



ANNUAL REPORT – 2013

**Program Changes and Advice for Saving Time and Money on
your HUD Compliance**

ANNUAL REPORT

There are a number of things that you can do to save money and prepare for your annual audit. This Annual Report goes over some major Program Changes for 2012 and examines a number of areas that can help prepare you and make the Audit process go smoother and save you time and money.

PROGRAM CHANGES FOR 2012

The following are areas of legislative and administrative changes that occurred in 2012:

- **Fair Market Rents (FMRs)**
Fair Market Rents for fiscal year 2012 were published in the Federal Register on September 30, 2011 and were effective as of October 1, 2011
- **Income Limits**
Fiscal year 2012 income limits were issued and became effective on December 1, 2011. (Notice PDR-2012-02) Income limits are used to determine applicant eligibility at admission to a HUD-assisted multifamily unit.
- **Contract Rent Annual Adjustment Factors (AAFs)**
On April 13, 2012 HUD published Section 8 HAP program contract rent annual adjustment factors (AAFs) for fiscal year 2012.
- **Uniform Physical Inspections**
HUD issued two memos in September and November of 2002 that revise HUD's enforcement protocol for properties with physical inspection deficiencies. Effective November 2002, all multifamily properties receiving a REAC physical inspection score below 60 will be automatically referred to the Departmental Enforcement Center (DEC). This is a significant change from the previous process whereby only properties receiving a score below 30 were referred to DEC. Properties referred to DEC are subject to increased scrutiny, including closer review of the properties financial health.
- **Section 8 Contract Renewal**
Revised guidance, forms and documents for renewal of expiring Section 8 contracts were issued in a HUD Section 8 Renewal Policy Guidebook on May 18, 2012.
- **Operating Cost Adjustment Factors (OCAFs)**
Operation cost adjustment factors (OCAFs) are used in calculation Section 8 rent adjustments for contracts renewed under the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), as amended.
- **Statement on Auditing Standards Nos. 122-124:**
The Auditing Standards Board has achieved a major milestone in its Clarity Project with the issuance of Statements on Auditing Standards (SAS) Nos. 122-124.
 - **SAS No. 122**, *Statements on Auditing Standards: Clarification and Recodification*

This statement contains the *Preface to Codification of Statements on Auditing Standards, Principles Underlying an Audit Conducted in Accordance With Generally Accepted Auditing Standards*, and 39 clarified SASs. This statement recodifies and supersedes all outstanding SASs through No. 121 except

- SAS No. 51, *Reporting on Financial Statements Prepared for Use in Other Countries*;
- SAS No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, as amended;
- SAS No. 65, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements*;
- SAS No. 87, *Restricting the Use of an Auditor's Report*;

The following clarified SASs that were issued to address practice issues timely and are already effective:

- SAS No. 117, *Compliance Audits* (issued December 2009);
- SAS No. 228, *Other Information in Documents Containing Audited Financial Statements* (issued February 2010);
- SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole* (issued February 2010); and
- SAS No. 120, *Required Supplementary Information* (issued February 2010)

This statement also withdraws SAS No. 26, *Association with Financial Statements*, as amended.

This Statement is effective for audits of financial statements for periods ending after December 15, 2012. Refer to individual AU-C sections for specific effective date language.

Practitioners are advised to use the codified version of this SAS as they prepare to evaluate and update their audit methodologies, and prepare for changes precipitated by the clarity project.

- **SAS No. 123**, *Omnibus Statements on Auditing Standards—2011*

This statement contains amendments to

- SAS Nos. 117-118
- SAS No. 122, AU-C sections
 - 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*
 - 230, *Audit Documentation*
 - 260, *The Auditor's Communication With Those Charged With Governance*
 - 705, *Modifications to the Opinion in the Independent Auditor's Report*
 - 915, *Reports on Application of Requirements of an Applicable Financial Reporting Framework*

These amendments conform SAS Nos. 117-118 to SAS No. 122 and address other changes necessitated by the Clarity Project.

Practitioners are advised to use the codified version of this SAS as they prepare to evaluate and update their audit methodologies, and prepare for changes precipitated by the clarity project.

This statement is effective for audits of financial statements for periods ending on or after December 15, 2012. Refer to individual amendments for specific effective date language.

- **SAS No. 124**, *Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country*
SAS No. 124 supersedes the requirements and guidance in SAS No. 51, *Reporting on Financial Statements Prepared for Use in Another Country*, and redrafts that statement to apply the ASB's established clarity drafting conventions. This statement requires the auditor, in instances where a report that is to be used in the United States was prepared in accordance with a financial reporting framework generally accepted in another country, to include an emphasis-of-matter paragraph to highlight the foreign financial reporting framework, but permits the auditor to express an unqualified opinion.

Practitioners are advised to use the codified version of this SAS as they prepare to evaluate and update their audit methodologies, and prepare for changes precipitated by the clarity project.

This statement is effective for audits of financial statements for periods ending on or after December 15, 2012.

- **SAS No. 125**, *Alert That Restricts the Use of the Auditor's Written Communication*.
As a result of its Clarity Project, the Auditing Standards Board has issued Statement on Auditing Standards no.125 that restricts the Use of the Auditors Written Communication to Supersede SAS No. 87 and amend the following SAS's

- o SAS117, 119, & parts of 122.

This statement is effective for audits of financial statements for periods ending after December 15, 2012

- **SAS No. 126**, *The Auditor's Consideration of an Entity's ability to continue as a Going Concern*.
As a result of its clarity project, the Auditing Standards Board has issued statement of auditing standards No.126, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, to supersede SAS No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, as amended. SAS No. 126 does not change or expand SAS No. 59, as amended, in any significant respect,

This statement is effective for audits of financial statements for periods ending on or after December 15, 2012.

ADVICE THAT WILL SAVE YOU TIME AND MONEY

1. Be sure your accounting records are in good shape and all Balance Sheet accounts are supported by backup documentation. Your accounting staff can create what is called a lead sheet for all balance sheet accounts. A lead sheet details all account activities including attachments that support all major entries. I would recommend you have a qualified accountant do this step as it can save you money if done right. Be sure you give your accountant full access to the general ledger and books or record.
2. Be sure any Section 8 project has its required DUNS number. You obtain this number from Dun & Bradstreet for each physical location of your business for U.S. Government Contracts.
3. For Section 8 Housing be sure you hire a competent property manager who is familiar with Section 8 housing and the voucher subsidy system. Good Property Managers familiar with section 8 housing will have competent staff who are trained with filing voucher subsidy requests plus handling all the complicated paperwork necessary for a Section 8 housing project.
4. Be sure you have read your Regulatory Agreement and understand it. Too many clients neglect this step and find themselves in serious trouble for not adhering to all the agreements they have made with HUD. If you have any questions about your agreement please contact my office.
5. Be sure you respond to any requests from the Contract Administrator in a timely fashion as these can overwhelm an onsite property manager who is not experienced in Section 8 housing.
6. Be sure any HUD inspection exceptions are handled in a timely fashion.
7. Have a dedicated Company Officer work with the external auditor and answer all questions in a timely fashion.
8. Use HUD chart of Accounts when you can.
9. Comply with all HUD document requirements in a timely fashion. An example would be Repair and Replacement requests.
10. Get all audit work papers “audit ready” for your accountant by the first week of February as the Financial Statements need to be filed with REAC by March 31 or March 30 if in a leap year.

11. Make sure all REAC access to your financial statement file is obtained well before the REAC financial statement date filing deadline, as the process can be time consuming.
12. Get your REAC filing started early because since most Financial Statements are filed the week before the filing deadline.
13. With a new property, be sure the property is completely registered in the HUD system well before the financial statement reporting time deadlines.
14. On section 8 housing be sure you have reviewed all your tenant files for accuracy before your auditor asks to see them.

HELPFUL LINKS

Online resources for multifamily housing:

Government Printing Office (GPO): <http://www.access.gpo.gov>

HUD Website: <http://www.hud.gov>

HUD USER Website: <http://huduser.org>

HUD List Serve:

[http://hud.gov/subscribe/signup.cfm?listname=Multifamily%20Housing%20RHIIP%20\(Rental%20Housing%20Integrity%20Improvement%20Program\)%29Tips&list=MFH-RHIIP-TIPS-L](http://hud.gov/subscribe/signup.cfm?listname=Multifamily%20Housing%20RHIIP%20(Rental%20Housing%20Integrity%20Improvement%20Program)%29Tips&list=MFH-RHIIP-TIPS-L)

TRACS Website: <http://www.hud.gov/offices/hsg/mfh/trx/trxsum.cfm>



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