

# 2015 HOUSING AND URBAN DEVELOPMENT MULTIFAMILY HOUSING PROGRAMS OVERVIEW FOR KNOWLEDGE COACH USERS

## PURPOSE

This document is published for the purpose of communicating, to users of the toolset, updates and enhancements included in the current version. This document is not, and should not be used as an audit program to update the audit documentation of an engagement started in a previous version of this product.

## WORKPAPER UPDATES AND ROLL FORWARD NOTES

### General Roll Forward Note:

You must be the current editor of all Knowledge Coach workpapers to update to the latest content, and you must be the current editor upon opening the updated workpaper for the first time to ensure you see the updated workpaper.

The **2015 Knowledge-Based Audits of Housing and Urban Development Multifamily Housing Programs** has been updated to help auditors conduct efficient and effective audit engagements and is current through the 2013 *Internal Control-Integrated Framework* (Framework) established by the Committee of Sponsoring Organizations of the Treadway Commission; AICPA Statement on Auditing Standards No. 128, *Using the Work of Internal Auditors*; AICPA Statement on Quality Control Standards (SQCSs) No. 8, *A Firm's System of Quality Control (Redrafted)*; and through Accounting Standards Update (ASU) No. 2014-18 and 2015-02. Our authors are always looking to improve the flow of the audit engagement through the addition of new tailoring questions, new tips, and new examples. The 2015 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. Also included are revised financial statement disclosures checklists that provide a centralized resource of the required and recommended U. S. GAAP disclosures and key presentation items currently in effect, using the style referencing under the FASB Accounting Standards Codification™ as of September 30, 2015.

The 2015 edition of *Knowledge-Based Audits of Housing and Urban Development Multifamily Housing Programs* includes the following updates:

### Knowledge-Based Audit Documents (KBAs)

Updated throughout for consistency with Commercial 2015.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>KBA-101 Overall Audit Strategy</b>					
Modify	Added Practice Point: <b>Practice Point:</b> A separate spreadsheet with the above column headings may be necessary for tracking multiple deliverables to the same owner. Most owners own multiple HUD properties with various due dates other than HUD's 90 day due date (i.e., banks; limited partners; other regulators).	Section II text, after Item 2	N		
Modify	Added Practice Point: <b>Practice Point:</b> The auditor must obtain sufficient appropriate audit evidence of the operating effectiveness of relevant controls	Section III, after Item 2	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	by designing and performing tests of controls if: (a) the auditor's assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively (that is, the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures); or (b) substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level. The more reliance the auditor intends to place on the effectiveness of the identified control, the audit evidence of operating effectiveness must be more persuasive. For all significant classes of transactions for which operating effectiveness of internal control is not tested, the auditor should document the rationale for this decision.				
<b>KBA-102 Engagement Completion Document</b>					
Modify	Updated Practice Point; now reads: <b>Practice Point:</b> The <i>Consolidated Audit Guide for Audits of HUD Programs</i> requires the reporting of all compliance violations, whether they are material or not. All instances of noncompliance with any HUD requirement or regulation and all significant deficiencies or material weaknesses in internal control over compliance are to be reported as findings in the auditor's reports. Any significant deficiencies or material weaknesses in internal control over financial reporting should be identified and included as a finding. Any instances of fraud, noncompliance with provisions of laws or regulations, noncompliance with provisions of contracts or grant agreements, or abuse, that have a material effect on the audit should also be identified and included as a finding. All material instances of noncompliance or compliance violations identified by the auditor must be reported as a finding, even in those cases in which corrective action was taken by the auditee. All findings that are deemed to be not material must be reported to HUD via the Financial Assessment Subsystem—Multifamily Housing (FASSUB). One option is to report these findings in the "Management Letter" Section of FASSUB (A/C #S2400-010).	Text	Y	FASSUB (A/C #S2400-010)	
<b>KBA-103/103C Evaluating and Communicating Internal Control Deficiencies</b>					
Modify	Modified instructions and column header (column 14; 15).	Instructions ; column heading	N		Column 14 will reset on Roll Forward
<b>KBA-1033 Evaluation and Communicating Instances of Noncompliance</b>					
Modify	Modified Practice Point; now reads: <b>Practice Point:</b> Auditors are required to communicate all instances of noncompliance. If a management letter is prepared, it must be submitted directly to the HUD office providing funding/services to the auditee as part of the reporting process. This can be accomplished during the submission of the financial	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	statements to HUD through the Real Estate Assessment Center (REAC). Use account number S2400-100 – Management Letter.				
Modify	Updated Relevant Type of Compliance Requirements Affected (Mark-to-Market)	Text; table heading	Y	M2MA–M2MD; or Section 236	
<b>KBA-200 Entity Information and Background</b>					
Modify	Minor wording modifications to improve consistency and flow of information (KBA-302; KBA-302N)		N		
<b>KBA-3023 Understanding the Entity and Its Environment for HUD Chapter 3 Audits: Multifamily Housing Programs</b>					
Modify	Minor wording modifications to improve consistency and flow of information (KBA-200).	Text	N		
Modify	Added new Practice Point after the first Practice Point under Section IV: <b>Practice Point:</b> Group financial statements are extremely rare in a HUD audit given the nature of the reporting practices of HUD.	Text	N		
Modify	Added Practice Point under Section IV under the heading 8. Consolidation Process: <b>Practice Point:</b> Consolidations are extremely rare in a HUD audit given the nature of the reporting practices of HUD.	Text	N		
<b>KBA-304 Determining Major HUD Programs</b>					
Modify	Modified Practice Alert (under “HUD Major Program Determination”; now reads: <b>Practice Alert:</b> In January 2013, HUD issued a revision to Chapter 2 of the <i>Consolidated Audit Guide for Audits of HUD Programs</i> . In this revision, HUD eliminated the reporting requirement for nonmajor HUD programs and fair housing and nondiscrimination. These changes are effective for reports on fiscal years ending on or after March 31, 2013.	Text	Y	HUD AG Chapter 2	
<b>KBA-3053 Determining Direct and Material Compliance Requirements for HUD Chapter 3 Audits: Multifamily Housing Programs</b>					
Modify	Added new Practice Point in the Description of Compliance Requirement table (B Fair Housing and Nondiscrimination): <b>Practice Point:</b> While HUD eliminated the requirement to report separately on Fair Housing and Nondiscrimination, HUD did not remove this step from the suggested compliance procedures in chapter 3.	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Minor wording modifications across from M2MC Mark-to-Market Distribution of Surplus Cash for M2M Projects; last sentence of description now reads: Since requirements in the Business Agreements may vary from the procedures contained in the M2M Program Operating Procedure Guide, the auditor must obtain a copy of the Business Agreement and compare it to the audit guide steps and make the changes deemed appropriate.	Table other than procedure	N		
Modify	Minor wording modifications across from M2MD Mark-to-Market Special Rules for Cooperatives; first sentence under description now reads: For cooperatives, additional requirements are included in the HUD audit guide.	Table other than procedure	N		
<b>KBA-401 Understanding Entity-Level Controls: Complex Entities</b>					
Modify	Conclusion table answer selections for “Functioning” modified from (Y, N) to (Y, N, N/A)	Table, other than procedures	N		The selection will retain on Roll Forward and the flow to KBA-103 will only happen on a “Yes” answer in this table.
<b>KBA-401N Understanding Entity-Level Controls: Noncomplex Entities</b>					
Modify	Conclusion table answer selections for “Functioning” modified from (Y, N) to (Y, N, N/A)	Table, other than procedures	N		The selection will retain on Roll Forward and the flow to KBA-103 will only happen on a “Yes” answer in this table.
<b>KBA-415 Understanding Internal Controls over Compliance: Complex Entities and KBA-415N Understanding Internal Controls over Compliance: Noncomplex Entities</b>					
Modify	Procedures updated for COSO Framework		Y	COSO	These workpapers will completely reset on Roll Forward since all procedures have been updated for COSO.
<b>KBA-5023 Summary of Risk Assessments of Noncompliance for HUD Chapter 3 Audits: Multifamily Housing Programs</b>					
Modify	Added Compliance Requirements for Mark-to-Market and Section 236 Decoupling Projects	Table, other than procedures			
<b>KBA-904 HUD Audit Documentation Checklist</b>					
Modify	Modified as in CORE; added item d to step 1; now reads: 1. We documented the terms of the audit in an audit engagement letter or other suitable form of written	Procedures table	Y	AU-C210.10(d)	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>agreement that includes (AU-C 210):</p> <ol style="list-style-type: none"> <li>The objective and scope of the audit of the financial statements;</li> <li>The responsibilities of the auditor;</li> <li>The responsibilities of management;</li> <li>A statement that because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS;</li> <li>Identification of the applicable financial reporting framework for the preparation of the financial statements; and</li> </ol> <p>Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.</p>				
<b>KBA-9013 Financial Statement Disclosures Relating to HUD Multifamily Housing and Hospital Programs</b>					
Modified	Reference changed from HB 4370.2 REV-1 to HB 4370.2 REV-1 CHG-1	Instructions	Y	HUD Handbook	

### Audit Programs (AUDs)

Updated for consistency with Commercial 2015 Title.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
<b>AUD-7013 Audit Program: Designing Tests of Internal Controls over Compliance for HUD Chapter 3 Audits: Multifamily Housing Programs</b>					
New	Added step 3 related to testing of data source	Procedure	N	New	
<b>AUD-806 Audit Program: Intangible Assets</b>					
New	Added Practice Alert:	Purpose/	Y	ASU No.	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p><b>Practice Alert:</b> In December 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-18, <i>Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination</i>, which is a consensus of the Private Company Council. ASU No. 2014-18 provides private companies with an accounting alternative for the recognition of certain intangible assets acquired in a business combination. Under this accounting alternative, a private company would no longer recognize the following intangible assets separate from goodwill: (a) customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business, and (b) noncompetition agreements.</p> <p>Many customer-related intangible assets, because they are not capable of being sold or licensed independently from the other assets of the business, would not be separately recognized under this accounting alternative. However, some customer-related intangible assets that are capable of being sold or licensed independently would continue to be separately recognized, such as mortgage servicing rights, commodity supply contracts, core deposits, and customer information (e.g., names and contact information).</p> <p>The decision to adopt the accounting alternative in ASU No. 2014-18 must be made upon the occurrence of the first transaction within the scope of this accounting alternative. If the transaction occurs in the first fiscal year beginning after December 15, 2015, the adoption will be effective for that fiscal year's annual financial reporting and all interim and annual periods thereafter. If the transaction occurs in fiscal years beginning after December 15, 2016, the adoption will be effective in the interim period that includes the date of that first transaction and subsequent interim and annual periods thereafter. Early application is permitted for any interim and annual financial statements that have not yet been made available for issuance.</p> <p>An entity that elects the accounting alternative in ASU No. 2014-18 must adopt the private company alternative to amortize goodwill as described in ASU No. 2014-02, <i>Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill</i>, (discussed above). However, an entity that elects the accounting alternative in ASU No. 2014-02 is not required to adopt the amendments in ASU No. 2014-18.</p>	Instructions		2014-18	
New	<p>Added new substep 1.c. under “<b>Intangible Assets Subject to Amortization</b>” section:</p> <p>If the entity elected the accounting alternative for not recognizing certain intangible assets acquired in a business combination separate from goodwill, we evaluated whether the intangible assets meet the criteria for such election (i.e., customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business; and noncompetition</p>	Procedures steps	Y	ASU No. 2014-18	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	agreements).				
New	<p>Added new substep 9.e. under “<b>Goodwill and Intangible Assets Not Subject to Amortization</b>”:</p> <p>If the entity elected the accounting alternative for not recognizing certain intangible assets acquired in a business combination separate from goodwill, we evaluated whether the intangible assets meet the criteria for such election (i.e., customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business; and noncompetition agreements).</p>	Procedures steps	Y	ASU No. 2014-18	
New	<p>Added new substeps 12.a–h under the section “<b>Goodwill and Intangible Assets Not Subject to Amortization</b>”:</p> <ul style="list-style-type: none"> <li>a. Macroeconomic conditions such as deterioration in general economic conditions.</li> <li>b. Limitations on accessing capital.</li> <li>c. Fluctuations in foreign exchange rates or other developments in equity and credit markets.</li> <li>d. Industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for an entity's products or services, or a regulatory or political development.</li> <li>e. Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows.</li> <li>f. Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.</li> <li>g. Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation.</li> </ul> <p>Events affecting a reporting unit such as a change in the</p>	Procedures steps	Y	ASU No. 2014-18	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.				
<b>AUD-807 Audit Program: Property and Equipment, and Depreciation</b>					
Modify	Added Practice Point for auditor-maintained depreciation schedules.	Procedures steps	N		
<b>AUD-817 Audit Program: Variable Interest Entities</b>					
New	<p>Added the following four NEW Practice Alerts:</p> <p><b>Practice Alert:</b> In March 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-07, <i>Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements</i>, which provides private companies with an accounting alternative in applying variable interest entity (VIE) guidance to lessor entities under common control.</p> <p>Under current U.S. GAAP, a reporting entity is required to consolidate an entity in which it has a controlling financial interest. The assessment of controlling financial interest is performed under either: (a) a voting interest model, or (b) a VIE model. Under the VIE model, a reporting entity is deemed to have a controlling financial interest (i.e., deemed to be the primary beneficiary) when it has: (a) the power to direct the activities that most significantly affect the economic performance of the entity, and (b) the obligation to absorb losses or the right to receive benefits of the entity that could be potentially significant to the entity. To determine which model applies, a reporting entity must first determine whether it has a variable interest in the entity being evaluated for consolidation and whether that entity is a VIE.</p> <p>Under the accounting alternative in ASU No. 2014-07, a private company could elect not to apply the VIE guidance to a lessor entity under common control if all of the following criteria are met:</p> <ol style="list-style-type: none"> <li>The private company lessee and the lessor entity are under common control;</li> <li>The private company lessee has a leasing arrangement with the lessor entity;</li> <li>Substantially all of the activities between the private company lessee and the lessor entity are related to leasing activities (including supporting leasing activities) between those two entities; and</li> <li>If the private company lessee explicitly guarantees or</li> </ol>	Purpose/ Instructions	Y	ASU No. 2014-07; ASU No. 2014-10; ASU No. 2014-13; ASU No. 2015-02	



Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>provides collateral for any obligation of the lessor entity related to the asset leased by the private company, then the principal amount of the obligation at inception of such guarantee or collateral arrangement does not exceed the value of the asset leased by the private company from the lessor entity.</p> <p>Under the accounting alternative, a private company lessee would not be required to provide the VIE disclosures about the lessor entity. Instead, the private company lessee would disclose (a) the amount and key terms of liabilities recognized by the lessor entity that expose the private company lessee to providing financial support to the lessor entity, and (b) a qualitative description of circumstances not recognized in the financial statements of the lessor entity that expose the private company lessee to providing financial support to the lessor entity.</p> <p>If elected, the accounting alternative should be applied to all current and future lessor entities under common control that meet the above criteria. The accounting alternative should be applied retrospectively to all periods presented, and is effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted for any annual or interim period for which an entity's financial statements have not yet been made available for issuance.</p> <p><b>Practice Alert:</b> In June 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-10, <i>Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation</i>. The amendments in this ASU remove all incremental financial reporting requirements from U.S. GAAP for development stage entities, including the removal of ASC Topic 915, <i>Development Stage Entities</i>, from the Codification. In addition, ASU No. 2014-10 removes an exception provided to development stage entities in ASC Topic 810, <i>Consolidation</i>, for determining whether an entity is a variable interest entity. The elimination of this exception will require all reporting entities that have an interest in a development stage entity to apply consistent guidance for transactions that are economically the same or similar. Therefore, the same guidance will be applied for determining whether an entity is a variable interest entity and whether the variable interest entity should be consolidated, regardless of whether that entity has commenced planned principal operations or has significant revenue from its principal operations.</p> <p>The amendments in ASU No. 2014-10 related to the consolidation guidance (ASC Topic 810), which should be applied retrospectively, are effective for annual reporting periods beginning after December 15, 2015 (and interim periods therein) for public business entities. For all other entities, the amendments to the consolidation guidance are effective for annual reporting periods</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>beginning after December 15, 2016 and interim reporting periods beginning after December 15, 2017.</p> <p>Early adoption is permitted for public business entities for any annual reporting period or interim period for which the entity's financial statements have not yet been issued. For all other entities, early adoption is permitted for financial statements that have not yet been made available for issuance.</p> <p><b>Practice Alert:</b> In August 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-13, <i>Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity</i>. The amendments in this ASU apply to a reporting entity that is required to consolidate a collateralized financing entity (e.g., a collateralized debt obligation or a collateralized loan obligation entity) under the "Variable Interest Entities" guidance when: (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other ASC Topics, and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings.</p> <p>The fair value of the financial assets of a collateralized financing entity, as determined under U.S. GAAP, may differ from the fair value of its financial liabilities even when the financial liabilities have recourse only to the financial assets. Before ASU No. 2014-13, there was no specific guidance in U.S. GAAP on how a reporting entity should account for that difference. The amendments in ASU No. 2014-13 provide an alternative to ASC Topic 820, <i>Fair Value Measurement</i>, for measuring the financial assets and the financial liabilities of a consolidated collateralized financing entity to eliminate that difference. When the measurement alternative is not elected for a consolidated collateralized financing entity within the scope of ASU No. 2014-13, the amendments clarify that: (1) the fair value of the financial assets and the fair value of the financial liabilities of the consolidated collateralized financing entity should be measured using the requirements of ASC Topic 820, and (2) any differences in the fair value of the financial assets and the fair value of the financial liabilities of that consolidated collateralized financing entity should be reflected in earnings and attributed to the reporting entity in the consolidated income statement.</p> <p>The amendments in ASU No. 2014-13 are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. For all other entities, the amendments are effective for annual periods ending after December 15, 2016, and interim periods beginning after December 15, 2016. Early adoption is permitted as of the beginning of an annual period.</p> <p>Entities may apply the amendments in ASU No. 2014-13 either: (1) using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>annual period of adoption, or (2) retrospectively to all relevant prior periods beginning with the annual period in which the amendments in ASU No. 2009-17, <i>Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities</i>, were initially adopted.</p> <p>A reporting entity that consolidates a collateralized financing entity that does not meet the scope requirements in ASU No. 2014-13 because the fair value option in ASC Topic 825, <i>Financial Instruments</i>, was not elected to measure the eligible financial assets, financial liabilities, or both of the collateralized financing entity when it was initially consolidated, may elect at the date of adoption to apply the measurement alternative in ASU No. 2014-13 to those financial assets and financial liabilities, or to continue using the guidance in other ASC Topics to measure the financial assets and the financial liabilities of the consolidated collateralized financing entity. A reporting entity that does not elect to use the measurement alternative may not elect at the date of adoption to use the measurement requirements of ASC Topic 820, <i>Fair Value Measurement</i>, or otherwise change its basis for measuring the financial assets or the financial liabilities of the collateralized financing entity.</p> <p><b>Practice Alert:</b> In February 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-02, <i>Consolidation (Topic 810): Amendments to the Consolidation Analysis</i>, which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations (public and private companies and not-for-profit organizations) that are required to evaluate whether they should consolidate certain legal entities. Among other matters, the amendments in ASU No. 2015-02:</p> <ul style="list-style-type: none"> <li>• Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities;</li> <li>• Eliminate the presumption that a general partner should consolidate a limited partnership; and</li> <li>• Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships.</li> </ul> <p>ASU No. 2015-02 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the requirements are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period.</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	Modified substep 14.a.; modified substep now reads: We evaluated whether the entity properly measured the assets, liabilities, and noncontrolling interests of the VIE at their fair values, including:	Procedures steps	Y		
Modify	Modified substep 14.b.: We evaluated whether, in connection with the reporting at fair value, the entity followed appropriate accounting treatments for such items as gains and losses and, when applicable, made necessary adjustments to asset values.	Procedures steps			
Delete	Deleted the following substep: We evaluated whether the entity properly accounted for the excesses (e.g., goodwill) described in applicable accounting principles.	Procedures steps	Y		
Delete	Deleted the following substep: We evaluated whether management has properly considered and concluded on whether to recognize an impairment loss for an other-than-temporary decline in the fair value of the VIE's individual assets below their respective carrying amounts.	Procedures steps	Y		
<b>AUD-8304 HUD Audit Program: Replacement Reserve for HUD Chapter 3 Audits: Multifamily Housing Programs</b>					
Modify	Added Practice Point about testing of withdrawals related to the replacement reserve	Procedures steps	N		
Modify	Added Practice Point to use AID 838 Analysis of Equity Accounts to assist auditors in determining if surplus cash was over distributed and additional considerations calculating surplus cash	Procedures steps	N		

### Auditor's Reports (RPTs)

- **RPT-901** Modified subheadings; **added disclaimer of opinion paragraph and footnote** in accordance with Chapter 2 of the *Consolidated Audit Guide for HUD Programs*.
- **RPTs 902–906; 912; 913** **Added disclaimer of opinion paragraph and footnote** in accordance with Chapter 2 of the *Consolidated Audit Guide for HUD Programs*.
- **RPT-9301-9309** **Added additional compliance areas in Additional Guidance and Practice Points section, #2.**
- **RPT-9701-9709** **Added one additional compliance area in Additional Guidance and Practice Points section, #2.**
- **RPT-9930; 9932; 9933** Updated the Attachment to *Independent Accountant's Report on Applying Agreed-Upon Procedures chart* in accordance with HUD AG.

### Correspondence Documents (CORs)

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
COR-217	Modify	Title changed to “Preapproval of Nonattest Services”; minor wording changes.	Text	Y	Code
COR-901	Modify	Minor wording changes under “Information Provided.”	Text	N	
COR-903	Modify	Updated Additional Guidance and Practice Points	Additional guidance and practice points	N	
COR-2011, 2012, 9012	Modify	Updated the document column in the “Schedule of Agreed Upon Procedures” chart.	Table other than procedures	Y	HUD Audit Guide update for report in REAC submission

### Practice Aids (AIDs)

- **AID-201** Title changed to Nonattest Services Independence Checklist; updated in accordance with revised AICPA Code of Professional Conduct (Code) and the Nonattest Services Interpretation. Added a practice point about terminology in the Appendix regarding *Government Auditing Standards*.
- **AID-301** Added some industry-specific ratios.
- **AID-303** Added a line about rental assistance as a type of revenue.
- **AID-601** Added a practice point.
- **AID-602** Added a practice point.
- **AID-701** Updated table to match HUD Audit Guide.
- **AID-7013; 7017; 7023; 7027** Added additional compliance areas.
- **AID-8041** Added practice point.
- **AID-8042** Added compliance step (row 19).
- **AID-8103** Added practice point.
- **AID-838** Added a second tab for partnerships and at the bottom of each tab added analysis of surplus cash.

### Resource Documents (RESs)

- **RES-001** modified for consistency and as appropriate in accordance with current guidance.

- **RES-002** modified as appropriate.
- **NEW RES-008A** has been added in the Compliance title to identify entity-level controls over compliance management that has implemented to mitigate the risk of material noncompliance.

**In addition, forms and practice aids throughout have been updated to include new examples and tips and, where applicable, to take into account:**

New literature, standards, and developments reflected in the following current audit and accounting guidance:

Changes made to Chapters 1 and 2 of the *HUD Audit Guide* released through September 2014.

FASB Accounting Standards Codification as of September 30, 2015.

Users of this content should consider guidance issued subsequent to these items to determine their effect on engagements conducted using this product.

## RELATED, FOUNDATIONS AND ASSOCIATION WORKPAPERS FOR THIS TITLE

Related workpapers are Knowledge Coach Word workpapers where information flows in or out of tables within the workpaper. Some of these related workpapers are Foundation workpapers or associated workpapers.

Foundation Workpapers include most of the Communication Hub workpapers, which are central to the Knowledge-Based Audit Methodology used by the Knowledge Coach titles. Associated workpapers require you to associate them with custom values, such as audit areas, specialists, service organizations, and other items. Workpapers require an association when you need to have more than one instance of a particular Knowledge Coach workpaper in your binder for each type of item to which the workpaper is related. Making this association allows Knowledge Coach information to flow properly between workpapers.

<i>Form No.</i>	<i>Form Name</i>	<i>Financial Statement Package</i>	<i>Compliance Package</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
<b>KBAs</b>	<b>KNOWLEDGE-BASED AUDIT DOCUMENTS</b>				
KBA-101	Overall Audit Strategy	X		X	
KBA-102	Engagement Completion Document	X	X	X	
KBA-103	Evaluating and Communicating Internal Control Deficiencies	X	X	X	
KBA-1033	Evaluating and Communicating Instances of Noncompliance for HUD Chapter 3 Audits: Multifamily Housing Programs		X	X	
KBA-105	Review of Significant Accounting Estimates	X			
KBA-201	Client/Engagement Acceptance and Continuance Form: Complex Entities	X			
KBA-201N	Client/Engagement Acceptance and Continuance Form: Noncomplex Entities	X			
KBA-301	Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts	X			
KBA-3023	Understanding the Entity and Its Environment for HUD Chapter 3 Audits: Multifamily Housing Programs	X			
KBA-303	Inquiries of Management and Others within the Entity about the Risks of Fraud	X			

<i>Form No.</i>	<i>Form Name</i>	<i>Financial Statement Package</i>	<i>Compliance Package</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-304	Determining Major HUD Programs		X	X	
KBA-3053	Determining Direct and Material Compliance Requirements for HUD Chapter 3 Audits: Multifamily Housing Programs		X	X	
KBA-400	Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures	X		X	
KBA-401	Understanding Entity-Level Controls: Complex Entities	X			
KBA-401N	Understanding Entity-Level Controls: Noncomplex Entities	X			
KBA-402	Understanding General Controls for Information Technology	X			
KBA-403	Understanding Activity-Level Controls: Revenue, Accounts Receivable, and Cash Receipts	X			
KBA-404	Understanding Activity-Level Controls: Inventory	X			
KBA-405	Understanding Activity-Level Controls: Property, Plant and Equipment	X			
KBA-406	Understanding Activity-Level Controls: Other Assets	X			
KBA-407	Understanding Activity-Level Controls: Accounts Payable, and Cash Disbursements	X			
KBA-408	Understanding Activity-Level Controls: Payroll and Other Liabilities	X			
KBA-409	Understanding Activity-Level Controls: Treasury	X			
KBA-410	Understanding Activity-Level Controls: Income Taxes	X			
KBA-411	Understanding Activity-Level Controls: Financial Reporting and Closing Process	X			



<i>Form No.</i>	<i>Form Name</i>	<i>Financial Statement Package</i>	<i>Compliance Package</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-412	Understanding Controls Maintained by a Service Organization	X			X
KBA-415	Understanding Internal Controls over Compliance: Complex Entities		X		
KBA-415N	Understanding Internal Controls over Compliance: Noncomplex Entities		X		
KBA-501	Team Discussion of the Risks of Material Misstatement	X			
KBA-5011	Team Discussion of the Risks of Material Noncompliance		X		
KBA-502	Summary of Risk Assessments: Financial-Statement and Assertion-Level Risks	X		X	
KBA-5023	Summary of Risk Assessments of Noncompliance for HUD Chapter 3 Audits: Multifamily Housing Programs		X	X	
KBA-503	Basis for Inherent Risk Assessment	X			
KBA-902	Audit Review and Approval Checklist	X			
KBA-903	Tax Specialist Review Checklist	X			
KBA-904	HUD Audit Documentation Checklist	X			
<b>AUDs</b>	<b>AUDIT PROGRAMS</b>				
AUD-100	Overall Tailoring Questions	X		X	
AUD-103	Overall Audit Program for HUD Chapter 3 Audits: Multifamily Housing Programs	X		X	
AUD-201	Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement	X			

<i>Form No.</i>	<i>Form Name</i>	<i>Financial Statement Package</i>	<i>Compliance Package</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-601	Audit Program: Testing and Evaluating Internal Auditors' Work	X			
AUD-602	Audit Program: Involvement of a Component Auditor	X			X
AUD-603	Audit Program: Using the Work of an Auditor's Specialist	X			X
AUD-604	Audit Program: Using the Work of a Management's Specialist	X			X
AUD-701	Audit Program: Designing Tests of Controls	X			
AUD-7013	Audit Program: Designing Tests of Internal Controls over Compliance for HUD Chapter 3 Audits: Multifamily Housing Programs		X		
AUD-800	Audit Program: Custom	X			X
AUD-801	Audit Program: Cash	X			
AUD-802	Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities	X			
AUD-803	Audit Program: Revenue and Accounts Receivable	X			
AUD-804	Audit Program: Inventories and Cost of Sales	X			
AUD-805	Audit Program: Escrow Accounts, Prepaid Expenses, Deferred Charges, and Other Assets	X			
AUD-806	Audit Program: Intangible Assets	X			
AUD-807	Audit Program: Property and Equipment, and Depreciation	X			
AUD-808	Audit Program: Expenses and Accounts Payable	X			

<i>Form No.</i>	<i>Form Name</i>	<i>Financial Statement Package</i>	<i>Compliance Package</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-809	Audit Program: Payrolls and Other Liabilities	X			
AUD-810	Audit Program: Income Taxes	X			
AUD-811	Audit Program: Debt Obligations	X			
AUD-812	Audit Program: Equity	X			
AUD-813	Audit Program: Other Income and Expense	X			
AUD-814	Audit Program: Journal Entries and Financial Statement Review	X			
AUD-815	Audit Program: Related-Party Transactions	X			
AUD-816	Audit Program: Fair Value Measurements and Disclosures	X			
AUD-817	Audit Program: Variable Interest Entities	X			
AUD-818	Audit Program: Share-Based Payments	X			
AUD-819	Audit Program: Commitments and Contingencies	X			
AUD-820	Audit Program: Accounting Estimates	X			
AUD-821	Audit Program: Concentrations	X			
AUD-8301	HUD Audit Program: Federal Financial Reports for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8302	HUD Audit Program: Fair Housing and Nondiscrimination for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X

<i>Form No.</i>	<i>Form Name</i>	<i>Financial Statement Package</i>	<i>Compliance Package</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-8303	HUD Audit Program: Mortgage Status for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8304	HUD Audit Program: Replacement Reserve for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8305	HUD Audit Program: Residual Receipts for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8306	HUD Audit Program: Distributions to Owners for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8307	HUD Audit Program: Equity Skimming for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8308	HUD Audit Program: Cash Receipts for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8309	HUD Audit Program: Cash Disbursements for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8310	HUD Audit Program: Tenant Application, Eligibility and Recertification for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8311	HUD Audit Program: Units Leased to Extremely Low-Income Families for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8312	HUD Audit Program: Tenant Security Deposits for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8313	HUD Audit Program: Management Functions for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8314	HUD Audit Program: Unauthorized Change of Ownership/Acquisition of Liabilities for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8315	HUD Audit Program: Unauthorized Loans of Project Funds for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8316	HUD Audit Program: Excess Income for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8317	HUD Audit Program: Leased Nursing Homes for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X

<i>Form No.</i>	<i>Form Name</i>	<i>Financial Statement Package</i>	<i>Compliance Package</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-8318	HUD Audit Program: Mark-to-Market Program (M2M) Capital Recovery Payments for M2M Projects for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8319	HUD Audit Program: Mark-to-Market Program (M2M) Incentive Performance Fee for M2M Projects for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8320	HUD Audit Program: Mark-to-Market Program (M2M) Distribution of Surplus Cash for M2M Projects for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8321	HUD Audit Program: Mark-to-Market Program (M2M) Special Rules for Cooperatives for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-8322	HUD Audit Program: Federal Financial Reports for HUD Chapter 3 Audits: Multifamily Housing Programs		X		X
AUD-890	HUD Agreed Upon Procedures Program: Certification of Electronic Submission	X			
AUD-901	Audit Program: Subsequent Events	X			
AUD-9023	Audit Program: Going Concern	X			
AUD-903	Audit Program: Consideration of Fraud	X			
AUD-904	Audit Program: Compliance with Laws and Regulations	X			
AUD-905	Audit Program: Evaluating Subsequently Discovered Facts Existing at Date of the Auditor's Report				
AUD-906	Audit Program: Consideration of Omitted Procedures after the Report Date				
<b>AIDs</b>	<b>PRACTICE AIDs</b>				
AID-303	Understanding the Entity's Revenue Streams and Revenue Recognition Policies for HUD Chapter 3 Audits: Multifamily Housing Programs	X			
AID-601	Considering Reliance on the Work of Internal Auditors	X			

<i>Form No.</i>	<i>Form Name</i>	<i>Financial Statement Package</i>	<i>Compliance Package</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AID-603	Component Identification and Analysis	X			
AID-702	Results of Tests of Controls	X			
AID-7023	Results of Tests of Internal Controls over Compliance for HUD Chapter 3 Audits: Multifamily Housing Programs		X		
AID-901	Differences of Professional Opinion	X			
AID-903	Audit Report Preparation Checklist	X			

### Additional Information for Associated Workpapers

The following tables list the workpapers that require association in this title, along with the information that must be completed before you can insert each workpaper.

Workpaper Requiring Association	What is it associated with?		Association Item (Custom Value)
	Workpaper	Table/Question	
KBA-412 Understanding Ctrl: Service Org (Custom)	AUD-100 Tailoring Question Workpaper	Does the entity use service organizations? Shows the "Document the service organizations used by the entity." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the service organizations used by the entity.	Service Organization
AUD-602 Audit Program: Component Auditor Involvement (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor plan to rely on audit evidence provided by a component auditor? is "Yes" Shows the "Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement." table in KBA- 101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement.	Audit Firm Name
AUD-603 Audit Program: Auditor's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor intend to use a specialist on this engagement? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Auditor's Specialist from the Type of Specialist Column	Specialist Firm Name
AUD-604 Audit Program: Management's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor intend to use a specialist on this engagement? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Management's Specialist from the Type of Specialist Column.	Specialist Firm Name
<b>AUD-800 Audit Program: (Custom)</b>	AUD-100 Tailoring Question Workpaper	What financial statement audit areas are applicable to this engagement? "Customize Audit Area" link within the answer selection box.	Custom Audit Area

**Additional Information for Associated Workpapers**

The following tables list the workpapers that require association in this title, along with the information that must be completed before you can insert each workpaper.

<i>Workpaper Requiring Association</i>	<i>What is it associated with?</i>	
	<i>Workpaper</i>	<i>Table/Question</i>
KBA-5023 Summary of Risk Assessments of Noncompliance	KBA-304 Determining Major and Nonmajor HUD Programs	Once major programs are listed in the table these workpapers will be automatically selected and inserted for each major program when you next insert a Knowledge Coach workpaper.
AUD-8301 through AUD-8322	KBA-304 Determining Major and Nonmajor HUD Programs	Once major programs are listed in the table these workpapers will be automatically selected and inserted for each major program when you next insert a Knowledge Coach workpaper.
KBA-102 Engagement Completion Document	KBA-304 Determining Major and Nonmajor HUD Programs	Once major programs are listed in the table these workpapers will be automatically selected and inserted for each major program when you next insert a Knowledge Coach workpaper.
KBA-103 Evaluating and Communicating Internal Control Deficiencies	KBA-304 Determining Major and Nonmajor HUD Programs	Once major programs are listed in the table these workpapers will be automatically selected and inserted for each major program when you next insert a Knowledge Coach workpaper.
KBA-1033 Evaluating and Communicating Instances of Noncompliance	KBA-304 Determining Major and Nonmajor HUD Programs	Once major programs are listed in the table these workpapers will be automatically selected and inserted for each major program when you next insert a Knowledge Coach workpaper.