

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD  
PROGRAMS

HUD-Approved Lender

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# UNNN: 1-Unmodified; 2-N/A; No Material Weakness; No Significant Deficiency

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

### Report on Compliance for Each Major HUD Program

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### ***Opinion on Each Major HUD Program***

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended [Year End].

### ***Other Matters***

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

### ***Report on Internal Control Over Compliance***

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



# UNNS: 1-Unmodified; 2-N/A; No Material Weakness; Significant Deficiency

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

### Report on Compliance for Each Major HUD Program

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### ***Opinion on Each Major HUD Program***

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended [Year End].

### ***Other Matters***

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

### ***Report on Internal Control Over Compliance***

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X), that we consider to be significant deficiencies.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



UNMN: 1-Unmodified; 2-N/A; Material Weakness; No Significant Deficiency

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

**Report on Compliance for Each Major HUD Program**

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project’s major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### ***Opinion on Each Major HUD Program***

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended [Year End].

### ***Other Matters***

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

### ***Report on Internal Control Over Compliance***

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be material weaknesses.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



# UNMS: 1-Unmodified; 2-N/A; Material Weakness and Significant Deficiency

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

### Report on Compliance for Each Major HUD Program

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### ***Opinion on Each Major HUD Program***

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended [Year End].

### ***Other Matters***

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

### ***Report on Internal Control Over Compliance***

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be significant deficiencies.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



## QNNN: 1-Qualified; 2-N/A; No Material Weakness; No Significant Deficiency

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

#### Report on Compliance for Each Major HUD Program

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

## **Basis for Qualified Opinion**

As described in the accompanying schedule of findings, questioned costs, and recommendations, [ENTITY NAME] did not comply with requirements regarding [identify the major HUD program(s) and associated finding number(s) matched to the compliance requirements]. Compliance with such requirements is necessary, in our opinion, for [ENTITY NAME] to comply with requirements applicable to that (those) program(s).

## **Qualified Opinion**

In our opinion, except for the noncompliance as described in the Basis for Qualified Opinion paragraph, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs identified above for the year ended [Year End].

## **Other Matters**

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

## **Report on Internal Control Over Compliance**

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD

program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]  
(Date of report on the financial statements)



## QNMN: 1-Qualified; 2-N/A; Material Weakness; No Significant Deficiency

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

#### Report on Compliance for Each Major HUD Program

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

## **Basis for Qualified Opinion**

As described in the accompanying schedule of findings, questioned costs, and recommendations, [ENTITY NAME] did not comply with requirements regarding [identify the major HUD program(s) and associated finding number(s) matched to the compliance requirements]. Compliance with such requirements is necessary, in our opinion, for [ENTITY NAME] to comply with requirements applicable to that (those) program(s).

## **Qualified Opinion**

In our opinion, except for the noncompliance as described in the Basis for Qualified Opinion paragraph, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs identified above for the year ended [Year End].

## **Other Matters**

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

## **Report on Internal Control Over Compliance**

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD

program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be material weaknesses.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



## QNMS: 1-Qualified; 2-N/A; Material Weakness and Significant Deficiency

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

#### Report on Compliance for Each Major HUD Program

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

## **Basis for Qualified Opinion**

As described in the accompanying schedule of findings, questioned costs, and recommendations, [ENTITY NAME] did not comply with requirements regarding [identify the major HUD program(s) and associated finding number(s) matched to the compliance requirements]. Compliance with such requirements is necessary, in our opinion, for [ENTITY NAME] to comply with requirements applicable to that (those) program(s).

## **Qualified Opinion**

In our opinion, except for the noncompliance as described in the Basis for Qualified Opinion paragraph, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs identified above for the year ended [Year End].

## **Other Matters**

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

## **Report on Internal Control Over Compliance**

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD

program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be significant deficiencies.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



QUNN: 1-Qualified; 2-Unmodified; No Material Weakness; No Significant  
Deficiency

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD  
PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

**Report on Compliance for Each Major HUD Program**

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project’s major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### ***Opinion on Each Major HUD Program***

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended [Year End].

### **Basis for Qualified Opinion on [Identify Major HUD Program]**

As described in the accompanying schedule of findings, questioned costs, and recommendations, [ENTITY NAME] did not comply with requirements regarding [identify the major HUD program(s) and associated finding number(s) matched to the compliance requirements]. Compliance with such requirements is necessary, in our opinion, for [ENTITY NAME] to comply with requirements applicable to that (those) program(s).

### **Qualified Opinion on [Identify Major HUD Program]**

In our opinion, except for the noncompliance as described in the Basis for Qualified Opinion paragraph, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs identified above for the year ended [Year End].

### **Unmodified Opinion on Each of the Other Major HUD Programs**

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major HUD programs identified above for the year ended [Year End].

### ***Other Matters***

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

### ***Report on Internal Control Over Compliance***

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



## QUNS: 1-Qualified; 2-Unmodified; No Material Weakness; Significant Deficiency

### INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

#### **Report on Compliance for Each Major HUD Program**

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project’s major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United

States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

#### **Basis for Qualified Opinion on [Identify Major HUD Program]**

As described in the accompanying schedule of findings, questioned costs, and recommendations, [ENTITY NAME] did not comply with requirements regarding [identify the major HUD program(s) and associated finding number(s) matched to the compliance requirements]. Compliance with such requirements is necessary, in our opinion, for [ENTITY NAME] to comply with requirements applicable to that (those) program(s).

#### **Qualified Opinion on [Identify Major HUD Program]**

In our opinion, except for the noncompliance as described in the Basis for Qualified Opinion paragraph, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs identified above for the year ended [Year End].

#### **Unmodified Opinion on Each of the Other Major HUD Programs**

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major HUD programs identified above for the year ended [Year End].

#### ***Other Matters***

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

#### ***Report on Internal Control Over Compliance***

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD

program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X), that we consider to be significant deficiencies.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



# QUMN: 1-Qualified; 2-Unmodified; Material Weakness; No Significant Deficiency

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

### Report on Compliance for Each Major HUD Program

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### **Basis for Qualified Opinion on [Identify Major HUD Program]**

As described in the accompanying schedule of findings, questioned costs, and recommendations, [ENTITY NAME] did not comply with requirements regarding [identify the major HUD program(s) and associated finding number(s) matched to the compliance requirements]. Compliance with such requirements is necessary, in our opinion, for [ENTITY NAME] to comply with requirements applicable to that (those) program(s).

### **Qualified Opinion on [Identify Major HUD Program]**

In our opinion, except for the noncompliance as described in the Basis for Qualified Opinion paragraph, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs identified above for the year ended [Year End].

### **Unmodified Opinion on Each of the Other Major HUD Programs**

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major HUD programs identified above for the year ended [Year End].

### ***Other Matters***

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

## ***Report on Internal Control Over Compliance***

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be material weaknesses.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



QSUNS: 1-Qualified Scope Limitation; 2-Unmodified; No Material Weakness;  
Significant Deficiency

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD  
PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

**Report on Compliance for Each Major HUD Program**

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project’s major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### **Basis for Qualified Opinion on [Identify Major HUD Program]**

As described in the accompanying schedule of findings, questioned costs, and recommendations, we were unable to obtain (sufficient appropriate audit evidence about) (documentation supporting) the compliance of [ENTITY NAME] with [identify the major HUD programs] regarding [identify compliance requirements], nor were we able to satisfy ourselves as to [ENTITY NAME] compliance with those requirements by other auditing procedures.

### **Qualified Opinion on [Identify Major HUD Program]**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs identified above for the year ended [Year End].

### **Unmodified Opinion on Each of the Other Major HUD Programs**

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major HUD programs identified above for the year ended [Year End].

### ***Other Matters***

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

## ***Report on Internal Control Over Compliance***

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X), that we consider to be significant deficiencies.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



# QSUMN: 1-Qualified Scope Limitation; 2-Unmodified; Material Weakness; No Significant Deficiency

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

### Report on Compliance for Each Major HUD Program

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### **Basis for Qualified Opinion on [Identify Major HUD Program]**

As described in the accompanying schedule of findings, questioned costs, and recommendations, we were unable to obtain (sufficient appropriate audit evidence about) (documentation supporting) the compliance of [ENTITY NAME] with [identify the major HUD programs] regarding [identify compliance requirements], nor were we able to satisfy ourselves as to [ENTITY NAME] compliance with those requirements by other auditing procedures.

### **Qualified Opinion on [Identify Major HUD Program]**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs identified above for the year ended [Year End].

### **Unmodified Opinion on Each of the Other Major HUD Programs**

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major HUD programs identified above for the year ended [Year End].

### ***Other Matters***

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

## ***Report on Internal Control Over Compliance***

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be material weaknesses.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



DSNMN: 1- Disclaimer Scope Limitation; 2-N/A; Material Weakness; No  
Significant Deficiency

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD  
PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

**Report on Compliance for Each Major HUD Program**

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project’s major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain (sufficient appropriate audit evidence to provide) (documentation supporting) a basis for an opinion on compliance.

## **Basis for Disclaimer of Opinion**

As described in the accompanying schedule of findings, questioned costs, and recommendations, we were unable to obtain (sufficient appropriate audit evidence about) (documentation supporting) the compliance of [ENTITY NAME] with [identify the major HUD programs] regarding [identify compliance requirements], nor were we able to satisfy ourselves as to [ENTITY NAME] compliance with those requirements by other auditing procedures.

## **Disclaimer of Opinion**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain (sufficient appropriate audit evidence to provide) (documentation supporting) a basis for an opinion on compliance. Accordingly, we do not express an opinion on [ENTITY NAME]'s compliance with the compliance requirements referred to above.

## **Report on Internal Control Over Compliance**

Management of [ENTITY NAME] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered [ENTITY NAME]'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of

deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be material weaknesses.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)



## ANMS: 1-Adverse; 2-N/A; Material Weakness and Significant Deficiency

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

#### Report on Compliance for Each Major HUD Program

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### **Basis for Adverse Opinion on [Identify Major HUD Program]**

As described in the accompanying schedule of findings, questioned costs, and recommendations, [ENTITY NAME] did not comply with requirements regarding [identify the major HUD program(s) and associated finding number(s) matched to the compliance requirements]. Compliance with such requirements is necessary, in our opinion, for [ENTITY NAME] to comply with requirements applicable to that (those) program(s).

### **Adverse Opinion on [Identify Major HUD Program]**

In our opinion, because of the significance of the effects of the noncompliance described in the Basis for Adverse Opinion paragraph, [ENTITY NAME] did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its [identify the major HUD program(s)] for the year ended [Year End].

### ***Other Matters***

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

### ***Report on Internal Control Over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be significant deficiencies.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]  
(Date of report on the financial statements)



## AUMS: 1-Adverse; 2-Unmodified, Material Weakness and Significant Deficiency

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of  
[ENTITY NAME]  
[ENTITY CITY], [STATE]

#### **Report on Compliance for Each Major HUD Program**

We have audited [ENTITY NAME]'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of [ENTITY NAME]'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended [Year End]. [ENTITY NAME]'s major HUD programs and the related direct and material compliance requirements are as follows:

| <b>[Name of Major HUD Programs]</b>        | <b>Direct and Material Compliance Requirements</b>  |
|--|---|
| [Insert the name of the major HUD Program] | Include only those specific requirements that are applicable to the Project's major HUD program:<br><br>Quality Control Plan, Sponsor Responsibility for Third-Party Originators, Branch Office Operations, Loan Origination, Loan Servicing, Federal Financial and Activity Reports, Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing, Loan Settlement, Escrow Accounts, Kickbacks |

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of [ENTITY NAME]'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of [ENTITY NAME]'s compliance.

### **Basis for Adverse Opinion on [Identify Major HUD Program]**

As described in the accompanying schedule of findings, questioned costs, and recommendations, [ENTITY NAME] did not comply with requirements regarding [identify the major HUD program(s) and associated finding number(s) matched to the compliance requirements]. Compliance with such requirements is necessary, in our opinion, for [ENTITY NAME] to comply with requirements applicable to that (those) program(s).

### **Adverse Opinion on [Identify Major HUD Program]**

In our opinion, because of the significance of the effects of the noncompliance described in the Basis for Adverse Opinion paragraph, [ENTITY NAME] did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its [identify the major HUD program(s)] for the year ended [Year End].

### **Unmodified Opinion on Each of the Other Major HUD Programs**

In our opinion, [ENTITY NAME] complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major HUD programs identified above for the year ended [Year End].

### ***Other Matters***

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we are required to report to the management of [ENTITY NAME] in a separate written communication. These matters are described in our management letter dated (date of letter). [Only include this paragraph if Management Letter is present]

## ***Report on Internal Control Over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as items (List finding reference numbers, for example, 20XX-X and 20XX-X) to be significant deficiencies.

[ENTITY NAME]'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. [ENTITY NAME]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)