

2011 Knowledge-Based Single Audits™ (5/25/11) for Knowledge Coach

ProSystem fx
Knowledge Coach
May 2011



Welcome to the *2011 Knowledge-Based Single Audits (5/25/11)*, 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.

Release Bulletin

Knowledge-Based Single Audits is a supplement to the financial statement audit methodologies provided in *Knowledge-Based Audits of Governmental Entities* and *Knowledge-Based Audits of Not-for-Profit Entities* but the title can be used with any Knowledge Based Audit title for Knowledge Coach. This single audit supplement is designed to provide the auditor with the necessary guidance and tools in the conduct of the compliance audit portion of the single audit.

The 2011 edition of *Knowledge-Based Single Audits* includes the very latest information and has been updated where applicable to take into account new or pending compliance auditing standards and guidance, including the requirements of SAS-118, 119, 120, and 121 and their applicability to single audits. References to FASB pre-Codification literature have been removed throughout the forms and practice aids. 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. Many new tips and examples have been incorporated. The 2011 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. 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 Single Audits

You **must** download and install Knowledge Coach 1.6 Update before updating to the 2011 Single Audit content. The Knowledge coach 1.6 Update will ensure that all the 2011 content is updated correctly. For more information on the Knowledge Coach 1.6 Update, review the Release Notes and associated Knowledge Base article at the following link: <http://support.cch.com/updates/KnowledgeCoach/>.

Also, make sure to update all related and independent workpapers at once until you have installed the upcoming Knowledge Coach 1.7 update. More information on Knowledge Coach 1.7 will be available at the same site shortly.

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-101S Overall Audit Program: Circular A-133 Compliance Audit** has been updated to reflect the 2010 *Compliance Supplement*, including new requirements related to American Recovery and Reinvestment Act of 2009 (ARRA) expenditures and the *Government Auditing Standards and Circular A-133 Audits, with Conforming Changes as of May 1, 2010* (AG).
- **AUD-701S Audit Program: Designing Tests of Controls over Compliance** has been updated to reflect changes in guidance related to controls at a service organization and service auditor's reports (formerly SAS-70).
- **AUD-801S Audit Program: Activities Allowed or Unallowed** through **AUD-817S Audit Program: Schedule of Expenditures of Federal Awards** have been updated for guidance in the 2010 *Compliance Supplement*, including new requirements related to ARRA expenditures, and to provide improved linking of risks identified to procedures performed and new guidance related to early communication of significant deficiencies and material weaknesses.

Practice Aids (AIDs)

- **NEW AID-201 Nonaudit Services Independence Checklist** is designed to help the auditor document considerations of auditor independence in accordance with AICPA Ethics Interpretation 101-3 (ET 101-3), *Performance of Nonattest Services*, and paragraphs 3.25 through 3.30 of *Government Auditing Standards—July 2007 Revision* (the Yellow Book), and the new independence requirement in the 2010 *Compliance Supplement*.
- **AID-302S Program Risk Matrix Summary** and **AID-303S Determining Major Programs** have been updated to reflect the new "Low Risk Audit" requirements and new risk assessment requirements for programs containing ARRA expenditures.
- **AID-701S Audit Sampling Worksheet for Tests of Controls over Compliance** has been updated for new A-133 sampling guidance contained in the AG.
- **AID-802S Determining Compliance Audit Materiality** has been updated for new A-133 guidance contained in the AG, including consideration of individually important items.

Knowledge-Based Audit Documents (KBAs)

- **KBA-101S Overall Circular A-133 Compliance Audit Strategy** has been updated in accordance with the provisions of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits, with Conforming Changes as of May 1, 2010* (AG).
- **KBA-103S Summary and Evaluation of Noncompliance** has been updated for new guidance in the AG.
- **KBA-301S Determination of Materiality at the Major Program and Compliance Requirement Levels** has been updated to reflect new guidance in the AG.
- **KBA-302S Understanding the Entity and Its Program Environment** has been updated to reflect user change suggestions and document significant changes from the prior year.
- **KBA-303S Inquiries of Management and Others within the Entity about the Risks of Fraud in a Circular A-133 Compliance Audit** has been updated to reflect new guidance in the AG; new inquiries related to entity risk management have been added.
- **KBA-401S Understanding Entity-Level Controls over Compliance** has been updated to document the effective design of internal controls and whether they have been selected for operating effectiveness testing. New objectives and examples have been added.
- **KBA-402S Understanding Compliance Requirement-Level Controls: Activities Allowed and Unallowed and Allowable Costs/Cost Principles** through **KBA-414S Understanding Compliance Requirement-Level Controls: Special Tests and Provisions** have been updated to reflect new guidance in the AG; a new column has been added for documenting whether a control was selected to be tested for operating effectiveness.

Roll Forward Note: Since no data will be kept in Excel workpapers when replaced with the latest content, you may want to set the roll forward properties to "Include in roll forward" for these Excel workpapers and manually add the new column so that your previous work is kept on roll forward.

- **KBA-901S Schedule of Expenditures of Federal Awards Presentation and Disclosure Checklist** includes a new disclosure.
- **KBA-903S Circular A-133 Compliance Audit Documentation Checklist** has been updated to include new guidance in the AG.

Correspondence Documents (CORs)

- **COR-201S Single Audit Engagement Letter** has been updated to incorporate SAS-119 language.
- **NEW COR-202S Communication with Predecessor Auditor Prior to Client/Engagement Acceptance** and **COR-203S Request from Client to Predecessor Auditor to Release Information to Successor Auditor** provide sample correspondence with predecessor auditors.
- **COR-901S Single Audit Management Representation Letter** has been updated to address the guidance in the AG.
- **CORs 902S, 903S, 904S, 905S, 906S, and 907S** verbiage have been deleted based on SAS-112.

Auditor's Reports (RPTs)

- **NEW RPT-911S Unqualified Opinion on the Financial Statement of a Federal Program in Accordance with the Program-Specific Audit Option under OMB Circular A-133 (Program-Specific Audit)** and **RPT-912S Combined Report on Compliance with Requirements Applicable to the Federal Program and on Internal Control over Compliance in Accordance with the Program-Specific Audit Option under OMB Circular A-133 (Program-Specific Audit) (Unqualified Opinion on Compliance, with No Reportable Audit Findings of Noncompliance, and No Significant Deficiencies or Material Weaknesses in Internal Control over Compliance Identified)** provide sample reports on the program-specific audit option under OMB Circular A-133.

Resource Documents (RESs)

- **RES-001S Knowledge-Based Audit Methodology Overview for Single Audits** has been updated to include guidance from the 2010 *Compliance Supplement* (including new ARRA requirements), and the 2010 AG (including sampling).
- **NEW RES-010 2011 Single Audit 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 applicable to compliance audits including the following current audit and accounting guidance:

- FASB Accounting Standards Codification (as of December 31, 2011).
- AICPA Statement on Quality Control Standards No. 7, *A Firm's System of Quality Control*.
- Statements on Auditing Standards (SASs):
 - SAS-118 (AU 550), *Other Information in Documents Containing Audited Financial Statements*.
 - SAS-119 (AU 551), *Supplementary Information in Relation to the Financial Statements as a Whole*.
 - SAS-120 (AU 558), *Required Supplementary Information*.
 - SAS-121 *Revised Applicability of Statement on Auditing Standards No. 100, "Interim Financial Information"*.

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 (for single audits, auditors can refer to the applicable Overview in *Knowledge-Based Audits of Governmental Entities* or *Knowledge-Based Audits of Not-for-Profit Entities*).
- Customizable **Audit Programs** that take auditors through related steps and procedures of the compliance audit.
- **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 and the accompanying internal control and compliance reports required by GAGAS and OMB Circular A-133.
- **Correspondence** documents that provide sample letters to be used in many other common situations.
- **Knowledge-Based Audit** documents, integral to the overall compliance audit process, that contain steps and procedures required by GAAS, GAGAS, and OMB Circular A-133.

The **AICPA's Auditing Standards Board's Risk Assessment Standards**, and Statement on Auditing Standards No. 117, *Compliance Audits* (SAS-117), as applied to the conduct of a single audit pursuant to the requirements of OMB Circular A-133, are supported with practice aids and tools to make the most of the latest technology to address audit requirements and the processes auditors will need to implement in auditing compliance over federal awards pursuant to OMB Circular A-133. The knowledge-based audit (KBA) methodology will assist auditors of single audits by:

- Facilitating compliance with GAAS, GAGAS, and OMB Circular A-133.
- Encouraging more effective compliance audits through customized programs and comprehensive practice aids.
- Helping auditors focus on and respond to identified risks of noncompliance.
- 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-100S 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-502S Summary of Assessments of Risks of Noncompliance**. This allows the user to continuously assess risks during the engagement.

Important Notes

- **Note:** If you are updating from the *2010 Knowledge-Based Single Audits*™ title, you must install Knowledge Coach 1.6 Update to ensure that your content updates correctly. Also, make sure to update all related and independent workpapers at once until you have installed the upcoming Knowledge Coach 1.7 update. More information on Knowledge Coach 1.7 will be available on the same site shortly.
- 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 (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.

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.

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-101S Overall Circular A-133 Compliance Audit Strategy** that are added by the tailoring questions in **AUD-100S Tailoring Question Workpaper**).

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 accounting standards under the FASB and GASB Accounting Standards Codifications and the auditing standards issued by the AICPA and the U. S. Government Accountability Office (GAO). Also, if you subscribe to the *Knowledge-Based Single Audits 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 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 2GB of RAM is needed and 4 GB is recommended for optimal performance when opening and navigating through ProSystem *fx* Knowledge Coach documents.

Download Instructions

Download the *2011 Knowledge-Based Single Audits™ 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 Single Audits**. 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).

The following 2011 Knowledge-Based Single Audits (5/25/11) .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 the 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 *2011 Knowledge-Based Single Audits*, 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 “unreleased” previous versions of the title.

To unrelease a title:

1. Select a previous version of the Knowledge-Based Single Audits 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 *f*x Engagement Administrator before using the workpapers.

Important: Once the *2011 Knowledge-Based Single Audits* 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 *f*x Engagement with Knowledge Coach version 6.5 and higher. After updating the license file in the ProSystem *f*x Engagement Admin module, licenses need to be assigned to the staff who will use 2011 *Knowledge-Based Single Audits*™.

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 Single Audits Guide*, 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 single audits. 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 *f*x 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.

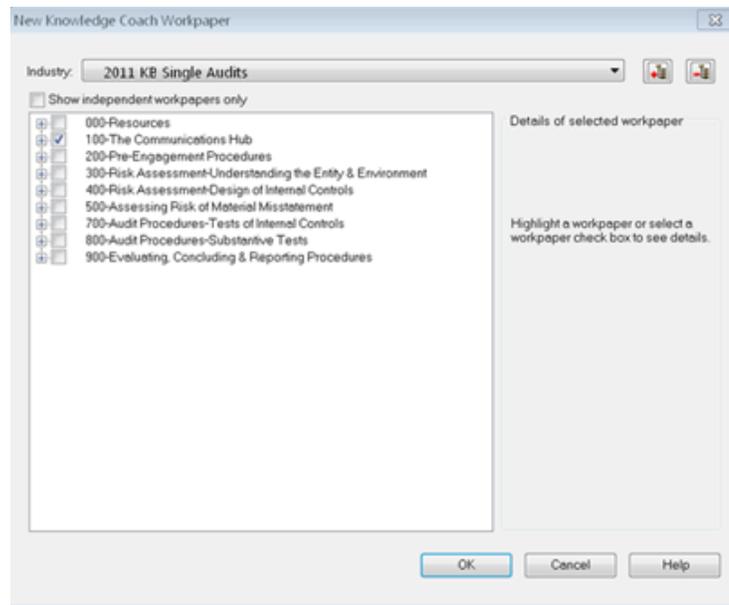


Figure 1 – New Knowledge Coach Workpaper

Download Description:	2011 Knowledge-Based Single Audits (5/25/11)
Version:	Engagement v. 6.5 with Knowledge Coach or higher
Release Date:	May 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>.