

# 2011 Knowledge-Based Audits™ of Employee Benefit Plans (4/1/11) for Knowledge Coach

Welcome to the *2011 Knowledge-Based Audits of Employee Benefit Plans (4/1/11)*, 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, option 4.

*Knowledge-Based Audits of Employee Benefit Plans* is designed to help the auditor efficiently and effectively perform financial statement audits of employee benefit plans in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 of an employee benefit plan. This allows the auditor to more appropriately focus audit efforts on those areas which in the auditor's judgment are the most significant and pose the most risk to the financial statement audit. The operations of employee benefit plans are often unique and complex and require specialized accounting and auditing knowledge. The module includes guidance for audits of all types of plans, including defined benefit, defined contribution, and health and welfare plans.

The 2011 edition of *Knowledge-Based Audits of Employee Benefit Plans* includes the very latest information and has been updated to take into account new or pending auditing standards and guidance. References to FASB pre-Codification literature have been removed throughout the forms and practice aids; they are retained in the financial statement disclosures checklist. Many new tips and examples have been incorporated. The 2011 documents now 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. Also included is a revised 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™. This is the first update to this Knowledge Coach title. If you are updating from the previous version of this title refer to the Knowledge Coach User Guide Chapter 12. The guide is found on the Engagement File Room Help menu.

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

## WORKPAPER UPDATES AND ROLL FORWARD NOTES

**Important Note for Customers updating binders from 2010 Knowledge Based Audits of Employee Benefit Plans:** You **must** download and install [Knowledge Coach 1.6 Update](#) before updating to the 2011 Employee Benefits Plan content. The Knowledge Coach 1.6 Update will ensure that all the 2011 content is updated correctly. In addition, if you plan to update your content through the Update to Latest Knowledge Coach Content menu item, ensure that you update both related and independent workpapers simultaneously.

For more information on the Knowledge Coach 1.6 Update and the steps to update your content using the Update to Latest Knowledge Coach Content menu item, review the Release Notes and associated Knowledge Base article at the following link:

<http://support.cch.com/answerdoc.aspx?id=sw32648>

**General Roll Forward Note:** You must be the current editor of all Knowledge Coach workpapers to update to the latest content during roll forward, and you must be the current editor upon opening the updated workpaper for the first time to ensure you see the updated workpaper.

## Audit Programs (AUDs)

- **AUD-101 Overall Audit Program** has been updated and now also includes steps for documenting compliance with firm quality control requirements and independence considerations related to nonattest work; the sections on completion, reporting, and finalization procedures have been enhanced and reorganized to better reflect a more typical work flow.
- **AUD-201 Audit Program: Additional Audit Procedures for an Initial Audit Engagement** now provides additional instructions and guidance regarding audit procedures for an initial audit engagement.
- Former **AUD-701 Planning the Employee Benefit Plan Audit** has been moved into the 200s (pre-engagement) series as **AUD-202 Planning the Employee Benefit Plan Audit** for improved organization.
- **AUD-603 Audit Program: Using the Work of a Specialist** now provides additional guidance regarding procedures to test the data provided by the client to the specialist and to document the auditor's evaluation of and conclusions on the specialist's findings.
  - **Roll Forward Note:** If you are updating from the 2010 Knowledge-Based Audits of Employee Benefit Plans, note that the Information About the Specialist table (table 1) has been modified so that multiple specialists can now be added for the same Specialist Firm or Employer, and each "Specialist's Name" added will flow into the Evaluating the Specialist's Qualifications table.
  - The "Firm/Employer" and "Area of Expertise" will flow into the first row of the Information About the Specialist table from KBA-101 Overall Audit Strategy. Once you enter the "Specialist's Name" in this table, that information will flow into the Evaluating the Specialist's Qualifications table directly below (table 2).
- **AUD-801 Audit Program: Cash through AUD-814 Audit Program: Journal Entries and Financial Statement Review**, have been updated to include control testing steps and to better document the linkage between risks identified and procedures performed.
- **AUD-802 Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities** has been updated to reflect the most recent ASC 820 (FAS-157) guidance on *Fair Value Measurements and Disclosures* and to clarify program steps relating to whether investments are properly classified and valued. Also, new tailoring questions have been added to provide guidance as to when a DOL Limited-Scope audit is permitted and will mark the unnecessary program steps in the program step library as not applicable. These tailoring questions will also hide other tailoring questions that are not applicable to a DOL Limited-Scope audit.
- **AUD-803 Audit Program: Employer and Employee Contributions Receivable and Employer and Employee Contributions** has been updated to add discussion of subsequent receipt of contributions receivable.
- Former **AUD-806 Audit Program: Property and Equipment, and Depreciation** and **AUD-808 Audit Program: Payrolls and Other Liabilities** (on testing relevant assertions relating to PP&E, depreciation, and payroll) have been deleted and the other audit programs have been renumbered accordingly.
  - **Roll Forward Note:** Since these audit programs are no longer relevant, they will not be functioning workpapers in your rolled forward binder. If there are custom program steps in these audit programs that you want to retain, you may want to recreate them in a custom audit program before updating your content.
- **AUD-811 Audit Program: Related-Party and Party-in-Interest Transactions, Commitments and Contingencies, Estimates, and Concentrations** has been updated to add party-in-interest language and delete items that are not applicable to employee benefit plan audits.
- **AUD-902 Audit Program: Going Concern** has been updated with additional examples addressing employee benefit plan concerns.

## Practice Aids (AIDs)

- **NEW AID-201 Nonaudit Services Independence Checklist** is designed to help the auditor document considerations of auditor independence regarding the provision of nonattest services and independence considerations related to issues such as client relationships.

- **AID-301 Understanding the Plan’s Revenue Streams and Revenue Recognition Policies** has been updated and tailored to employee benefit plan audits.
  - **AID-701 Audit Sampling Worksheet for Tests of Controls** has been revised to more clearly associate the sampling documentation with the related audit area and relevant assertion addressed by the control being tested.
  - **AID-801 Audit Sampling Worksheet for Substantive Tests of Details** has been converted to an Excel worksheet to better accommodate the formulas contained in the practice aid.
  - Former **AID-813 Property, Plant, and Equipment: Summary Analysis** through **AID-816 Property Deletions** (covering property and equipment issues) have been deleted.
- **IMPORTANT NOTE:** To ensure data updates correctly, insert the 2010 version of KBA-201 *Engagement Acceptance Form* is in your 2010 binder **BEFORE** you update to 2011 *Knowledge-Based Audits™ of Employee Benefit Plans*.

#### Knowledge-Based Audit Documents (KBAs)

- **KBA-104 Evaluating and Communicating Internal Control Deficiencies** has been updated and includes new examples and practice points.
  - **Roll Forward Note:** If you are updating from the 2010 Knowledge-Based Audits™ of Employee Benefit Plans, note that there is not a separate table for “other matters” in KBA-104 *Evaluation and Communication of Internal Control Deficiencies*. Content in the description column of the other matters table from previous versions will be moved to the Significant Matters table in KBA-103 on update. Other answers from the 2010 Other Matters table will not be included on update.
- **KBA-202 Engagement Continuance Form/KBA-201 Engagement Acceptance and Continuance Form:**
  - **Roll Forward Note:** If you are updating from the 2010 *Knowledge-Based Audits™ of Employee Benefit Plans*, note that KBA-202 *Engagement Continuance Form* was replaced by KBA-201 *Engagement Acceptance and Continuance Form* in the 2011 version. Any risks and findings added to the KBA-202 *Engagement Continuance Form* of the 2010 Knowledge-Based Audits of Employee Benefit Plans title will be included in the findings table of the KBA-201 *Engagement Acceptance and Continuance Form of 2011 Knowledge-Based Audits of Employee Benefit Plans*. Other added data will no longer be available.
- **KBA-400 Understanding Internal Controls: Scoping and Mapping** has been revised to enable clearer documentation of the procedures performed to gain an understanding of controls related to assertion-level risks, significant risks, fraud risks, and risks for which substantive testing alone is not sufficient and a new control test column has been added.
- **KBA-403 Understanding Activity-Level Controls: Revenue, Accounts Receivable, and Cash Receipts** through **KBA-409 Understanding Activity-Level Controls: Financial Reporting and Closing Process** have been revised to include a new column testing the operating effectiveness of controls and new practice points.
  - **Roll Forward Note:** Since no data will be kept in Excel workpapers when replaced with latest content, you may want to set the roll forward properties to “Include in roll forward” for this workpaper and manually add the new column so that your previous work is kept on roll forward.
- **KBA-901 Financial Statement Disclosure Checklist** is current through September 30, 2010, and includes the relevant citation from the Codification as of September 30, 2010, using the FASB classification system. References to the FASB pre-Codification literature are included throughout the checklist to assist users who might be interested in determining where the relevant requirements were previously addressed. Industry-specific guidance related to employee benefit plans is included in the following Topics: 960, Plan Accounting—Defined Benefit Pension Plans; 962, Plan Accounting—Defined Contribution Pension Plans; and 965, Plan Accounting—Health and Welfare Benefit Plans.

## Correspondence Documents (CORs)

- **COR-204 Audit Engagement Letter** has been updated to incorporate the language previously contained in **COR-209 Communication to Client When the Auditor May Be Required by Law, Regulation, or Audit Contract to Provide Access to the Audit Documentation** covering situations when access to audit documentation is required by law, regulation, or firm peer reviews, and to document the auditor's understanding with the client regarding nonattest services to be performed.
- **COR-814 Related-Party and Party-in-Interest Confirmation Letter** has been updated to include party-in-interest definitions.
- **COR-209 Communication to Client When the Auditor May Be Required by Law, Regulation, or Audit Contract to Provide Access to the Audit Documentation** has been eliminated; the remaining correspondence documents have been renumbered accordingly.
- **COR-905 Communication to Client with No Material Weaknesses** has been updated in line with SAS-115 guidance regarding communication of significant deficiencies and material weaknesses in internal control noted in the audit.

## Auditor's Reports (RPTs)

- **NEW RPT-951 Disclaimer of Opinion—403(b) Plan: Inability to Obtain Sufficient Audit Evidence because of a Scope Limitation, RPT-952 Disclaimer of Opinion—403(b) Plan: Limited Scope Audit, and RPT-953 Adverse Opinion on 403(b) Plan Financial Statements Due to Excluded Investments** have been added to address 403(b) issues.

## Resource Documents (RESS)

- **RES-001 KBA Methodology Overview** has been updated to provide information regarding the Auditing Standards Board's Clarity Project and, where applicable, to reflect the organizational and instructional changes noted above.
- **NEW RES-010 2011 Employee Benefit Plans Title Overview for Knowledge Coach Users** has been added as a reference document for the workpaper update information, along with list of related workpapers for the title.

In addition, forms and practice aids throughout have been updated to include new examples and tips and, where applicable, to take into account:

New literature, standards, and developments, reflected in the following current audit and accounting guidance:

- Statements on Auditing Standards (SASs):
  - SAS-115 *Communicating Internal Control Related Matters Identified in an Audit*
  - SAS-118 *Other Information in Documents Containing Audited Financial Statements*
  - SAS-119 *Supplementary Information in Relation to the Financial Statements as a Whole*
  - SAS-120 *Required Supplementary Information*
- AICPA Statement on Quality Control Standards No. 7, *A Firm's System of Quality Control*
- FASB Accounting Standards Codification as of September 30, 2010

## Additional Information on Knowledge Coach and the KBA Methodology

### KBA Methodology

The **Knowledge-Based Audit (KBA) 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 new 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 GAAS requirements and 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.

**Risk Assessment Standards**—The practice aids and tools in the *2011 Edition of Knowledge-Based Audits of Employee Benefit Plans* support the AICPA's Auditing Standard Board's Risk Assessment Standards by providing guidance to help address audit requirements.

The Knowledge-Based-Audit (KBA) methodology will assist auditors of employee benefit plans by:

- Facilitating compliance with GAAS.
- Encouraging more effective audits through customized 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.

**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*. 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 pane.

## Important Notes

- If you are updating from the Knowledge Based Employee Benefits Plan 2010, you must install Knowledge Coach 1.6 Update to ensure that your content updates correctly.
- Risks cannot be entered directly into findings tables found at the bottom of several workpapers. Those tables can still be used to capture significant matters that are not risks and control deficiencies, but risks must be entered using the Risk Summary task pane.
- 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 crashes, please do the following
  - Keep the binder with the affected workpapers open.
  - Contact Customer Service at 1-800-PFX-9998, option 4 to obtain a repair utility.
- Knowledge Coach cannot be used within the Shared File Room 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.

**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 Overall Tailoring Questions*).

**Links to Accounting Research Manager (ARM)**-If you subscribe to an ARM library that includes audit content, you can link directly to source material from Resources within Knowledge Coach documents. These links have been updated to reference to the standards under the FASB Accounting Standards Codification TM. Also, if you subscribe to the *Knowledge-Based Employee Benefit Plans Guide* on ARM, you can take advantage of brand new links to the audit guide material from within the Knowledge Coach documents.

**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 Accounting Research Manager and industry audit guides by simply clicking on the Reference.

## System Requirements

- This title **MUST** be used with ProSystem *fx* Engagement version 6.5 and Knowledge Coach version 1.5 or higher. If you are upgrading from ProSystem *fx* Engagement 6.0, 6.1 or 6.1.2, please contact Technical Support at 1-800-PFX-9998, option 4 for detailed instructions.
- A minimum of 1GB of RAM is highly recommended for optimal performance when opening and navigating through ProSystem *fx* Knowledge Coach documents.

## Download Instructions

Download the *2011 Knowledge-Based Audits™ of Employee Benefit Plans* title 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>**, then select the **Knowledge Coach Series** and **Download file** link next to the **2011 Knowledge-Based Audits of Employee Benefit Plans**. 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.

**Important:** ProSystem *fx* Engagement version 6.5 or higher must be installed on the computer in order to install this Knowledge Coach title. Additional requirements include Microsoft Office 2007, Microsoft Office 2003 Primary Interop Assemblies (PIA) and Visual Studios 2005 Tools for Office Second Edition Runtime (VSTOR).

## 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 *2011 Knowledge-Based Audits of Employee Benefit Plans*, 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 previous version of the KBA Employee Benefit Plans 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 titles into a binder.

**Note:** You can determine this access in the **ProSystem *fx* Engagement Admin** module by selecting a staff group and choosing **File > Properties > Content** *Insert Knowledge Coach workpapers from unreleased titles* option.

To release a title:

1. Select one of the Knowledge Coach 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 *2011 Knowledge-Based Audits of Employee Benefit Plans* title has been added and released, it will be automatically deployed to other staff members when they login to the “Office” location, or when they synchronize a binder that contains Knowledge Coach workpapers from this title. There is no need for each user to run the *Knowledge Coach Title Update*, as the necessary files will be deployed with the content for the newly released 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 6.5 and higher. After updating the license file in the ProSystem fx Engagement Admin module, licenses need to be assigned to the staff who will use 2011 *Knowledge-Based Audits<sup>SM</sup> of Employee Benefit Plans*.

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, 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. What's more, 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.

Newly available is the Knowledge-Based Employee Benefit Plans, an audit guide that helps you comply with the AICPA's risk assessment standards and has incorporated the Knowledge-Based Audit methodology. The primary objective of the guide is to provide practitioners with an effective approach for conducting audits of employee benefit plans. This publication supplements and complements the KBA documents that are available in Knowledge Coach.

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 item 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 into which 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 appears (*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 appears. 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.

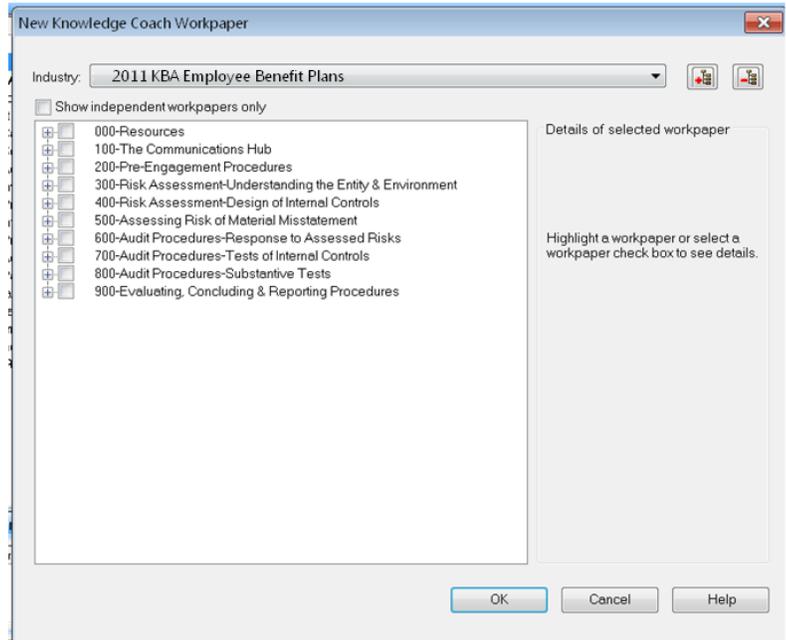


Figure 1 – New Knowledge Coach Workpaper

Download Description:	2011 Knowledge-Based Audits of Employee Benefit Plans(3/29/11)
Version:	Engagement v. 6.5 with Knowledge Coach 1.6 or higher
Release Date:	April 2011
File size:	14MB
Approx. Download Time:	45 minutes at 56 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  
 Technical Support

1-800-PFX-9998, option 1  
 1-800-PFX-9998, option 4

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>.