auditee and its overall operations. The auditor should contact the prior auditor to gain an understanding of (1) conditions that exist that may not have been included in the audit report or other audit correspondence, (2) reasons why the auditor is not performing the current audit, (3) an understanding of any condition that may not have been reported or documented in the audit documentation, and (4) any other matter that may have an effect on the current audit.

1-8. Withdrawal From or Termination of an Engagement. On occasion an auditor's engagement may be terminated by the client or he/she may withdraw from the engagement. This termination or withdrawal could occur for a number of reasons. When this happens, the auditor is to advise the OIG single audit coordinator and the HUD servicing program office in writing. The written notification (letter or report) is to provide a detailed explanation for the withdrawal or termination. It should also provide information of any potential illegal acts or fraud that the auditor may have observed, should that be the basis of

the termination of the engagement. Also, if illegal acts or fraud that may exist is the reason, the auditor is to follow the guidance in paragraph 1-6, page 1-7 of this chapter. The following are the offices that are to be notified based on the audit guide chapter being used to audit the HUD-funded activity.

Program audited based on audit guide chapter no.	Position of person to be contacted
3	Director, Office of Asset Management
4	Director, Section 242 Hospital Program, Office of Insured Healthcare Facilities
5	Deputy Assistant Secretary for Multifamily Housing
6	Executive Vice President of Ginnie Mae
7 & 8	Director, Office of Lender Approval and Recertification Division, and the branch chief
3 through 8	HUD OIG Single Audit Coordinator

- 1-9. Consideration of Internal Controls and Compliance.** Overall guidance for the consideration of internal controls, testing, and reporting requirements for Federal financial assistance programs is provided in GAGAS.

GAGAS requires that a sufficient understanding of internal controls be obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed. In fulfilling the audit requirement relating to an understanding of internal controls and assessing the level of control risk, the auditor should follow, at a minimum, the guidance contained in AICPA SAS No. 109, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement. In addition, when auditing HUD programs, the auditor should perform tests of controls to evaluate the effectiveness of the design and operation of internal controls in preventing or detecting material noncompliance with the requirements of the HUD-assisted programs. The auditor should perform these procedures regardless of whether the auditor assesses the internal control risk to be below the maximum. The steps performed and conclusions reached should be clearly stated in the audit documentation. The audit documentation should clearly demonstrate the auditor's understanding and assessment of control risk related to internal controls over compliance established for HUD-assisted activities. Tests may be omitted only in areas in which internal controls are likely to be ineffective in preventing or detecting noncompliance; in which case, instances of the deficiencies are to be reported as findings.

- 1-10. Quality Control Review of Audits.** HUD OIG and PIH-REAC have implemented procedures for evaluating audits performed by non-Federal auditors. As part of this evaluation of completed audits, the supporting audit documentation shall be made available upon request by OIG or PIH-REAC. To facilitate these requests, the transmittal letter of the audit report should include the name, firm address, and telephone number of the audit partner on the engagement; the partner's Federal employer identification number; and the

State licensing number and certification number of the attesting certified public accountants.

Whenever OIG's or PIH-REAC's evaluation of an audit report or audit documentation discloses inadequacies, the auditor may be asked to take corrective action. If OIG or PIH-REAC determines that the audit report or the audit documentation are substandard or contain major inadequacies, OIG or PIH-REAC may also consider any or all of the following actions: (1) filing a complaint against the auditor with AICPA and/or the appropriate State board of accountancy, (2) making a referral to DEC to suspend or debar the auditor from further participation in Federal programs, or (3) referring the case to the Department of Justice for possible civil or criminal prosecution.

1-11. Corrective Action Plan. To assist HUD in resolving instances of noncompliance and material weaknesses in internal controls identified by the auditor, the auditee is required to submit a corrective action plan (CAP) with the auditor's report on HUD-assisted programs. Refer to chapter 2 for guidance on the preparation and submission of the CAP. Please note that in the CAP, the auditee must describe the corrective action taken or planned in response to findings identified by the auditor. In addition, the auditee must comment on the status of corrective action taken on prior findings. The submission of the CAP is considered a necessary part of the audit requirement for audits of all HUD programs and must be submitted to HUD together with the auditor's reports and audited financial statements. HUD-required audit reports submitted without a CAP are considered incomplete. Any HUD-required report which is incomplete and not corrected by the submission deadline shall be considered delinquent. Additional guidance concerning the CAP is contained in chapter 2 of this guide.

1-12. Fair Housing and Nondiscrimination. When performing compliance work in the fair housing and nondiscrimination area, the following references should be used: HUD Handbook 8004.1, Consolidated Civil Rights Monitoring Requirements for Section 8; 24 CFR Parts 1 (Title VI of the Civil Rights Act, Americans with Disabilities Act, and others) and 8 (Section 504 of the Rehabilitation Act), both of which are applicable to all HUD-assisted housing; and 24 CFR Part 100. The Fair Housing Act prohibits discrimination based on race, color, religion, national origin, sex, familial status, or disability in all aspects of the sale or rental of a dwelling (familial status refers to family composition, such as number and ages of children). The prohibitions extend to actions which have disparate impacts because of any of the prohibited bases. The Fair Housing Act applies to all housing in the Nation. However, Title VI and the Fair Housing Act requirements may not apply in certain cases in which Indian tribes are receiving HUD assistance.