

Date

Project Address

We are pleased to confirm our understanding of the services we are to provide for PROJECT NAME for the period ended Dates We will audit the Mortgagor's Certificate of Actual Cost (form HUD 92330) as well as the related balance sheet and operating statement as of the cost certification cut-off date (herein referred to as "the cut-off date") of HUD Project #999999999.

### AUDIT OBJECTIVE

The objective of our audit is the expression of an opinion about whether above referred form and the related financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP) and the standards established by the U.S. Department of Housing and Urban Development (HUD). The objective also includes reporting on:

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts, or grant agreements, noncompliance with which could have a material effect on the financial statements in conformity with U.S. generally accepted auditing standards and in accordance with Government Auditing Standards and the Consolidated Audit Guide for Audits of HUD Programs.
- Internal control related to administering HUD-assisted programs and on compliance with applicable laws and regulations that may have a direct and material effect on each HUD-assisted program.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the Project, and the Department of Housing and Urban Development, and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *the Consolidated Audit Guide for Audits of HUD Programs*. Our audit will include tests of the accounting records of the Project and other procedures we consider necessary to enable us to express such an opinion and render the required reports. If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

## MANAGEMENT RESPONSIBILITIES

Management is responsible for the Form and the associated financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of the Form and the related financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the Form and the related financial statements, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the form and the related financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any non-audit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for monitoring ongoing activities, to help ensure that appropriate goals and objectives are met. You are also responsible for the selection and application of accounting principles; and for the fair presentation in the Form and related financial statements in conformity with GAAP; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us, and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities also include identifying significant vendor relationships in which the vendor has the responsibility for program compliance, and for the accuracy and completeness of that information. Your responsibilities include adjusting the Form and the related financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Form and the related financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the **Project** involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the **Project** received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the **Project** complies with applicable laws, regulations, contracts, agreements and grants. It is management's responsibility to follow up and take corrective action on reported audit findings and to prepare comments on audit resolution matters. The comments on audit resolution matters should be available for our review on **Date**.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or studies related to the objectives discussed in the Audit Objective section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

#### **AUDIT PROCEDURES—GENERAL**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Form and related financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the Form and the related financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriations of assets, or (4) violations of laws or governmental regulations that are attributable to the **Project** or to acts by management or employees acting on behalf of the **Project**. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. As required by the *Consolidated Audit Guide for Audits of HUD Programs*, our audit will include tests of transactions related to federal awards programs for compliance with applicable laws, regulations, and the provisions of contracts, or grant agreements, noncompliance with which could have a material effect on the financial statements.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a HUD audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include direct confirmation of cash, receivables, loan balances, and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

## **AUDIT PROCEDURES—INTERNAL CONTROL**

Our audit will include obtaining an understanding of the **Project** and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the Form and the related financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements and on its compliance with specific requirements applicable to its major HUD-assisted programs. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the *Consolidated Audit Guide for Audits of HUD Programs*.

## **ENGAGEMENT ADMINISTRATION, FEES, AND OTHER**

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

We will provide copies of our reports to you; however, management is responsible for distribution of the Form, the reports and the financial statements.

The audit documentation for this engagement is the property of **Auditor's Name** and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Secretary of Housing and Urban Development, the HUD Inspector General, and the Government Accountability Office or their representatives, for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit

documentation will be provided under the supervision of Firm Name personnel. Furthermore, upon request, we may provide copies of selected audit documentation to HUD or the Government Accountability Office representatives. HUD and the Government Accountability Office may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by HUD. If we are aware that HUD is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Name of Engagement Partner is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit on approximately Date and to complete your tax return(s) and issue our reports no later than Date.

Our fees for these services will be based on the actual time spent at our standard hourly rates, plus travel and other out-of-pocket costs such as report production, word processing, postage, etc. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 99 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. Based on our preliminary estimates, the fee should approximate \$99,999 for the audit, and \$99,999 for the tax return(s). That estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2009 peer review report OR report and letter of comment accompanies this letter.

We appreciate the opportunity to be of service to Project Name and believe this letter accurately summarizes the significant terms of our engagement. If you have questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

CPA Firm

RESPONSE:

This letter correctly sets forth the understanding of Project.

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

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

Date: \_\_\_\_\_