

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:

[Name of Major HUD Programs]	Direct and Material Compliance Requirements
[Insert the name of the major HUD Program]	<p>Include only those specific requirements that are applicable to the Project’s major HUD program:</p> <p>Federal financial reports, mortgage status, replacement reserve, residual receipts, distributions to owners, equity skimming, cash receipts, cash disbursements, tenant application, eligibility, and recertification, units leased to extremely low-income families, security deposits, management functions, unauthorized change of ownership/acquisition of liabilities, unauthorized loans of project funds, excess income, leased nursing homes, mark-to-market program (M2M), and Section 236 decoupling projects.</p>
[Insert the name of the major HUD Program]	[List the direct and material compliance requirements tested.]

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 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)

