

## Management Representation Letter—For-profit Entities

### PROJECT'S LETTERHEAD

DATE

CPA FIRM'S NAME AND ADDRESS

We are providing this letter in connection with your audit of the Mortgagor's Certificate of Actual Costs (Form HUD-92330) and the balance sheet – regulatory basis of PROJECT NAME, Project NO. 99-999999 as of DATE, and the related statements of Project Revenues and Expenses – regulatory basis for the period from DATE 1 to DATE 2 (herein referred to as the “cut-off date”) and related footnotes for the Period then ended for the purpose of expressing an opinion as to whether the Form HUD-92330 and related financial statements – regulatory basis present fairly, in all material respects, the financial position, results of operations, and actual costs of PROJECT NAME in conformity with the basis of accounting and reporting practices prescribed by the Department of Housing and Urban Development (HUD) as outlined in *Cost Certification Guide for Mortgagors and Contractors of HUD-Insured Multifamily Projects* (HUD handbook 4470.2) or *Mortgage Credit Analysis for Project Mortgage Insurance, Section 207, Change 2* (HUD Handbook 4470.1), [auditor will select the appropriate handbook based on the nature of the program] and Chapter 14 of the *Multifamily Accelerated Processing Guide* (MAP Guide) [If processed under MAP]

We confirm that we are responsible for the fair presentation of the financial statements referred to above the *Cost Certification Guide for Mortgagors and Contractors of HUD-Insured Multifamily Projects* (HUD handbook 4470.2) or *Mortgage Credit Analysis for Project Mortgage Insurance, Section 207, Change 2* (HUD Handbook 4470.1), [auditor will select the appropriate handbook based on the nature of the program] and Chapter 14 of the *Multifamily Accelerated Processing Guide* (MAP Guide) [If processed under MAP]. We confirm that we are responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The Mortgagor's Certificate of Actual Costs (Form HUD-92330) and the financial statements referred to above are fairly presented in conformity with the basis of accounting and reporting practices prescribed by HUD in conformity with the guidance listed in the second paragraph.
2. We are responsible for the supplementary information accompanying the Mortgagor's Certificate of Actual Costs (Form HUD-92330) required by HUD and the data is supported by the financial statements – regulatory basis and underlying accounting records.
3. We have made available to you all—
  - a. Financial records and related data.
  - b. There were no minutes of meetings of partners, however, we have verbally informed you of all significant matters related to the Partnership.

4. There have been no communications from HUD or other regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
5. There are no material transactions that have not been properly recorded in the accounting records underlying the Form HUD-92330 or related financial statements.
6. We believe the effects of the any misstatement the Form HUD-92330 and related financial statements are immaterial, both individually and in the aggregate, Form HUD-92330 and related financial statements taken as a whole.
7. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the entity involving--
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the Form HUD-92330 or the related financial statements – regulatory basis
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Project received in communications from employees, former employees, regulators, or others.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to implement the related recommendations.
11. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us. Omit or modify this item if these findings are not reported.
12. We have a process to track the status of audit findings and recommendations. Omit or modify this item if there are no audit findings.
13. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
14. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report and for the timing and format for providing that information. Omit or modify this item if there are no audit findings.
15. The Project has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity balances.
16. Receivables recorded in the Form HUD-92330 or the related financial statements represent valid claims against tenants or other parties arising on or before the cost cut-off date and have been appropriately reduced to their estimated net realizable value.
17. The following, if any, have been properly recorded or disclosed in the Contractor's Certification of Actual Costs (Form HUD-92330-A) or related financial statements.

- a. Related party transactions and related accounts receivable or payable, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees.
  - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
  - c. Arrangements to repurchase assets previously sold.
  - d. Guarantees, whether written or oral, under which **Project Name** is contingently liable.
18. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the Form HUD-92330 and the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the **PROJECT NAME** vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
19. We are responsible for—
- a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
  - b. Establishing and maintaining effective internal control over financial reporting.
20. There are no—
- a. Violations or possible violations of laws or regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB Accounting Standards Codification 450, Contingencies (formerly Statement of Financial Accounting Standards No. 5).
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Accounting Standards Codification 450, Contingencies (formerly Statement of Financial Accounting Standards No. 5).
21. **PROJECT NAME** has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged. **If the Project has pledged assets, add (except as made known to you optional—and disclosed in the notes to the financial statements )**.
22. We are responsible for **PROJECT NAME's** compliance with laws and regulations and the provisions of contracts and grant agreements applicable to it and the requirements of each HUD program; and we have identified, and disclosed to you, all laws and regulations and the provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and the requirements of each HUD program. We have complied with (a) all aspects of laws, regulations, and the provisions of contracts and grant agreements that would have a material effect on the financial statements in the event of noncompliance and (b) the requirements of each HUD program.
23. As part of your audit, you prepared the draft Form HUD-92330 and the related financial statements, notes and supplementary information. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for Mortgagor's Cost Certification and related notes and supplementary information.

24. With respect to HUD programs:

- a. We are responsible for complying and have complied with the requirements in Consolidated Audit Guide for Audits of HUD Programs.
- b. We have identified all assistance provided by HUD in the form of loans, insured or coinsured loans, capital advances, and subsidies. We have also made records available to you relating to such financial assistance.
- c. We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each HUD program.
- d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance with HUD requirements that provide reasonable assurance that we are managing HUD programs in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our HUD programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to internal control deficiencies reported in the schedule of findings and questioned costs.
- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with HUD relating to each HUD program.
- f. We have complied with the reporting requirements in connection with HUD programs, and information presented in the Form HUD-92330 and federal financial reports is supported by accounting records from which the Form HUD-92330 and the financial statements were prepared.
- g. We have identified and disclosed to you all amounts questioned; known noncompliance with requirements that, if not complied with, could have a material effect on a major program; any other known noncompliance with the specific requirements of HUD programs; and all litigation filed against us related to discriminatory rental practices or investigations completed or in progress.
- h. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken up to the date of the auditor's report.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have charged costs to federal awards in accordance with applicable cost principles.
- k. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the Form HUD-92330 and the related financial statements have been prepared.
- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- n. We are responsible for preparing and implementing a corrective action plan for each audit finding.

- o. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations. Omit or modify this item if there are no audit findings.
  - p. We have identified and disclosed to you all litigation filed against us related to discriminatory rental practices or investigations completed or in progress.
25. We have charged costs to the **Project Name** in accordance with applicable cost principles. No events, including instances of noncompliance, have occurred subsequent to the cost certification date and through the date of this letter that would require adjustments to, or disclosure in, the Form HUD-92330 or the related financial statement or supplementary information.
26. There is no identity of interest between us and any sub-contractor, supplier, etc. that has costs included in the Form HUD-92330 or related financial statements.
27. The Form HUD-92330 and related financial statements does not include cost related to any equipment we have rented/leased to the Job.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to **DATE** and through the date of this letter that would require adjustments to, or disclosure in, the Form HUD-92330 or related financial statements or supplementary information.

Signature: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Title: \_\_\_\_\_