

AUDIT RELATED MEMORANDUM
96-CH-111-0801

November 22, 1995

MEMORANDUM FOR: Edward Hinsberger, Director, Multifamily
Housing Division, Illinois State Office

FROM: Dale L. Chouteau, District Inspector General for Audit,
Midwest

SUBJECT: Illinois State Office's Follow-Up Actions On Multifamily
Project Financial Statements

We completed a review of the Illinois State Office, Multifamily Asset Management Division, usage of the audited financial statement reviews performed by Ervin and Associates. HUD requires project owners to submit annual audited financial statements for all HUD insured multifamily housing projects. Beginning in 1993, HUD entered into a nationwide contract with Ervin and Associates, an independent contractor based in Bethesda, Maryland, to perform reviews and analysis of the annual audited financial statements in accordance with HUD Handbooks. The objective of our review was to assess the Illinois Office's Asset Management Division's use of the reviews completed by Ervin and Associates; the significance or materiality of items identified by Ervin and Associates for follow-up by HUD staff; and the risk management type models or decisions used by the Asset Management Division.

We judgmentally selected 60 audit reports to review from 1993 and 1994. We interviewed the Illinois State Office's Asset Management staff, regarding the Ervin and Associates reports. Additionally, we reviewed HUD's Asset Management files relating to the projects whose audits we selected to review. The files included 1993 and 1994 Ervin reports, as well as, HUD letters used for follow-up and resolution of the issues brought out through the Ervin and Associates review process.

We concluded that the Illinois State Office was adequately utilizing the information provided by the Ervin reports. We performed our audit work between September 1 and October 31, 1995.

If you have any questions, please contact me at (312) 353-7832.

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