

2011 Knowledge-Based Audits™ of Employee Benefit Plans

ProSystem fx
Knowledge Tools
April 2011



Welcome to *2011 Knowledge-Based Audits™ of Employee Benefit Plans*, the latest addition to the ProSystem fx Knowledge Tools library!

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

IN THIS RELEASE

The *2011 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* is current through SAS-120, *Required Supplementary Information*, and includes the following updates:

2011 ProSystem fx Knowledge Tools

The **2011 Knowledge Tools** have been updated where applicable 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 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 revised financial statement disclosures checklist that provides a centralized resource of the current required and recommended GAAP disclosures and key presentation items currently in effect, using the style referencing under the FASB Accounting Standards Codification™.

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 to the accounting standards under the FASB Accounting Standards Codification™.

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 Tools documents.

Knowledge-Based Audit Documents (KBAs)

- **KBA-201 Engagement Acceptance and Continuance Form** and **KBA 202 Engagement Continuance Form** have been combined to create new **KBA-201 Client/Engagement Acceptance and Continuance form**.
- **KBA-301 Determination Of Planning Materiality, Tolerable Misstatement, And Thresholds For Individually Significant Items And Trivial Amounts** has been converted to Excel.
- **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.

- **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*
 - 965, *Plan Accounting—Health and Welfare Benefit Plans*

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 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.
- **AUDs-801 Audit Program: Cash—AUD 814 Audit Program: Journal Entries and Financial Statement Review** now include relevant financial statement assertions (existence or occurrence; rights or obligations; completeness; accuracy, valuation, or allocation; cutoff; understandability or classification) at the substep levels (instead of just at the main program step) to indicate the assertion(s) each substep addresses.
- **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.
- **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 **AUDs-806 Audit Program: Property and Equipment, and Depreciation** and **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.
- **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.

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.

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.
- **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.

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.

Resource Documents (RESs)

- **RES-001 Knowledge-Based engagement 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.

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

New literature, standards, and developments applicable to employee benefit plans, including the following current audit and accounting guidance:

- FASB Accounting Standards Codification (as of September 30, 2010)
- AICPA Statement on Quality Control Standards No. 7, *A Firm's System of Quality Control*
- Statements on Auditing Standards (SASs):
 - SAS-115 (AU 325), *Communicating Internal Control Related Matters Identified in an Audit*
 - 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*

Important Roll Forward Information

Due to changes made in our documents to ensure they are compliant with standards, some information will not roll forward from previous versions. To ensure as much information as possible will roll forward, please do not roll forward from the 2010 *Knowledge-Based Audits™ of Employee Benefit Plans* to the 2011 *Knowledge-Based Audits™ of Employee Benefit Plans* until you have installed the ProSystem fx Engagement release 5.7.1 or higher. For any title-specific roll forward information, please refer to the Help icon found in the roll forward wizard.

Note: While working through your Word documents, it is important to follow certain steps to avoid any data loss upon roll forward. If you save the workpaper before tabbing out of a cell, you risk losing data when rolling forward. If upon roll forward you experience any data loss in a workpaper please follow these steps:

1. Open the workpaper.
2. Update the problem cell with random text (only after experiencing data loss).
3. Tab out of the cell.
4. Go back into the cell and remove random text.
5. Once again, tab out of the cell.
6. Save the document.

Important Notes

- Knowledge Coach customers should download and use the Knowledge Coach formatted version of this title that will be released in April 2011 and posted to <http://support.cch.com/updates/KnowledgeCoach>. This Knowledge Tools title release is NOT compatible with the Knowledge Coach module. Knowledge Coach customers can still use this Knowledge Tools title, but they will not have Knowledge Coach functionality and integration available in these workpapers.
- A minimum of 1GB of RAM is highly recommended for optimal performance when opening and navigating through ProSystem fx Knowledge Tools documents.
- ProSystem fx Engagement version 4.9 with Knowledge Tools or higher must be installed on the computer in order to install this Knowledge Tools title. Additional requirements include Microsoft Office Professional 2003 SP2 or higher, Microsoft Office 2003 Primary Interop Assemblies (PIA) and Visual Studios 2005 Tools for Office Second Edition Runtime (VSTOR). The installations of PIA and VSTOR can be found on the Engagement CD in the Applications\Knowledge Tools Prerequisites folder.

Download Instructions

Download the 2011 *Knowledge-Based Audits™ of Employee Benefit Plans* title from the **Program Updates** section of the ProSystem fx Engagement support Web site at the following URL: <http://support.cch.com/updates/KnowledgeTools/>, then select the download link next to **2011 Knowledge-Based Audits™ of Employee Benefit Plans**

Password: The password is included with the mailed copy of the release bulletin that is sent to firms subscribing to this title.

Installation Instructions

Your Knowledge Tools title will integrate itself directly into ProSystem fx Engagement. The only additional system requirement is approximately 75MB of disk space to store your Knowledge Tools program content files. Please refer to the ProSystem fx Engagement with Knowledge Tools Release Notes for any other system requirements.

After extracting the 2011 *Knowledge-Based Audits™ of Employee Benefit Plans.msi*, do the following to install the Knowledge Tools templates:

1. Double-click on the 2011 *Knowledge-Based Audits™ of Employee Benefit Plans.msi* to begin the installation.
2. Select **Next** on the Welcome screen.
3. Accept the License Agreement, and then select **Next**.
4. Select the destination location for the templates, and then select **Next**.
5. Review the installation settings, and then select **Install** to begin copying the files.
6. Select **Finish** to complete the installation.

Note: You must add and assign the Knowledge Tools license in ProSystem fx Engagement Administrator before using the workpaper templates.

Important: The 2011 *Knowledge-Based Audits™ of Employee Benefit Plans.msi* allows for mass deployment/installation by way of pushing the install to computers.

ProSystem fx Engagement Update Utility Instructions

If the Knowledge Tools title is not shown in the list of available products in the License Assignment dialog, the title's licensing information will need to be updated with the ProSystem fx Engagement Update Utility prior to adding the licenses for the title or assigning the licenses to staff members.

Follow these steps to download the utility and update file:

1. Download the ProSystem fx Engagement Update Utility from the **Program Updates/Knowledge Tools Series** page of the ProSystem fx Engagement support Web site.
2. To download the utility, click **ProSystem fx Engagement Update Utility**.
3. To download the update file (LicenseUpdate.upd), click **License Update File**.

Note: We recommend you save the files to your computer to run the utility.

After downloading the files, perform the following steps:

1. Close ProSystem *fx* Engagement Administrator and ProSystem *fx* Engagement.
2. Double-click the ProSystem *fx* Engagement Update Utility (PfxEngUpdateUtility.exe) file.
3. Enter the login name and password for an authorized ProSystem *fx* Engagement administrator.
4. Browse for or enter the path for the license update file you just downloaded (LicenseUpdate.upd).
5. Click **OK** to update the ProSystem *fx* Engagement database and add the Knowledge Tools title to the License Assignment dialog in ProSystem *fx* Engagement Administrator. You may now add and assign the Knowledge Tools title to the users.

Online Permission Key

Permission key files may be downloaded from our Web site at

<https://prosystemfxsupport.tax.cchgroup.com/service/accountadmin/> or when adding or updating the new licenses within ProSystem *fx* Engagement with Knowledge Tools 4.9 and higher. After updating the license file in the ProSystem *fx* Engagement Admin module, and running the Update License Utility for 4.9 users, licenses need to be assigned to the staff who will use 2011 *Knowledge-Based Audits™ 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.

Also available is the Knowledge-Based Employee Benefit Plans 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 audits of employee benefit plans. This publication supplements and complements the KBA tools that are available in Knowledge Tools.

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.

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 from the ProSystem *fx*® Engagement Other Shortcuts bar in the Binder window.

Using Your Knowledge Tools Content

Knowledge Tools Workpaper Templates

To use Knowledge Tools Workpaper Templates, do the following:

1. Open a binder in ProSystem *fx* Engagement.
2. Select the workpaper tab into which you would like to insert the workpaper.
3. Select **New Knowledge Tools Workpaper** from the toolbar or File menu. The New Knowledge Tools Workpaper dialog appears (*Figure 1*).
4. Select the New Knowledge Tools 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.
5. Select the Knowledge Tools Workpaper Templates to insert into your binder.
6. Click **OK** to display the Selected Workpaper Properties dialog. Each workpaper name is automatically loaded into the Name field.
7. Add a workpaper index in the Index field and make any needed Name modifications. You can also modify the tab location or the roll forward settings for each workpaper.
8. Click **OK**. The integrated Knowledge Tools workpaper is now inserted into your engagement binder.

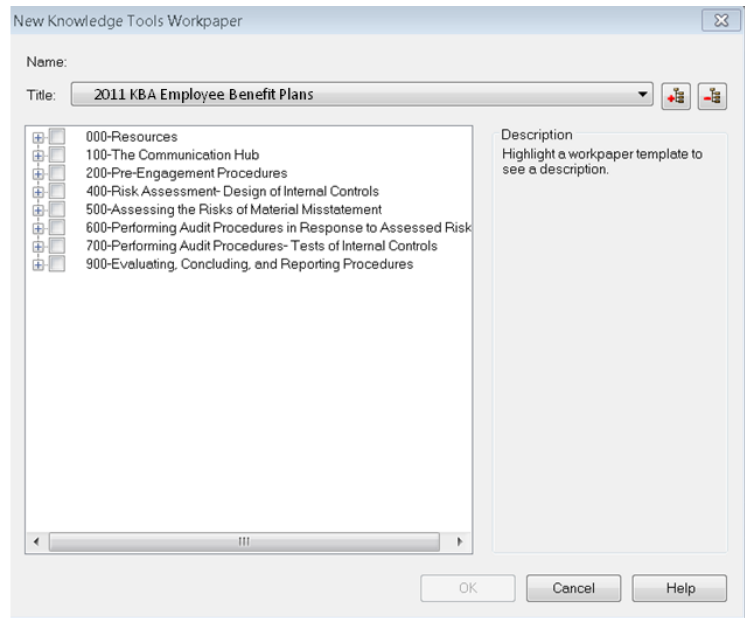


Figure 1 – New Knowledge Tools Workpaper

Binder Templates

ProSystem *fx* Engagement provides powerful engagement templates with integrated Knowledge Tools content.

To start engagements pertaining to your purchased title with a binder template populated with programs and worksheets, select **New Binder Wizard** from either the toolbar or File menu in the File Room window. The New Binder Wizard dialog appears (*Figure 2*). To setup the binder, do the following:

1. Select **Create binder from template**.
2. Click on the **Knowledge Tools** tab.
3. Select the appropriate binder template for your engagement. You will see binder templates for the Knowledge Tools titles installed.
4. Select **Next**.
5. Complete the binder properties information as needed.
6. Select **Finish**. The new binder displays in the file room. Refer to the ProSystem *fx* Engagement User Guide, accessible from the Help menu in ProSystem *fx* Engagement, for more information.

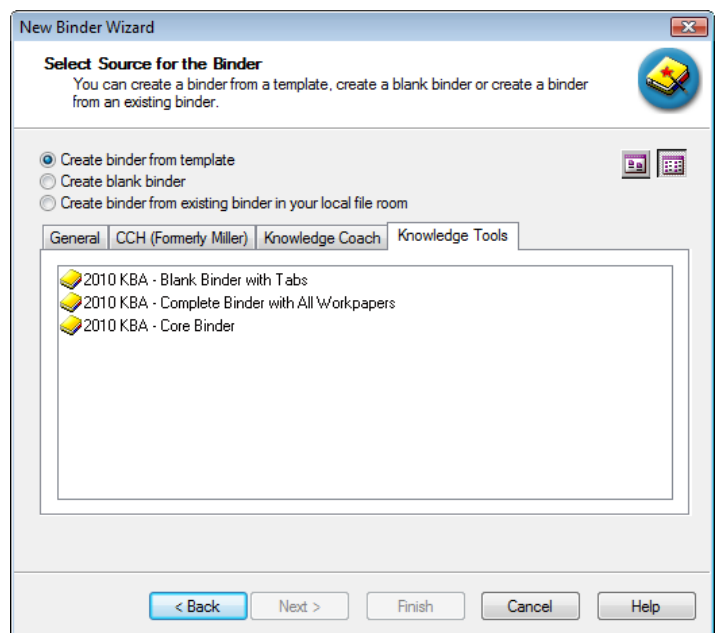


Figure 2 – New Binder Wizard

The 2011 *Knowledge-Based Audits™ of Employee Benefit Plans* provides three binder templates. One binder template contains all workpaper templates from the title, one binder template contains only the core workpaper templates, and the third binder template contains only workpaper tabs using the Knowledge Tools indexing system. This allows you to build your own binder template by populating the tabs with the workpapers of your choice.

Download Description:	2010 Knowledge-Based Audits of Employee Benefit Plans (4/19/11)
Version:	Engagement v. 4.9 with Knowledge Tools 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	1-800-PFX-9998, option 1
Technical Support	1-800-PFX-9998, option 4 or online at http://support.cch.com

The ProSystem *fx* Engagement version of the Knowledge Tools Integrated Engagement 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>.