

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

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**SPECIAL ATTENTION OF:**

Title I Mortgagees, Lenders, and  
Loan Correspondents

**TRANSMITTAL**

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

**Chapter Number:** 8

**Issued:** September 1, 2006

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1. This transmits Handbook 2000.04, REV-2, CHG-2, Chapter 8, Consolidated Audit Guide for Audits of HUD Programs, HUD - Approved Title I Nonsupervised Lenders 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.

This handbook chapter is a change to Handbook IG 2000.04, REV-2, chapter 8, dated August 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 I nonsupervised lenders and loan correspondents.

**3. Significant Changes:**

- a. Electronic reporting requirements are added to this chapter in paragraphs 8-4B, Electronic Submission of Audited Financial Statements, and 8-4C, Auditor Involvement in the Electronic Submission Process.
- b. Paragraph 8-3, Reference Material, contains the current reference documents 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 8-3 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 8-6C).
- d. A section was added on reporting audit findings that are corrected or are being corrected before the completion of the audit (paragraph 8-7).

- e. Auditors will be able to convey nonmaterial instances of noncompliance to management via management letter or other type of auditor communication as long as the requirements of chapter 2, paragraph F, are followed. Chapter 2 requirements include 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 be used to report findings that were resolved before the audit report was issued.
- f. Paragraph 8-8 was added to provide a contact point for questions that may arise during the course of the audit.

**4. Filing Instructions:**

The issuance of this chapter cancels chapter 8, dated August 1997.

**Remove**

Chapter 8, dated August 1997

**Insert**

Chapter 8, dated September 2006

**5. 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 December 31, 2006.



Kenneth M. Donohue  
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