

**U.S. Department of Housing and Urban Development
Office of the Inspector General**

SPECIAL ATTENTION OF:

HUD-Approved Title II Nonsupervised Mortgagees and
Loan Correspondents

TRANSMITTAL

Handbook No: 2000.04, REV-2, CHG-6

Chapter Number: 7

Issued: April 27, 2007

1. This transmits Handbook 2000.04 REV-2 CHG-6, Chapter 7, Consolidated Audit Guide for Audits of HUD Programs, HUD-Approved Title II Nonsupervised Mortgagees and Loan Correspondents Audit Guidance.
2. **Summary:** The Office of the Inspector General is in the process of updating the handbook and will release each chapter as it is completed. When all of the individual chapters of the Audit Guide are revised, they will be consolidated into a revised Audit Guide and issued as Handbook No. 2000.04, REV-3.
3. This handbook chapter is a change to Handbook IG 2000.04 REV-2, chapter 7, dated August 25, 1997. A change was necessary to reflect changes in reporting, add suggested audit steps, and clarify existing information/guidance. This chapter serves as a reference for auditors who perform audits of approved Title II nonsupervised mortgagees and loan correspondents. This handbook serves as a reference to independent auditors of selected HUD and Ginnie Mae programs.
4. **Significant Changes:**
 - a. Electronic reporting requirements are added to this chapter in paragraphs 7-4B, Electronic Submission of Audited Financial Statements and Compliance Data, and 7-4C, Auditor Involvement in the Electronic Submission Process.
 - b. Paragraph 7-3, Reference Material, contains the reference documents current at the time this audit guide chapter was issued and information on how to obtain the reference materials. Throughout this chapter, reference is made to handbooks, using the base handbook number without the revision number (i.e., REV-1, REV-6, etc.). This will enable periodic updates to paragraph 7-3 rather than to the entire handbook/chapter.
 - c. Included is a listing of unacceptable assets that are not to be used in the computation of adjusted net worth (paragraph 7-6B).
 - d. A section was added on reporting audit findings that are corrected or are being corrected before the completion of the audit (paragraph 7-7).

- e. Auditors will be able to convey nonmaterial instances of noncompliance to management via a management letter or other type of auditor written communication as long as the requirements of chapter 2, paragraph F, are followed. Chapter 2 requirements provide that the existence of a management letter or other type of auditor communication must be mentioned in the independent auditor's report, the date of issuance is to be included, it must be provided to HUD with the audit report package, and it is not to be used to report findings that were resolved before the audit report was issued.
- f. Paragraph 7-8 was added to provide a contact point for questions that may arise during the course of the audit.
- g. Suggested audit steps are established for areas in which HUD procedures were changed. Those changes and other changes made in this chapter are denoted between asterisks. For example, the statement that follows starting with regulation and ending with violation, was added to an existing paragraph

All material instances of noncompliance with any HUD requirement, *regulation, including adjusted net worth and/or liquidity deficiencies, deficiencies in internal control, instances of fraud or illegal acts, or contract violations* must be reported as findings in the audit report.

- h. Reporting requirements are clarified for Title II nonsupervised mortgagees and loan correspondents.

5. Filing Instructions: The issuance of this chapter cancels chapter 7 dated August 1997.

Remove


Insert

Chapter 7, dated August 1997

Chapter 7, dated March 2007

6. Effective Date:

This chapter is effective and can be used upon issuance. The requirements in this chapter shall apply to audits of profit-motivated sponsors/entities with fiscal years ending on or after June 30, 2007.



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Inspector General