
 REVIEWING ANNUAL AND MONTHLY FINANCIAL REPORTS

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FOREWORD

Under the provisions of the regulatory agreement, project owners are required to submit certain financial accounting reports to the Department for review. The financial statements are a critical tool through which Loan Management staff can evaluate the performance of a project. In addition, the timely review of financial statements can identify actions needed to avoid defaults and claims against the Department.

This Handbook provides detailed procedures for the Loan Management staff to follow in their review of annual audited financial statements and monthly accounting reports. This Handbook should be used in conjunction with:

- o HUD 2003.3A Audit and Investigations;
- o IG 2000.4 Consolidated Audit Guide for Audits of HUD Programs;
- o HUD 4080.1 Compliance Handbook for Housing;
- o HUD 4350.1 Insured Project Servicing Handbook;

- o HUD 4350.3 Occupancy Requirements for Subsidized Multifamily Housing;
- o HUD 4355.1 Flexible Subsidy Handbook;
- o HUD 4370.2 Financial Operations and Accounting Procedures for Insured Multifamily Projects;
- o HUD 4370.3 Uniform System of Accounts for Cooperative Housing Corporations Using Computer and Manual Systems;
- o HUD 4370.4 Basic Accounting Desk Reference for HUD Loan Servicers;
- o HUD 4381.5 Management Documents, Agents and Fees; and
 - o HUD User Manual on Multifamily Information Processing System (MIPS) Loan Management Module.

All projects with insured, co-insured, or HUD-held mortgages must comply with the requirements of this Handbook and either Handbook 4370.2, "Financial Operations and Accounting Procedures for Insured Multifamily Projects", or Handbook 4370.3, "Uniform System of Accounts for Cooperative Housing Corporations Using Computer and Manual Systems", whichever is applicable. Annual audits performed for non-profit projects using OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-profit

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Institutions," must also comply with the requirements of the applicable Handbook (i.e., Handbook 4370.2 or Handbook 4370.3).

The Loan Management staff responsible for reviewing and analyzing multifamily project financial statements should be familiar with the basic accounting background presented in Handbook 4370.4, Basic Accounting Desk Reference for HUD Loan Servicers. It is suggested that Handbook 4370.4 be reviewed prior to implementing the procedures contained in this Handbook.