

March 26, 2019

To the Board of Directors of the  
Housing Assistance Council and Subsidiary

Professional standards require us to advise those charged with governance of the following matters relating to our recently completed audit of the Housing Assistance Council (the Council) and its Subsidiary, Rural Housing Services, Inc. (RHSI) (collectively referred to as HAC), as of and for the year ended September 30, 2018. The matters discussed herein are those that we have noted as of March 26, 2019, and we have not updated our procedures regarding these matters since that date. This letter is solely for the internal use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

**ITEMS TO BE COMMUNICATED**

***The Auditors' Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the OMB Uniform Guidance.*** The auditor is responsible for obtaining reasonable assurance about whether the financial statements that have been prepared by management with the oversight of those charged with governance are free of material misstatements, whether caused by error or fraud. An audit in accordance with generally accepted auditing standards (GAAS) provides reasonable, rather than absolute, assurance or guarantee of the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected. The auditor is required to obtain a sufficient understanding of the organization's internal control over financial reporting only for the purpose of planning the audit and must also consider internal control over compliance with certain requirements to determine procedures for expressing an opinion on compliance and report on internal control over compliance with the OMB Uniform Guidance. The auditor is also required to perform tests of the organization's compliance with certain provisions of laws, regulations, contracts and grants and compliance requirements of the OMB Uniform Guidance but does not provide a legal determination on compliance with those requirements.

**AUDITORS' RESPONSE**

Communicated in our engagement letter dated June 28, 2018, our opinion on the consolidated financial statements and our reports in accordance with *Government Auditing Standards* and the Office of Management and Budget Uniform Guidance. Our audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities.



## ITEMS TO BE COMMUNICATED

## AUDITORS' RESPONSE

**Planned Scope and Timing of the Audit.** The auditor should communicate with those charged with governance an overview of the planned scope and timing of the audit.

A discussion was held with the Finance Committee Chair regarding the planned scope and timing of the audit, the intention of which was to assist those charged with governance in understanding better the consequences of our audit work on their oversight responsibilities along with assisting us in understanding HAC and its environment.

**Qualitative Aspects of Significant Accounting Practices.** Management is responsible for the selection and use of appropriate accounting policies. The auditor should advise those charged with governance about the appropriateness of accounting policies and their application and disclosures.

The significant accounting policies are described in the notes to the consolidated financial statements. The application of significant existing policies was not changed during the year. We have reviewed the accounting policies and disclosures that management has identified to be the most critical and concur with management's assessment. We noted no significant transactions entered into by HAC during the year that were unusual or transactions for which there is a lack of authoritative guidance.

**Management Judgments and Accounting Estimates.** Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We believe that HAC's allocation of overhead expenses, loan loss allowance and provision for losses on land held for resale represent particularly sensitive accounting estimates. We have evaluated the key factors and assumptions used to develop these estimates and believe they are reasonable in relation to the consolidated financial statements taken as a whole.

**Significant Difficulties Encountered.** The auditor should inform those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit.

We are pleased to inform you that there were no significant difficulties encountered during the course of the audit. All records and information requested by Marcum were freely available for inspection. Management and other personnel provided full cooperation.

## ITEMS TO BE COMMUNICATED

## AUDITORS' RESPONSE

**Corrected and Uncorrected Misstatements and Financial Statement Disclosures.** The auditor is required to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and to communicate such misstatements to the appropriate level of management. The auditor should also communicate with those charged with governance corrected and uncorrected misstatements and the effect that these misstatements have on the financial statements.

During the audit, no material corrected misstatements were brought to the attention of management by us.

We proposed an adjustment that was not made by management because it was determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. (See Attachment.)

**Disagreements with Management.** The auditor should discuss with those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that, individually or in the aggregate, could be significant to the organization's financial statements or the auditors' report.

We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations.** The auditor must inform those charged with governance of the representations required from management.

We have requested certain representations from management in the management representation letter. This letter is attached.

**Management's Consultation with Other Accountants.** When the auditor is aware that management has consulted with other accountants about accounting and auditing matters, the auditor should discuss with those charged with governance his or her views about significant matters that were the subject of such consultation.

We are not aware of any consultations by management with other accountants on the application of generally accepted accounting principles.

**Significant Issues Discussed with Management prior to Our Retention.** The auditor should communicate with those charged with governance any significant issues that were discussed or were the subject of correspondence with management prior to our retention.

There were no major accounting or other issues of concern discussed with management prior to our being retained as auditor for the 2018 audit.

## ITEMS TO BE COMMUNICATED

**Independence.** GAAS requires independence for all audits. Relevant matters to consider in reaching a conclusion about independence include circumstances or relationships that create threats to auditor independence and the related safeguards that have been applied to eliminate those threats or reduce them to an acceptable level.

**Material Alternative Accounting Treatments Discussed with Management.** The auditor must inform those charged with governance of discussions with management regarding alternative accounting treatments.

**Other Significant and Relevant Issues Arising from the Audit.** The auditor must inform those charged with governance of findings or issues arising from the audit that are, in the auditors' professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.

**Internal Control Matters.** The auditor must communicate, in writing, to management and those charged with governance all significant deficiencies and material weaknesses identified during the audit.

## AUDITORS' RESPONSE

We are not aware of any circumstances or relationships that would impair our independence.

During the past year, there were no discussions with management concerning material alternative accounting treatments.

There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.

We have communicated, in writing, to management and to those charged with governance that we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Housing Assistance Council and Subsidiary  
 Waived Audit Adjustment  
 September 30, 2018

Attachment

Description of the Proposed Adjustment	Financial Statement Effect – Increase/(Decrease)						
	Assets	Liabilities	Net Assets – Beginning of Year	Net Assets – End of Year	Revenue	Expenses	Change in Net Assets
<u>Current year waived adjustment</u>							
PAJE 1 To record FY17 expenses and related revenue that were incorrectly recorded and recognized in FY18.	\$ -	\$ -	\$ (94,179)	\$ -	\$ (44,240)	\$ (138,419)	\$ 94,179
Net Audit Differences	\$ -	\$ -	\$ (94,179)	\$ -	\$ (44,240)	\$ (138,419)	\$ 94,179
Financial Statement Totals	\$ 40,532,188	\$ 9,495,410	\$ 31,008,443	\$ 31,036,778	\$ 5,694,747	\$ 5,666,412	\$ 28,335
Net Audit Differences as a Percent of the Consolidated Financial Statement Totals	0.0%	0.0%	-0.3%	0.0%	-0.8%	-2.4%	332.4%



## Housing Assistance Council

1025 Vermont Avenue, NW, Suite 606, Washington, DC 20005, Tel.: 202-842-8600, Fax: 202-347-3441, HAC@ruralhome.org

Web site: [www.ruralhome.org](http://www.ruralhome.org)

March 26, 2019

Marcum, LLP  
1899 L Street NW, Suite 850  
Washington, DC 20036

This representation letter is provided in connection with your audit of the consolidated financial statements of Housing Assistance Council (the Council) and Subsidiary, Rural Housing Services, Inc. (RHSI) (collectively referred to as HAC), which comprise the consolidated statement(s) of financial position as of September 30, 2018, for the year then ended, and the related notes to the consolidated financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 26, 2019, the following representations made to you during your audit.

### Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 28, 2018 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The consolidated financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

**Building  
Rural  
Communities**

**Southeast Office**  
600 West Peachtree St., NW  
Suite 1500  
Atlanta, GA 30308  
Tel.: 404-892-4824  
Fax: 404-892-1204  
Southeast@ruralhome.org

**Midwest Office**  
10100 N Ambassador Drive  
Suite 310  
Kansas City, MO 64153  
Tel.: 816-880-0400  
Fax: 816-880-0500  
Midwest@ruralhome.org

**Southwest Office**  
Penn-Mont Plaza  
7510 Montgomery, NE  
Suite 205  
Albuquerque, NM 87109-1500  
Tel.: 505-883-1003  
Fax: 505-883-1005  
Southwest@ruralhome.org

**Western Office**  
717 K Street  
Suite 404  
Sacramento, CA 95814  
Tel.: 916-706-1836  
Fax: 916-706-1849  
Western@ruralhome.org

- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which HAC is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) As part of your audit, you assisted with the preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 13) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 14) Provision for uncollectible receivables have been properly identified and recorded.
- 15) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- 16) In assessing the appropriateness of the going concern basis for the entity, we have taken account of all relevant information covering a period of at least 12 months from the date of approval of the financial statements.

**Information Provided**

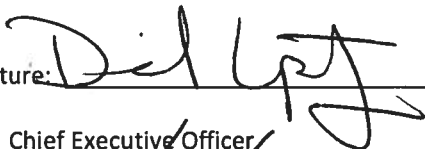
- 17) We have provided you with—
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within HAC from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 18) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 19) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 20) We have no knowledge of any fraud or suspected fraud that affects HAC and involves—
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 21) We have no knowledge of any allegations of fraud or suspected fraud affecting HAC's financial statements communicated by employees, former employees, grantors, regulators, or others. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing financial statements.
- 22) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

- 23) We have disclosed to you the identity of HAC's related parties and all the related party relationships and transactions of which we are aware.
- 24) HAC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 27) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 29) Housing Assistance Council (the Council) is an exempt organization under Section 501 (C) 3 of the Internal Revenue Code. Rural Housing Services, Inc (RHSI) is an exempt organization under Section 501 (c) (4). Any activities of which we are aware that would jeopardize the HAC's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 30) We acknowledge our responsibility for presenting the consolidating information in accordance with U.S. GAAP, and we believe the consolidating information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the consolidating have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 31) With respect to federal award programs:
  - a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
  - b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
  - c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
  - d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.



- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including, when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and [have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards OR confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards].
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, and Subpart C, Section 23, *Cost Sharing or Matching*, of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.

- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
  - s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
  - t) We have charged costs to federal awards in accordance with applicable cost principles.
  - u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
  - v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
  - w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
  - x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
  - y) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
- 32) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

Signature:  \_\_\_\_\_  
Title: Chief Executive Officer

Signature:  \_\_\_\_\_  
Title: Director of Finance & Administration