
COMPLIANCE SUPPLEMENT
FOR SINGLE AUDITS
OF STATE AND LOCAL
GOVERNMENTS

(REVISED APRIL 1985)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
LOW-INCOME HOUSING ASSISTANCE PROGRAM
Public Housing
14.146

I. PROGRAM OBJECTIVES

The objective of the Public Housing Program is to provide decent, safe and sanitary housing and related facilities for eligible low-income families and the elderly through an authorized Public Housing Agency (PHA) or Indian Housing Authority (IHA).

II. PROGRAM PROCEDURES

Annual contributions are made by HUD to PHAs on the basis of housing needs and to finance debt service payments to assure the lower-income character of the projects operated by the PHAs.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

The auditor is not expected to make tests for allowable or unallowable services.

B. ELIGIBILITY

The auditor is not expected to make tests for

eligibility.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS

There are no matching, level or effort, or earmarking requirements.

D. REPORTING REQUIREMENTS

Compliance Requirement

The following financial reports must be submitted periodically for this program:

- o Public Housing Program - Development Cost/Budget Cost Statement (HUD 52484)
- o Balance Sheet (HUD 53049)

- o Statement of Operating Receipts and Expenditures (HUD 52599)
- o Statement of Income and Expense and Changes in Accumulated Surplus or Deficit from Operations (HUD 52596)
- o Statement of Initial Operating Income and Expense (HUD 52603)
- o Actual Development Cost Certificate (HUD 52427)

Suggested Audit Procedures

See Federal Financial Reports (VI) in the GENERAL REQUIREMENTS section of this document.

E. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

The (1) cost of operations, and (2) expenditures for development or modernization must be separately accounted for in order to permit the calculation of the HUD annual contribution. (P.L. 93-383 Sec.5(a) and 88 STAT. 633, Title II Amending U.S. Housing Act of 1937 Sec. 201(a))

Suggested Audit Procedures

- o Test financial records and, using procedures provided in Appendix IV or alternative procedures, determine the amounts considered as costs of operation and the amount considered as development or modernization expenditures and transmitted to HUD as the basis for the HUD annual contribution.

HOUSING ASSISTANCE PAYMENTS PROGRAM FOR LOW-INCOME FAMILIES
Section 8 - Existing Housing and State Agency
New Construction/Rehabilitation Program

14.156

I. PROGRAM OBJECTIVES

The objectives of the Section 8 Program are to aid low-income families to obtain decent, safe and sanitary housing through a system of rental subsidies; to promote economically-mixed, existing, newly constructed, moderately rehabilitated, substantially rehabilitated and newly constructed housing; and to upgrade substandard rental properties.

II. PROGRAM PROCEDURES

Annual contribution contracts are entered into with public housing authorities, that provide housings to eligible tenants or enter into housing assistance payment contracts with owners of private housing. The owners provide housing to eligible families at reduced rents and recoup a portion of this rent from the PHA in the form of housing assistance payments.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

The auditor is not expected to make tests for allowable or unallowable services.

B. ELIGIBILITY

Compliance Requirement

The PHA/State Agency is required to accept applications for admission to the projects, determine whether the applicants are initially eligible, and reexamine (in the case of

Section 8 existing housing) or review project owners' reexamination of family income, (in the case of new construction or substantial rehabilitation) composition, and contribution to rent and utilities. (24 CFR 882.113; 882.209; 882.214, 882.412; 882.514; 882.515; 882.518; 883.711; 883.704; 889.103)

Suggested Audit Procedures

- o Review the procedures for accepting and reviewing applications, determining occupancy and subsidy eligibility, and prescribing unit sizes and evaluate for adequacy.
- o Review selected applicant files and determine adherence to prescribed procedures.

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- o Review the PHA's procedures for recertifying and monitoring the owners' recertification of tenant eligibility and evaluate for adequacy.
- o Review selected Recertification of Tenant Eligibility Forms (50059(a)) for completeness; trace data to supporting documentation.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS

There are no matching, level of effort, or earmarking requirements.

D. REPORTING REQUIREMENTS

There are no Federal financial reports for the auditor to review.

E. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

The Public Housing Agency (PHA)/State Agency is required to review the contract rent and utility allowances for each unit to assure that they do not exceed certain rent limitations. (24 CFR 883.305(b)(2); 882.106(b); 881.609).

Suggested Audit Procedures

- o On a test basis, Compare the contract rent plus any utility allowance with the Fair Market Rent as published in the Federal Register or interim

revisions (existing and moderate rehabilitation housing).

- o Determine if the PHA/State Agency has certified to HUD that the contract rents are reasonable and that the certification is based on an appropriate methodology (state agency and existing housing).

Compliance Requirement

The PHA/State Agency is required to annually adjust Contract rents and tenant utility allowances, upon request from the owner. Special adjustments may also be granted to the extent determined necessary by the PHA/State Agency and HUD. (24 CFR 882.108; 882.410; 883.710; 883.711; 888.203)

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Suggested Audit Procedures

- o Review the procedures for handling adjustment requests and notifying tenants of utility allowance adjustments and evaluate for adequacy.
- o Test the supporting data, financial statements and certifications submitted by owners to support special additional adjustments.
- o Test owner requests, PHA/State Agency determinations and supporting documentation of utility allowance adjustments.
- o For selected projects, review the files and determine if adjustments were provided in accordance with the procedures.

Compliance Requirement

The PHA must inspect the project and review its operation at least annually to determine if the owner is in compliance with the HUD contract (applies to State Housing Agencies only). (24 CFR 883.713; 883.702(d)(i))

Suggested Audit Procedures

- o Review state agency records of site visits to projects.
- o Review records of selected site visits and determine whether the projects and individual unit's physical

condition was examined and corrections of violations of standards for decent, safe, and sanitary housing sought.

Compliance Requirement

The PHA is required to conduct an initial (annually thereafter) inspection of units prior to executing the HAP contract to insure that the unit meets Housing Quality Standards (applies to existing housing and moderate rehabilitation programs only). (24 CFR 882.109; 882.210(d)(2); 882.211; 882.519)

Suggested Audit Procedure

Select a sample of units for which HAP contracts were executed and review inspection reports.

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PUBLIC HOUSING--COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM 14.158

I. PROGRAM OBJECTIVES

The objective of the Public Housing-Comprehensive Improvement Assistance Program (CIAP) is to improve the physical condition and upgrade the management and operation of existing public housing projects.

II. PROGRAM PROCEDURES

The program is provided to public housing agencies (PHAs) through HUD Field Offices according to physical need and PHA management capability in accordance with modernization plans approved by the HUD field office. The improvements are funded over a 20-year period, during which time the PHAs must operate the modernized projects in accordance with HUD requirements, which includes requiring low-income use of the housing for not less than 20 years, subject to sale of homeownership units in accordance with the terms of the Annual Contributions Contract.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICE ALLOWED OR UNALLOWED

The auditor is not expected to make tests for allowable or unallowable services.

B. ELIGIBILITY

The auditor is not expected to make tests for eligibility.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS

There are no matching, level of effort, or earmarking requirements.

D. REPORTING REQUIREMENTS

Compliance Requirements

- o The PHA must submit a Schedule/Report of Modernization Expenditures (HUD-52826), showing the PHA's actual expenditures. (24 CFR 968.14(a))
- o The PHA must submit an Actual Modernization Cost Certificate (Form HUD-53001) upon completion of a modernization program. (24 CFR 968.18)

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Suggested Audit Procedures

- o Obtain copies of reports and review for completeness and timeliness of submission.
- o Trace data in selected reports to supporting documentation.
- o Review reasonableness of distribution of costs among projects, being particularly alert to costs improperly charged to this program.

Compliance Requirement

The following financial report must be submitted periodically for this program.

- o Actual Modernization Cost Certificate (HUD 53001)

Suggested Audit Procedures

See Federal Financial Reports (VI) in the GENERAL REQUIREMENTS section of this document.

SPECIAL TESTS AND PROVISIONS

Compliance

Contracts for construction, rehabilitation, and modernization must contain a clause prohibiting the use of lead-based paint. (24 CFR 35)

Suggested Audit Procedure

Examine selected construction, rehabilitation, and modernization contracts and identify prohibition against the use of lead based paint.