

AUDITING SECTION EXECUTIVE COMMITTEE MEETING

Thursday, January 11, 2007

Lauren Room

Francis Marion Hotel, Charleston, South Carolina

Business Items discussed by email prior to the meeting since the executive committee met in August in Washington, DC

1. On October 13, 2006, Mark Beasley reported that Bill Dilla who chaired the 2006-7 Innovation in Audit Education Award had recommended that Eric Spires be given the award. The executive committee approved the recommendation by email.
2. On October 3, 2006, Ray Whittington sent the executive committee the recommendation of the Notable Contributions to the Auditing Literature Award chaired by Mark Defond. The recommendation of "The Role of Big 6 Auditors in the Credible Reporting of Accruals" by Jere Francis, Ed Maydew and Charlie Sparks was approved by email by the executive committee.
3. On August 14, 2006, Ray Whittington sent the executive committee the recommendation of the Outstanding Dissertation Award. The committee, chaired by Jere Francis recommended Gary Hecht (Mark Peecher, chair) for the award. The recommendation was approved by the executive committee. Mark Peecher abstained from voting.
4. On October 2, 2006, the Outstanding Educator Award Selection Committee recommended that Larry Rittenberg receive the award. Mark Beasley forwarded the recommendation of the committee to the executive committee who approved the recommendation.
5. On January 4th, the executive committee held a conference call to make the final approvals for the new journal, including approving the costs of the platform. Committee members present on the phone call were Ray Whittington, Mark Beasley, Mark Peecher, Trevor Stewart, Julia Higgs and Arnie Wright. The primary topics were the approval of the platform costs which will be approximately \$15,000 per year. There was a discussion as to whether the platform could be extended to use for AJPT to facilitate reviews and to lower the work required of the editorial assistants. The costs may be lower in the future if other sections of the AAA decide to create similar journal. This would enable the sharing of the fixed costs. The costs for the platform and the journal were unanimously approved.

The meeting in Charleston was called to order at 8:20

Persons attending:

Ray Whittington, President

Mark Peecher, Vice President Academic

Kathryn Kadous, Treasurer (excused from 10:00 until 12:00 for participating in the doctoral consortium)

Mark Beasley, Past President
Arnie Wright, Historian
Julia Higgs, Secretary

Absent:

Trevor Stewart (traveling en route to the conference from Europe)

Selection of the editor for *Auditing: A Journal of Practice and Theory* (2008-2010)

Mark Beasley led the discussion about the selection of nominees of the next AJPT editor who will take the position in Summer 2008. Members of the selection committee were Bill Messier, Linda McDaniel, Karen Pincus, and Mark Beasley. The process proceeded as follows:

1. Members were asked to make nominations and Mark reported that there were a number of nominees (roughly 25 nominees).
2. The committee asked all of the nominees if they were willing to be considered (7 agreed to be considered).
3. The committee narrowed the field to two nominees and both were asked to create a vision statement and provide a copy of their vitae.
4. The documents on the nominees were sent to executive committee.

The committee agreed that both nominees were excellent choices. Based on the dialogue Mark Beasley made a motion to talk further with one of the candidates. Kathryn Kadous seconded the motion. The vote was unanimous. If an agreement could not be made with first candidate, Mark was authorized to talk to the second candidate.

Officer Elections:

Mark Beasley announced that Audrey Gramling was elected as Vice President Academic and Mark Taylor was elected as treasurer. The committee has a lengthy discussion on the advisability of contested elections. There are times when it is difficult to get people who are willing to serve. In the past year, the nomination committee was very active in seeking out nominees before the final deadline for nominations. Currently, less than 20% of the membership votes. The committee considered several alternatives to contested elections including a slate that the AAA uses. Mark Peecher said that one possibility was to have two nominees for two officers and let the membership decide which one will win each office. Arnie Wright said that the national groups are moving toward contested elections. Based on this, the Executive Committee will not recommend changes in the way elections are conducted.

PCAOB Research Groups and Symposium

Ray Whittington and Mark Beasley discussed the status of the PCAOB research groups and the PCAOB symposium to be held in April 2007. Ray said there is a new research group – Costs and benefits of Sarbanes Oxley Section 404 and the Role of the PCAOB. The team was selected instead of having a call for volunteers because of the importance of the topic to the PCAOB. Bill Kinney will be the team leader. Other team members include Joe Carcello, University of Tennessee; Mike Wallenborg, University of Connecticut; and Joe Weber, Massachusetts Institute of Technology. This new team will work with Phil Wedermeyer in the PCAOB Office of Research. This is the first time that

AAA members will work with PCAOB divisions outside of the Auditing Standards Group. There seems to be more acceptance at the PCAOB of moving the relationship with the AAA to higher levels at the PCAOB. The committee noted that Gary Holstrum is retiring in the future which may have an impact on the auditing section relationship with the PCAOB. The national level of the AAA has made some efforts to interface with the PCAOB that the Auditing Section may wish to watch as there may need to be a dialogue about established relationships. Higgs pointed out that the AAA has a regulation committee which may have some interaction with the PCAOB. The AAA has a task force "Environmental Scanning Taskforce." This group has several auditing section members on it who will hopefully make the section leadership aware of any initiatives that impact the auditing section.

Treasurer's Report

Kathryn Kadous presented the treasurer's report. She noted that financial information from the AAA national office has not been as timely as it had been in the past. She noted that the 2005 numbers had possibly lower than normal expenses. (Bill Messier had not used the normal editorial support during his tenure as editor.). There was discussion of the various line items. The committee discussed the cash balance and discussed ways to use the cash that would benefit the membership. Suggestions included:

- use of cash was to pay for projectors in the rooms for the mid-year meetings.
- paying for higher profile speakers at meeting
- lower the costs of the mid-year meeting.

It was noted that editorial assistance costs at AJPT and platform fees for the new journal will "eat up" the increase in cash balance. Thus, in future years, there will not likely be increases in cash balances in the near term. Kathryn noted that the membership numbers may be misleading because of unexplained fluctuations in some membership demographics.

Mark Peecher made a motion to pay for computer projectors at future midyear meetings. Mark Beasley seconded the motion and the vote was unanimously agreed upon by the committee.

Report of the Research Committee

Ray Whittington presented the Research Committee report on behalf of Jay Rich. The main task of the research committee has been to update the research data base. The committee discussed what things should the research committee be doing? Past tasks include:

- Updating the database
- working with the PCAOB research teams.

Potential projects include:

- Email to announce the research database
- Performing a citation analysis for AJPT. -- Arnie Wright pointed out that work was already underway on this project.
- Assimilating data to communicate to deans with the goal of upgrading the journal status of AJPT

- Consider proposing a research team on the “Use of Specialists.”
- Trying to elevate the journal and increasing awareness of the new journal.
- Research for proposals – PAC ended up supporting two proposals.
- Working with PAC to identify needed research.
- Approaching the Auditing Standards Board about other research projects such as the reporting model.
- Determine ways to get access to subjects. Consider approaching the TIC division of AICPA to get access to subjects through smaller firms. Accounting and auditing conference of AICPA to get behavioral research (probably a summer conference).
- There needs to be some nurturing of the relationship with the firms.

There were various things discussed as thing related to nurturing future research and researchers in auditing:

- Identifying liaisons in each CPA firm and trying to nurture the relationship with each firm.
- Should the section try to have doctoral fellowship awarded to students studying auditing?
- Can there be some program to teach institutional features of the auditing profession. Many of the new professors in auditing have had no professional auditing experience as many new doctoral students have come straight from undergraduate or masters programs
- Funding of professors in earlier stages of their career.
- Developing a mechanism to identify training with the large firms.
- Should the VP – Practice Chair the PAC.
- Should the PAC tee up for future projects

Membership/Regional Coordinators Committee

_____ reported on the activities of the Membership committee. Various topics were discussed including:

- There should be membership option for people who register for the mid-year meeting. The AAA staff could include this on the registration form.
- There was some discussion about how to attract new members. The section could have differential fees for members/non-members.
- Mark Peecher asked what percentage of the population of the potential members are members. There was a discussion about how Hasselback data had been used to identify faculty members interested in auditing.
- How can the section get financial accounting researchers who do auditing research to join?
- Should the section consider establishing subsections such as information systems auditing or forensic accounting/auditing?
- Ray will talk to Larry Crumbley about synergies between forensic and the auditing section.
- The membership brochure needs to be updated.
- Membership page on the section website needs to be updated.

- Secretary needs to work with the communication committee about updating the WebPages. Ray reported that he had identified out of date information and had asked Kathy Casper to update some parts of the web pages. Kathy Casper now has the role of web master. Glen Gray is available for advice.
- What should be the policy on web page updates? Should these go through the communications chair or the president of the section?

Report of the Historian:

Arnie Wright has been working to keep the operating manual updated. The August 6th minutes need to be approved. This will be done by email because former officers are not at the current meeting. Arnie will be sending the Executive Committee information about access to the operating manual.

Report of on Meeting Planning and Registration

Dee Strahan discussed the registration data for the current meeting and the planning for the 2008 meeting. For the current meeting, pre-registration was about 280 with 25 signed up for the CPE session. Doctoral consortium attendance was at the maximum with 50. Many registrants are staying elsewhere because there were limited rooms available in the hotel. . Dee will try to determine what percentage wanted to stay at the hotel. She noted that hotels not affiliated with major chains presented additional challenges.

The 2008 meeting will be held at the Marriott in Austin, Texas. The committee discussed the cost of having projectors at the mid-year meeting. At one other AAA section mid-year meeting the AV costs was about \$14,000. Pricing will vary depending on whether one acquires the project, the projector and computer or just a set up area so that the group provides the projector and computer. Mark suggested that the moderator be responsible for bringing a laptop loaded with the presentation.

Report of Auditing Standards Committee

Audrey Gramling presented the reports. Prior year activities included

- Responding to the exposure draft of the AICPA.
- The group met at the annual meeting to come up with a topic for the mid-year meeting.
- The committee will be responding to AS 5.

There was a discussion as to who should chair the committee going forward. Vice chair of the committee, Mark Taylor is not available to chair the committee. Randy Elder and Tom Koslawski are current members of the committee who may be available to fill the role.

There was a discussion as to whether to publish the exposure draft responses in the new online journal. Other options are *Accounting Horizons* and *The Auditor's Report*. The editor's could get the standards group to do an abstract of the ED responses. The section may consider an email once a month with material about issues such as the AAA comment letter. A discussion will be held with the editors of CIA (Current Issues in Auditing) to discuss the possibilities.

Update on Annual Meeting 2007

Chris Earley presented the report. First Chris talked about the lessons from last year where there were 133 submissions and one discussant per accepted paper. The 68 discussants were assigned "late" and 23 of the ones originally assigned backed out at many of those backed out at the last minute. As a result, replacements were not on the printed program but did appear on the online program.

There was a problem with the registration of practitioner guests who were on panels. Solutions to be implemented this year:

- assign people early
- matching people with their areas of interest – This process will be easier this year since volunteers must identify their interest.

In the current year, there are roughly 120 submissions with the vast majority being archival papers. There were 84 initial reviewers who volunteered. Because there needs to be two reviewers per paper, Chris sent out an email to all submitters to tell them that at least one author per paper had to volunteer to review. After that email there are now 133 reviewer volunteers. There needs to be a sign up list and follow up email with attendees at the mid-year meeting. There are currently 46 volunteers for discussants.

Chris Hogan is the vice-chair and will coordinate the 2008 meeting. The section may consider multiple planners including one vice-chair and another person to coordinate panels.

There are currently three panel proposals covering topics such as internal auditing, standards; SOX, AS 5, and new SEC issues.

Report of CPE Committee

Al Nagy presented the report. This year there has not been much activity. At the mid-year meeting there was a session with 27 attendees on 404 assessments. The sign up form offered 3 hours of CPE but the session will actually run 4 hours.

Report of editor of AJPT

Dan Simunic presented the report which covers submission and publication information for the past year. He also presented the table of contents for the May 2007 issue. He noted that the November 2007 issue should be of similar length.

Dan Simunic has asked that the semi-annual stipend to the editorial assistant be increased from \$5000 to \$6000. Ray determined that it is not necessary to approve it since the original agreement that Linda McDaniel negotiated was above the increased amount.

There is a proposal to have a special issue of AJPT associated with a Hong Kong Conference. There is a new journal starting up at the same time. There is a hope that holding an auditing conference at the same time would increase the attendance at the new journal conference. The journal would be a supplement.

Arnie Wright noted that to ensure quality he advocates the CAR model where the paper has a good shot at being published, but it is not guaranteed. Under the CAR model, every submission is also a submission to the journal which eliminates artificial deadlines. The Hong Kong meeting won't conflict with the mid-year meeting which is the first week of January. The host university, HKPU, is willing to pay for the costs of the conference as well as costs of publishing the journal. There was some discussion of what to do if the quality of submissions would be low. Plans were discussed in event that

the papers are of lower quality. Kathryn Kadous moved and Mark Peecher seconded a motion that the section participates in the conference. The motion was approved unanimously.

Discussion of academic stature of AJPT

Ray Whittington led the discussion about ways to elevate AJPT to top-tier status. Recently the University of Illinois moved *Review of Accounting Studies* to the status of a high quality journal. Some ideas were to gather data to show that the journal is highly cited; send a fact sheet to department heads about journal quality, or send the same fact sheet to the membership to assist them in elevating the status of the journal. The research committee will collect the data.

Report of Education Committee

Jay Thibodeau presented the report. The online journal has been approved. Jay thanked Mark Beasley for his efforts to get the new journal approved by the AAA. Jay acknowledged the work of the committee members.

A priority of the committee is the need to address issues coming out of SOX. Last year there was a panel on how firm training was changed as a result of SOX. The next topic was the PCAOB inspection process. The panel at the mid-year meeting sponsored by the education committee has a PCAOB representative with the PwC PCAOB liaison and the Grant Thornton Audit and Assurance Services Partner. There is also a part of the panel that will address how inspections impact education.

The committee continues with the “have you seen” column in *The Auditor’s Report*.

The executive committee asked Jay to talk to Chris Earley about getting an education panel at the annual meeting. There may be a possibility about Fair Value education. Another possibility is linking internal controls to financial statement assertions.

Report of the Communications Committee

Brian Ballou presented the report. An important issue addressed was who was to update web pages for committees. A goal is to review the web site twice a year. Most of the section’s web site is out of date. Glen Gray is the webmaster, emeritus. Kathy Casper is the current webmaster. Ray noted that we need to be specific with instructions to Kathy Casper. Mark Beasley noted that the web page falls under the charge of the communication committee. Arnie Wright suggested that the committee look at other WebPages to see what other organizations are doing (e.g. management association). There likely needs to be a section on the web page for a call for committee volunteers.

Other Communication issues related to the web pages:

- The AAA may have auditing section related material.
- Ray has done some updating that should be posted soon.
- Arnie Wright noted that updates to the web pages must be approved by the section president.
- There is link for a call for papers for the online journal.
- Updates should go to the communication committee chair who will then determine if it must go through the section president.

- The list of people who get complimentary AJPT journals needs to be updated. The section secretary is supposed to keep that list updated. Mark is uncertain as to whether the people on the list are getting the journal. Goal is to update the list before the release of the May 07 AJPT issue.
- Jennifer Mueller is a candidate to take over the Communication Committee.

Update on 2007 Midyear Conference

Terry Neal and Karla Johnstone reported that there were 284 registrants and 50 guests for a total of 334 attendees. The attendance at the CPE session was 27; the CPE session is new for 2007. Debbie Gardner and Dee Strahan were great to work with

Gary Peters and Roger Martin, who will coordinate the 2008 midyear meeting, did a great job in facilitating the review process.

In 2007, there are a number of excellent speakers from prominent organizations. There was a discussion as to how the panels came together.

Some of the challenges faced during the 2007 planning and execution of the mid-year meeting:

- Using overheads for presentations.
- Some of the doctoral students did not get notified as to whether they would get into the consortium. The AAA prioritized consortium attendees based on first come/ first served basis.
- There was a problem with running out of hotel rooms.
- The plenary session was moved to accommodate Bill Gradison's schedule.

Award Selection

Ray Whittington led a discussion about the process for the selection of awards. Specifically we talked about the notable contributions award. What does the Executive Committee approve when award committees bring forth a nominee?

As a practical matter the nominee is being approved. Both the notable contributions and the distinguished service award require EC approval. Ray reported that Scott Showater recommends that more people be added to the distinguished service award committee since the practitioners generally take the recommendations of academicians. In the last year, Bill Felix was the only academician on the selection committee. Ray will check the bi-laws to determine the guidelines on the number of committee members.

New Online Journal

Dana Hermanson reported the progress for the new journal. The call for papers has been sent to the web master and a call will be put on the seats in the plenary session. March 15 will be the date that submissions will be submitted. The AAA web page for the journal will be up and running May 1st. There are 60 people on the editorial board with 10-12 are practitioners including representatives from GAO, IIA, the AICPA and each major firm. There is some effort to add more international people on the board. Arnie Wright said at one time he had practitioners on the board at AJPT. He used practitioners to let him know if a topic was relevant to practice. Ray noted that we may wish to publish abstracts of the AAA responses to comment letters to exposure drafts. Julia Higgs asked how we will be advertising our journal to practitioners. The following suggestions were made:

- Contact the AICPA to see if they might be willing to barter advertising space
- Contact key groups such as the audit committee roundtable.
- Draft an email with link.
- Consider identifying accounting blogs.

Mark Beasley commented that the AAA executive committee is excited about the new journal.

Other Business:

Julia Higgs asked if the auditing section should consider nominating a person for the Standing Advisory Group. Ray Whittington said he would discuss this with Gary to determine whether this would be beneficial.

Ray will have a discussion with Trevor Steward about involving the Practice Advisory Committee involved with the Auditing Fair Value Education efforts.

Ray Whittington, Mark Beasley and Mark Peecher will meet with Gary Holstrum to discuss the planning for the PCAOB conference.

Mark Peecher made the motion and Mark Beasley seconded the motion to adjourn the meeting. The meeting was adjourned at 4:43.

Business addressed by the Executive Committee by email after the Mid-year meeting:

On January 29th, Mark Beasley reported to the executive committee that Ken Trotman had accepted the invitation to serve as the next AJPT editor effective July 1, 2008.

Ken Trotman had a few concerns that he asked Mark Beasley to address. Mark Beasley emailed the concerns along with three proposals to the executive committee for approval:

1. Ken would like for us to set a specific amount in U.S. dollars that we will provide as administrative support. When Arnie was Editor, the Section provided \$20,000 per year for each of the three years. Dan Simunic's arrangement is that the section will cover up to \$33,000 in Canadian dollars per year, which at the time the Section made a commitment for that support, that translated to about \$26,000 U.S. dollars. Ken was thinking that he would need at least \$20,000 per year, but asked us to consider an upward adjustment due to inflation.

PROPOSAL: I propose that we commit to providing \$24,000 per year in U.S. dollars to Ken for each of his three years.

2. Ken asked if we would be comfortable if he used some of the amount we provide (e.g., some of the \$24,000 I proposed above) to cover travel

for him to represent AJPT at a conference or two per year. His current travel budget at UNSW provides him 2 international trips per year. He sees the need for perhaps one or two additional trips per year to attend conferences as AJPT editor. So, he is merely clarifying that we are comfortable with him using some of his administrative stipend to cover travel. Our bylaws only prohibit the use of the stipend for salary support, professional fees, or honoraria for the editor. I think travel is a reasonable administrative cost for him to use the Section's support to cover.

PROPOSAL: We clarify that use of the \$24,000 towards his travel when representing the AJPT is acceptable.

3. Ken asked if the Executive Committee had thoughts or wanted to provide input to possible Associate Editors. I told him that historically the Exec Committee has delegated the decision about the use of Associate Editors to the incoming Editor. At this point, he plans to appoint 3-5 Associate Editors, with the possibility that as he develops some experience, he might consider adding one or two more.

PROPOSAL: We clarify that the selection of the number and specific individuals to serve as Associate Editor would be his decision, but he is welcome to ask for any input from the Executive Committee.

The executive committee unanimously approved of the three proposals.

On February 7th, Mark Beasley sent an email notifying the executive committee that Ken Trotman had agreed to serve as the editor for Auditing a Journal of Practice and Theory. The following announcement of the selection was approved by the committee:

Ken Trotman Selected as Next Editor of AJPT

The Auditing Section's Executive Committee is pleased to announce the selection of Ken Trotman as the next editor of Auditing: A Journal of Practice and Theory, effective July 1, 2008. A preeminent audit scholar, Ken is a the Scientia Professor and the Director of the Centre of Accounting and Assurance Services Research at the University of New South Wales in Sydney, Australia. Ken will assume editorship responsibilities following the completion of Dan Simunic's (the current AJPT editor) term in July 2008 and will serve for three years through June 30, 2011. The Executive Committee congratulates Ken on this selection and appreciates his willingness to serve the Section in this most significant capacity.

Respectfully Submitted,

Julia Higgs