

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

SPECIAL ATTENTION OF:
FHA-Approved Lenders

TRANSMITTAL

Handbook No: 2000.04, REV-2, CHG-14
Chapter Number: 1, page 1-5
Issued: January 2013

1. This transmits Handbook 2000.04, REV-2, CHG-14 of the Consolidated Audit Guide for Audits of HUD Programs – Chapter 1, General Audit Guidance, page 1-5.
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.

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.

This revision changes the table on page 1-5 of chapter 1 of the guide that is used to determine major program thresholds. A change was necessary for FHA-approved lenders as a consequence of change 13, which revised chapter 2, Reporting Requirements and Sample Reports. One of the changes to chapter 2 eliminated separate compliance reporting on non-major programs. As a result, lenders with less than \$2 million in origination or servicing activity would not be subject to the guide's compliance testing. Since all FHA-approved lenders must comply with quality control, net worth, liquidity and licensing requirements, eliminating separate reporting on non-major programs would have created a gap in audit coverage. Change 14, which only affects audits of FHA-approved lenders subject to chapter 7 of this guide, addresses this gap. Auditors who elect early application of change 13 are to use the revised table set forth in this revised page 1-5.

3. Significant Change:

Paragraph 1-4 sets forth the audit scope and approach and includes thresholds for determining a major program. The threshold for FHA-approved lenders is changed from \$2 million to no dollar amount, with the provision that for audits of lenders having combined originations and a servicing portfolio of less than \$2 million, the opinion on compliance need only cover the compliance requirements in chapter 7, paragraph 7-5.A, Quality Control Plan, and 7-5.G, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing.

4. Filing Instructions:

Remove

Page 1-5 of Chapter 1, dated April
2011

Insert

Page 1-5 of Chapter 1, dated
January 2013

5. Effective Date:

This change will apply to audits of entities with fiscal years ending on or after March 31, 2013. For those auditors electing early application of change 13 to this guide as it relates to reporting on non-major programs, this change is to be used for audits of entities with fiscal years ending on or after December 31, 2012.

A handwritten signature in black ink, reading "David A. Montoya", is written over a horizontal line.

David A. Montoya
Inspector General