

2012 Knowledge-Based Audits™ of Employee Benefit Plans

ProSystem fx
Knowledge Tools
June 2012



Welcome to **2012 Knowledge-Based Audits™ of Employee Benefit Plans**, the latest addition to the ProSystem fx KnowledgeTools 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

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, requiring specialized accounting and auditing knowledge. This module includes up-to-date guidance for audits of all types of plans, including defined benefit, defined contribution, and health and welfare plans.

2012 Knowledge Tools has been updated to take into account new or pending auditing standards and guidance. References to FASB pre-Codification literature have been removed throughout the forms and practice aids. In addition, various practice alerts have been added to address the applicability of new or pending audit standards and guidance to audits of employee benefit plans. The 2012 tools now include links to industry 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 GAAP disclosures and key presentation items currently in effect, using the style referencing under the FASB Accounting Standards Codification™.

The 2012 edition of *Knowledge-Based Audits of Employee Benefit Plans* is current through SAS-124, *Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country*, 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 the accounting standards under the FASB Accounting Standards Codification™.

Workpaper Updates

Knowledge-Based Audit Documents (KBAs)

- **KBA-103 Significant Matters** has been updated; the review of management's significant estimates has been moved into the new **KBA-106 Review of Significant Estimates**.
- **NEW KBA-106 Review of Significant Estimates** has been added to aid the auditor in performing the required review and evaluation of management's significant accounting estimates.
- **KBA-400** has been revised with updated instructions and tables; a new column has been added for indicating whether internal controls over financial reporting have been selected for testing operating effectiveness.
- **KBA-502** has been revised with updated instructions and tables; a new column has been added for indicating whether internal controls over financial reporting have been selected for testing operating effectiveness.

- **KBA-901** is current through September 30, 2011, and includes the relevant citation from the FASB Codification as of September 30, 2011, using the FASB classification system.
- **NEW KBA-901A Industry-Specific Disclosures Checklist: Employee Benefit Plans** supplements the General U.S. GAAP Financial Statement Disclosures Checklist (KBA-901) and serves as a means to document consideration of the specialized presentation and disclosure requirements for employee benefit plans. KBA-901A reflects guidance through [ASU 2011-09, Compensation—Retirement Benefits—Multiemployer Plans \(Subtopic 715-80\)- Disclosures about an Employer’s Participation in a Multiemployer Plan](#).
- **NEW KBA-901B Industry-Specific Disclosures Checklist: Employee Benefit Plans—Required Supplemental Schedules** was designed to address Schedules G & H of Form 5500, Annual Return/Report of Employee Benefit Plan.

Audit Programs (AUDs)

- **AUDs 801 through 814** have been updated to include additional industry-specific substantive procedures, as well as control testing steps and new risk summary/linking tables to better document the linkage between risks identified and procedures performed.
- **AUD-802A** was updated to document the plan for the testing of relevant assertions relating to investments, derivatives, and hedging activities (full scope).
- **NEW AUD-802B Audit Program: Investments in a DOL Limited Scope Audit** was designed to document the plan for the testing of relevant assertions relating to investments in a DOL limited scope audit.
- **NEW AUD-905 Audit Program: Consideration of Omitted Procedures after the Report Date** is designed to help the auditor consider and address the importance of omitted procedures that may have been necessary at the time of the audit; document procedures performed subsequent to the date of the audit report; determine the appropriate course of action in the circumstances; and document the auditor’s conclusions.

Auditor’s Reports (RPTs)

- **RPT-901 through RPT-953** have been updated throughout to remove references to pre-codification FASB statements; reflect changes in standards, where applicable; update or add new practice points addressing clarified standards; and add links to the corresponding guide, *Knowledge-Based Audits™ of Employee Benefit Plans*.
- **RPT-906** provides a sample report for a defined-benefit plan full-scope audit in the current year and limited-scope audit in the prior year.
- **RPT-907** provides a sample report for a defined contribution plan, limited-scope audit in the current year and full-scope in the prior year.
- **RPT-908** provides a sample report for a defined contribution plan, limited-scope audit in the current year with prior-year limited scope audit.
- **RPTs-909-914, 916-919, 921-927, 930-935, 937-947 and 950** have been revised and updated to provide examples for both defined benefit plans and defined contribution plans.
- **RPT-936** provides a sample report for limited scope audit in accordance with DOL regulations.
- **RPTs-951, 952, and 953** provide sample reports for 403(b) plans.
- **RPT-929** provides a sample report on supplemental schedules required by ERISA and DOL Regulations.

Correspondence Documents (CORs)

- **COR-204** has been updated to add “material weakness” to the language of the engagement letter and to provide appropriate verbiage for engagements to report on supplementary information under SAS-119.
- **NEW COR-211 Communication with Predecessor Auditor Prior to Client/Engagement Acceptance** provides a sample letter from successor auditor to predecessor auditor 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** provides a sample letter from client to predecessor auditor asking them to release information and respond to successor auditor inquiries.
- **COR-901** has been updated to reflect language contained in SAS-118, 119, and 120.

Practice Aids (AIDs)

- **NEW AID-703 Control Testwork Template** is designed to help the auditor in performing tests of the operating effectiveness of internal controls.
- **NEW AID-704 Summary Control Testing Plan** is designed to aid in the documentation of the auditor's plan for testing the operating effectiveness of internal controls.

Resource Documents (RESs)

RES-001 Knowledge-Based Audit Methodology Overview RES-001 has been updated to provide information regarding the Auditing Standards Board's Clarity Project and, where applicable, to reflect organizational and instructional changes.

Additional Updates to Forms and Practice Aids

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 employee benefit plans are reflected in the following current audit and accounting guidance:

Statements on Auditing Standards (SASs):

- SAS-118, *Other Information in Documents Containing Audited Financial Statements*
- SAS-119, *Supplementary Information in Relation to the Financial Statements as a Whole*
- SAS-120, *Required Supplementary Information*
- SAS-121, *Revised Applicability of Statement on Auditing Standards No. 100—Interim Financial Information*
- SAS-122, *Statements on Auditing Standards: Clarification and Recodification*
- SAS-123, *Omnibus Statement on Auditing Standards—2011*
- SAS-124, *Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country*

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

FASB Accounting Standards Codification™ (through September 30, 2011).

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 2011 *Knowledge-Based AuditsSM of Employee Benefit Plans* to the 2012 *Knowledge-Based AuditsSM 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 you experience any data loss in a workpaper upon roll forward, 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 posted to <http://support.cch.com/updates/KnowledgeCoach> in February 2012. 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 2012 *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 Governmental entitites**.

Password: The password will be included in the printed copy of the release bulletin that is mailed to current subscribers of this title.

Download Description:	2012 Knowledge-Based Audits of Employee Benefit Plans.exe
Version:	Engagement v. 4.9 with Knowledge Tools or higher
Release Date:	June 2012
File size:	39.6MB
Approx. Download Time:	1 hour 30 minutes at 56 kbps
License:	Full Version
Platforms:	Windows XP/Vista

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 2012 *Knowledge-Based Audits™ of Employee Benefit Plans.msi*, do the following to install the Knowledge Tools templates:

1. Double-click on the 2012 *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 2012 *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 2012 *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.

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.

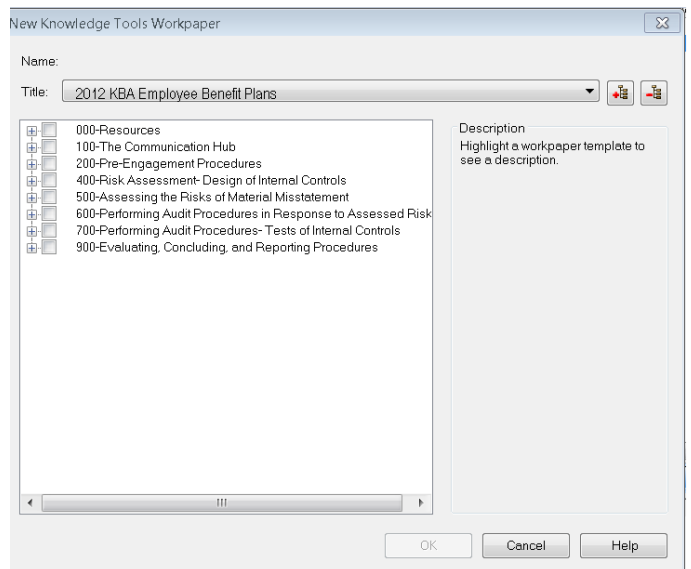


Figure 1 – New Knowledge Tools Workpaper

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.

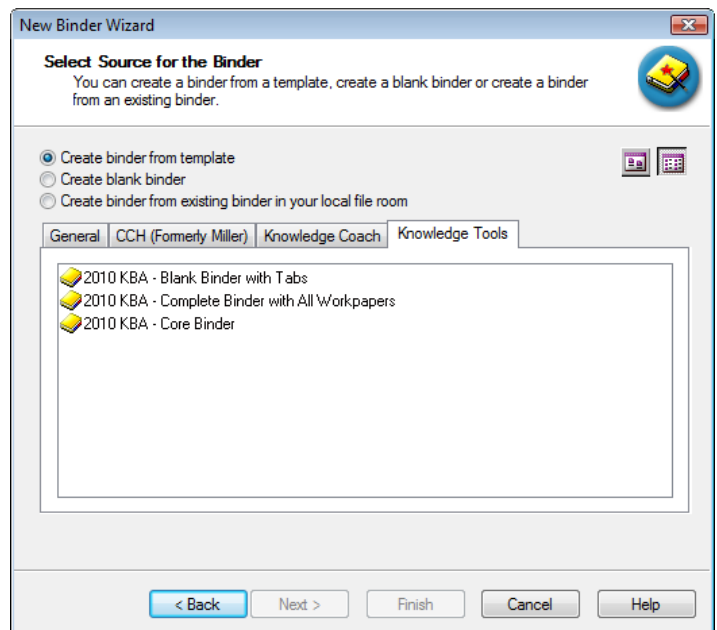


Figure 2 – New Binder Wizard

The *2012 Knowledge-Based AuditsSM 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.

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>.