



THE
AUDITOR'S
REPORT

Report of the President *(Continued from page 1)*

Third, we recognized that because our organization's leadership so frequently turns over, our strategic management process needs to be flexible enough to accommodate the adoption of new strategic initiatives on as frequent as an annual basis.

Fourth, there was discussion on whether the Section's name should be changed to include the term "assurance services." The tentative conclusion reached by the Executive Committee on this question is that, because a) the name "Auditing Section" has considerable brand equity, b) external and internal auditing continue to be the profession's core services, and c) forays into other assurance services are early and have not yet become well established, we should not change the Section's name at this time. However, we did tentatively agree to incorporate the term "assurance services" into our mission statement and other elements of the strategic management framework. As discussed below, the Executive Committee agreed that we need to elicit feedback from the membership on this important question.

Now that we have made significant progress toward our development of a strategic management process for the Section, the next step is to elicit feedback and suggestions from the Section's membership. Sometime during Fall 1998, portions of the proposed framework will be posted to our web site. Also, these portions will be distributed electronically to all Section members for which we have email addresses. Members will be encouraged to provide feedback and suggestions to me via email. Next, I will process the feedback and circulate suggested changes to our Executive Committee members. As a group, we will decide what changes should be made to the framework. I will present the revised framework at our Midyear Business Meeting in Atlanta, and facilitate an open discussion on its merits. Subsequent to that meeting, the Executive Committee will determine what are the remaining steps to bring this initiative to completion.

My Strategic Initiatives

Our strategy deliberations have helped me to develop the central theme of my initiatives over the upcoming academic year. That theme draws on the combination of four of the seven proposed shared values we developed during our strategy meetings: our members' commitments to (1) the integration of high quality research, education, and practice, (2) sharing knowledge and open communication in a learning community, (3) visionary thinking and innovation, and (4) close professional relationships with the practice community. In my opinion, the hallmark of our organization in the past has been its effectiveness at initiating and executing activities centered on the remaining three of our proposed shared values: our commitments to (1) rigorous, leading-edge auditing and assurance services research, (2) rigorous, leading-edge auditing and assurance services education, and (3) integrity and high ethical standards. I believe that by focusing on a set of new activities and initiatives centered on the combination of the other four shared values, we can carry out our mission even more effectively.

Throughout the 1970s and 1980s, the profession focused much of its R&D effort on fine-tuning its audit production processes—

processes directed primarily at the selective testing of the details of accounting transactions—to enhance efficiency. Such fine-tuning is exactly what one would expect in a mature market with members that produce a commodity product or service. During the 1990s, the profession has embarked on what I believe is a major transformation of its core service. As we have heard over and over again, the primary catalyst behind this transformation is the quantum leap in communications technologies that are transforming the very nature of human interaction. Organizations are employing new technologies to connect electronically the various information activities embedded in their business processes, and to connect electronically with agents outside of the organization, such as suppliers, regulators, and customers.

These electronic connections enable organizations to reduce frictions that impede the flow of information (i.e., increase efficiencies), and enable organizations to reach beyond local markets to a global market.

Electronic connectivity presents several challenges to the external auditor. First, it increases the speed and frequency of changes within the global web of economic activities. Second, it threatens the very viability of the plethora of entities whose primary roles have been various forms of information intermediation, i.e., forms of connectivity that are rapidly becoming obsolete. Third, the traditional paper-based details that have served the external auditor as documentation supporting the accounting for routine business transactions, i.e., traditional forms of "corroborating evidence," are rapidly disappearing. A more dynamic world-wide economic system, coupled with the disappearance of paper audit trails, has prompted assurance providers to shift the focus of their R&D efforts away from further fine-tuning their selective transactions-testing processes and toward the development of new approaches for evaluating the representational faithfulness of the entity's financial statements—approaches that guide the auditor's development of in-depth knowledge about client business risks and the reliability of the business and information systems used to manage those risks.

These significant changes that are taking place in our economy and in our profession pose new challenges to our organization and its membership. Assurance process reinventions of the magnitude we are seeing in our profession strengthen the interdependency between the academic and practice arms of our profession. Practice is heavily dependent on our institutions of higher education to teach the new competencies required to execute its new assurance processes effectively. Also, academic scholarly research focused on emerging assurance technologies is needed. Such research will help the profession understand the strengths and weaknesses of its new assurance methods and highlight opportunities for improvements. And, the very process of performing research will serve an important faculty-development role.

Academics, on the other hand, should be engaged more directly in these transformations, even as they are taking place, in order to be in the position to make informed decisions on a timely basis about possible value-enhancing revisions to course content

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1999 AAA Annual Meeting

The 1999 Annual Meeting will be held on August 15–18 in San Diego, California. The number of sessions allocated to the Auditing Section is related to the number of manuscripts submitted to our section coordinator. Please consider submitting your work for possible presentation at the Annual Meeting.

Submissions must be received by January 15, 1999. A submission fee of \$15, made payable to the American Accounting Association, must accompany each manuscript. Papers that have either been published or accepted for publication, or that will be presented at more than one AAA regional meeting during spring 1999, should not be submitted.

Further details on submitting papers to the Annual Meeting will be published in the fall issue of *Accounting Education News*. Submissions should be sent to:

Joe Carcello
University of Tennessee
601 SMC
Knoxville, TN 37996-0560
Phone: (423) 974-1757
Fax: (423) 974-4631
Email: jcarcell@utk.edu

Report of the President (Continued from page 2)

and curricula. Timely adaptation of our education model to reflect changes in the fundamental concepts that define our profession's role in society, and the underlying changes in the competencies needed to effectively serve that role, enhance the viability and vitality of the profession. Creating a more viable and vibrant profession in turn creates a more viable and vibrant education system and increases the amount of resources available for allocation to basic research and curriculum innovation. Also, academics would benefit from being engaged in the transformation process if they are to develop innovative research approaches directed at advancing knowledge of fundamental concepts and theories of assurance.

To create a more vibrant profession for the 21st century, I believe that the academic and practice communities must develop more productive ways to work together. During this academic year, I plan to initiate Section activities aimed at fostering productive interactions between the academic and practice arms of the profession. I plan to appoint a Section "Outreach" Task Force whose charge will be to identify new strategies for how our Section can better foster engagement between our academic members and members of the practice community. I am not talking here about inviting practitioners to make presentations at Section meetings, or inviting them to attend research presentations. These are one-way flows of information that, in my opinion, have not been very "engaging" for either academics or practitioners in the recent past. Rather, what I am talking about are new ways the Section could foster the reaching out by its members to engage practicing professionals in productive joint ventures dealing with emerging issues and problems. For example, the section could convene a group of leading thinkers from practice and academe to write a set of essays on Risk Management–Assurance and Disclosure Issues.

Also, I have asked our Auditing Standards Committee to develop a proposal for a model, similar to the one used by the AAA's Accounting Standards Committee, under which the ASC periodically would write and publish commentaries on proposed standards, both U.S. and international, or on other emerging issues in

Assurance Services. These commentaries would present the informed opinions of our committee members on the issues at hand, with such opinions being grounded in prior research findings where possible.

I will report on the progress of these initiatives and related initiatives at our Midyear Meeting in Atlanta in January, 1999. I ask you, the membership, to communicate your ideas to me about how the Section can better foster productive collaborations between academics and practicing professionals. Please send your suggestions and ideas to me at tbell@kpmg.com.

Other Section Business

During the annual meeting in New Orleans, the Section's Executive Committee had two very productive meetings. Here are some highlights from these meetings.

- The Section has established a new *Notable Contributions to the Auditing Literature Award* that will recognize a particularly significant contribution to the auditing and assurance literature. During each academic year, manuscripts published during the five-year period ending on the date of the prior year's Midyear Meeting will be eligible for the award.

- As a professional courtesy, future issues of *Auditing: A Journal of Practice & Theory*, *The Auditor's Report*, and other future publications such as Section monographs will be distributed gratis to approximately 50 leaders in the profession. The Section's Auditing Standards Committee will work with the Vice President-Practice to develop and maintain the distribution list.

- Beginning with the Section's year 2000 Midyear Meeting, the Section will hold an awards luncheon at which each of the Section's awards will be presented. No Section awards will be presented during the 1999 Annual Meeting luncheon, thereby allowing more time for the luncheon speaker and for recognition of outgoing officers.

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Should the Auditing Section Continue to Hold Contested Elections?

At present, in accordance with its bylaws, the Auditing Section holds contested elections for the positions of Academic Vice President (President-Elect), Secretary and Treasurer. The question has been raised as to whether the Section should continue with this practice, or should change to the policy followed by our parent organization, the American Accounting Association, of nominating only a single candidate for each office to be filled.

At some point in the near future, Section members may be asked to discuss this issue in a town meeting and perhaps to vote on a bylaws change that would provide for nomination of a single slate of officers. As a prelude to consideration of this issue, this article sets forth some of the pros and cons of contested elections.

Pros

1. Contested elections provide members with a choice of their leaders, while a single slate of officers effectively eliminates that choice. **Rebuttal:** Safeguards can be built into the system to preserve member choice, such as a provision for Section members to nominate additional candidates to be included on the ballot if a sufficient number of members (say 50) sign a petition.
2. In the absence of contested elections, there is a risk that Section leadership could be dominated by a clique that may not be representative of the Section as a whole. **Rebuttal:** Again, safeguards are available, such as requiring that the Nominating Committee have broad-based member representation.

Cons

1. The Auditing Section is a volunteer organization in which officer candidates are asked to donate significant amounts of time and energy to serve as officers. Volunteers should

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Candidates for Vice President—Academics (President-Elect)



Urton Anderson

Urton Anderson is Clark W. Thompson, Jr. Professor in Accounting Education at The University of Texas at Austin and the Associate Dean for Undergraduate Programs. He joined the Department of Accounting in 1984, teaching auditing and managerial accounting. Urton received his Ph.D. from The University of Minnesota in 1985. He is a past recipient of a KPMG Peat Marwick Foundation Research Fellowship and a KPMG Peat Marwick Foundation Faculty Fellowship.

Urton's research has addressed various issues in internal and external auditing. He has written one book, *Quality Assurance for Internal Auditing*, as well as papers published in a variety of scholarly and professional journals. Professor Anderson is a Certified Internal Auditor, and since 1994 has served on the Board of Regents for the Institute of Internal Auditors. In 1997 he was named Leon R. Radde Educator of the Year by The Institute of Internal Auditors. Professor Anderson is also the co-editor of the quarterly journal *Internal Auditing*. Urton served as the Chairperson of the Auditing Section's Midyear Meeting Program Committee for 1997, and as a member of this committee in 1996 and 1998.



Stanley F. Biggs

Stanley F. Biggs is KPMG Peat Marwick Professor of Accounting at the University of Connecticut. He received his Ph.D. from the University of Minnesota in 1978. He has been at the University of Connecticut since 1984 and has also taught at the University of Minnesota, and the University of Wisconsin-Madison. He has also served as a visiting professor at the University of Southern California, the University of Maastricht in The Netherlands, the Norwegian School of Management, Sandvika, Norway, and the University of New South Wales. At the University

of Connecticut he teaches auditing, financial accounting and a doctoral seminar in judgment and decision-making. He is currently Coordinator of the Accounting Department Ph.D. Program and previously served as Director of the School of Business Ph.D. Program. In the past two years he has served as chairman of two dissertations that won outstanding dissertation awards (Karla Johnstone, Auditing Section award; and Jay Thibodeau, Accounting, Organizations and Behavior Section award).

Stan has served on the editorial boards of *The Accounting Review*, *Auditing: A Journal of Practice and Theory*, *Behavioral Research in Accounting*, *Accounting Horizons*, and *Advances in Accounting*. His research has investigated decision behavior of auditors, financial analysts and bankers involved in complex tasks and has been published in *The Accounting Review*; *Journal of Accounting Research*; *Management Science*; *Accounting, Organizations and Society*; *Auditing: A Journal of Practice and Theory*; *Artificial Intelligence Magazine*; *International Journal of Intelligent Systems*, *Expert Systems Review*; and *Management Information Systems Quarterly*.

Stan has served on a number of Auditing Section committees, including chairman of the 1999 Midyear Auditing Section Conference Committee, chairman of the Northeast Auditing Section, member of the Auditing Section Outstanding Dissertation Award Committee and member of the Nominations Committee. He has also served on a number of AAA committees, including Auditing Coordinator for the Program Planning Committee for the 1993 AAA national meeting, chairman and member of the Wildman Award Committee, member of the Research Advisory Committee, member of ABO Outstanding Dissertation Award Committee, and member of the Doctoral Fellowship Committee.

Candidates for Treasurer

Mark S. Beasley

Mark S. Beasley, Ph.D., CPA, is an Assistant Professor in the Department of Accounting in the College of Management at North Carolina State University. Mark joined the NC State faculty in August 1994 after completing his Ph.D. in Accounting at Michigan State University. Before pursuing his Ph.D., Mark was a Technical Manager in the Auditing Standards Division of the American Institute of Certified Public Accountants (AICPA) in New York City where he worked closely with the Auditing Standards Board. Prior to that, he was an Audit Manager with Ernst & Young in Nashville, Tennessee. He obtained his Bachelor of Science degree in Accounting at Auburn University.

At N.C. State Mark teaches courses in auditing and financial accounting at the undergraduate and masters levels. His research investigates issues in auditing, with a primary interest in management fraud, corporate governance, auditor quality, and analytical procedures. He has published articles in *The Accounting Review*, *Journal of Accounting Research*, the *Journal of Accountancy*, and *The CPA Journal*. His dissertation, which investigated the relation between financial statement fraud and board of director composition, received the American Accounting Association's 1995 Competitive Manuscript Award. Mark is also the author of several continuing professional education courses. Mark is a member of NC State's Academy of Outstanding Teachers.

Mark is a member of the Auditing Section of the American Accounting Association and the AICPA. He is currently serving on the Editor Nominations Committee for *Auditing: A Journal of Practice and Theory*, the AAA/AICPA Accounting Literature Awards Selection Committee, and the Fraud Standard Steering Task Force of the Auditing Standards Board.

Dennis M. Hanno

Dennis M. Hanno is the Associate Dean for Undergraduate Matters at the University of Massachusetts Amherst and a faculty member in the Department of Accounting and Information Systems. Before his current position, he was a faculty member at Boston College. Dennis holds degrees from the University of Notre Dame, Western New England College, and the University of Massachusetts.

His primary teaching responsibilities are in the area of auditing and assurance services, and he has also taught financial accounting, accounting theory, and taxation courses. His primary research interests include decision making in auditing and other accounting contexts, accounting education issues, and ethical decision making. Dennis has published in a number of academic and professional journals, including *Behavioral Research in Accounting*, *Issues in Accounting Education*, *Management Accounting*, and the *International Journal of Business Studies*.

Dennis spent the last year in a professional development experience with the Eco-

A Course in Information Systems Assurance: Collaborative Discovery Learning Online

By A. Faye Borthick, Georgia State University

borthick@gsu.edu

Many auditors believe that the assurance services of the future will encompass a wider range of activities than traditional financial and operational auditing (*Internal Auditor* 1996; AICPA 1997; Elliott 1997). This belief is manifest in the profession's exhortations to faculty to inculcate problem-solving skills, teamwork and a lifelong learning orientation in students (AECC 1990). The uncertainty about what specific services will be relevant in the future precludes faculty from knowing which specific assurance approaches in which domains they should incorporate in their courses. One answer to the question of what to teach concerning assurance services is to prepare students for *anything* they might encounter rather than just the types of auditing engagements that are common now.

Relevant to the content of a course in information systems assurance, the *anything* that students might encounter covers a broad range, e.g., using computer-assisted audit techniques to provide assurance for the results reported by any information system, assuring the continuous reliability of any information system by evaluating its processes and assuring the continuing adequacy of access control for any information system.

The masters-level Information Systems Assurance course at Georgia State University has been redeveloped to meet students' need to be able to work in teams to provide assurance services in new contexts. The course poses learning to solve problems as discovery learning, in which students learn to recognize a problem, characterize what a solution would look like, search for relevant information, develop a solution strategy and execute the solution strategy (Anzai and Simon 1979; Kulkarni and Simon 1988; Dunbar 1993; Norman and Spohrer 1996; Brandt 1997; Sabelli 1998; Schank 1998). Similarly, students learn to engage in teamwork by working collaboratively in teams toward team objectives (Okada and Simon 1997). This article explains the implementation of the course (syllabus at <http://www.gsu.edu/~accaffb/ac863.htm>).

WHAT STUDENTS DO

Before each class, students prepare their approaches to meeting an assurance need that is represented by a description of an organizational context. Depending on the class, students prepare a list of risks and control weaknesses, an evaluation of internal control, an audit plan, or an implementation of an audit plan. There are resource materials for each class that help students develop their understanding of the assurance need, the extant professional guidance pertaining to it, and existing techniques and strategies. All the materials are available online on the web. Students convert the materials they develop to web pages, which they load on the class server.

To join a class session, students start a web browser, enter the URL for the platform software (WebCT), give their userids and passwords, and open a presentation window and a discussion win-

dow. Using the presentation window lets students view (and copy) the materials that any student or the instructor has prepared for that class. Using the discussion window lets students and the instructor converse through their keyboards and screens. The discussion scrolls continuously as participants enter their comments. The presentation window and the discussion window appear on screen together.

During a class session, students have the opportunity to ask questions about the resource materials. Once such questions have been answered, students present their approaches to the day's assurance need and discuss the relative merits of different aspects of different ones. During or after a class session, a group solution to that day's assurance need can be created and loaded on the server.

All class discussions are logged, and the log is made available to students. The existence of the logs makes note taking during class unnecessary; instead, students, knowing that details are being recorded, can devote all their energy to participating in class. Having a log of class discussions also permits students that could not join a class session to catch up completely.

The platform software also supports email and an online bulletin board for students and the instructor to communicate with each other. Examinations are administered online, and students can access their scores and question solutions online.

WHAT COLLABORATIVE DISCOVERY LEARNING ONLINE ACHIEVES

The rationale for the course as collaborative discovery learning is to prepare students for work environments in which new problems are the norm and in which groups of professionals work together to solve them (Schrage 1990; Brown and Duguid 1991, 1998; Nonaka 1994; Macdonald 1995; Vega and Lacey 1996; Leidner and Fuller 1997; Raelin 1997). In this environment, it is more important to help students learn how to find or create knowledge as they need it rather than to teach them only what they need to know now.

The online course facilitates discovery learning in that the knowledge students need to solve specific problems is available to them online, through materials prepared expressly for that purpose and through web pages prepared by others. The online course facilitates collaborative learning in that online discussion and access to web pages permits students to develop solutions to problems interactively and to retain those solutions for reuse later. Online access to all source and assignment materials permits all information to be more available, which increases the likelihood that relevant information can be brought to bear on problem solving. With online access, the performance limitation is no longer what one remembers but how well one can understand the problem space

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A Course in Information Systems (Continued from page 6)

and match information to aspects of the problem. Having machine-readable (and thus machine-searchable) access to the work of others—students and professionals—makes a collaborative learning environment possible.

The online course makes it easier for professional guests to participate in classes. Information systems assurance is a course for which there is a ready supply of interested accountants and auditors willing to enrich students' learning by sharing their experiences and counsel. Having online classes makes it easier for them to join a class and make relevant materials about the accounting profession and business and their organizations available to students.

With respect to measurable performance differences, there was no significant difference (analysis of variance, adjusted for student GPA) between the final exam scores on equivalent objective questions of students in the first online section (Fall, 1997) and in the last traditional section (Winter, 1997). This outcome is consistent with the online students having mastered as many "facts" and their application as traditional students. Similarly, there was no difference between student performance on subjectively graded exam questions, which required students to develop audit plans for auditing a specific information system.

Students were pleasantly surprised by the richness of their

online discussions and the diversity of viewpoints that emerged. The aspects students liked best about the online course were the choice they had of where to be during class sessions and the existence of the discussion logs that freed them from taking notes. Non-native English speakers were especially glad to have access to discussion logs. Independent of the course content, students have been happy that they had the opportunity to learn to work with others on the net.

In addition to allowing students to benefit from collaborative discovery learning, the online course has other potential benefits. Because students do not have to be together physically, the course is accessible to those working or living elsewhere, temporarily or permanently. Professionals can take the course regardless of their work locations, and students can take the course even if it is not available from their home institutions. The online course also helps students learn to function in a workplace in which professionals collaborate with electronic tools to achieve team objectives but rarely see each other due to time or distance constraints (Zigurs and Kozar 1994; Barua et al. 1995; Brown et al. 1998). These students will be ready to participate in the "temporary, self-managed gathering[s] of diverse individuals engaged in a common task" (Malone and Laubacher, 1997) that has been proposed as the model for knowledge work in the future (Laubacher et al. 1997).

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ASB Update as of January 31, 1998

Kurt Pany, Arizona State University
Academic Member of the Auditing Standards Board

In this update I briefly discuss two academic opportunities and then discuss several of the current ASB projects that I believe may be of interest. As always, feel free to contact me with any questions, comments, and suggestions.

Academic Opportunities

Academic Fellow

As indicated elsewhere in the newsletter, the AICPA Audit and Attest Standards team has re-instituted the academic fellow program. The program is designed to engage an academic to work with the AICPA in New York City for 12 months. The AICPA's financing of the program is designed to be used in conjunction with a sabbatical leave from that individual's university. The position will involve a variety of tasks, but particularly identifying and analyzing research that is relevant to the Auditing Standards Board's various projects. I served in this role during the development of the nine expectation gap standards during the 1980s. I thoroughly enjoyed the experience and still consider it unsurpassed in my career. As indicated in the announcement, if you believe that you may be interested in being considered for such an opportunity, you may contact Thomas Ray, AICPA Director—Audit and Attest Standards. You may contact Tom by telephone, (212) 596-6006, or by email (tray@aicpa.org).

SAS No. 82 Evaluation

The AICPA is committed to evaluating how well SAS No. 82, *Consideration of Fraud in a Financial Statement Audit*, has met the Auditing Standards Board's objectives. A task force is considering this topic and is seeking research proposals relating to the effectiveness of SAS No. 82 and to assisting the Board in its efforts to improve SAS No. 82. The formal announcement is included in this issue.

ASB Projects

Restricted Use

The Board has approved issuance of SAS No. 87, *Restricting the Use of an Auditor's Report* in largely the same form as exposed. As I have previously reported, the SAS states that the primary reasons for restriction include: (1) The measurement criteria are not generally understood (e.g., information prepared following regulatory basis of accounting); (2) Users take responsibility for the procedures performed (e.g., agreed-upon procedure engagements); (3) Reporting is a by-product of an audit (e.g., a report on reportable conditions issued to the audit committee as a result of an audit). Also, for the first time in the professional standards, it includes a statement that a CPA may restrict the use of any report that is ordinarily "general use." For example, an audit report might be considered "restricted use" if so contracted with a client when no laws or regulations prohibit such a restriction. SAS

No. 87 revises terminology in a number of areas of the auditing professional standards to use the term "restricted use" rather than "restricted distribution" or "limited distribution" due to difficulties in controlling distribution.

Auditing Investments

In 1996 the Auditing Standards Board (ASB) issued Statement on Auditing Standards (SAS) 81 to provide auditing guidance consistent with recently issued accounting standards, including FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The Board continues to work on a number of issues including:

- When is a confirmation from a broker sufficient evidence as to the existence of securities? May such a confirmation generally be considered as equivalent to a confirmation of accounts receivable? Under what circumstances must an auditor consider the internal control of the broker?
- When should an auditor use a specialist in auditing the values of financial instruments?
- How should a situation be handled in which the most qualified specialist relating to a financial instrument has a business relationship with the client and/or has developed the instrument?

Attestation

The ASB has undertaken a series of projects to improve the usefulness of the *Attestation Standards*. The *Attestation Standards* were first issued approximately twelve years ago. During the past few years, there has been a proliferation of engagements performed pursuant to these standards. For example, the recently developed *WebTrust* attestation service provides guidance about policies and controls of entities offering services or products for sale over the Internet. Additionally, regulators are increasingly seeking to obtain assurance from the public accounting profession as to the reliability of an entity's assertions about internal control, compliance with laws and regulations, and a variety of other matters.

The Board is currently considering the comments received relating to the proposed SSAE that would:

- Enable the CPA to report directly on a specified subject matter, such as internal control or on management's assertion about internal control. For example, the CPA could now express a conclusion about internal control in part as:

In our opinion, Lowe Company maintained effective internal control over financial reporting as of December 31, 19XX, based upon criteria established in [identify criteria].

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Alternatively, the CPA could continue to report on management's assertion about internal control in part as:

In our opinion, management's assertion that Lowe Company maintained effective internal control over financial reporting as of December 31, 19XX is fairly stated, in all material respects, based upon criteria established in [identify criteria].

- Eliminate the requirement for a separate presentation of management's assertion in certain cases where the assertion is included in the introductory paragraph of the CPA's report.
- Align attestation reporting language to that included in SAS No. 58, *Reports on Audited Financial Statements*.
- Provide guidance on the relationship between the *Attestation Standards* and the *Quality Control Standards*.

The second phase of this project is considering issues relating to allowing further direct reporting engagements in which a practitioner provides assurance when no assertion is obtained or when the client is other than the responsible party making the assertion. It will also address certain inconsistencies existing within the standards.

A related project is considering the development of a framework for attestable measurement criteria. For example, generally accepted accounting principles are the "measurement criteria" for audits. The criteria are far less clear in other areas (e.g., systems reliability, elder care, etc.) This task force is attempting to provide guidance that will assist in the development of measurement criteria.

Finally, as always, if you have areas that you believe that ASB should consider I would appreciate your input; it need not be more than a paragraph or two summarizing the area. Also, I am interested in any research in which you may be involved that may provide insights into any of the above issues.

Call for Papers

Accounting, Auditing and Accountability

The journal *Accounting, Auditing and Accountability* is dedicated to the advancement of accounting knowledge and provides a forum for the publication of high quality manuscripts concerning the interaction between accounting/auditing and their socio-economic and political environments. It encourages critical analysis of policy and practice in these areas. Analysis explores policy alternatives and provides new perspectives for the accounting discipline.

Articles submitted to the *Journal* should be original contributions and should not be under consideration for any other publication at the same time. Three copies of the manuscript should be submitted in double line spacing with wide margins. All author(s) should be shown (including complete mailing address, fax, telephone and email address) on a separate sheet and the author(s) should not be identified anywhere else in the article. Articles are submitted to a double blind referee process. There is no submission fee.

Submissions should be sent to:

Professor Lee D. Parker, Joint Editor, *AAAJ*
School of Commerce
The University of Adelaide
Adelaide 5005
AUSTRALIA

Author inquiries by email to: aaaj@economics.adelaide.edu.au

Web site for *Accounting, Auditing and Accountability*:

<http://www.mcb.co.uk/aaaj.htm>

Electronic subscription inquiries by email to: helpdesk@mcb.co.uk

Notice of the AICPA Auditing Standards Board's Upcoming Request for Research Proposals for an Assessment of the Effectiveness of SAS No. 82, Consideration of Fraud in a Financial Statement Audit

The AICPA is committed to evaluating how well SAS No. 82, *Consideration of Fraud in a Financial Statement Audit*, is meeting the Auditing Standards Board's (ASB's) objectives. This commitment was established in the exposure draft of SAS No. 82, issued in May 1996, whereby the ASB noted that it will "develop a process to obtain feedback on the new standard periodically to assess how well it is accomplishing its objectives and to identify further steps that need to be taken. This feedback process should be helpful in defining further research on fraud deterrence and detection."

Accordingly, the AICPA is in the process of developing a Request for Proposal that will be designed to stimulate research on the effects of SAS No. 82 on audit practice, including evidence about the improved effectiveness of an audit of financial statements in detecting material misstatements due to fraud. The AICPA expects to have the support of several auditing firms who are willing to provide access to firm data and personnel for the selected research project(s). All types of research methodologies are acceptable (i.e., archival, behavioral, experimental, theo-

retical, analytical, etc.). The ASB seeks to have the research completed and preliminary results summarized for their consideration by early part of the year 2000.

Members of the AAA's Auditing Section will be mailed a copy of the Request for Proposal once completed by the AICPA, which is expected to occur by early November. The AICPA's anticipated deadline for proposal submissions is February 1, 1999. Also, watch for posting of the Request for Proposal on the AAA's and AICPA's respective homepages by early November 1998.

1998 Distinguished Service in Auditing Award

The winner of the 1998 Distinguished Service in Auditing Award is Robert S. Roussey, Clinical Professor of Accounting at the University of Southern California. This award was presented to Professor Roussey at the Auditing Section Luncheon held on Monday, August 17, during the 1998 Annual Meeting of the American Accounting Association.

Professor Roussey is a retired partner of Arthur Andersen Worldwide, a firm that he served for 35 years, most recently as a firm-wide director of auditing policies and procedures. He is presently serving as Chair of the International Auditing Practices Committee of the International Federation of Accountants, a post to which he was elected in 1995 and re-elected in 1997. He is also a member of the AICPA's International Strategy Committee and of the AICPA's International Auditing Standards Committee.

Professor Roussey was recently elected as a Vice Presi-

The Pacific Area Conference on Expert Systems (PACES)

February 11–12, 1999
Los Angeles, California

The Pacific Area Conference on Expert Systems (PACES) will be held in Los Angeles, February 11–12, 1999 at the Raddison Hotel in Downtown Los Angeles, across from the University of Southern California. PACES is held on alternating years. Previous conferences have been held in Singapore, China, South Korea and Japan.

Papers should be submitted to Daniel E. O'Leary by September 30, 1998. Authors will be notified by October 30, 1998. Generally, papers will be about 10-20 pages, double-spaced. Papers will be published in a proceedings available at the conference. Selected papers will be chosen for a special issue of the *International Journal of Intelligent Systems in Accounting, Finance and Management*.

Papers are solicited in all areas of artificial intelligence, expert systems and knowledge management. Papers can be submitted in electronic form (as an attachment to an email) or in paper form to:

Daniel E. O'Leary
University of Southern California
3660 Trousdale Parkway
Los Angeles, CA 90089-1421
Email: oleary@rcf.usc.edu

Hotel Room Reservations

<http://www.usc.edu/dept/sba/atisp/AI/PACES/hotel.htm>

The Conference will be at the Radisson Hotel in Los Angeles. Phone: (213) 748-4141 or fax: (213) 748-0043 for reservations. Rooms start at \$80 for a single.

Registration:

<http://www.usc.edu/dept/sba/atisp/AI/PACES/registration.htm>
Early Registration is \$150.

Conference Committee

<http://www.usc.edu/dept/sba/atisp/AI/PACES/committee.htm>

Time Pressure Research in Auditing: Implications for Practice

By Todd DeZoort

Assistant Professor, University of South Carolina

INTRODUCTION

My objective with this essay is to highlight the contributions that time pressure research in auditing has made, and has the potential to make, to audit practice. There is little question that time pressure is a prevalent stimulus in the auditing work environment. Professionals in all areas of auditing are confronted with time constraints that can produce high stress levels, impacting attitudes, intentions, and behavior. Perhaps as a result of the prevalence and potential consequences of time pressure in auditing, researchers have examined the problem extensively, although certainly not completely. Extensive work over the past two decades provides researchers and practitioners with a useful body of information to stimulate thought and action. Specifically, this essay is designed to emphasize that the academic literature provides some specific leads for firms and individuals considering ways to manage the positive and negative effects of time pressure in audit practice.

In the tradition of previous expositions, I will focus on a critical few questions that highlight some of the primary contributions of the research literature to date:

- What are the primary dimensions of time pressure found in audit settings?
- Is time pressure necessarily a negative component of audit practice?
- What can we learn from research in other disciplines?
- What can accounting firms and audit professionals learn from the research literature to mitigate the undesired effects of time pressure?

In consideration of these questions, I want to acknowledge that this discussion of time pressure highlights my perceptions of the most important and prevalent issues identified by researchers in the area. A thorough consideration of time pressure certainly warrants a more careful analysis of the breadth and depth of work in accounting and other domains. To assist in this effort, DeZoort and Lord (1997) provide a

summary that highlights the diverse findings of the time pressure literature in accounting.

The Dimensions of Time Pressure in Practice

Time pressure is a generic term that represents alternative, distinguishable forms of pressure. The audit literature reflects two primary dimensions of time pressure in practice: time budget pressure and time deadline pressure. While these dimensions are certainly related and often overlapping, they are not identical.

Time *budget* pressure is a relatively chronic, pervasive form of pressure that arises from limitations on the resources allocable to perform tasks. Resources are limited for a variety of reasons, including profitability concerns, personnel limitations and fee constraints. There is little question that time budgets are important for planning and controlling audit engagements. However, the empirical literature suggests that, for both internal and external auditors, time budgets are tightening and increasingly interfering with efforts to ensure audit quality. The literature also makes it clear that increased competition in the audit market is the primary culprit because it increases the pressure to maximize efficiency and control costs.

Time *deadlines*, on the other hand, are acute pressures characterized by the existence of specific targets for task completion. In auditing, deadline pressures may come from within the accounting firm, from the client, or from third parties such as regulators. Although *some* deadlines may be foreseeable, many are unforeseen and create additional stress for the professional. The unanticipated nature of deadlines can make them harder to manage than budgets, which can be anticipated and dealt with in a strategic manner.

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The editor and the author thank Arnie Wright for his insightful comments on this article.

Alternative Perspectives on the Time Pressure Problem in Auditing

The anecdotal and empirical literature in accounting, consistently reports that time budgets and time deadlines are among the things professionals like least in their work. Evidence suggests that the demands of time pressure can diminish positive attitudes, intentions, and behavior related to audit work. This perspective reflects the predominately negative orientation found in the time pressure literature. That is, researchers to date have emphasized the deleterious effects of time constraints in audit practice in general and specifically on audit quality. These negative effects include, for example, premature sign-off on procedures, underreporting time, feelings of failure, burnout, job dissatisfaction, and undesired turnover.

Fortunately, accounting researchers (in audit and tax) are starting to emphasize the potential for positive time pressure effects. Among the benefits attributable to both forms of time pressure and demonstrated in the literature are increased focus on the task and task-relevant information, decreased attention to irrelevant information, increased motivation to improve work efficiency, and increased job satisfaction.

What, then, are the predominant findings in time pressure research? In the psychology literature, it is generally thought that “under time pressure, subjects tend to work more quickly, but performance accuracy declines” (Salas et al. 1996, 33). In accounting, the findings tend to suggest an inverted-U relationship where judgments improve as time pressure increases from no or low levels to moderate levels, and then worsen as the pressure increases to excessive levels. In auditing, the collective literature clearly reflects the need for auditors to audit effectively in as efficient a manner as possible.

A majority of the time pressure research in auditing has focused on evaluating effects attributable to time pressure, indicating predominate concern with audit *effectiveness*. In this area, a large portion of the work indicates time pressure can promote premature sign-offs and underreporting behavior. A number of other studies indicate that time pressure can increase auditors’ tendencies to accept weak forms of evidence during the audit and to neglect needed research on accounting standards. Alternatively, the literature also provides evidence that time pressure can enhance auditors’ abilities to identify deviations and misstatements, and make risk assessments.

However, the literature increasingly reflects interest in evaluating how time pressure can affect decision-making processes, emphasizing potential enhanced *efficiency*. For example, the extant literature indicates that deadlines can reduce auditors’ focus on irrelevant task information and decrease the amount of complex processing when assessing risk of material misstatement. The tax literature also provides some interesting findings in this area, providing new interactive links between time pressure, cognitive processing, and professional expertise (see, for example, Spilker and Prawitt 1997). Such work highlights the importance of remembering that time pressure should not only be considered in isolation or as if in a vacuum. Instead, it is critical to note that

practitioners work in dynamic environments that are characterized by numerous interactive pressures (e.g., accountability and time budget pressure) that can impact them in both subtle and dramatic ways.

What Can We Learn From Research in Other Disciplines?

While this examination of time pressure effects focuses on the auditing literature, it is always appropriate to remember that we should not confine our curiosity and learning to the audit domain alone. In fact, the auditing literature reflects the depth and breadth of time pressure research in other domains. For example, the tax literature provides some insights into the potential for positive time pressure effects on information processing. Outside of accounting, the psychology, sociology, and organizational behavior literatures offer extensive bodies of information related to time pressure effects that can supplement the auditing literature and provide a basis for future research.

For example, a look at the research from alternative domains provides important insights into potential coping strategies that could improve audit research and practice. Specifically, the psychology literature provides insights into alternative strategies that individuals can employ to deal with time pressures, including *acceleration* (speeding up efforts to assimilate information), *strategy shifting* (changing the processing strategy used), and *filtration* (restricting information processing). Edland and Svenson (1993, 37–38) suggest that individuals under increasingly severe time pressure may first try to increase their processing speed. As time pressure increases, increasing speed becomes less feasible and individuals begin to filter the information they process. Next, as the deadline or budgetary boundary becomes more imminent, individuals will start to change the processing strategy used. For example, Asare et al. (1998) report that auditors under time budget pressure in the investigation of a material, unexpected fluctuation altered their testing strategies by reducing the number of tests examining a particular cause while maintaining the number of causes tested. Finally, if the pressure becomes intolerable, individuals may start to avoid the problem altogether.

What Can Firms and Professionals Do To Manage the Time Pressure Problem?

So the question remains: “What are the implications for practice?” The variety of findings in auditing and other domains provides a number of potentially useful ideas for firms and professionals to consider. From an organizational perspective, accounting firms should do more than just recognize that time pressures are a “part of business.” Rather, firms should explicitly consider ways to manage time pressures. For example, firms should reevaluate and consider improvement strategies in their training and support systems for professionals who are most susceptible (e.g., new staff auditors) to negative time pressure effects. This reevaluation should take into account the research findings that knowledge and experience affect individuals’ abilities to adapt

(Continued on page 14)

Call for Nominations

The Auditing Section seeks nominations for its annual Outstanding Auditing Dissertation Award. The author of the dissertation judged to make the most outstanding contribution to auditing knowledge, among those dissertations nominated for consideration, will receive the award. The assessment of what constitutes an outstanding contribution will be based on, but not limited to, the following criteria:

- the timeliness and importance of the problem(s) addressed;
- the creativity of the research;
- the development of a theoretical framework;
- the appropriateness of the research method and analysis;
- the potential for publication in a scholarly journal; and
- the potential for the results to have an impact on the practice of auditing.

An outstanding dissertation can be expected to rate highly with respect to all of these criteria. Selection of the award winner will be made by the Section's Outstanding Dissertation in Auditing Committee.

A dissertation must be nominated by either the person who authored it, or one or more members of the dissertation committee. Nominations will be considered to be complete when the following materials have been submitted:

- a letter from the dissertation chairperson stating that a dissertation has been completed and accepted by the degree-granting institution between January 1, 1997 and December 31, 1998 (dissertations can be nominated more than once);
- five copies of a nomination letter stating why the dissertation is deserving of special recognition; and
- five copies of a paper from the dissertation that meet the criteria for papers submitted to *Auditing: A Journal of Practice & Theory* (refer to the latest issue for requirements related to length and other matters, e.g., submission of questionnaires and experimental instruments).

Please send all materials to:
Professor Karen V. Pincus
Department of Accounting
College of Business
University of Arkansas
Fayetteville, AR 72701

Entries must be received by May 1, 1999. The award recipient will be notified by September 1, 1999 and will receive the award during the Midyear Auditing Section meeting in January 2000.

CALL FOR PAPERS AND REGISTRATION

Fifth Critical Perspectives on Accounting Conference: Ethical Dimensions of Accounting Change

<http://bus.baruch.cuny.edu/critical/>

Aims and Scope

The 1999 Critical Perspectives on Accounting Conference provides a forum for critiquing and moving beyond all prevailing orthodoxies in accounting and related fields. The meeting brings together interested faculty, professionals, policy makers, accounting students and others concerned with educational, professional, and regulatory change. Special "boutique" session-streams are planned in career planning for critical doctoral students and untenured faculty; critical poetry in accounting, and critical accounting poetry. Past conference attendees have earned sixteen Continuing Professional Education credits, valid in New York, Massachusetts and other states.

Location and Dates

The conference will be held at Baruch College in New York City on Thursday through Saturday, April 22-24, 1999, beginning with a reception and registration on Thursday evening, and ending on Saturday afternoon to allow visitors to enjoy the city and its facilities over the weekend. Baruch College is located in downtown Manhattan.

Submission Deadlines and Support

Manuscripts, working papers, abstracts and panel proposals are welcome, preferably on a 3.5" disk (followed-up with an email attachment file). Use either Word 7 or WordPerfect 8 format and

include the name, address, email, telephone, and fax numbers of all authors, designating the corresponding author. The deadline is January 10, 1999. Authors will be advised of the editorial panel's decision no later than February 15, 1999. A selection of manuscripts will be published in one of the conferences sponsoring journals. Conference sponsors include the Critical Perspectives on Accounting Journal, Baruch College, City University of New York, the Center for Accounting Ethics, Binghamton University, the Advances in Public Interest Accounting Journal, and the Accounting Forum.

REGISTER on the web:

<http://bus.baruch.cuny.edu/critical/> for (email return or hardcopy download).

For more information, contact:

Professor Tony Tinker
Baruch College: Box E-0723
City University of New York
17 Lexington Avenue
New York, NY 10010
Phone: (212) 802-6436
Fax: (212) 802-6423
Email: tony_tinker@baruch.cuny.edu
or tonytinker@msn.com

Time Pressure Research in Auditing: (Continued from page 12)

and use modes of adaptation. The research literature also highlights the importance of acknowledging that time pressure effects can differ based on individual characteristics (e.g., personality, moral development), social and environmental (situational) context, and hierarchical position in the firm. With this in mind, a “one size fits all” approach to managing the time pressure issue is almost certainly inappropriate. Finally, firms should emphasize that time pressure is not just a “necessary” part of auditing, but also a potentially beneficial part of an auditor’s professional development.

The academic literature also suggests that firms need to consider that group (team) performance is qualitatively different from individual performance. Specifically, when it comes to time pressure effects, audit research suggests that firms should be careful to consider that audit teamwork is not simply an additive function of the knowledge, skills, and attitudes of the individual professionals. In this light, emphasis should be placed on interactive variables (e.g., peer pressure, obedience pressure, organizational commitment, professional commitment) and communication among professionals in high-pressure situations.

Finally, firms should recognize the potential for changes in the accounting industry’s composition to alter the nature and extent of time pressure in practice. Increasing competition in contracting audit markets can exacerbate the deleterious effects of time pressure. In this light, particular attention should be given to the link between pressure and professional ethics. Audit firms should continue to place a strong emphasis on ethical awareness training to prepare their professionals for the dynamic pressures they encounter in practice. In particular, firms can use research findings (e.g., Schultz et al. 1993) that suggest ethical behavior is a function of individuals’ perceptions of personal cost, professional duty, and the seriousness of the matter. Firms also should consider ways to de-emphasize the ability to meet or beat budget

as a major criterion in both formal and informal performance review and promote alternative performance measures to realign auditors’ work motivation.

From the individual auditor’s perspective, the academic literature confirms that time budgets and time deadlines are prevalent contextual factors that can affect the quality of the audit and the quality of the auditor’s work experience. On a deeper level, the audit literature also highlights the types of tasks likely to be influenced by time restrictions, as well as the variety of coping strategies available. Specifically, the literature in auditing and other domains suggests that the dysfunctional effects of time pressure, even in extreme applications, can be managed if professionals learn to use effective coping techniques (e.g., controlled acceleration, effective filtration/screening of task-irrelevant information), appraise and re-appraise tasks and strategies for completing tasks, and identify possible contingencies and project management techniques.

Professionals are also well served to recognize that time pressure in its alternate forms should not only be viewed in negative terms. Instead, professionals should recognize the potential upside of the pressure on their performance and careers. Abilities to adapt and remain flexible in the face of pervasive and often severe time constraints are often rewarded in today’s profession.

Ultimately, the time pressure literature to date provides a number of important findings that audit practitioners and researchers can take forward in their work. However, for each question addressed, new questions arise that hold great promise for additional learning in the area. Interestingly, and as a final thought, it is here that a paradox arises. While the time pressure literature in accounting reveals a great deal of information for practitioners, it is that same time pressure that inhibits the effective flow of information from the research world to practice (see Bell and Wright 1995, for an expanded discussion of the obstacles to effective collaboration between practice and academia).

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Call for Auditing CPE Proposals: 1999 Annual Meeting

The Auditing Section plans to sponsor one or more CPE sessions at the 1999 Annual Meeting of the American Accounting Association. The Section's CPE committee is looking for individuals or groups who are interested in presenting sessions at this meeting.

The committee is also soliciting ideas for possible auditing CPE topics and speakers, either for the 1999 Annual Meeting or for future meetings. Please respond by November 15. Early responses will provide sufficient time to fully develop auditing CPE proposals for submission by the AAA's deadline, which is usually in early January. To submit proposals or ideas, please contact:

William Dilla
Auditing Section CPE Director
Department of Accounting
Iowa State University
396 Carver Hall
Ames, IA 50010
Phone: (515) 294-1685
Fax: (515) 294-3525
Email: wdilla@iastate.edu

The Third AAA/KPMG International Accounting Conference

The Third AAA/KPMG International Accounting Conference will be held Friday and Saturday March 19-20, 1999 at the KPMG Quality Institute in Montvale, New Jersey.

International researchers are invited to submit papers by October 15, 1998. All travel, lodging and meal expenses for one author of each accepted paper will be reimbursed.

The Call for Papers is on the AAA web site (<http://aaa-edu.org>), and can be accessed directly at <http://www.rutgers.edu/Accounting/raw/aaa/calls/calls7.htm>.

Bailey Receives 1998 Outstanding Auditing Educator Award

The Auditing Section honored Andrew D. Bailey, Jr. with the 1998 Outstanding Auditing Educator Award. Andy is the Ernst & Young Distinguished Professor, Director of the Center for International Education and Editor of *The International Journal of Accounting*, all at the University of Illinois.

Formerly with Touche Ross & Co., he is a CPA, CIA, CMA and CFE. He received honors on each of the certification examinations including the National Gold Medal on the CMA Examination. Active in many professional organizations, he has served as Chairman of the Auditing Section and as President of the AAA. Andy has also served as co-editor of *Auditing: A Journal of Practice & Theory* and Associate Editor of *The Accounting Review*. He was named the national Beta Alpha Psi Accountant of the Year (Educator) in 1996. His research interests include auditing and statistics, and auditing in a computerized environment. He has published extensively in *The Journal of Accounting Research*, *The Accounting Review*, *Management Science*, *The Journal of Information Systems*, *Management Accounting*, *Auditing: A Journal of Practice & Theory*, and other refereed research journals.

Bailey currently serves as a member of several editorial boards, as a member of the IIA International Auditing Standards Committee, the AAA Auditing Section Auditing Standards Committee, as a member of the Board of Trustees for the Institute of Internal Auditors Research Foundation, and as a Member of the Board of Nominations of The Ohio State University's Accounting Hall of Fame. His name appears in several Who's Who Directories of World Personalities and he was identified by *Accounting Today* as one of *The 100 Most Influential People in Accounting* in March 1994. Congratulations!



Andrew Bailey receives the 1998 Distinguished Service in Auditing Award from Jane Mutchler at the AAA Annual Meeting in New Orleans.

AICPA Academic Fellow Program Announcement

The AICPA's Audit and Attest Standards team has reinstated its academic fellow program, and is searching for a candidate to join the AICPA staff as early as January 1999, or subsequently. In its report, *Horizons for the Auditing Standards Board: Strategic Initiatives Toward the Twenty-First Century*, published in December 1997, the Auditing Standards board (ASB) outlined an ambitious work plan for the next several years, and identified the need for the increased participation of Academe.

The principal responsibilities of the academic fellow are to identify and accumulate research relevant to the ASB's projects, and to analyze and distill the results of that research. Projects identified in *Horizons* include continuous auditing, attestation (to facilitate the development of new assurance services), virtual organizations and outsourcing, and international standards. In addition, the fellow will monitor current research activities related to ongoing auditing and attestation issues, such as fraud and going concern. The fellow will be involved with selected ASB, subcommittee, and task force meetings by presenting relevant findings and participating in deliberations.

Ideal candidates are professors (assistant, associate or full) with established research records that are able to qualify for a one-year sabbatical and work in the AICPA's New York offices. Interested professors should contact Thomas Ray, AICPA Director—Audit and Attest Standards; (212) 596-6006; tray@aicpa.org for more information. *Horizons* is available on the AICPA's web site at www.aicpa.org.

CALL FOR PAPERS

The University of Southern California
The Nanyang Technological University

University Maastricht
The University of New South Wales

Present

The 1999 International Symposium on Audit Research

June 24–25, 1999

Hosted by

The Leventhal School of Accounting
Marshall School of Business
University of Southern California

Sponsored by Arthur Andersen

<http://caarnet.ntu.edu.sg/cn/isar/>

About the Symposium

The fifth annual International Symposium on Audit Research (ISAR) will be hosted by the Leventhal School of Accounting and held in Los Angeles on June 24 and 25, 1999. ISAR has been formed from a merger of two previous audit research symposia: the Maastricht Audit Research Symposium held annually in the Netherlands since 1991, and the University of Southern California (USC) Audit Judgment Symposium held annually since 1982. Starting in 1997, an international consortium of universities began taking turns in co-hosting the ISAR. These universities are the University of Southern California, University Maastricht, the Nanyang Technological University, and the University of New South Wales.

Scope of Topics

The scope of the ISAR is intended to be broad and includes research papers and panels that deal with economic and behavioral aspects of auditing and assurance. Papers that utilize any of a broad range of research methodologies will be considered. General topics of interest include research relevant to practice issues such as providing assurance services, litigation, regulation and international matters.

Judgment and decision making topics can include any aspect relating to auditor behavior, such as financial and social incentives, cross-cultural differences in audit judgments, risk-based audit planning, decision aids, alternative models of evidential reasoning and expertise.

Economic-based topics can include national and international issues relating to regulation of audit and assurance services markets, audit quality, auditor choice, and auditor service production.

Submission of Papers

To be eligible for presentation, manuscripts should follow the “Instructions to Authors” published in *Auditing: A Journal of Practice & Theory*. Please pay particular attention to the format and length requirements — *manuscripts should not exceed 7,000 words or approximately 18–25 double-spaced pages including tables, figures, and references*. Be sure to include in your paper the author(s) affiliation(s), the contact author’s email address, an abstract and keywords. Accepted papers for 1999 will not be published in formal proceedings and thus may be submitted to any appropriate journal.

Paper Submission Deadline and Requirements

Papers should be submitted electronically in HTML, RTF, Adobe Acrobat, Word or WordPerfect formats. Papers (and, where appropriate, related research instruments) must be received by January 15, 1999, and should be sent to Professor Ted Mock at the following email address: tmock@sba2.usc.edu. Also, please contact us at this address if you are unable to submit your materials electronically.

Further Information

Further information concerning the Symposium including manuscript preparation instructions can be obtained by visiting our webpage at <http://caarnet.ntu.edu.sg/cn/isar/> or via email from tmock@sba2.usc.edu.

Registration

If you would like details on early registration for the Symposium, please write or email:

Ms. Ingrid McClendon
Leventhal School of Accounting
The University of Southern California
Los Angeles, California 90089-1421
Email: imcclendon@sba2.usc.edu

HAVE YOU SEEN...?

Troy Hyatt, University of Northern Iowa, and Mark Taylor, University of Nebraska

“An Analysis of Experience Effects on Audit Committee Members’ Oversight Judgments,” by F. T. Dezoort, *Accounting Organizations and Society* (Vol. 23, No. 1, 1998): 1–21.

This research examines whether experience affects the judgments of audit committee members. Eighty-seven audit committee members completed an internal control oversight task. Their performance was compared with that of a control group composed of independent auditors. The results indicate the both task-specific experience as well as general domain experience were correlated highly with internal control assessments. Audit committee members with experience mirrored more closely the auditor control group in terms of task performance. The results also indicate that experienced committee members were more consistent, had more self-insight, and more consensus than did inexperienced committee members. Further, experienced participants’ responses contained more technical content than did inexperienced participants.

“Causality as an Influence on Hindsight Bias: An Empirical Examination of Judges’ Evaluation of Professional Audit Judgment,” by M.M. Jennings, D.J. Lowe, P.M.J. Reckers, *Journal of Accounting and Public Policy* (Vol. 21): 143–167.

This paper examines whether the causal nature of an outcome influences the degree or intensity of hindsight effects. An experiment is used to determine whether general jurisdiction judges’ hindsight assessments of the external auditor’s responsibility to anticipate the bankruptcy of a hypothetical auditor client are affected by the causality (or degree of foreseeability) between control and antecedent conditions and the outcome (bankruptcy). The results indicate that judges’ assessments of the extent to which the auditor should have anticipated the client’s bankruptcy were directly related to the degree of outcome foreseeability. The results also showed that as foreseeability increased, judges provided progressively lower evaluations of the auditor’s performance.

“The Impact of Litigation Against an Audit Firm on the Market Value of Nonlitigating Clients,” by D.R. Franz, D. Crawford, and E.N. Johnson, *Journal of Accounting, Auditing & Finance* (Vol 13, No. 2, 1998): 117–134.

This paper examines how litigation against an audit firm affects the market value of the firm’s other publicly traded clients. Consistent with the idea that the market interprets litigation against an audit firm as a signal of decreased audit quality (and that the market impounds value for audit quality into securities prices), the results indicate that the firm’s clients that are not involved in the litigation experience significant negative returns upon the announcement of the litigation against their audit firm. The authors subsequently restricted the analysis to companies in the same industry in which the alleged audit failure occurred, and found that the market response was significantly more negative when the audit

firm was a specialist in that industry than when the audit firm was not a specialist. The authors also found that the market response became weaker in later periods in the multi-year sample, consistent with research suggesting that the frequency of nonmeritorious suits has increased over time.

“The Value of Auditor Assurance: Evidence from Loan Pricing,” by D. W. Blackwell, T. R. Noland, and D. B. Winters, *Journal of Accounting Research* (Vol. 36 No. 1): 57–70.

This study analyzes the economic value that auditors provide clients in associating themselves with the financial statements of small, private firms. Using multivariate regressions, the authors analyze the relationship between interest rates charged by banks to small private firms and the degree of association with financial statements furnished to the lender. Controlling for other firm and loan characteristics, the authors find that audited firms paid significantly lower interest rates than unaudited firms and that the benefit derived decreases in a nonlinear fashion as firm size increases. They estimate that for a subsample of audited and unaudited firms (matched according to size) that the interest rate charged to the audited firms was, on average, 25 basis points lower than the rate charged to unaudited firms in the sample, covering from 28 to 50 percent of the typical audit fees observed in the study.

“The Association Between Auditor Quality and Auditor Size: An Analysis of Small CPA Firms,” by G. Colbert and D. Murray, *Journal of Accounting, Auditing and Finance* (Vol. 13, No. 2, 1998): 135–150.

This study investigates the relationship between auditor size and auditor quality for small CPA firms, using a nationwide sample of peer review ratings from the AICPA’s Private Companies Practice Section. The study also examines whether peer review ratings for small CPA firms improve over time and whether the peer review ratings are systematically affected by the oversight organization (AICPA vs. state societies). The results indicate that for firms receiving on-site reviews (i.e., firms that perform audits, reviews, and compilations), auditor quality is positively associated with CPA firm size, the number of previous peer reviews, and oversight by state societies. For firms receiving off-site reviews (i.e., firms that perform only reviews and compilations), auditor quality is not associated with any of the explanatory variables. The findings suggest that for small CPA firms, firm size is a useful indicator of firm quality. In addition, it appears that firms learn from prior peer reviews such that they are able to make needed adjustments to improve the quality of their practices. Finally, state societies tend to award higher peer review ratings than the AICPA, suggesting that perhaps the reviews sponsored by state societies are not conducted with the same rigor and care as those sponsored by the AICPA. Several avenues for future research are discussed by the authors.

AICPA President Barry Melancon on *The CPA Vision Project's* Impact on Auditing

By Gary P. Braun

Attendees at the AAA Annual Meeting had three separate opportunities to hear AICPA President Barry Melancon speak about the AICPA Vision Project. One of these occasions was the Auditing Section Luncheon. During that presentation, he spoke specifically of the impact of this project on the future of auditing. He characterized the project as a "grass roots" look at the future of the profession. As part of the project, three thousand members from both small and big firms were asked, "Where are we going?" An example of an audit-related question is "What will an audit look like in 2020?" While admitting the danger in making long-range predictions, he decided to proceed. The likelihood, he said, is that we will see instantaneous assurance on information that can be accessed in the format desired by the user. To further illustrate, he related a prediction in the tax area. In five to seven years, how will people file tax returns? He envisioned the taxpayer talking to a TV screen as part of an interactive process. To dispel potential skepticism within the audience, he assured us that although today's clients may not be comfortable with this, their children certainly will be!



Barry Melancon

Another aspect of his presentation involved the need to move the profession up the "Value-Chain." In this context, he mentioned that the Auditing Standards Board Horizons Task Force had preceded the CPA Vision Project. Important issues identified by the

task force include: improvement of core service, broadening the utility of the attest standards to accommodate the market, strengthening the AICPA's role in the area of international standards, and implementing a process of improvement. In the area of audit reengineering, the AICPA is working with the SEC Practice Section (SECPS) looking at firms' changes in audit process. The AICPA is also working with a task force in Canada regarding continuous assurance and electronic dissemination issues. In the assurance services area, another task force is working on the next set of assurance services.

Specifically addressing changes in the profession, he mentioned impacts in various areas. For example, he mentioned the so-called "American Express" phenomenon which represents a potential threat to CPAs historic monopoly in the audit area and its potential impact in the area of ethics.

Mr. Melancon finished his speech with a series of messages that pertained specifically to educators. First, it is our responsibility to inform our students and our colleagues about these issues. Second, necessary competencies are changing and, as a result, so should the CPA exam. In particular, he mentioned that, in the future, we are likely to see technology-based delivery consisting of a series of "testlets" which would enable the candidate to demonstrate skills and thus move quickly through the exam. In terms of competencies, he mentioned both the necessity of testing a broader skill-set and that the exam will increase the emphasis on integration of skills and knowledge. In summary, he made it clear that changes are coming and that these changes will continue to occur at an increasing rate. Given these changes, the next century will bring with it tremendous challenges and opportunities for the auditing profession and auditing educators.

ANNOUNCEMENT AND CALL FOR PAPERS

University of Waterloo Symposium on Information Systems Assurance

September 30–October 2, 1999

The Center for Information Systems Assurance at the University of Waterloo is pleased to announce a symposium to be held September 30–October 2, 1999 at the Canadian Institute of Chartered Accountants and the Skydome Hotel in downtown Toronto, Canada. The Symposium is sponsored by the University of Waterloo, the Canadian Institute of Chartered Accountants, the Information Systems Audit and Control Association and the Information Systems Section of the American Accounting Association. Proceedings will be published as a supplement to the *Journal of Information Systems*, subject to editorial review and approval by the editors of the *Journal*.

Theme

This symposium will focus on issues related to Information Systems Assurance, broadly considered, with a particular interest in addressing issues beyond those involved in the audit of general purpose historic financial statements.

Papers are invited from academe and practice. Submitted papers should be at an advanced stage of completion. Authors must

adhere to the editorial style of the *Journal of Information Systems*. The *Journal's* Editorial Policy and Instructions to Authors are included in each issue of the *Journal* or may be obtained from the University of Waterloo Centre for Information Systems Assurance through our website (<http://watarts.uwaterloo.ca/ACCT/uwcisa.htm>).

Please send four copies of the paper, together with a submission fee of \$50.00 (US) payable to the American Accounting Association, by March 15, 1999, to:

Professor J. Efrim Boritz, Director
Center for Information Systems Assurance
School of Accountancy, University of Waterloo
Waterloo, Ontario Canada N2L 3G1
Phone: (519) 888-4567 (ext. 5774)
Fax: (519) 888-7562
Email: jeboritz@uwaterloo.ca

Notice of acceptance or rejection will be sent out by June 15, 1999. Revised papers must be received by July 30, 1999.

CALL FOR PAPERS
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May 14–15, 1999

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The submission deadline is February 1, 1999. The papers should follow the style guidelines of *The Accounting Review* and

