

**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, Health Care
Facility and Hospital Program Owners and
Management Agents

TRANSMITTAL

Handbook No: 2000.04, REV-2, CHG-17
Chapter Number: 1
Issued: May 2013

1. This transmits Handbook 2000.04, REV-2, CHG-17, Chapter 1, Consolidated Audit Guide for Audits of HUD Programs – General Audit Guidance
2. **Summary:** The Office of Inspector General (OIG) 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 1, dated April 2011 and chapter 1, page 1-5 dated January 2013. Changes were necessary to address revisions to generally accepted government auditing standards (GAGAS) issued by the Government Accountability Office, and generally accepted auditing standards (GAAS) issued by the American Institute of Certified Public Accountants (AICPA).

The purpose of the audit 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, Part 5.

3. Significant Changes:

- a. Paragraph 1-1 provides background on the purpose of Handbook 2000.04 and its mandatory use for audits of profit-motivated entities that are subject to the U.S. Department of Housing and Urban Development's uniform financial reporting standards set forth in 24 CFR (Code of Federal Regulations) Part 5, Subpart H; and 24 CFR Part 202.5(g) and related mortgagee letters. The revision clarifies that the audit consists of two components: a financial statement audit of the entity and a compliance audit of the entity's major HUD programs.
- b. Paragraph 1-2 clarifies the applicability and use of this audit guide for audits of entities subject to the audit requirements of OMB Circular A-133. When a program is not included in the OMB Circular A-133 Compliance Supplement but is covered in this audit guide, the auditor should use the compliance requirements

and suggested audit procedures in this audit guide for purposes of building an audit program using the guidance in part 7 of the OMB Compliance Supplement.

- c. Paragraph 1-3 sets forth the basic audit scope and approach and establishes basic requirements for the financial statement and compliance components of the audit.
- d. Paragraph 1-4 describes the sampling requirements for audits performed pursuant to this audit guide. Auditors may now substitute an approach from the AICPA's Audit Guide for Government Auditing Standards and A 133 Audits for the approach described in appendix A, provided that the resulting sample size is equal to or greater than the minimum sample sizes in appendix A. Consistent with the AICPA's approach, the sampling guidance in appendix A was revised to define small populations as being 250 items or fewer. Previously, this threshold was set at 200.
- e. Paragraphs 1-5 through 1-7 provide various updates and clarifications to the previous version of chapter 1, dated April 2011. To the extent that the previous version included restatements of GAGAS and GAAS requirements, those portions were removed or streamlined as appropriate. Also, changes were made to provide for consistency with other chapters and eliminate duplicative or conflicting material.
- f. Paragraph 1-8 provides that the auditor need not submit its peer review report to HUD or HUD OIG unless requested to do so or provided for in a subsequent chapter of the audit guide.

4. Filing Instructions:

The issuance of this chapter cancels chapter 1, dated April 2011, and chapter 1, page 1-5 dated January 2013.

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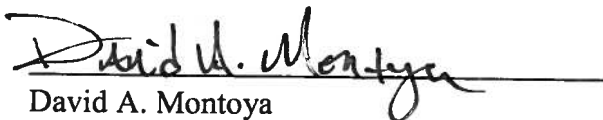
Chapter 1, dated April 2011 and
chapter 1, page 1-5 dated January
2013

Insert

Chapter 1, dated May 2013

5. Effective Date:

This chapter shall apply to audits of entities with fiscal years ending on or after June 30, 2013.



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Inspector General