March 2017 Update of the AICPA Professional Literature

ALERTS AND GUIDES

The 2017 editions of the following guides are being released:

**Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting (SOC 1®) (aag-aso)**

This updated and improved guide is designed to help CPAs effectively perform SOC 1® engagements under AT-C section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting*, of Statement on Standards for Attestation Engagements (SSAE) No. 18, *Attestation Standards: Clarification and Recodification* (AICPA, *Professional Standards*).

With the growth in business specialization, outsourcing tasks and functions to service organizations has become increasingly popular, increasing the demand for SOC 1 engagements.

This guide will help you do the following:

- Gain a deeper understanding of the requirements and guidance in AT-C section 320 for performing SOC 1 engagements.
- Obtain guidance from top CPAs on how to implement AT-C section 320 and address common and practice issues.
- Provide best in class services related to planning, performing, and reporting on a SOC 1 engagement.
- Successfully implement changes in AT-C section 320 arising from the issuance of SSAE No. 18, which is effective for reports dated on or after May 1, 2017.
- Determine how to describe the matter giving rise to a modified opinion by providing over 20 illustrative paragraphs for different situations.
- Understand the kinds of information auditors of the financial statements of user entities need from a service auditor’s report.
- Implement the requirement in SSAE No. 18 to obtain a written assertion from management of the service organization.
- Organize and draft relevant sections of a type 2 report by providing complete illustrative type 2 reports that include the service auditor’s report, management’s assertion, the description of the service organization’s system, and the service auditor’s description of tests of controls and results.
- Develop management representation letters for SOC 1 engagements.

Key benefits and updates include the following:

- SSAE No. 18 and to reflect lessons learned in practice, this guide has been fully conformed to reflect changes resulting from SSAE No. 18, the clarified attestation standards.
- Insight from expert authors on the Service Organizations Task Force composed of CPAs that all perform SOC 1 engagements and updates the guide with lessons learned in practice.
- Illustrative report paragraphs describing the matter that gave rise to the report modification for a large variety of situations.
Additionally, this guide discusses and covers implementation challenges. In SSAE No. 18, the applicable requirements and application guidance for a service auditor’s engagement are contained in three different sections: AT-C section 105, Concepts Common to All Attestation Engagements, section 205, Examination Engagements, and section 320 (AICPA, Professional Standards). The information in each section is not repeated in the other sections, so a service auditor would have to focus on all three sections. This guide integrates the requirements and application guidance in the three sections in the discussion of service auditors’ engagements.

There is no longer an early implementation issue because SSAE No. 18 is effective for service auditor’s reports dated on or after May 1, 2017, so practitioners are already performing engagements that cover years in which SSAE No. 18 would be effective (that is, years beginning on or about May 1, 2016).

**Employee Benefit Plans (aag-ebp)**

Considered the industry standard resource, this guide provides practical guidance, essential information, and hands-on advice on the many aspects of accounting and authoritative auditing for employee benefit plans.

This new 2017 edition has been updated to include expanded information on related parties and parties in interest, plan transfers, and changes in service providers. Notably, the guide includes clarification on plan transfers as identifying a plan transfer may be challenging because the reports provided by the trustee or custodian may classify the transfer as a conversion, miscellaneous adjustment, or as contributions or distributions, rather than a plan transfer. In addition, this edition has been updated for requirements related to going concern and provides the main provisions of the requirements.

Key benefits and updates include the following:

- Understand the specific requirements for related parties and parties in interest.
- Understand plan transfers (plan mergers, spin-offs, or other transfers), including expanded assertions, what could go wrong, and example audit procedures.
- Understanding changes in service providers, including expanded assertions, what could go wrong, and example audit procedures.
- Understand the specific requirements and provisions related to going concern.
- Gain an understanding of the plan auditing guidance specific to defined contribution retirement plans, defined benefit pension plans, and health and welfare benefit plans.
- Understand the accounting for specialized employee benefit areas, such as contributions and contributions receivable, presentation of plan investments for defined benefit pension plans and health and welfare benefit plans, rollovers, forfeitures, rebates, stop-loss arrangements, plan mergers and spin-offs, claims, postemployment benefits, terminating and frozen plans, and the various recommended disclosures.

Updates include

- FASB ASU No. 2016-19, Technical Corrections and Improvements.

**Not-for-Profit Entities (aag-nfp)**

The 2017 edition provides assistance in the unique preparation, auditing, accounting, and reporting of financial statements for not-for-profit entities (NFPs).

This edition includes guidance on reporting donated services between affiliated NFPs, split-interest agreements, contributions and grants, functional expenses and joint costs, and much more.

This new edition provides insight into and examples updated for the new FASB ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. It offers an overview
of the standard and assists you in determining whether to adopt the new requirements early.

Key benefits include the following:

- Properly report complex revenue and expense transactions that have a material effect on financial reporting.
- Gain an understanding of the accounting issues that are unique to NFPs, such as donor restrictions on contributions.
- Understand the unique audit areas in NFPs and how to address the risk of material misstatement.
- Properly account for the relationships between NFPs and other entities.
- Understand the disclosure requirements related to reporting transactions that are common to NFPs.

The 2017 edition of the following alert is being released:

Not-for-Profit Entities Industry Developments—2017 (ara-nfp)

This alert helps you identify important current developments affecting NFPs and the issues auditors may face as a result of these developments. You’ll find targeted discussion of emerging practice issues, plus current economic, accounting, and auditing developments.

Key updates include FASB ASU No. 2016-14, as well as information on leases and the going concern audit standard.

Among other topics, this alert focuses on risks related to recent NFP trends, going concern, revenue recognition, and fair value issues. This alert also includes information on emerging issues such as

- measuring the effectiveness of not-for-profits,
- alternative investment considerations,
- going concern,
- IRS exempt organizations activities, and
- FASB not-for-profit standard-setting activity.

The following guides contain minor editorial changes:

Assessing and Responding to Audit Risk in a Financial Statement Audit (aag-arr)

Preparation, Compilation, and Review Engagements (aag-crv)

Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies, and Mortgage Companies (aag-dep)


Health Care Entities (aag-hco)

Investment Companies (aag-inv)

Life and Health Insurance Entities (aag-lhi)

Property and Liability Insurance Entities (aag-pli)

State and Local Governments (aag-slg)
<table>
<thead>
<tr>
<th>Section</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AUDIT AND ACCOUNTING MANUAL</strong></td>
<td>No updates for March 2017.</td>
</tr>
<tr>
<td><strong>BEST PRACTICES IN PRESENTATION AND DISCLOSURE</strong></td>
<td>The following product contains minor editorial changes:</td>
</tr>
<tr>
<td></td>
<td><em>Employee Benefit Plans—Best Practices in Presentation and Disclosure (att-ebp)</em></td>
</tr>
<tr>
<td><strong>CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS</strong></td>
<td>No updates for March 2017.</td>
</tr>
<tr>
<td><strong>PCAOB STANDARDS AND RELATED RULES</strong></td>
<td>PCAOB Staff Guidance</td>
</tr>
<tr>
<td></td>
<td>This update adds Staff Question and Answer, <em>Audits of Mainland China Issuers by Registered Firms Outside of Mainland China</em> (PCAOB Staff Guidance sec. 100.11).</td>
</tr>
<tr>
<td><strong>PEER REVIEW PROGRAM MANUAL</strong></td>
<td>The following sections are being revised:</td>
</tr>
<tr>
<td></td>
<td>The Practice Management Toolkits have been updated to include System Review Report Illustrations and Engagement Review Report Illustrations.</td>
</tr>
<tr>
<td></td>
<td>The illustrations are excerpts from the Appendixes in PRPM section 1000, <em>Peer Review Standards</em>, in a “word” document that can be used as a report template.</td>
</tr>
<tr>
<td></td>
<td>The updated toolkits are now available on the peer review webpages and are reflected as PRP 24,300 and 24,310 in the Online Professional Library (OPL) for subscribers.</td>
</tr>
<tr>
<td><strong>PRACTICE AIDS AND TOOLS</strong></td>
<td>The following practice aid is being discontinued:</td>
</tr>
<tr>
<td></td>
<td><em>Related-Party Audit Considerations: A Case Study Approach</em> (pra-rps)</td>
</tr>
<tr>
<td><strong>PRINCIPLES AND CRITERIA FOR XBRL-FORMATTED INFORMATION</strong></td>
<td>No updates for March 2017.</td>
</tr>
<tr>
<td>Section</td>
<td>Details</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>PROFESSIONAL STANDARDS</td>
<td>No updates for March 2017.</td>
</tr>
<tr>
<td>TECHNICAL QUESTIONS AND ANSWERS</td>
<td>No updates for March 2017.</td>
</tr>
<tr>
<td>TRUST SERVICES PRINCIPLES AND CRITERIA</td>
<td>No updates for March 2017.</td>
</tr>
<tr>
<td>SUPPORTING DOCUMENT COLLECTION</td>
<td>This update includes the following document:</td>
</tr>
<tr>
<td></td>
<td>International Practices Task Force Meeting Highlights (November 17, 2016)</td>
</tr>
</tbody>
</table>