

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY (NJHMFA)
STANDARD ACCOUNTANT'S ENGAGEMENT AGREEMENT FOR INDEPENDENT AUDIT

(Firm) (Please Print)
CERTIFIED PUBLIC ACCOUNTANT

(Address)

(Telephone)

(Date)

(Sponsor/Owner)

(Address)

Dear _____:

I (we) submit herewith the following proposal for the audit of:

(Development Name) (HMFA #)
as described below for the period (year) ending _____ and if applicable for the year
ending _____.

1. The audit will be made in accordance with generally accepted auditing standards in the United States (GAAS) and when applicable the standards to financial audits contained in the generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States and, accordingly, will include such tests of the accounting records and such other auditing procedures as I (we) consider necessary and appropriate for the purpose of expressing an opinion of the Financial Statement of _____

(Development Name)
to be prepared in conformity with Generally Accepted Accounting Principles (G.A.A.P.) and the current NJHMFA Accounting Policies and Procedures.

2. I (we) am (are) to perform an audit as of (period/year ending) _____ and if applicable for the year ending _____. The report (s) will comprise of no less than the following:

(a) Comparative Balance Sheet and Comparative Statement of Operations prepared in the format detailed in the NJHMFA Accounting Policies and Procedures #02-04. The Provision for Repair and Replacement will be accounted for in accordance with Agency Policy.

(b) Statement of Cash Flow.

(c) Comparative Statement of Partner's Capital or Retained Earnings.

(d) Comparative detailed Schedules of Income and Expenses (reflecting the NJHMFA chart of accounts)

(e) Schedule of changes in Fixed Assets

- (f) Schedule of changes in reserve account (escrows) balances
- (g) Schedule of Receivables (other than from tenants)
- (h) Schedule of Loans, Notes or Mortgages Payable other than the mortgage (s) payable to NJHMFA
- (i) Schedule of Accounts Payable and Accrued Expenses
- (j) Schedule of Computation of Managing Agent Fee in accordance with the current applicable format. Any bonus amount must be clearly disclosed.
- (k) Schedule of computation of Real Estate Taxes/PILOT in accordance with the current Tax Abatement Agreement including a reconciliation between the amount expensed and the amount paid during the year. The amount due (or prepaid) at year end must be clearly disclosed.
- (l) Schedule of computation of Cumulative Return on Equity payable (when applicable). Any ROE distribution made during the audit year must be clearly reported on this schedule. A certification that any cash distributions to the partners/members were duly authorized by the NJHMFA will be included. All parties understand that any payment of nonresident partner taxes to the state of NJ must be made by the nonresident partners directly or via an Agency approved ROE distribution.
- (m) Schedule of all related party transactions or a statement that none took place.
- (n) A report on compliance with certain specific HUD subsidy program rules and regulations. The form of this compliance report will be in accordance with attached appendix A.
- (o) A report on the internal control structure and, if appropriate, our comments and recommendations with respect to the internal control structure. If applicable, this report will be in accordance with the format required by generally accepted government auditing standards.
- (p) A statement indicating that Federal, State and local income and payroll tax returns were filed on time and that related tax payments were also made on a timely basis.
- (q) Schedule (s) which specifies the amount due at year end for all NJHMFA and / or DCA "cash flow" mortgage (s) / loan (s) (e.g., Home Express, PRA Mortgage, Affordable Rental Housing Program, etc.). A complete calculation in accordance with the terms of the applicable mortgage note(s) / agreement (s) will be included.

3. The report(s) will be submitted within ninety (90) days of the close of the fiscal year. ***Requests for an extension may be approved by the Agency only for specific, reasonable causes and upon a written request from the owner or authorized agent submitted before the report due date.***

4. I (we) agree that all work papers shall be made available for review by the NJHMFA upon request, and that an exit conference with NJHMFA personnel will be held upon request. We will also answer any inquiries in a timely manner which the NJHMFA may have related to the audit.

5. I (we) am (are) a Certified Public Accountant(s) as defined in Rule 101 of the Code of Professional Ethics of the American Institute of Certified Public Accountants, with respect to:

(Sponsor/Owner)
and

(Development Name)

6. We are familiar with the "Government Auditing Standards" (Yellow Book) of the U.S. General Accounting Office as revised (most recent revision) and our organization and staff meet the Qualifications, Continuing Education Requirements and Independence Standards, as described in Chapter 3 thereof.

7. I (we) state that I (we) do not perform any services such as, but not limited to, accounting, bookkeeping, consulting, data processing, etc., for the referenced development other than the year-end audit referred to herein and/or related Federal and State

Income tax returns.

8. The fee for this audit shall be \$_____. If a two year contract is being executed, the fee for year (2) two cannot exceed the lesser of (1) the prior year's fee plus 10% or (2) the "maximum fee" that will be determined in the following March. One-third of this shall be due and payable upon completion of fifty (50) percent of the field work and approval of the Owner and one-third after submission of the audit report. The balance shall be paid the earlier of the acceptance of the audit report by the Owner and the NJHMFA, or (7) seven months after submission of the audit report to NJHMFA provided there are no unresolved issues noted on a review letter from NJHMFA.

9. This agreement may be terminated by either party hereto, upon giving to the other party thirty (30) days notice in writing. In the event of such termination by either party, the NJHMFA shall be notified by certified mail within forty-eight (48) hours stating the reasons for such termination. The NJHMFA shall be the final arbiter of fees due.

10. This agreement shall be effective upon acceptance by the Owner and approval by the NJHMFA.

11. I (we) recognize that the Agency reserves the right not to approve the renewal of this engagement letter or the engagement letter of other Agency financed /monitored developments in future years if the report is not in accordance with the format required by this engagement letter, or if the report is submitted late due to the auditor's failure to perform or if I (we) do not respond to the Agency's inquiries on a timely basis.

12. This agreement cannot be assigned to any party, other than the entity with which it is originally signed, without prior approval and consent of the Owner and the NJHMFA.

13. In the event of any inconsistencies between this agreement and any other agreements or Agency rules, the terms of this agreement shall govern.

14. Any alteration to this standard agreement form must be made via an addendum and attached.

Certified Public Accountant & License No. (Please print)

Signature

Contact Person for the Audit (Please print)

OWNER ACCEPTANCE:

(Sponsor / Owner or Authorized agent) (Please Print Name & Title)

BY:

Signature

Date

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY APPROVAL

Financial Analyst Coordinator

Date

CM-4.FRM Revised: 10/93,3/03,2/04,3/05, 3/07,3/09,3/12,3/13

APPENDIX A

STANDARD HUD COMPLIANCE CERTIFICATION

We have audited the financial statements of [Entity] as of and for the period / year ended _____ and if applicable for the year ended _____ and have issued our report thereon dated [date of report].

Auditor's Responsibility

We conducted our audit in accordance with generally accepted auditing standards, in the United States (GAAS) and when applicable the standards to financial audits contained in the generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the [Entity's] compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Management's Responsibility

The management of the [Entity] is responsible for compliance with those requirements.

Opinion

In our opinion, the [Entity] complied, in all material respects, with the requirements described above for the period /year ended _____ and if applicable for the year ended _____.

Compliance and Other Matters

In addition, we have tested the [Entity's] compliance with the certain specific program requirements that are part of the most recent Consolidated Audit Guide, issued by the U.S. Department of Housing and Urban Development, Office of Inspector General, for the year(s) ended _____ and if applicable for the year ended _____.

We also attest to you that we have reviewed the following on a test basis:

1. All reports required by HUD for timely filing and accuracy.
2. The validity of the H.A.P. (or R. A. P.) contract and amendments thereto.
3. The accuracy of the maximum chargeable rents.
4. The qualifications of the tenants as to admission and their required monthly contributions.
5. The certifications and recertifications of tenants.
6. The files located at the project, the managing agent's office, and supervisory managing agent's office for adequacy.

Based upon our review of the items 1 to 6 above, nothing came to our attention that would invalidate the future and uninterrupted receipt of the federal subsidies, under existing rules and regulations.