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November 1, 2010

**MEMORANDUM NO:
2011-FW-1801**

MEMORANDUM FOR: Vicki B. Bott
Deputy Assistant Secretary for Single Family Housing, HU

//signed//
FROM: Gerald R. Kirkland
Regional Inspector General for Audit, 6AGA

SUBJECT: Review of Allied Home Mortgage Capital Corporation's Fiscal Year 2009
Financial Statements, Assignment Number: FW 10 0030

INTRODUCTION

As part of our annual audit plan objective of improving the integrity of single-family insurance programs, we reviewed the independent public accountant's working papers and the financial statements of Allied Home Mortgage Capital Corporation (Allied) for fiscal year 2009. The objective of the review was to determine whether Allied's fiscal year 2009 financial statements submitted to the Federal Housing Administration (FHA) accurately reported its financial condition. Our review did not disclose any indications of inaccuracies in Allied's fiscal year 2009 financial statements submitted to FHA.

METHODOLOGY AND SCOPE

The review was limited to a review of the independent public accountant's working papers and Allied's fiscal year 2009 financial statements. We conducted the review in August and September 2010.

To accomplish the objective, we reviewed

- Relevant guidance and criteria including
 - Government Auditing Standards;
 - Statements on Auditing Standards;
 - HUD OIG Handbook 2000.04, REV-2, CHG-1, Independent Auditors - Consolidated Audit Guide for Audits of HUD Programs; and
 - HUD Handbook 4060.1, REV-2, Mortgagee Approval Handbook;
- The independent public accountant's working papers; and
- Allied's trial balance and financial statements for fiscal year 2009.

BACKGROUND

Allied was approved on September 26, 1991, as a nonsupervised loan correspondent for single-family loans insured by FHA. Allied's corporate headquarters is located at 6110 Pinemont, Houston, TX. According to its Web site, Allied is the largest U. S. privately held mortgage banker/mortgage broker with hundreds of branch offices throughout the United States and the Virgin Islands.

RESULTS OF REVIEW

We did not find any indications of inaccuracies in Allied's fiscal year 2009 financial statements submitted to FHA.

We reviewed the independent public accountant's working papers and compared the tested balances with Allied's financial records. We determined that the information reported in the financial statements agreed or reconciled with Allied's records. All required statements were supported by trial balances and/or lead schedules. The independent public accountant properly tested and reviewed all major accounts, and its working papers sufficiently documented the work performed and conclusions reached on the required statements.

RECOMMENDATIONS

Since we did not identify any deficiencies, there are no recommendations.