U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

MEMORANDUM FOR: Multifamily Regional Center Directors
Multifamily Satellite Office Directors
Multifamily Asset Management Division Directors
Multifamily Account Executives
Multifamily Owners and Management Agents

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Date: 2026.07.22 13:19:35 -04'00'

FROM: Jennifer Larson , Director, Office of Asset Management, HT

SUBJECT: Reminder to Owners of Auditor Responsibility to Consult the Consolidated Audit Guide for Fraud Risk

The purpose of this memorandum is to remind owners that auditors must follow the Department of Housing and Urban Development's (HUD's) Consolidated Audit Guide when auditing profit-motivated entities. These guidelines are necessary for mitigating the risk of fraud within Multifamily projects. It also highlights two significant fraud schemes – embezzlement and false certification.

HUD's Consolidated Audit Guide

The Consolidated Audit Guide[1] is designed to assist independent auditors in performing audits of profit-motivated entities that are subject to HUD's uniform financial reporting standards set forth in the Code of Federal Regulations (CFR) at 24 CFR Part 5, Subpart H; and 24 CFR Part 202.5(g) and related Mortgagee Letters. HUD requires an audit that consists of two components: a financial statement audit of the entity and a compliance audit of the entity's major HUD programs. The use of this audit guide is mandatory for audits of all for-profit participants; however, this audit guide is not intended to be a complete manual of audit procedures for the compliance audit. The audit guide is not intended to cover all situations that may exist or replace the auditor's judgment of audit work required to meet generally accepted auditing standards (GAAS), issued by the American Institute of Certified Public Accountants (AICPA), and generally accepted government auditing standards (GAGAS), issued by the Comptroller General of the United States. The guide is meant to supplement those standards with information specific to HUD programs. The auditor should use professional judgement to tailor the procedures so that the audit objectives are met. However, auditors must address all compliance requirements in this audit guide that could have a direct and material effect on a major HUD-assisted program. If the auditor determines that certain procedures to fulfill a compliance requirement will not be performed, the rationale for the exclusion must be explained and documented in the audit documentation in support of the auditor's report.

[1] See Consolidated Audit Guide for Audits of HUD Programs for more information.

Fraud Risk

The Office of Inspector General (OIG) website[2] details numerous common fraud schemes that Multifamily projects are susceptible to. While all fraud risk should be monitored, two of the most prevalent types are:

A. Embezzlement and Theft: In several HUD programs, administrators and participants may be entrusted with cash or assets and could take them for their personal use. There are many ways they may embezzle, from simply taking money from the cash drawer or writing checks to cash, to more elaborate methods to conceal the theft, like falsifying invoices and misusing credit cards of the HUD funded organization. Other examples are when individuals may steal rental or laundry receipts; falsify deposits, checks or other accounts; or write bonuses to themselves. They may hire "ghost" employees and convert the payroll checks for their own use. They may use staff, materials, or equipment for personal use, which is also a fraud.

B. False Certification: Owners sometimes certify to HUD on buildings that units are occupied or that the unit meets housing quality standards when those assertions are false.

If you have any questions about this memorandum, please reach out to Daniel Clark, at Daniel.J.Clark@hud.gov.

[2] See Common Fraud Schemes | Office of Inspector General, Department of Housing and Urban Development for more information.