

## Management Representation Letter—Rural Development For Profit Entities

### PROJECT'S LETTERHEAD

DATE

CPA FIRM'S NAME AND ADDRESS

We are providing this letter in connection with your audit of the financial statements of **PROJECT NAME** which comprise the statements of financial position as of **DATE**, and the related statements of activities and changes in net assets and cash flows and related footnotes for the **Period** then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief as of **DATE OF AUDITOR'S REPORT** the following representations made to you during your audit.

### FINANCIAL STATEMENTS

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated **DATE OF ENGAGEMENT LETTER**.
2. The financial statements referred to above are fairly presented in conformity U.S. GAAP.
3. With respect to the supplementary information accompanying the basic financial statements required by Rural Development submitted to Rural Development through the MINC submission templates:
  - a. We acknowledge our responsibility for presenting the supplementary information accompanying the basic financial statements required by Rural Development and the information submitted to Rural Development through the MINC submission templates (collectively, the supplementary information required by Rural Development, and we believe the supplementary information required by Rural Development, including its form and content, is fairly presented in accordance with Rural Development guidelines. The methods of measurement and presentation of the supplementary information required by Rural Development have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information required by Rural Development.
  - b. If the supplementary information required by Rural Development is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to, or disclosure in, the financial statements or in the schedule of findings and questioned costs.
9. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
12. Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
13. As part of your audit, you assisted with the preparation of the financial statements, related notes, supplementary information, and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, supplementary information, and schedule of expenditures of federal awards.
14. There have been no communications from Rural Development or other regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

#### **Information Provided**

15. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
16. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
18. We have no knowledge of any fraud or suspected fraud that affects the entity and involves
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.

19. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
20. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing financial statements.
21. We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should
22. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
23. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
24. We are responsible for compliance with the provisions of laws, regulations, contracts, and grant agreements applicable to us.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
28. We have taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, and grant agreements; or abuse that you have reported to us. Omit or modify this item if these findings are not reported.
29. We have a process to track the status of audit findings and recommendations. Omit or modify this item if there are no audit findings.
30. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
31. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report. Omit or modify this item if there are no audit findings.
32. With respect to Rural Development programs:
  - a. We are responsible for understanding and complying with, and have complied with, the requirements of program laws and regulations that have a direct and material effect on the financial statements and each Rural Development-assisted program.
  - b. We have identified and disclosed to you all of our Rural Development programs and related activities subject to Chapter 4 of Handbook HB-2-3560.
  - c. We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our Rural Development programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a material impact on the audited financial statements.
  - d. We are responsible for establishing and maintaining, and have established and maintained, effective control over compliance for Rural Development programs that provides reasonable assurance that we are managing those programs in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on the referenced financial statements. We believe the internal control system is adequate and is functioning as intended.

- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with Rural Development or other federal agencies relevant to federal programs and related activities.
- f. We have disclosed to you any communications from Rural Development concerning possible noncompliance with compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- g. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- h. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- i. We have made available to you all documentation related to compliance with Rural Development compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- j. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- k. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- l. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report.
- m. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- n. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- o. We are responsible for and have accurately prepared the schedule of the status of prior audit findings, questioned costs, and recommendations, and we have provided you with all information on the status of the follow-up on prior audit findings by Rural Development or other federal agencies, including all management decisions.
- p. We are responsible for and have ensured the reporting package does not contain personally identifiable information.
- q. We have disclosed to you any audits, attestations, studies, or reviews conducted by the Department of Agriculture Office of Inspector General, Rural Development management, a contract administrator, or any other federal agency. We have included any findings from such reviews that directly relate to the current year audit in the schedule of the status of prior auditing findings, questioned costs, and recommendations, and we have provided you with all information on the status of the follow-up on such findings by Rural Development, contract administrators, or other federal agencies, including all management decisions.
- r. We are responsible for and have provided the project owner's certification of the annual report package to be submitted to HUD. We have also obtained the management agent's certification of the annual report package to be submitted to Rural Development.
- s. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Chapter 4 of Handbook HB-2-3560.
- t. We have disclosed all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

- u. We have identified and disclosed to you all litigation filed against us related to discriminatory rental practices or investigations completed or in progress.

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

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

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