

2014 Knowledge-Based Audits™ of HUD Multifamily Housing Programs (1/19/2015) for Knowledge Coach

ProSystem fx
Knowledge Coach
January 2015

Welcome to the latest version of *2014 Knowledge-Based Audits of HUD Multifamily Housing Programs (1/19/2015)*, 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 HUD Multifamily Housing Programs is designed to help the auditor efficiently and effectively perform audits of Housing and Urban Development (“HUD”) multifamily housing programs in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), Government Auditing Standards (GAGAS), and the Consolidated Audit Guide to Audits of HUD Programs, published by the U.S. Department of Housing and Urban Development (HUD Audit Guide). The Knowledge-Based Audit methodology is also designed to help the auditor efficiently and effectively perform cost certifications in accordance with attestation standards generally accepted in the United States of America, GAGAS, and the HUD Audit Guide. The knowledge-based audit is a risk-based methodology that emphasizes using knowledge of the plan to make risk assessments in connection with the financial statement and compliance audit of a HUD program. 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 audit. The administration of HUD programs includes both financial statement and compliance considerations, and requires specialized accounting and auditing knowledge. This module includes up-to-date guidance for audits of programs identified under Chapter 3, HUD Multifamily Housing Programs. Conducting audits of HUD programs requires the exercise of the auditor’s professional judgment and a knowledge of the requirements of the HUD Audit Guide.

Conducting audits of HUD multifamily housing programs requires the exercise of the auditor’s professional judgment. Additionally, the operations of HUD multifamily housing programs are often unique and complex and may require specialized accounting and auditing knowledge. This edition includes specific up-to-date guidance for auditing HUD multifamily housing programs.

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.

This is the second update to this Knowledge Coach title. If you are updating from a 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.

The 2014 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

Important Note for Customers updating binders from 2013 Knowledge Based Audits of HUD Multifamily Housing Programs

You must install Engagement 7.1 and Knowledge Coach 2.1, the 2014 Financial Statement Base and the 2014 Compliance Base before updating to the 2014 Knowledge Based Audits of HUD Multifamily Housing Programs. For more information on Engagement 7.1 and Knowledge Coach 2.1 or the 2014 Financial Statement Base Title, review the Release Notes and associated Knowledge Base article at the following link: <http://support.cch.com/answerdoc.aspx?id=sw43269>

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.

The **2014 Knowledge-Based Audits of HUD Multifamily Housing Programs** has been updated to incorporate the 2013 Internal Control-Integrated Framework established by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO Framework”); AICPA Statement on Auditing Standards No. 128, Using the Work of Internal Auditors; AICPA Statement on Quality Control Standards (SQCSs) No. 8, A Firm’s System of Quality Control (Redrafted); and is current through Accounting Standards Update (ASU) No. 2014-12. Our authors are always looking to improve the flow of the audit engagement through the addition of new tailoring questions, new tips, and new examples. The 2014 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 are revised financial statement disclosures checklists that provide a centralized resource of the required and recommended U. S. GAAP disclosures and key presentation items currently in effect, using the style referencing under the FASB Accounting Standards Codification™ as of December 31, 2014.

Specific Program Enhancements

The 2014 Knowledge-Based Audits of HUD Multifamily Housing Programs features numerous enhancements, including:

- Copies of KBA-1033 Evaluation and Communicating Instances of Noncompliance or KBA-5023 Summary of Risk Assessments of Noncompliance will no longer be created for Nonmajor programs, as identified in KBA-304 Determining Major Housing and Urban Development Programs.
- Additional tailoring to help distinguish more complex and less complex engagements.
- Materiality flow to audit programs and activity-level control workpapers
- Findings are accumulated in the Internal Control Documents, including KBA-401 through KBA-412, to better facilitate flow to KBA-103.
- Revised rule-of-thumb percentages in KBA-301. The benchmarks and related percentages are based on the judgment of our expert authors. Our expert authors base them on issues encountered in practice, research studies, AICPA audit risk and sampling guides, AICPA interpretive guidance (including AICPA CPE courses), and Big Firm practices and policies. Based on this information, with regard to this toolset, the commonly used rule of thumb amounts were revised to 1/2-2% for total assets and 1/2-2% for total revenues earned.
- Reporting tool to assist the auditor in selecting the correct report
- Formulas added to AIDs where applicable
- The audit area for related parties, commitments and contingencies, estimates, and concentrations has now been separated into four audit areas
- Updates to the KBA-400 series workpapers to facilitate the changes to the 2013 COSO framework
- Removed flow of Nonmajor programs from KBA-304 to KBA-1033 and KBA-5023 in the Compliance package and added note above table in KBA-304 for further instructions. If a program was non-major in the prior period but is considered a major program in the current period KBA-1033 and KBA-5023 will need to be deleted and re-inserted for that program.
- Several new forms and audit areas are available in this title including:
 - KBA-200 Plan Information and Background
 - KBA-201N Client/Engagement Acceptance and Continuance Form: Noncomplex Entities
 - AID-602 Understanding and Preliminary Assessment of the Entity’s Internal Audit Function
 - AID-603 Component Identification and Analysis
 - AID-842 Board Minutes Review Checklist

- COR-810 Standard Confirmation Inquiry for Life Insurance Policies
- COR-906 Communication to Board of Directors of Material Weaknesses: Ineffective Oversight by Those Charge With Governance
- RES-020 Example of Conditions or Events That May Be Indicative of Risks of Material Misstatement of the Group Financial Statements
- RES-021 Factors to be Considered when Documenting Client/Engagement Acceptance and Continuance

For more information on specific program enhancements, review the 2014 HUD Multifamily Housing Programs Overview for Knowledge Coach Users available at the following link or in the binder through the KCO-001 workpaper.

https://support.cch.com/updates/KnowledgeCoach/pdf/guides_tab/2014%20HUD%20Title%20Overview%20for%20Knowledge%20Coach%20Users.pdf

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-128, *Using the Work of Internal Auditors*

AICPA Statement on Quality Control Standards (SQCSs) No. 8, *A Firm's System of Quality Control (Redrafted)*

FASB Accounting Standards Codification as of December 31, 2014, and through Accounting Standards Update No. 2014-18, including ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity; ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606); ASU No. 2014-10, Development Stage Entities (Topic 915) — Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation; ASU No. 2014-11, Transfers and Servicing (Topic 860) — Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures; and ASU No. 2014-12, Compensation — Stock Compensation (Topic 718) — Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period; ASU No. 2014-16, Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or Equity; ASU No. 2014-17, Business Combinations (Topic 805): Pushdown Accounting; and ASU No. 2014-18, Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination.

Users of this content should consider guidance issued subsequent to these items to determine their effect on engagements conducted using this product.

Additional Information on Knowledge Coach and the KBA Methodology

Knowledge-Based Audit (KBA) Methodology - The KBA Methodology facilitates the incorporation of 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;
- **Knowledge-Based Audit** documents, integral to the risk assessment and overall audit processes, which contain steps and procedures required by U.S. GAAS, GAGAS, and the *HUD Audit Guide*;
- Customizable **Audit Programs** that take auditors through related steps and procedures to test management's assertions relating to the financial statements;
- **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 compliance with HUD programs; and
- **Correspondence** documents that provide sample letters to be used to comply with U.S. GAAS, GAGAS, and the *HUD Audit Guide* requirements and in many other common situations.

The AICPA's Auditing Standards Board's (ASB) - The practice aids and tools in the *2014 edition of Knowledge-Based Audits of HUD Multifamily Housing Programs* are designed around the AICPA's auditing standards to assist auditors of HUD multifamily housing Programs by:

- Facilitating compliance with U.S. GAAS, GAGAS, and the *HUD Audit Guide*;
- Encouraging more effective audits through tailored audit programs and comprehensive practice aids;
- Helping auditors to focus on and respond to identified audit risks; and
- 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-101 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-101 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**. 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.

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 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 link directly to source material from Resources within Knowledge Coach workpapers. These links have been updated to reference to the accounting standards under the FASB Accounting Standards Codifications and the auditing standards issued by the AICPA. Also, if you subscribe to the *Knowledge-Based Audits of Housing and Urban Development Programs Guide* on ARM, you can take advantage of 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.

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.
 - Highlight the workpaper in the binder window with and go to Tools>Save Knowledge Coach Answers
- 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, syncing to the central file room and through peer-to-peer sync in the same way other Engagement workpapers are shared.

System Requirements

- This title **MUST** be used with ProSystem fx Engagement version 7.1, ProSystem fx Knowledge Coach version 2.1, and 2014 Financial Statement Base v4 and higher. If you are upgrading from ProSystem fx Engagement 7.0 or lower please contact Technical Support at 1-800-PFX-9998, option 4 for detailed instructions.
- A minimum of 4GB of RAM is required for optimal performance when opening and navigating through ProSystem fx Knowledge Coach documents.

Download Instructions

The *2014 Knowledge-Based Audits of HUD Programs* includes the Compliance and Financial Statements title packages which are two separate packages.

Download the *2014 Knowledge-Based Audits of Housing and Urban Development Programs – Multifamily Housing – Compliance and/or the 2014 Knowledge-Based Audits of HUD Programs – Multifamily Housing – Financial Statements* 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 **2014 Knowledge-Based Audits of Housing and Urban Development Programs – Multifamily Housing – Compliance and/or the 2014 Knowledge-Based Audits of HUD Programs – Multifamily Housing – Financial Statements**. 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.

You must install the 2014 Financial Statement Base v4 title before installing the 2014 Knowledge-Based Audits of Housing and Urban Development Programs.

The Financial Statement Base title is also available at the following link: <http://support.cch.com/updates/KnowledgeCoach>

If you have already installed this title for 2014 Knowledge-Based Audits of Commercial Entities, ensure you have the latest Knowledge Coach Content Update installed.

Important: ProSystem fx Engagement version 7.1 or higher and Knowledge Coach version 2.1 must be installed on the computer in order to install these Knowledge Coach titles. Additional requirements include Microsoft Office 2007, Microsoft Office 2007 Primary Interop Assemblies (PIA) and Visual Studio 2005 Tools for the Office Second Edition Runtime, Visual Studio Tools for Office System Runtime version 3.0, and Visual Studio Tools for the Office System 3.0 Runtime Service Pack 1., Visual Studio Tools for Office Runtime 4.0 (VSTOR) (32-bit version for 32-bit OS and 64-bit version for 64-bit OS).

The following 2014 Knowledge-Based Audits of HUD Programs – Multifamily Housing – Compliance and 2014 Knowledge-Based Audits of HUD Programs – Multifamily Housing – Financial Statements ().KCP download is a proprietary file that must be installed from within Engagement. Save this KCP file to a location on your local drive and follow the Installation Instructions included in the Release Bulletin.

Installation Instructions

Once you have downloaded your Knowledge Coach titles, Financial Statement Base title or Compliance Base title, you will need to add them 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 *2014 Knowledge-Based Audits of HUD Programs – Multifamily Housing – Compliance and/or the 2014 Knowledge-Based Audits of HUD Programs – Multifamily Housing – Financial Statements* titles, 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 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 Programs 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 Coach title license in the ProSystem *fx* Engagement Administrator before using the workpapers.

Important: Once the *2014 Knowledge-Based Audits of HUD Programs – Multifamily Housing – Compliance and/or the 2014 Knowledge-Based Audits of HUD Programs – Multifamily Housing – Financial Statements* titles have been added and released, they 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.

Online Permission Key

Permission key files may be downloaded from our Web site at

<https://prosystemfxsupport.tax.cchgroup.com/permkey/download.aspx> or when adding or updating the new licenses within ProSystem *fx* Engagement with Knowledge Coach version 7.1 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 *2014 Knowledge-Based Audits of HUD Multifamily Housing Programs*.

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 <https://prosystemfxsupport.tax.cchgroup.com/service/accountadmin/>, 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 1.

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.

Also available is the Knowledge-Based Audits of Housing and Urban Development Programs, a guide that helps you comply with the most recent professional standards and guidance for the conduct of audits of Housing and Urban Development Programs and to integrate the use of practice aids, tools, and other resources with its guidance. This publication supplements and complements the Knowledge-Based 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.

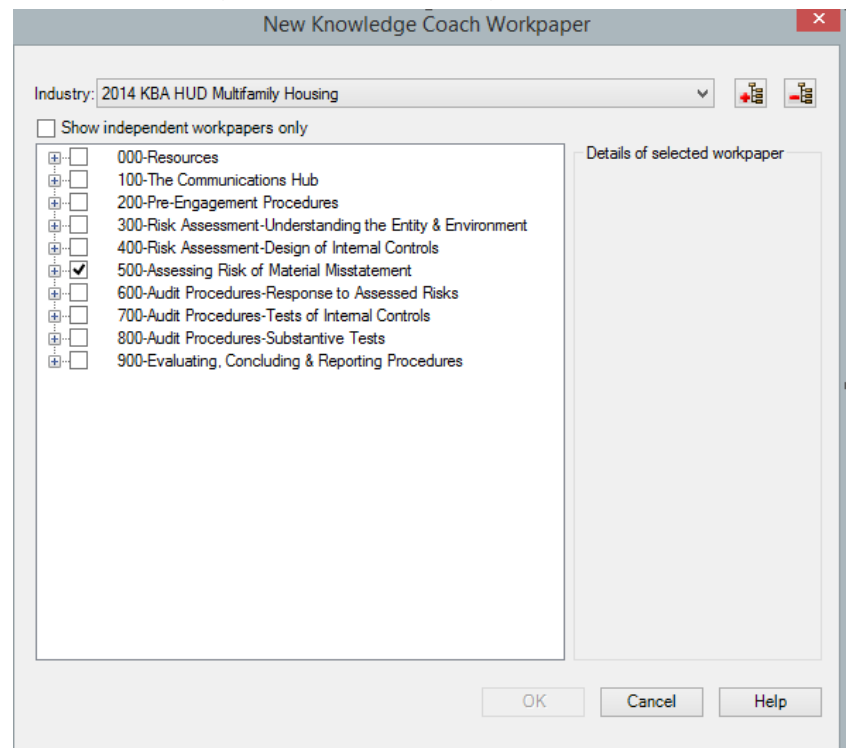
Links to Accounting Research Manager (ARM)

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*).

Figure 1 – New Knowledge Coach Workpaper



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.

Download Description:	2014 Knowledge-Based Audits of HUD Multifamily Housing Programs (1/19/2015)
Version:	Engagement v. 7.1 with Knowledge Coach 2.1 or higher and 2014 Financial Statement Base v4 and 2014 Compliance Base
Release Date:	January 2015
File size:	18MB
Approx. Download Time:	42 minutes at 56 kbps
License:	Full Version
Platforms:	Windows Vista 7, 8 and 8.1
Office:	Microsoft Office 2007 required

Contact Information

For a demo or to purchase additional titles as they become available 1-800-PFX-9998, option 1
 Technical Support 1-800-PFX-9998, option 4, then option 1

The ProSystem *f*x 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>.