

To: Independent Public Accountants

January 9, 2009



From: CHFA Asset Management

Subject: Sample Internal Control and Compliance Reports for use beginning with December 31, 2008 Audits of CHFA-Financed Housing Developments when a REAC Filing is NOT Required

Accompanying this memo, and as listed below, are sample internal control reports and compliance reports that may be used on audits beginning with year-ended December 31, 2008 of CHFA-Financed Housing Developments with HUD-assisted programs when a REAC filing is NOT required.

Please note: CHFA prefers that internal control deficiencies that are not considered significant deficiencies or material weaknesses be included in a Schedule of Findings and Questioned Costs rather than issued as a separate report.

RPT001CT - CHFA Audits - Report on Internal Control - Combined Report Applicable to the Financial Statements and Major HUD - Assisted Programs When there are No Nonmajor Programs - No Significant Deficiencies and No Material Weaknesses Noted

RPT002CT - CHFA Audits - Report on Internal Control - Combined Report Applicable to the Financial Statements and Major and Nonmajor HUD - Assisted Programs - No Significant Deficiencies and No Material Weaknesses Noted

RPT003CT - CHFA Audits - Report on Internal Control - Combined Report Applicable to the Financial Statements and Nonmajor HUD - Assisted Programs When there are No Major Programs - No Significant Deficiencies Noted and No Material Weaknesses Noted

RPT004CT - CHFA Audits - Report on Compliance With Specific Requirements Applicable to Fair Housing and NonDiscrimination - No Material Instances of Noncompliance Noted

RPT005CT - CHFA Audits - Report on Compliance With Specific Requirements Applicable to Major HUD Programs - No Material Instances of Noncompliance Noted

RPT006CT - CHFA Audits - Report on Compliance With Specific Requirements Applicable to Nonmajor HUD Program Transactions - No Material Instances of Noncompliance Noted

FOR CHFA-FINANCED DEVELOPMENTS FOR WHICH NO REAC FILING IS REQUIRED

MAJOR HUD PROGRAMS ONLY

INDEPENDENT AUDITOR'S COMBINED REPORT ON INTERNAL CONTROL

(To the General Partners of)
(Client)
(City, State)

We have audited the financial statements of (Client), (a (State) Limited Partnership), CHFA Project No. _____, as of and for the year-ended _____ and have issued our report thereon dated (date of our report on the financial statements). We have also audited the Partnership's compliance with requirements applicable to major HUD-assisted programs and have issued our report thereon dated (Date of our report on the financial statements).

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the auditing requirements prescribed by the Connecticut Housing Finance Authority (CHFA). Those standards and the auditing requirements prescribed by CHFA require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Partnership complied with laws and regulations, noncompliance with which would be material to a major HUD-assisted program.

The management of (Client) is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements and compliance, we considered the Partnership's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on a major HUD-assisted program in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control over financial reporting and internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis misstatements or noncompliance with applicable requirements of a HUD-assisted program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or to administer a HUD-assisted program such that there is more than a remote likelihood that (a) a misstatement of the Partnership's financial statements, or (b) noncompliance with applicable requirements of a HUD-assisted program, that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that (a) a material misstatement of the financial statements, or (b) material noncompliance with applicable requirements of a HUD-assisted program, will not be prevented or detected.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to the management of (Client) in a separate letter dated (date of letter).+

This communication is intended solely for the information and use of the general partners, management, others within the Partnership, the U.S. Department of Housing and Urban Development, and the Connecticut Housing Finance Authority and is not intended to be and should not be used by anyone other than these specified parties.

(Firm Signature)

(Date of report)

+ The Yellow Book indicates that internal control deficiencies that are not considered significant deficiencies or material weaknesses need not be disclosed in this report but should be reported in a separate communication, preferably in writing. This paragraph would be deleted if no separate management letter is issued.

FOR CHFA-FINANCED DEVELOPMENTS FOR WHICH NO REAC FILING IS REQUIRED

MAJOR AND NONMAJOR HUD PROGRAMS

INDEPENDENT AUDITOR'S COMBINED REPORT ON INTERNAL CONTROL

(To the General Partners of)
(Client)
(City, State)

We have audited the financial statements of (Client), (a (State) Limited Partnership), CHFA Project No. _____, as of and for the year-ended _____, and have issued our report thereon dated (date of our report on the financial statements). We have also audited the Partnership's compliance with requirements applicable to major HUD-assisted programs and have issued our report thereon dated (Date of report on the financial statements).

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the auditing requirements prescribed by the Connecticut Housing Finance Authority (CHFA). Those standards and the auditing requirements prescribed by CHFA require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Partnership complied with laws and regulations, noncompliance with which would be material to a major HUD-assisted program.

The management of (Client) is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements and compliance, we considered the Partnership's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on its HUD-assisted programs in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control over financial reporting and internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis misstatements in the financial statements or noncompliance with applicable requirements of a HUD-assisted program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or to administer a HUD-assisted program such that there is more than a remote likelihood that (a) a misstatement of the Partnership's financial statements, or (b) noncompliance with applicable requirements of a HUD-assisted program, that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that (a) a material misstatement of the financial statements, or (b) material noncompliance with applicable requirements of a HUD-assisted program will not be prevented or detected.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to the management of (Client) in a separate letter dated (date of letter).+

This communication is intended solely for the information and use of the general partners, management, others within the Partnership, the U. S. Department of Housing and Urban Development, and the Connecticut Housing Finance Authority and is not intended to be and should not be used by anyone other than these specified parties.

(Firm Signature)

(Date of report)

+ The Yellow Book indicates that internal control deficiencies that are not considered significant deficiencies or material weaknesses need not be disclosed in this report but should be reported in a separate communication, preferably in writing. This paragraph would be deleted if no separate management letter is issued.

FOR CHFA-FINANCED DEVELOPMENTS FOR WHICH NO REAC FILING IS REQUIRED

NONMAJOR HUD PROGRAMS ONLY

INDEPENDENT AUDITOR'S COMBINED REPORT ON INTERNAL CONTROL

(To the General Partners of)
(Client)
(City, State)

We have audited the financial statements of (Client), (a (State) Limited Partnership), CHFA Project No. _____, as of and for the year-ended _____, and have issued our report thereon dated (date of our report on the financial statements).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the auditing requirements prescribed by the Connecticut Housing Finance Authority (CHFA). Those standards and the auditing requirements prescribed by CHFA require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of (Client) is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements, we considered the Partnership's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on a nonmajor HUD-assisted program in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control over financial reporting and internal control over compliance.

During the year-ended _____, (Client) had no major programs.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis misstatements or noncompliance with applicable requirements of a HUD-assisted program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or to administer a HUD-assisted program such that there is more than a remote likelihood that (a) a misstatement of the Partnership's financial statements, or (b) noncompliance with applicable requirements of a HUD-assisted program, that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that (a) a material misstatement of the financial statements, or (b) material noncompliance with applicable requirements of a HUD-assisted program, will not be prevented or detected.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to the management of (Client) in a separate letter dated (date of letter).+

This communication is intended solely for the information and use of the general partners, management, others within the Partnership, the U. S. Department of Housing and Urban Development, and the Connecticut Housing Finance Authority and is not intended to be and should not be used by anyone other than these specified parties.

(Firm Signature)

(Date of report)

+ The Yellow Book indicates that internal control deficiencies that are not considered significant deficiencies or material weaknesses need not be disclosed in this report but should be reported in a separate communication, preferably in writing. This paragraph would be deleted if no separate management letter is issued.

FOR CHFA-FINANCED DEVELOPMENTS FOR WHICH NO REAC FILING IS REQUIRED

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO FAIR HOUSING AND NONDISCRIMINATION

(To the General Partners of)
(Client)
(City, State)

We have applied procedures to test the Partnership's compliance with the Fair Housing and NonDiscrimination requirements applicable to its HUD-assisted programs for the year-ended _____

Our procedures were limited to the applicable compliance requirement prescribed by the Connecticut Housing Finance Authority. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Partnership's compliance with the Fair Housing and NonDiscrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein in accordance with the compliance requirement prescribed by the Connecticut Housing Finance Authority.

The results of our tests disclosed immaterial instances of noncompliance with the above requirements, which we have communicated to the management of (Client) in a separate letter dated (Date of letter).+

This report is intended solely for the information and use of the general partners, management, others within the Partnership, the U. S. Department of Housing and Urban Development, and the Connecticut Housing Finance Authority and is not intended to be and should not be used by anyone other than these specified parties.

(Firm Signature)

(Date of report)

+ The Yellow Book indicates that instances of noncompliance that have a less than material, but more than inconsequential effect on the financial statements need not be disclosed in this compliance report but should be reported in a separate communication, preferably in writing. This paragraph would be deleted if no separate management letter is issued.

FOR CHFA-FINANCED DEVELOPMENTS FOR WHICH NO REAC FILING IS REQUIRED

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO MAJOR HUD PROGRAMS

(To the General Partners of)
(Client)
(City, State)

We have audited the Partnership's compliance with the specific program requirements governing

- [list the requirements tested]
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that are applicable to each of its major HUD-assisted programs for the year-ended _____. The management of (Client) is responsible for compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the auditing requirements prescribed by the Connecticut Housing Finance Authority (CHFA). Those standards and the auditing requirements prescribed by CHFA require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on a major HUD-assisted program occurred. An audit includes examining, on a test basis, evidence about the Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Partnership's compliance with those requirements.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which we have communicated to the management of (Client) in a separate letter dated (Date of letter). We considered those instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.+

In our opinion, (Client) complied, in all material respects, with the requirements referred to above that are applicable to each of its major HUD-assisted programs for the year ended December 31, 2008.

This report is intended solely for the information and use of the general partners, management, others within the Partnership, the U. S. Department of Housing and Urban Development, and the Connecticut Housing Finance Authority and is not intended to be and should not be used by anyone other than these specified parties.

(Firm Signature)

(Date of report)

+ The Yellow Book indicates that instances of noncompliance that have a less than material, but more than inconsequential effect on the financial statements need not be disclosed in this compliance report but should be reported in a separate communication, preferably in writing. This paragraph would be deleted if no separate management letter is issued.

FOR CHFA-FINANCED PROJECTS FOR WHICH NO REAC FILING IS REQUIRED

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO NONMAJOR HUD PROGRAM TRANSACTIONS

(To the General Partners of)
(Client)
(City, State)

We have audited the financial statements of (Client), (a (State) Limited Partnership), CHFA Project No. _____, as of and for the year-ended _____, and have issued our report thereon dated (date of our report on the financial statements).

In connection with that audit and with our consideration of the Partnership's internal control used to administer HUD-assisted programs, as prescribed by the requirements of the Connecticut Housing Finance Authority (CHFA), we selected certain transactions applicable to certain nonmajor HUD-assisted programs for the year ended _____.

As required by CHFA, we performed auditing procedures to test compliance with the requirements governing

- [list the requirements tested]
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that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Partnership's compliance with those requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein in accordance with the requirements prescribed by the Connecticut Housing Finance Authority.

The results of our tests disclosed immaterial instances of noncompliance with the requirements referred to in the third paragraph of this report, which we have communicated to the management of (Client) in a separate letter dated (date of letter).+

This report is intended solely for the information and use of the general partners, management, others within the Partnership, the U. S. Department of Housing and Urban Development, and the Connecticut Housing Finance Authority and is not intended to be and should not be used by anyone other than these specified parties.

(Firm Signature)

(Date of report)

+ The Yellow Book indicates that instances of noncompliance that have a less than material, but more than inconsequential effect on the financial statements need not be disclosed in this compliance report but should be reported in a separate communication, preferably in writing. This paragraph would be deleted if no separate management letter is issued.