

2012 Knowledge-Based Audits™ of Housing and Urban Development Programs - Multifamily Housing: Clarified (9/25/12) for Knowledge

ProSystem fx®
Knowledge Coach
September 2012

Welcome to the Clarified version of *2012 Knowledge-Based Audits of Housing and Urban Development Programs - Multifamily Housing (9/25/12)*, the latest title available in the ProSystem fx® Knowledge Coach series! Please review this bulletin prior to installation and use. If you have any questions, call Technical Support at **1-800-PFX-9998** (1-800-

The *2012 Knowledge-Based Audits of Housing and Urban Development Programs* is designed to help the auditor efficiently and effectively perform financial statement audits of HUD entities in accordance with auditing standards generally accepted in the United States of America (GAAS), and cost certifications in accordance with attestation standards generally accepted in the United States of America, *Government Auditing Standards* (GAGAS), and the *Consolidated Audit Guide for Audits of HUD Programs* (HUD Audit Guide). The knowledge-based audit is a risk-based methodology that emphasizes using knowledge of the entity to make risk assessments in connection with a financial statement audit. This allows the auditor to more appropriately focus audit efforts on those areas in which the auditor's judgment is the most significant and poses the most risk to the financial statement audit.

HUD audits include both a financial statements audit and a compliance audit. The knowledge-based audit, including the compliance audit, is a risk-based audit methodology that emphasizes using knowledge of the entity to make the risk assessments in connection with both the financial statement and compliance audits. There are various types of audits that are required to be performed in accordance with the HUD Audit Guide. These include audits of multifamily housing programs, multifamily hospital programs, issuers of Ginnie Mae mortgage-backed securities (MBS), Title I nonsupervised lenders, and Title II nonsupervised mortgages.

GAAS, GAGAS, and HUD Audit Guide requirements have an overlapping relationship. For example, an audit conducted under GAGAS requires the auditor to follow the performance and reporting audit standards of GAAS, as well as the general standards, supplemental performance, and supplemental reporting standards of GAGAS. The HUD Audit Guide requires the auditor to comply with the requirements of GAGAS.

The tools in this edition have been developed in accordance with GAAS, as defined by *Statements on Auditing Standards*, when applicable; *Statements on Standards for Attestation Engagements*, when applicable; GAGAS, as defined by the *Government Auditing Standards – 2011 Revision*; the *Consolidated Audit Guide for Audits of HUD Programs*; and other authoritative literature.

Conducting Housing and Urban Development Program audits requires the exercise of the auditor's professional judgment and skepticism when planning and performing the audit. The forms and practice aids in the HUD KBA methodology will help the auditor to perform the procedures necessary to complete the audit.

This document is published for the purpose of communicating updates and enhancements included in the current version, to users of the toolset. This document is not, and should not be used as, an audit program to update the audit documentation of an engagement started in a previous version of this product.

The 2012 documents include Accounting Research Material links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers.

For more information on the Knowledge-Based Methodology and how it works within ProSystem fx® Knowledge Coach, refer to the [Additional Information](#) section in this bulletin.

WORKPAPER NOTES

Engagement 6.11 and Knowledge Coach 1.11 are required to use *2012 Knowledge-Based Audits of Housing and Urban Development Programs - Multifamily Housing*. For more information on Engagement 6.11 and Knowledge Coach 1.11, review the Release Notes and associated Knowledge Base article at the following link: <http://support.cch.com/updates/KnowledgeCoach/>.

You must also install the Engagement 6.11_Knowledge Coach 1.11 October Update before you download and install this Knowledge Coach title. For Knowledge Coach 1.11, this update fixes issues that occurred when copying Knowledge Coach workpapers from a binder located in one bin into a binder located in another bin. It also fixes an issue where certain binders created in an Engagement version prior to 6.8 will not retain all selected answers when updating to the new clarified title versions. Engagement 6.11_Knowledge Coach 1.11 October Update is available at : <http://support.cch.com/updates/Engagement>

The *2012 Knowledge-Based Audits of Housing and Urban Development Programs* has been updated to help auditors conduct audit engagements in accordance with the new clarified and redrafted auditing standards resulting from the ASB's Clarity Project and pending auditing standards and guidance, including the requirements of SASs 122, 123, 124, 125, and 126 (AU-C 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*), and Accounting Standards Update (ASU) 2011-12, *Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*.

The 2012 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. Also included is a financial statement disclosures checklist that provides a centralized resource of the current required and recommended GAAP disclosures and key presentation items, using the style referencing under the FASB Accounting Standards Codification™.

In addition, where applicable, the forms, practice aids, tips, and examples throughout take into account:

- Accounting Standards Update (ASU) No. 2012-02, *Intangibles – Goodwill and Other (Topic 350)*
- AICPA Statement on Quality Control Standards No. 8, *A Firm's System of Quality Control (Redrafted)*
- FASB Accounting Standards Codification as of June 30, 2012

Additional Information on Knowledge Coach and the KBA Methodology

Knowledge-Based™ Methodology allows the results of one set of procedures to become the input for the next. The key components of the KBA methodology include:

- An **Overview** that guides auditors through the methodology.
- Customizable **Audit Programs** that take auditors through related steps and procedures.
- **Practice Aids** to help auditors complete steps or processes outlined in the Knowledge-Based Audit documents and Audit Programs.
- **Auditor's Reports** that provide a variety of sample auditor's opinions on audited financial statements.
- **Correspondence** documents that provide sample letters to be used to comply with the requirements of GAAS, GAGAS, and the HUD Audit Guide and may also be used in many other common situations.
- **Knowledge-Based Audit** documents, integral to the risk assessment and overall audit processes, which contain steps and procedures required by GAAS, GAGAS, and the HUD Audit Guide.

The AICPA's Auditing Standards Board's (ASB) Risk Assessment and Clarified Standards - The practice aids and tools in the *2012 Knowledge-Based Audits of Housing and Urban Development Programs* are designed around the AICPA's risk assessment and clarified standards to assist auditors by:

- Facilitating compliance, where applicable, with GAAS, GAGAS, and the HUD Audit Guide.
- Providing a detailed discussion of how to identify and select internal controls for testing, including a comprehensive example of a process narrative, identification of controls, and selection of subset of controls for testing.
- Encouraging more effective audits through tailored audit programs and comprehensive practice aids.
- Helping auditors to focus on and respond to identified audit risks.
- Enhancing audit documentation.

ProSystem fx® Knowledge Coach

ProSystem fx® Knowledge Coach functionality allows auditors to use the Knowledge-Based Audit methodology more efficiently by eliminating the need for duplicate entry of the same information, tailoring audit documentation to each particular engagement, and documenting the link between risks identified and procedures performed. **AUD-100 Tailoring Question Workpaper** is a document in Knowledge Coach that presents engagement-level questions designed to aid in tailoring the engagement documentation to fit each client. Completing the questions helps the auditor avoid duplication and unnecessary workpapers.

Before you begin your audit, please review the guidance in **AUD-103 Overall Audit Program**. This workpaper is intended to be your road map through a Knowledge-Based Audit methodology. You should start your audit with **AUD-100 Tailoring Question Workpaper** and **AUD-103 Overall Audit Program**.

Risks can be captured via the Risk Summary task pane from any Knowledge Coach workpaper by the current editor of **KBA-502 Summary of Risk Assessments** or **KBA-5023 Summary of Risk Assessments of Noncompliance**. This allows the user to continuously assess risks during the engagement. Several workpapers prompt the consideration of the presence of risks, but the Risk Summary task pane must be used to document those risks. All documented risks flow to the Risk Summary. To ensure risks show in findings tables, make sure to check the "workpaper identified in" field of the Risk Summary task pane.

Information Flow helps cut down on the time spent duplicating information across forms. In addition, the flow of consistent information ensures that information and updates to information are not missed between workpapers. Drill-down functionality helps the user navigate quickly to the source of the information, aiding in the review of the audit file.

Diagnostics help you keep track of unresolved issues like unanswered questions, incomplete risks, program steps not linked to risks or relevant assertions, missing workpaper, and more. Diagnostics now show when a form table has not been answered (i.e. tables in **KBA-101 Overall Audit Strategy** that are added by the tailoring questions in **AUD-100 Tailoring Question Workpaper**).

Links to Accounting Research Manager (ARM) - If you subscribe to an ARM library that includes audit content, you can now link directly to source material from Resources within Knowledge Tools documents. These links have been updated to reference the accounting standards under the FASB Accounting Standards Codification™.

Interpretive Guidance is integrated into each Knowledge Coach template through the Tips view of each new task pane. Informational features include Practice Points, Examples, Optional Workpapers, and Resources to help auditors work more effectively and efficiently. We have also added the ability to navigate from Resources within a document or the tip pane directly to CCH's ARM and industry audit guides by simply clicking on the ARM reference.

Important Notes

- Make sure to save changes to workpapers before closing the workpaper or the binder to ensure data is correctly updated.
- If your current editor Knowledge Coach MS Word workpapers become read-only or crash, please do the following:
 - Keep the binder with the affected workpapers open.
 - Contact Customer Service at **1-800-PFX-9998** (1-800-739-9998), **option 4** to obtain a repair utility.
- Knowledge Coach cannot be used within the Shared File Room (SFR) feature of Engagement. However, Knowledge Coach workpapers can be shared across team members through check in, check out, workpaper assignment, synching to the central file room, and through peer-to-peer synch in the same way that other Engagement workpapers are shared.

System Requirements

- This title **MUST** be used with ProSystem fx® Engagement version 6.11 or higher. If you are upgrading from ProSystem fx® Engagement 6.0, 6.1, 6.1.2, 6.5, or 6.8, please contact Technical Support at **1-800-PFX-9998** (1-800-739-9998), **option 4** for detailed instructions.
- Additional requirements include Microsoft Office 2007, Microsoft Office 2003 Primary Interop Assemblies (PIA) and Visual Studios 2005 Tools for Office Second Edition Runtime (VSTOR).
- A minimum of 4GB of RAM is required for optimal performance when opening and navigating through ProSystem fx® Knowledge Coach documents.

Download Instructions

There are two separate content packages for this Knowledge Coach title. The two packages are listed below. All of these packages only require one license to be assigned to the user in the Admin Module. Please see the Installation Instructions section below for more information.

- 2012 Knowledge-Based HUD Multifamily Housing - Compliance (9/25/2012)
- 2012 Knowledge-Based HUD Multifamily Housing - Financial Statement (9/25/2012)

Download these titles from the ProSystem fx® Knowledge Coach Updates section of the ProSystem fx® Engagement Support Web site at the following URL: <http://support.cch.com/updates/KnowledgeCoach>. Select the **Download file** link next to the **2012 Knowledge-Based HUD Multifamily Housing - Compliance (9/25/2012)**, or **2012 Knowledge-Based HUD Multifamily Housing - Financial Statement (9/25/2012)**. On some occasions, the content package file (.KCP) has downloaded with the extension changed to .ZIP. If this occurs, please change the extension of the downloaded file to KCP using all capital letters.

The following 2012 Knowledge-Based HUD Multifamily Housing - Compliance (9/25/2012), or 2012 Knowledge-Based HUD Multifamily Housing - Financial Statement (9/25/2012).KCP download is a proprietary file that must be installed from within Engagement. Save this KCP file to a location on your local drive, extract it, and follow the Installation Instructions included in this Release Bulletin.

Installation Instructions

Once you have downloaded your Knowledge Coach title, you will need to add it to the list of titles within ProSystem fx[®] Engagement. The only additional system requirement is approximately 75MB of disk space to store your Knowledge Coach program content files. Please refer to the ProSystem fx[®] Engagement with Knowledge Coach Release Notes for any other system requirements.

After downloading the applicable HUD title, do the following:

1. Launch the ProSystem fx[®] Engagement Workpaper Management application so that the Local File Room is displayed. Select **Tools > Knowledge Coach Titles**. The Knowledge Coach Titles window will be displayed.
2. Choose **Add Title**.
3. Browse to the title package file (*.KCP) that you previously downloaded and extracted from the ProSystem fx[®] Knowledge Coach Support Web site.
4. Choose **Open**.
The system will display a progress indicator while the title package is added. You will receive a message that the title has been successfully installed once the process is complete.

Once the title is added, you must release it, so that other staff members in your firm can use it. You may also wish to “unrelease” previous versions of the title.

To unrelease a title:

1. Select a version of the KBA HUD title.
2. Choose **Unrelease Title**. The date will be removed from the *Date released* column and staff that do not have the staff group property right to insert unreleased titles will not be able to insert the unreleased title into a binder.

Note: You can determine this access in the ProSystem fx[®] Engagement Administration module by selecting a staff group and choosing **File> Properties>Content**. Then select the “Insert Knowledge Coach workpapers from unreleased titles” option.

To release a title:

1. Select one of the KBA HUD titles in the list that has been added, but is not yet released.
2. Choose **Release Title**. The current date and time will be displayed in the *Date released* column, and the status will change to “Released.”

Note: You must add and assign a Knowledge Coach module, as well as the Knowledge Tools title license, in the ProSystem fx[®] Engagement Administrator before using the workpapers.

Important: Once the *2012 Knowledge-Based Audits of Housing and Urban Development Programs - Multifamily Housing* titles have been added and released, they will be automatically deployed to other staff members when they log into the “Office” location, or when they synchronize a binder that contains Knowledge Coach workpapers from this title.

Online Permission Key

Permission key files may be downloaded from our Web site at <http://tax.cchgroup.com> or when adding or updating the new licenses within ProSystem fx[®] Engagement with Knowledge Coach version 6.11 or higher. After updating the license file in the ProSystem fx[®] Engagement Admin module, licenses need to be assigned to the staff who will use *2012 Knowledge-Based Audits of Housing and Urban Development Programs - Multifamily Housing*.

If you have not already established a Single Sign-on (SSO) account with Customer Service, we urge you to do so at this time.

Permission keys are no longer generally distributed via floppy diskette. You can choose to continue receiving the diskette by going to <http://tax.cchgroup.com/pfxsupport>, clicking the Firm Administration link, and making the appropriate selection (SSO access is required), or by contacting Customer Service at **1-800-PFX-9998** (1-800-739-9998), **option 4**.

Accounting Research Manager

CCH's Accounting Research Manager is the most comprehensive, up-to-date, and objective online database of financial reporting literature. It includes all authoritative and proposed accounting, auditing, and SEC literature, plus independent, expert-written interpretive guidance.

Our Weekly Summary email newsletter highlights the key developments of the week, giving you assurance that you have the most current information. It provides links to new FASB, AICPA, SEC, EITF, and IASB authoritative and proposal-stage literature, plus guidance from financial reporting experts.

Our team of content experts updates the system on a daily basis, so you can stay as current as possible. Additionally, our experts attend critical standard-setting meetings and summarize the results for you, which means you'll learn of newly-released literature and deliberations of current financial reporting projects as soon as they occur! Plus, you'll benefit from their easy-to-understand technical translations. Our expert's interpretations clearly lay out what the rules mean from your perspective.

With Accounting Research Manager, you maximize the efficiency of your research time, while enhancing your results. Learn more about our content, our experts, and how you can request your free trial by visiting <http://www.accountingresearchmanager.com>. You can also access the Accounting Research Manager Web site by selecting the icon in ProSystem fx® Engagement from the Guidance tab on the Shortcuts bar in the Binder window.

Links to Accounting Research Manager (ARM)

As indicated above, subscribers to an Accounting Research Manager library that includes source content can link directly to source material from references within Knowledge Coach workpapers. These links have been updated to reference the new Codification released by the FASB and available on ARM. The Codification on ARM is fully integrated with U.S. and international accounting standards, other non-authoritative materials, and industry-leading interpretive guidance.

Using Your Knowledge Coach Content

To use your Knowledge Coach Workpaper templates, open a binder in ProSystem fx® Engagement, select the workpaper tab where you would like to insert the workpaper, and select **New Knowledge Coach Workpaper** from the toolbar or File menu. The New Knowledge Coach Workpaper dialog displays (*Figure 1*).

Select the new Knowledge Coach title with the content you would like to use. You can only select titles you have installed. The information displayed changes to reflect the workpaper organization available for the selected title. Select the Knowledge Coach Workpaper templates to insert into your binder and click **OK**. The **Selected Workpaper Properties** dialog displays. Each workpaper name is automatically loaded into the Name field. Add a workpaper index in the Index field and make any Name modifications you desire. You can also modify the tab location or the roll forward settings for each workpaper. Then click **OK**. The integrated Knowledge Coach workpaper is now inserted into your engagement binder. For more information on how to use Knowledge Coach workpapers in your binder, see the Knowledge Coach User Guide.

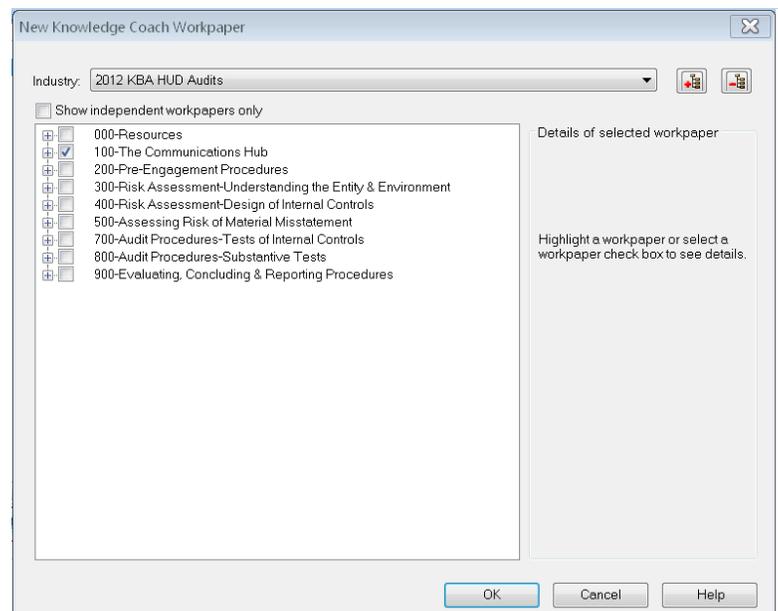


Figure 1 – New Knowledge Coach Workpaper

Download Information

Download Description:	2012 Knowledge-Based HUD Multifamily Housing - Compliance (9/25/2012) 2012 Knowledge-Based HUD Multifamily Housing - Financial Statement (9/25/2012)
Version:	Engagement v. 6.11 with Knowledge Coach or higher
Release Date:	September 2012
File size:	12.7 MB
Approx. Download Time:	40 minutes at 56.6 kbps
License:	Full Version
Platforms:	Windows XP/Vista
Office:	Microsoft Office 2007 required

Contact Information

For a demo or to purchase additional titles as they become available, please contact Technical Support: **1-800-PFX-9998** (1-800-739-9998), **option 1**
1-800-PFX-9998 (1-800-739-9998), **option 4**, then **option 1**

The ProSystem *fx*[®] Engagement version of the Knowledge Coach Integrated Knowledge-Based Guides is sold and supported by CCH, a Wolters Kluwer business. The contact information above can be used for customer service and support issues for this product. For information about other CCH products, please call 1-800-248-3248 or visit the online Store at <http://tax.cchgroup.com>.