

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

SPECIAL ATTENTION OF:

Title II and I Mortgagees; Lenders;
Loan Management Branch Chiefs;
Ginnie Mae Issuers; Multifamily Owners &
Management Agents; Multifamily Hospital
Program Owners & Management Agents

TRANSMITTAL

Handbook No: 2000.04, REV-2, CHG-10

Chapter Number: 1

Issued: April 2011

1. This transmits Handbook 2000.04, REV-2, CHG-10, Chapter 1, Consolidated Audit Guide for Audits of HUD Programs, HUD – General Audit Guidance, and Appendix A, Attribute Sampling.

2. **Summary:** The Office of the Inspector General (OIG) 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 2000.04, REV-2, chapter 1, dated December 2001. A change was necessary to conform to information included in the latest updated chapters. Information was added to meet current requirements of the Government Auditing Standards, Office of Management and Budget Circular A-133 (A-133) requirements, new and updated American Institute of Certified Public Accountants standards, items to be included in the engagement letter on all audits of U.S. Department of Housing and Urban Development (HUD) programs, and a requirement that if the auditor engagement is terminated by the client or if the auditor withdraws from the engagement, the auditor must notify OIG and the HUD servicing program office in writing providing a detailed explanation. This chapter serves as a reference to assist the independent auditor in performing program-specific audits of profit-motivated sponsors (for-profit entities) for certain HUD and Government National Mortgage Association (Ginnie Mae) programs.

Appendix A, which was an attachment to chapter 3, dated July 2008, and is now applicable to all audits performed of HUD programs using this audit guide, is to be filed at the end of the guide. The appendix in chapter 3 will be removed, and the related wording in chapter 3 will be modified when all chapters are consolidated into a revised audit guide and issued as Handbook No. 2000.04, REV-3

3. Significant Changes:

- a. Paragraph 1-2 allows this guide to be used as a program-specific audit guide for audits of not-for-profit sponsors or entities covered by A-133; however, the auditor is to follow A-133 reporting and major program determination requirements.
- b. Paragraph 1-4 displays the value to be used in making major program determinations for each program covered by this guide.
- c. Paragraph 1-5 requires attribute sampling as the appropriate sampling methodology for use in auditing all programs in all chapters of this guide. Minimum sample sizes are established and are mandatory to provide sufficient audit evidence and adequate audit coverage.
- d. Paragraph 1-6 requires the auditor, if he/she becomes aware of illegal acts or fraud that has occurred or is likely to occur, to telephonically contact the HUD OIG single audit coordinator to discuss his/her findings.
- e. Paragraph 1-7 requires information to be included in engagement letters for all audits of HUD programs so that the auditor and the client are in agreement and the client grants permission for the auditor to obtain information from the prior auditor and report fraud as provided for in the HUD audit guide. The following explains the information required in selected paragraphs:
 - 1) Paragraph 1-7A provides mandatory information that must be included in the engagement letter so that the auditor and the client are in agreement as to methodology to be used in conducting the audit, reporting requirements, reporting of fraud, key target dates, and access to working papers and auditee's documentation.
 - 2) Paragraph 1-7F provides that the current auditor should contact the prior auditor to gain an understanding of any unreported information that may have an effect on the current audit.
 - 3) The remaining planning information in paragraph 1-7 was contained in the prior version of chapter 1 and is now separated into four sections, labeled B. Testing, C. Reporting, D. Management Representations, and E. Audit Documentation.
 - 4) Paragraph 1-8 was added to provide the HUD contact points for each audit guide chapter that are to be notified should the auditor, performing an audit covered by the specific chapter, withdraw or be terminated from the engagement.

- 5) Paragraph 1-10 was added to advise auditors and clients that either HUD OIG or the Office of Public and Indian Housing's Real Estate Assessment Center can perform quality control reviews of audits conducted using this audit guide and the action(s) that can be taken if the reviewer finds the audit report and audit documentation to be substandard or contain major inadequacies.
- f. Appendix A, Attribute Sampling, applies to all audits performed using this audit guide, provides the sampling methodology to be used, and establishes minimum sample sizes.

4. Filing Instructions:

The issuance of this chapter cancels chapter 1, dated December 2001.

Remove	Insert
Chapter 1, dated December 2001	Chapter 1, dated April 2011
	Appendix A, dated April 2011

5. Effective Date:

This chapter is effective and can be used upon issuance. The requirements in this chapter shall apply to audits of entities with fiscal years ending on or after September 30, 2011.



Michael Stephens
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