[CPA Firm’s Letterhead]

Date

Project Address

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

**AUDIT OBJECTIVES**

The objective of our audit is the expression of an opinion about whether the Form HUD-92330 and the related financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP) and the standards established by the U.S. Department of Housing and Urban Development (HUD). The objective also includes reporting on:

* Internal control related to the Form HUD-92330, the financial statements and compliance with laws, regulations, and the provisions of contracts, or grant agreements, noncompliance with which could have a material effect on the financial statements in conformity with U.S. generally accepted auditing standards and in accordance with Government Auditing Standards.
* Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the *Consolidated Audit Guide for Audits of HUD Programs*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. The *Consolidated Audit Guide for Audits of HUD Programs* report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the *Consolidated Audit Guide for Audits of HUD Programs*. Both reports will state that the report is not suitable for any other purpose.

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

**AUDIT PROCEDURES—GENERAL**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Form HUD-92330 and the related financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the Form HUD-92330 and the related financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriations of assets, or (4) violations of laws or governmental regulations that are attributable to the Project or to acts by management or employees acting on behalf of the Project. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the Form HUD-92330, the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a HUD audit. In conformity with the *Consolidated Audit Guide for Audits of HUD Programs*, we may be required to contact the HUD single audit coordinator to discuss matters relating to fraud or equity skimming. Based on this discussion, we may be requested to prepare a written report on all known or likely fraud that has occurred. Your acceptance of this letter grants us permission to contact the HUD single audit coordinator and discuss the conditions noted.Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include direct confirmation of cash, receivables, loan balances, and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors and financial institutions.We will request written representations from the entity’s attorneys as part of the engagement, and they may bill you for responding to this inquiry.At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; supplementary information; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

**AUDIT PROCEDURES—INTERNAL CONTROL**

Our audit will include obtaining an understanding of the Project and its environment, including internal control, sufficient to assess the risks of material misstatement of the Form HUD-92330 and the financial statements and to design the nature, timing, and extent of further audit procedures.Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the Form HUD-92330 and the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the Form HUD-92330 and the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the *Consolidated Audit Guide for Audits of HUD Programs*, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major HUD‐assisted program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the *Consolidated Audit Guide for Audits of HUD Programs*.

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

**AUDIT PROCEDURES—COMPLIANCE**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Project ’s compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The *Consolidated Audit Guide for Audits of HUD Programs* requires that we also plan and perform the audit to obtain reasonable assurance about whether the Project has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to HUD‐assisted major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *Consolidated Audit Guide for Audits of HUD Programs*. The purpose of these procedures will be to express an opinion on Project ’s compliance with requirements applicable to each of its major HUD‐assisted programs in our report on compliance issued pursuant to the *Consolidated Audit Guide for Audits of HUD Programs*.

**MANAGEMENT RESPONSIBILITIES**

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, supplementary information, and related notes in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements).

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the Form HUD-92330 and the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the *Consolidated Audit Guide for Audits of HUD Programs*, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying any significant vendor relationships in which the vendor has responsibility for program compliance, and for the accuracy and completeness of that information. Your responsibilities include adjusting the Form HUD-92330 and the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Project involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Project received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provision of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the *Consolidated Audit Guide for Audits of HUD Programs*, it is management’s responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a schedule of the status of prior audit findings, questioned costs, and recommendations and a corrective action plan. The schedule of the status of prior audit findings, questioned costs, and recommendations should be available for our review on Insert Date.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements, and for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available for users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the management representation letter that (1) you are responsible for presentation of the supplementary information in accordance with U.S. generally accepted accounting principles; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. generally accepted accounting principles; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, and any other audits, attestations, studies, or reviews conducted by the HUD Office of Inspector General, HUD management, a contract administrator, or any other federal agency, directly related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestations, studies, or reviews, and reporting findings and the current status of such findings in the schedule of the status of prior audit findings, questioned costs and recommendations, in accordance with the requirements of the *Consolidated Audit Guide for Audits of HUD Programs*. You are also responsible for providing management’s views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the tax services, Form HUD-92330, the financial statements and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter the services provided and our assistance with preparation of the Form HUD-92330, the financial statements, supplementary information, and related notes, and that you have reviewed and approved the financial statements, supplementary information, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

**ENGAGEMENT ADMINISTRATION, FEES, AND OTHER**

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

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

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

The audit documentation for this engagement is the property of Auditor’s Name and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Secretary of Housing and Urban Development, the HUD Inspector General, and the Government Accountability Office or their representatives, for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Firm Name personnel. Furthermore, upon request, we may provide copies of selected audit documentation to HUD or the Government Accountability Office representatives. HUD and the Government Accountability Office may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

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

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

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

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

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

Very truly yours,

CPA Firm

RESPONSE:

This letter correctly sets forth the understanding of Project.

Signature:

Title:

Date: