

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

SPECIAL ATTENTION OF:

FHA-Approved Lenders;
Loan Management Branch Chiefs;
Ginnie Mae Issuers; Multifamily Owners &
Management Agents; Hospital
Program Owners & Management Agents

TRANSMITTAL

Handbook No: 2000.04, REV-2, CHG-13

Chapter Number: 2

Issued: January 2013

1. This transmits Handbook 2000.04, REV-2, CHG-13, Chapter 2, Consolidated Audit Guide for Audits of HUD Programs – Reporting Requirements and Sample Reports.
2. **Summary:** The Office of Inspector General is in the process of updating the handbook and will release each chapter as it is completed. After 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 2, dated December 2001. Changes were necessary to address revisions to generally accepted government auditing standards, issued by the U.S. Government Accountability Office, and generally accepted auditing standards, issued by the American Institute of Certified Public Accountants (AICPA). Changes were also made to restructure the audit reporting requirements to make them consistent with requirements applicable to audits of States, local governments and nonprofit organizations, subject to Office of Management and Budget Circular A-133. Other changes were made to address inconsistencies between the superseded chapter 2 and other chapters in the guide.

The purpose of the guide and this chapter is to assist independent auditors in performing HUD-required audits of profit-motivated entities that are subject to HUD's uniform financial reporting standards set forth in 24 CFR (Code of Federal Regulations) Part 5.

The chapter includes reporting examples, and this revision includes examples for the auditor-prepared schedule of findings, questioned costs, and recommendations (example D) and the auditee-prepared schedule of the status of prior audit findings, questioned costs, and recommendations (example E) and corrective action plan (example F). The auditor's reporting examples (examples A through C) will be added in a future revision and will be revised to be consistent with the AICPA's planned revisions to the corresponding reporting examples included in its guide for conducting Circular A-133 audits.

3. Significant Changes:

- a. Paragraph 2-1 provides background on the reporting standards and requirements applicable to an audit performed pursuant to this guide.
- b. Paragraphs 2-2 and 2-3 cover report issuance and distribution requirements.
- c. Paragraph 2-4 revises the instructions relating to the required reporting package, including required auditor's reports and auditee-prepared documents that are to be included in the reporting package.
- d. The suggested auditor's reports on internal control and compliance were restructured to make the format consistent with the AICPA's guide for conducting Circular A-133 audits. Handbook 2000.04 now suggests the following reports:
 - (1) Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with government auditing standards
 - (2) Independent auditor's report on compliance with requirements that could have a direct and material effect on each major HUD program and on internal control over compliance based on an audit in accordance with this guide
- e. Consistent with the requirements of Circular A-133, separate reporting on compliance with respect to nonmajor HUD programs has been eliminated.
- f. Consistent with the requirements of Circular A-133, separate reporting on compliance with specific requirements applicable to fair housing and nondiscrimination has been eliminated. Auditors are reminded that under generally accepted government auditing standards, auditors continue to be responsible for reporting instances of noncompliance that could have a material effect on the audit.

4. Filing Instructions:

The issuance of this chapter cancels chapter 2, dated December 2001.

Remove

Chapter 2, dated December 2001,
except for report example A, dated
December 2001, and report examples
B, B-1, B-2, and C, dated March
2011

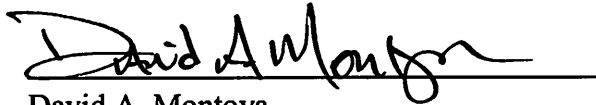
Report example D, dated March 2011

Insert

Chapter 2, dated January 2013

5. Effective Date:

This chapter will apply to audits of entities with fiscal years ending on or after March 31, 2013. Early application is permitted, and the chapter may be used for audits of entities with fiscal years ending on or after December 31, 2012.

A handwritten signature in black ink, appearing to read "David A. Montoya", is written over a solid horizontal line.

David A. Montoya
Inspector General