

U.S. Department of Housing and Urban Development

Special Attention of: Transmittal Handbook No.: 4370.2 REV-1
Directors of Housing; CHG-1
Directors of Multifamily Issued: January 23, 1996
Housing Division;
Asset Management Branch Chiefs;
Owners and Management Agents
Contract Administrators

1. This transmits Change 1 to HUD Handbook 4370.2 REV-1, Financial Operations and Accounting Procedures for Insured Multifamily Projects.

2. Explanation of Materials Transmitted:

This revised policy authorizes management agents to hold funds in a centralized account, up to or exceeding \$100,000 in institutions under the control of, and whose deposits are insured by, the Federal Deposit Insurance Corporation, National Credit Union Association, or other U. S. government insurance corporations under certain strict conditions.

3. Effective Date: Upon receipt.

4. Filing Instructions:

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Assistant Secretary for Housing-
Federal Housing Commissioner

H: Distribution: W-3-1

OFFICE OF HOUSING

Special Attention of: Regional Administrators,
Transmittal for Handbook No:
4370.2 REV-1
Regional Housing Commissioners, Directors Issued: 5/22/92
of Regional Housing, Field Office Managers,
Directors of Housing Development Division, Directors of Housing Management
Division, Loan Management Branch Chiefs and Assisted Housing Management
Branch Chiefs.

1. This transmits the revised Financial Operations and Accounting Procedures for Insured Multifamily Projects Handbook 4370.2 Revision 1.

2. Explanation of Materials Transmitted:

This Handbook is a complete revision of Handbook 4370.2, dated 6/23/87. A major revision was necessary to reflect changes which have taken place in audit standards, definitions, nomenclature, related tax laws, and cross referencing to other appropriate HUD issuances. This Handbook serves as a reference to owners of HUD insured multifamily projects and to HUD loan management personnel for preparing monthly and annual financial statements. Since this is a major revision, no asterisks are used to identify the changes.

3. Significant Changes:

- o Revises the Handbook for completeness and uniformity of financial information for the proper servicing of a mortgage loan.
- o Incorporates Generally Accepted Accounting Principles (GAAP) when appropriate.
- o Defines internal control procedures with emphasis on the separation of duties, project budgets, and cash receipts, adherence to prescribed management procedures, operational efficiency, protection of assets, and maintenance of accurate and reliable accounting information.
- o Revises accounting and auditing nomenclature to incorporate AICPA standards, Government Auditing Standards and industry standards for HUD Multi-Family Projects.
- o Updates sample formats and instructions for financial statement reporting to incorporate the most recent HUD revisions.

HMHO: Distribution : W-3-1, W-2,(H), W-3(A)(H)(OGC)(ZAS), R-1, R-2, R-3-1, R-3-2, R-3-3, R-6, R-6-2, R-7, R-7-2. SPECIAL DISTRIBUTION TO: Field Offices, State Agencies and owner's and Agents

- o Includes necessary cross-references to HUD and external documents, including revision of existing references.
- o Updates the names of offices, position titles, functional names and other references pertaining to Loan Management as appropriate.
- o Revises terminology for the Balance Sheet, Statement of Income, and Statement of Changes in Financial Position. Incorporates revision by FASB, #95 as it relates to the Statement of Cash Flows.
- o Revises the account structure to conform to HUD's latest financial needs.

- o Updates Chart of Accounts and simplifies descriptions of accounts.
- o Revises and simplifies definitions of accounting/auditing terms including cash basis, accrual basis and tax basis accounting.
- o Incorporates the current wording of the auditor's opinion as required by the AICPA and HUD.
- o Clarifies procedures for accounting for delinquent tenants accounts receivable (bad debts).
- o Provides accounting guidance for replacement reserve transactions.
- o Provides a glossary and listing of acronyms.
- o Provides administrative guidance and program interpretation to various portions of IG Handbook 2000.4 dated 10/91.

4. Cross References:

This Handbook contains a Foreword which cross references applicable handbooks and guidance relating to reviewing multifamily financial statements and supplemental data.

5. Cancellations:

The Financial Operations and Accounting Procedures for Insured Multifamily Projects, dated April 1, 81 and change 1 dated June 23, 1987 are rescinded.

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Dated:	4/81	Dated:	5/92

Assistant Secretary for Housing
- Federal Housing Commissioner

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Handbook

4370.2 REV-1

U.S. Department of Housing and Urban Development
Office of Housing

Departmental Staff
and Program
Participants

May 1992

Financial Operations
and Accounting
Procedures for
Insured Multifamily
Projects
