2011 Knowledge-Based Audits™ of Not-for-Profit Entities

Welcome to *2011 Knowledge-Based Audits™ of Not-for-Profit Entitites*, 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**.

IN THIS RELEASE

Knowledge-Based Audits™ of Not-for-Profit Entities has been updated to take into account new or pending auditing standards and guidance, including the most recent editions of the AICPA Audit Guides, *Not-for-Profit Entities* and *Government Auditing Standards and Circular A-133 Audits*. In addition, various practice alerts have been added to address the applicability of new or pending audit standards and guidance to audits of not-for-profit entities.

Also included is a general GAAP financial statement disclosures checklist (KBA-901A through KBA-901I) and an industry-specific not-for-profit entities disclosures checklist (KBA-901J). Together, these provide a centralized resource of the required and recommended GAAP disclosures and key presentation items currently in effect, using the style referencing under the FASB Accounting Standards Codification™.

The 2011 edition of *Not-for-Profit Entities* is current through SAS-121 and includes the following updates:

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 Codifications™. Also, if you subscribe to the *Knowledge-Based Not-for-Profit Organiziations with Single Audits Guide* on CCH's Accounting Research Manager, you can take advantage of brand new links to the audit guide material from within the Knowledge Coach documents.

Workpaper Updates

Knowledge-Based Audit Documents (KBAs)

Updated throughout to remove references to pre-codification FAS statements; reflect changes in standards, where applicable; update or add new practice points addressing clarified standards resulting from the AICPA Auditing Standards Board's *Clarity Project*; and add links to the corresponding guide, **Knowledge-Based Audits™ of Not-for-Profit Organizations with Single Audits**.

- **KBA-103 Significant Matters** – Review of significant accounting estimates has been moved to a separate workpaper.

- **KBA-302 Understanding the Entity and Its Environment** – Updated with additional factors for auditor consideration.

- **KBA-400 Understanding Internal Controls: Scoping and Mapping** – Includes updated instructions and tables and a new control test column.

- **KBA 402 Understanding General Controls for Information Technology** – Includes updated instructions and tables and a new control test column.

- **KBAs 403 through 409 Activity-Level Controls** – New column added to document testing of operating effectiveness of controls.

- **KBA-410 Understanding Controls Maintained by a Service Organization** – Updated to reflect the change in auditing standards related to reporting on controls at a service organization (from SAS-70 to SSAE-16).

- **KBA-502 Summary of Risk Assessments** – New column added to document controls selected for operating effectiveness testing; updated instructions.
- **KBA-901 A through I Financial Statement Disclosures Checklist** – The disclosures checklist assists the auditor in ensuring that the client has properly reported, presented and disclosed its financial statement activity in accordance with GAAP. The checklist follows the FASB Accounting Standards Codification format and is current through March 31, 2011.
- **NEW KBA-901J** – Industry specific disclosure checklist for not-for-profit entities designed to supplement the presentation and disclosure requirements in the General U.S. GAAP Financial Statement Disclosures Checklist. This supplement serves as a means to document consideration of the specialized presentation and disclosure requirements for not-for-profit entities.

Audit Programs (AUDs)

Updated throughout to remove references to pre-codification FAS statements; reflect changes in standards, where applicable; update or add new practice points addressing clarified standards resulting from the AICPA Auditing Standards Board's *Clarity Project*; and add links to the corresponding guide, ***Knowledge-Based Audits™ of Not-for-Profit Organizations with Single Audits***.

- **AUD-602 Using the Work of Other Auditors** – Comment boxes added for describing significant changes.
- **AUD-801 through AUD-816** – Updated to add risk summary tables that link identified risks to further audit procedures performed, and to include new control testing steps.
- **AUD-817 Related-Party Transactions, Commitments and Contingencies, Estimates, and Concentrations** – New steps added for related-party transactions and for accounting estimates.
- **AUD-818 Fair Value Measurements and Disclosures** – New steps added for fair value.
- **AUD-901 Subsequent Events** – New step added for disclosures.
- **AUD-902 Going Concern** – Updated with new procedures and new going concern indicators.

- **NEW AUD-905 Consideration of Omitted Procedures after the Report Date** – Designed to help the auditor document the procedures used when, after the report date, the auditor determines additional procedures needed to be completed, determine the appropriate course of action, and document the auditor's conclusion.

Auditor's Reports (RPTs)

Updated throughout to remove references to pre-codification FAS statements; reflect changes in standards, where applicable; update or add new practice points addressing clarified standards resulting from the AICPA Auditing Standards Board's *Clarity Project*; and add links to the corresponding guide, ***Knowledge-Based Audits™ of Not-for-Profit Organizations with Single Audits.***

- **RPT-903 Unqualified Opinion with Report on Information Accompanying Audited Financial Statements: Consolidating Information Subjected to Audit Procedures** – Revised supplemental paragraph for consolidating information.

Correspondence Documents (CORs)

Updated throughout to remove references to pre-codification FAS statements; reflect changes in standards, where applicable; update or add new practice points addressing clarified standards resulting from the AICPA Auditing Standards Board's *Clarity Project*; and add links to the corresponding guide, ***Knowledge-Based Audits™ of Not-for-Profit Organizations with Single Audits***.

- **COR-204 Audit Engagement Letter** – Updated "material weakness" language added as well as optional language for early implementers of SAS-119.
- **NEW COR-211 Communication with Predecessor Auditor prior to Client/Engagement Acceptance** – Sample letter from auditor to predecessor requesting information regarding management's integrity, prior to making the client acceptance decision.

- **NEW COR-212 Request from Client to Predecessor Auditor to Release Information to Successor Auditor**– Sample letter from client to predecessor asking them to release information and respond to successor auditor inquiries.

Practice Aids (AIDs)

Updated throughout to remove references to pre-codification FAS statements; reflect changes in standards, where applicable; update or add new practice points addressing clarified standards resulting from the AICPA Auditing Standards Board's *Clarity Project*; and add links to the corresponding guide, ***Knowledge-Based Audits™ of Not-for-Profit Organizations with Single Audits***.

- **AID-301 Preliminary Analytical Procedures: Fluctuation and Ratio Analysis** – New industry specific ratios added.
- **NEW AID-703 Control Testwork Template** – Designed to assist in performing tests of the operating effectiveness of internal controls.

- **NEW AID-704 Summary Control Testing Plan** – Designed to aid in the documentation of the auditor's plan for testing the effectiveness of internal controls.

Resource Documents (RESs)

Updated where applicable to reflect changes in standards and update or add new practice points addressing clarified standards resulting from the AICPA Auditing Standards Board's *Clarity Project*.

- **RES-001 KBA Methodology Overview** – Updated to reflect organizational and instructional changes.
- **RES-003 Index of Audit Programs, Forms, and Other Practice Aids** – Updated to reflect organizational changes.

The practice aids and tools in the *2011 Edition of Knowledge-Based™ Audits of Not-for-Profit Entities* are designed around the AICPA's risk assessment standards to assist auditors of not-for-profit entities by:

- Facilitating compliance with GAAS and GAGAS.
- Encouraging more effective audits through tailored audit programs and comprehensive practice aids.
- Helping auditors to focus on and respond to identified audit risks.
- Enhancing audit documentation.

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 Not-for-Profits Entities* to the 2011 *Knowledge-Based Audits™ of Not-for-Profits Entites* 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 was released and posted to **http://support.cch.com/updates/KnowledgeCoach** in August 2011. 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 Not-for-Profits Entities* 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 Not-for-Profits Entitites***.

Password: The password will be included with the mailed copy of the release bulletin sent to subscribers of 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 Not for Profits Entites* .msi, do the following to install the Knowledge Tools templates:

1. Double-click on the 2011 *Knowledge-Based Audits™ of Not-for-Profits*.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 Not-for-Profits Entites*.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 Not-for-Profits Entites*. 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.

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.
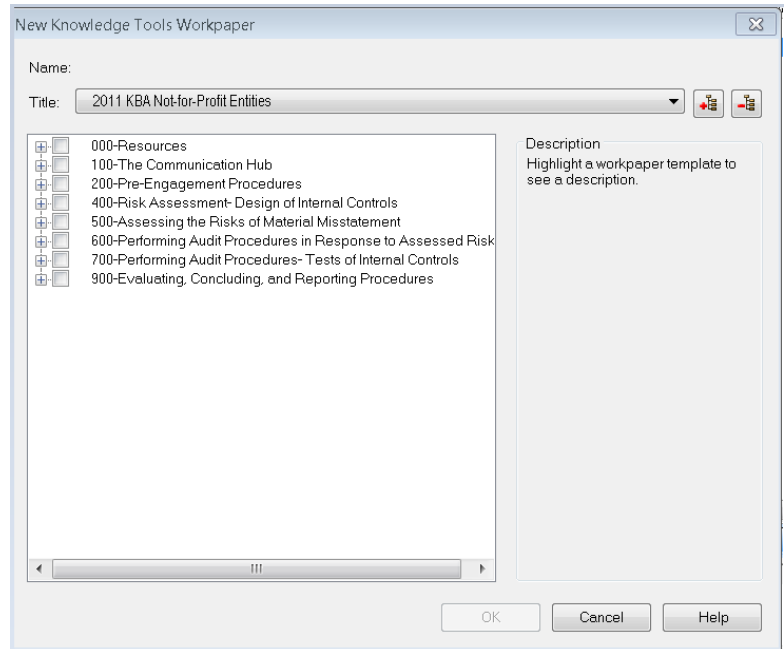

Figure 1 – New Knowledge Tools Workpaper

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.
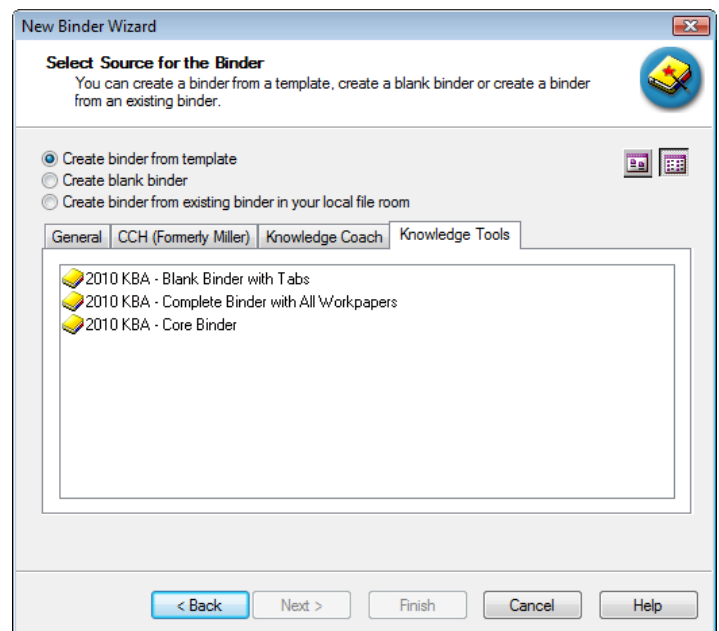

Figure 2 – New Binder Wizard

The *2011 Knowledge-Based Audits*™ *of Not-for-Profit Entites* 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.

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.