Report of the President

Urton Anderson

As those of you that attended the 2010 Auditing Section Mid-Year Conference and Doctoral Consortium in San Diego already know, we had another great conference thanks to the program co-chairs Jennifer Joe and Susan Shu. In addition to two excellent plenary sessions, one by Christopher Cox the past Chairman of the SEC and the other by Dr. Arnold Schilder, Chair of the International Auditing and Assurance Standards Board, there were 45 papers presented and 5 panel sessions. The attendance of 287 matched our attendance in 2009.

Brian Mayhew, with the assistance of Kathryn Kadous, delivered an outstanding doctoral consortium to 62 doctoral students from 39 universities. The theme of this year’s program was “Good Science in Auditing” and presentations and interactions with 12 leading audit researchers. For some 60 of us that had finished their doctoral studies some time ago, we had an excellent pre-conference workshop on Equipping Audit Students to Make Professional Judgments. This preconference workshop was coordinated by Mark Peecher.

The section owes a great deal of thanks to Jennifer, Susan, Brian, Kathryn, and Mark as well as the many reviewers, presenters, and session moderators whose efforts made our event so successful. The section and all of its members also owes a great deal of thanks to KPMG and the KPMG Foundation for the significant financial support they give which makes our Mid-Year Meetings and the Doctoral Consortium possible.

Officer Election
The final phase of officer elections has been completed using our new election process. The new officers are

D. Scott Showalter, Professor of Practice, North Carolina State University - VP Academic
Audit Boot Camp
The Second Audit Educator’s Bootcamp will be held June 15-17 at DePaul University. The Bootcamp will begin on Tuesday, June 15 at 9:00 AM and conclude on Thursday, June 17, at 4:00 PM. Last year’s Bootcamp received rave reviews from the participants. This year Jay Rich, Ray Whittington and the other members of the Education Committee, along with the session leaders, have worked to even further improve the event. If last year is any indication, the camp will fill fast so be sure and get your registrations in.

Updated Section Operating Manual
At the January meeting of the Section’s Executive Committee a new Operating Manual was approved. The Operating Manual has been periodically updated (the last in 2005) but it had not undergone a thorough review in over a decade. Special thanks to Audrey Gramling for undertaking this effort. I encourage all section members and especially committee members to take a look at the Manual – it contains valuable information regarding the policies and procedures underlying all of the section’s activities. The new Operating Manual is available at the section website HERE.

Webinars
During spring 2009 the Section explored the possibility of providing webinars to Section members. Two webinars were conducted. The first was conducted by Mark Beasley, who spoke on COSO’s Project on Monitoring Internal Controls; the second was by Joe Carcello who discussed his recent PCAOB activity from his perspective as a member of the PCAOB’s Standing Advisory Group.

The section has now received approval from NASBA to award CPE credit for all future webinars delivered by the section. Since the last Auditors’ Report, the section has conducted two Webinars. The first webinar for which CPE was available was conducted this fall by Pamela R. Murphy on Research and Teaching Opportunities on Fraud Prevention and Detection. In March, Kathy Hurtt presented a webinar on Professional Skepticism. The plan going forward is to conduct five to six webinars per year. If you have an interest in conducting one of these webinars contact Susan B. Hughes, chair of the CPE committee, shughes@uvm.edu or Jeffrey Cohen, chair of the Research Committee, cohen@bc.edu.

The webinars are available at the Audit Section’s Home Page on the AAA Commons.

Strategic Plan for the Section
As a final note, the Executive Committee, in conjunctions with support from AAA, has begun a formal strategic planning process. We are in the very early stages but hope to complete the process by the fall. We will be calling on many of you for input and in some cases to participate in the process. The goal is to produce an intermediate and long term plan that will assist the various officers, committee chairs and committee members in making their work more focused and their efforts more sustainable given the high turnover.
The deadline for material to be included in the Summer 2010 issue of The Auditor’s Report is May 30, 2010. The preferred format is a Word file attached to an e-mail message. We are also open to any proposals for materials that anyone would like to submit. Please send all material and proposals to the Editor at the address below by the stated deadline to ensure timely publication of the issue:

Duane Brandon, Editor
Auburn University
301 Lowder Business Building
Auburn, AL 36849
Phone: (334)844-6215
Email: branddm@auburn.edu

Editor’s Note: The Auditor’s Report will no longer publish the AJPT Publications Report. The report is now included as part of AJPT (available HERE).
Committee Spotlight

By Susan Hughes

The Auditing Section of the AAA is successful because of the many members who agree to serve on one or more of the Section's committees. This column will profile the activities of one of the Section's committees. In this issue of The Auditor's Report, the CPE Committee is profiled.

The Charge of the Committee includes the following:

Structure: The Committee will consist of three members each of whom are appointed for three-year terms. Each member will serve in the first year as Vice-chairperson, in the second year as Chairperson, and third year as Past Chairperson.

Charge:

1. Provide information to Auditing Section Regional Coordinators and to AAA Regional Program Chairs to assist them in structuring auditing-related CPE activities at the regional level.
2. Arrange for and administer a CPE session in conjunction with the Auditing Section Mid-Year Meeting.
3. Arrange for one or more auditing-related CPE sessions in conjunction with the AAA Annual Meeting.
4. Interact with the Auditing Section's Education, Research, and Auditing Standards Liaison Committees, and with the American Accounting Association's Director of Faculty Development, as appropriate to carrying out the activities in items 1 to 3.
5. Present a brief report on CPE activities at the Section's annual business meeting.

The 2009-2010 Committee Members include:

Susan Hughes (Chair), University of Vermont
Barbara Arel (Past Chair), University of Vermont
Rick Lillie (Vice Chair), CSU San Bernardino

Recently, the CPE Committee has been working with speakers identified by the Research and Education Committees to develop and present webinars each academic year. Webinar participants (who are logged into the system for at least 50 minutes and respond to at least three polling questions) are eligible to receive CPE credit through the AAA. In November, Pam Murphy presented a webinar on fraud, in March, Kathy Hurtt presented a program on professional skepticism. The Auditing Section Officers would like to add one additional webinar each year, and encourage the Section's members to submit ideas for future webinars and speakers.
The 2010 Auditing Midyear Conference was held in San Diego, January 14-16, 2010, at the Westin Hotel. The meeting was preceded by the 11th annual Auditing Section Doctoral Consortium and the Audit Education Workshop.

The meeting included two plenary sessions. The first plenary session was held on Friday morning. Christopher Cox, Past Chairman of the Securities and Exchange Commission (SEC), provided his view of accounting and fiscal policies. He discussed the challenges in accounting for the assets acquired by the government in the most recent financial crisis, and pointed out the important role played by the accounting and auditing profession. The second plenary session was held on Saturday morning. Professor Arnold Schilder, the Chair of the International Auditing and Assurance Standards Board (IAASB), discussed the challenges and opportunities of international standard setting. He provided details on the implementation and innovation in audit and assurance standard setting, and offered his perspectives on future research opportunities.
Christopher Cox at the first plenary session.
The meeting also included five outstanding panel sessions. The Center for Audit Quality committee sponsored a panel session “What Now? How Have Changes in Washington Impacted the Audit Profession”? Professor Bill Kinney moderated a panel on green assurance. In that session various experts discussed the assurance of sustainability, greenhouse gas emissions disclosures, related policy initiatives, and research opportunities on this topic. The CPA Exam committee sponsored a session on the auditing and attestation section of the CPA examination. The Internal Audit committee sponsored a session on research in internal auditing, including current issues and opportunities. The Research Committee sponsored a session on research opportunities in fraud prevention, fraud detection, and working with practitioners. All five panels were well attended and generated extensive discussion of current issues in the profession and academe.

Forty four papers were presented in the concurrent sessions, including three teaching cases. Another 24 papers were presented at the Research Roundtable session on Saturday morning. Total meeting attendance was close to 300. The Doctoral Consortium had 70 students participating, and 51 participants attended the pre-conference Audit Education Workshop. The conference program and copies of many of the papers featured at the meeting are still available at: http://aaahq.org/meetings/2010AUD_program.htm.

During this year’s conference we attempted to reduce waste wherever possible. For example, we avoided plastic and canned beverages and opted for reusable cups and mugs. Each conference participant was issued a reusable water bottle upon registration (donated by KPMG) that could be refilled using the water pitchers available in the presentation rooms and at the beverage reception stands.

We are very grateful to the many people who helped make this conference successful. First, we thank the KPMG Foundation and
Bernie Milano for their faithful sponsorship and support of the conference. Second, we thank Auditing Section President Urton Anderson, the 2010 Program Committee Vice Chairs Scott Vandervelde and Mike Wilkins, and the Doctoral Consortium Chair, Brian Mayhew. Third, we thank our friends at the AAA, including David Boynton Debbie Gardner, Sonja Langley, Arlene Oliver, Dee Strahan, and Peggy Turczyn. Finally, we thank all of the authors, reviewers, discussants, moderators, and panelists who helped make the program possible.

Conference Co-organizers, Jennifer Joe (far left) and Susan Shu (far right), present the award for best paper by a Ph.D student to Marsha Keune (left center) and best conference paper to Banjamin Luippold (right center).
62 students, including 8 international students, from 39 universities attended The 2010 Auditing Doctoral Consortium in San Diego, California. Brian Mayhew of the University of Wisconsin organized the consortium with the help of Kathryn Kadous of Emory University. Kathryn will serve as next year’s director.

The consortium included an overall theme “Good Science in Auditing.” This theme generated thoughtful insights and conversation throughout the day. The speakers found much common ground often centered on the central role of theory building and refinement. But, they also generated good discussion about ways in which the idea of good science can be expanded and refined including the use of policy, practice, and exploration in research.

13 faculty members (1 international) served as both speakers and as leaders of small group sessions. Individual speakers covered behavioral, experimental economics and archival methods. They provided both broad views and detailed examples applied to each area. The three panel sessions covered research, publishing and career development. The career advice panel sparked particular attention with their recommendations to hire out task around the house such as cooking, cleaning or yard work to free up more time for work and family. The planners continued last year’s innovation of small group meetings between presenters and students. Each presenter agreed to meet for two 45 minute sessions with separate groups of 4-5 students. Both faculty and students thought the small group sessions were the most valuable part of the consortium and hope they will continue into the future.

Special thanks to KPMG for their financial support of the consortium and continued commitment to support it again next year in Albuquerque, New Mexico.
Morley Lemon (right) receives the 2010 Distinguished Service Award, presented by Shaun Budnik (left).

William Morley Lemon, who has been a member of the American Accounting Association’s (AAA) Council and a member of twenty-two AAA and Auditing Section committees, recently received the 2010 Distinguished Service in Auditing Award. This award recognizes individuals who have made significant contributions to the profession, the Auditing Section, and scholarship.
The 2010 selection committee members were Bill Kinney (professor, University Texas, Austin), Bill Messier (professor, University of Nevada, Las Vegas), Jere Francis (professor, University of Missouri-Columbia), and Shaun Budnik, partner, Deloitte LLP and president, Deloitte Foundation.

A History of Impact

Lemon, who is currently a professor emeritus at the University of Waterloo, is being recognized for his extensive work with the Canadian and U.S. accounting profession – both in practice and in academia.

He is best known for his work with the Canadian Institute of Chartered Accountants (CICA), where he served as a member of the CICA’s Assurance Standards Board. Lemon has also served on seven other CICA and CICA-related committees, task forces, and international “joint working groups.” Topics include professional ethics, integrity and the public interest, international issues, audit methods, audit risk, and materiality.

In addition, he received numerous assignments and appointments with the AAA (and the Auditing Section) and the Canadian Academic Accounting Association.

In academia, Lemon has done significant work as the director of the Canadian Centre for Ethics & Corporate Policy at the University of Waterloo for many years. In that role, he promoted the importance of ethics in business and in business school curricula.

Because of his contributions to the profession, he has been frequently recognized (e.g., elected a fellow of the Institute of Chartered Accountants of Ontario and recipient of the Award of Outstanding Merit from that body), and has presented at numerous conferences, such as the Globe & Mail Insight Conference and the Institute of Internal Auditors, Toronto chapter meetings.

Lemon is a certified public accountant (Texas) and a chartered accountant (Ontario). He obtained a BA from the University of Western Ontario, an MBA from the University of Toronto, and a PhD from the University of Texas at Austin.
The Outstanding Educator Award is given to recognize “exemplary contributions in research or teaching over a sustained period of time (10 to 15 years), as evidenced by publications, educational innovations, guidance to graduate and undergraduate students, or excellence in teaching.” As in prior years, the set of nominees was outstanding. I want to thank the other committee members Jane Mutchler, Larry Rittenberg, and Mark Taylor for their work in making this selection.

The selection committee selected Arnold Wright as the recipient of the 2010 Outstanding Educator Award. Dr. Wright is Professor and Joseph M. Golemme Chair of Accounting in the College of Business Administration at Northeastern University.
Arnie Wright (left) and Audrey Gramling (right).

Arnie has been prolific over the last 30 years in publishing over 90 research papers in refereed journals. Many of these have been published in leading journals including *The Accounting Review, Contemporary Accounting Research, Auditing: A Journal of Practice & Theory, Accounting Organizations and Society* and *Organizational Behavior and Human Decision Processes*. Arnie looks for interesting and important research questions and then addresses them using rigorous research. He has a major focus on applied audit research with a view of educating the profession and auditing students. Arnie is also an outstanding mentor. Many of his research papers are co-authored with junior colleagues from both the USA and other parts of the world. He has spent a lot of time developing the research skills of these junior co-authors.

An important example of Arnie’s focus on educating students, academics, and the profession is his co-edited monograph with Tim Bell on ‘Auditing Practice, Research and Education: A Productive Collaboration’. This was a monograph co-sponsored by the AICPA and the Auditing Section of AAA. It received the AAA Auditing Section Notable Contribution to the Auditing Literature Award and the Joint AICPA / AAA Collaboration Award.

An outstanding educator needs to lead by example – and Arnie’s career is certainly a great example of an outstanding educator. He has clearly met the criteria for the Auditing Section’s Outstanding Educator Award, and it is a pleasure to present the award to Arnie Wright.
The Auditing Section’s Notable Contribution to the Auditing Literature Award recognizes a published work of exceptional merit that has made, or has the potential to make, a direct contribution to auditing or assurance research, education, and practice.

The Notable Contribution to the Auditing Literature Award Committee this year consisted of Mohammad Abdolmohammadi, Bentley University; Roger Martin, University of Virginia; Terry Neal, University of Tennessee, and me as Committee Chair. I want to acknowledge and thank the members of the committee for their efforts in the difficult decision process associated with making this award. Five nominations for the award were received this year, and the winner was:


This paper makes two important contributions to understanding auditing practice. First, the paper finds no evidence that auditors compromise their independence by systematically treating larger, more influential clients more leniently. Second, the study finds no evidence that auditors give preferential treatment to large, more influential clients when issuing going concern modified opinions. While these results are important in themselves, the paper also makes an important methodological innovation of using office-level analysis to conceptualize and study public accounting firms. Many subsequent studies have followed up on this methodological innovation to address various economic issues with the result that the office-level framework has become the state-of-the-art in research design in empirical audit research studies.

Because of its important findings and methodological innovation, the Reynolds and Francis paper was our unanimous choice for this year’s Notable Contribution to the Auditing Literature Award.
Jere Francis (right) and Ken Reynolds (not pictured) receive the Notable Contribution to the Auditing Literature Award from Dan Simunic (left).
Michael Yu, currently of Washington State University, who completed his Ph.D. at The University of Missouri, received the 2010 Auditing Section Outstanding Dissertation Award for his dissertation entitled, “The Effect of Big Four Office Size on Audit Quality.” The award was accompanied by a cash prize of $2,500. Jere Francis of The University of Missouri was also recognized for his service as Michael’s dissertation chair.

Tina Carpenter (The University of Georgia), Mark DeFond (University of Southern California), Bill Dilla (Iowa State University), and Clive Lennox (Nanyang Technological University) served on the selection committee for this award.
Michael Yu (not pictured) and his dissertation chair, Jere Francis (right), receive the Outstanding Dissertation Award from Mark Defond (left).
2010 AAA Auditing Section Midyear Meeting Slideshow

Arnie Wright - Best Educator Award and Audrey Graming presenting
Consortium 3
Doctoral students 3
Jere Francis outstanding contribution to auditing literature
Jere Francis outstanding Dissertation chair and Mark defond
Practice is **not** Research-Based

- Research has little influence on practice
  - Statistical sampling in the 1960s
- Worse, research is often viewed skeptically
  - Limited DM access for fear of legal liability
- Not much better at policy/regulatory level
  - Big decisions with no research basis
    - 2003/2004 consolidation...2007 passage of SDW
Marsha Keune best phd student paper and Benjamin Luippold
## Statement of Cash Receipts, Disbursements, and Cash Balance for Years Ended August 31, 2008 and August 31, 2009. (Note 1)

### Receipts

<table>
<thead>
<tr>
<th>Item</th>
<th>2008</th>
<th>2009</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership Dues (Note 2)</td>
<td>$51,456.00</td>
<td>$45,115.00</td>
<td>-12.3%</td>
</tr>
<tr>
<td>Journal Subscriptions</td>
<td>49,988.57</td>
<td>42,188.78</td>
<td>-15.6%</td>
</tr>
<tr>
<td>Publications Sales/Royalties</td>
<td>2,181.42</td>
<td>3,027.71</td>
<td>38.8%</td>
</tr>
<tr>
<td>Journal Submission Fees (AJPT and CIIA)</td>
<td>8,400.00</td>
<td>7,400.00</td>
<td>-11.9%</td>
</tr>
<tr>
<td>Reimbursements/Contributions (Note 3)</td>
<td>26,000.00</td>
<td>30,500.00</td>
<td>17.3%</td>
</tr>
<tr>
<td>Annual Meeting Luncheon Fees</td>
<td>8,280.00</td>
<td>9,650.00</td>
<td>16.5%</td>
</tr>
<tr>
<td>Bootcamp Registration Fees</td>
<td>0.00</td>
<td>11,000.00</td>
<td></td>
</tr>
<tr>
<td>Mid-Year Meeting Registration</td>
<td>35,945.00</td>
<td>40,520.00</td>
<td>12.7%</td>
</tr>
<tr>
<td>Interest Income (Note 4)</td>
<td>5,858.57</td>
<td>692.80</td>
<td>-88.2%</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td><strong>$188,109.56</strong></td>
<td><strong>$190,094.29</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Disbursements

<table>
<thead>
<tr>
<th>Item</th>
<th>2008</th>
<th>2009</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>AJPT Printing</td>
<td>$16,591.32</td>
<td>$19,331.16</td>
<td>16.5%</td>
</tr>
<tr>
<td>AJPT Distribution</td>
<td>7,789.08</td>
<td>11,606.52</td>
<td>49.0%</td>
</tr>
<tr>
<td>AJPT Professional Support/Editor Discretionary</td>
<td>22,266.61</td>
<td>24,000.00</td>
<td>7.8%</td>
</tr>
<tr>
<td>AJPT AAA Editorial Support</td>
<td>15,503.00</td>
<td>20,609.00</td>
<td>32.9%</td>
</tr>
<tr>
<td>AJPT Postage and Other</td>
<td>711.44</td>
<td>309.85</td>
<td>-56.4%</td>
</tr>
<tr>
<td>CIIEA Expenses</td>
<td>10,816.00</td>
<td>1,185.20</td>
<td>-89.0%</td>
</tr>
<tr>
<td>Newsletter</td>
<td>2,105.00</td>
<td>2,918.00</td>
<td>38.6%</td>
</tr>
<tr>
<td>Mid-Year Meeting and Doctoral Consortium</td>
<td>79,355.73</td>
<td>93,067.44</td>
<td>17.3%</td>
</tr>
<tr>
<td>2009 Boot Camp Expenses</td>
<td>0.00</td>
<td>10,397.99</td>
<td>-</td>
</tr>
<tr>
<td>Annual Meeting Luncheon Costs</td>
<td>7,794.19</td>
<td>14,324.52</td>
<td>83.8%</td>
</tr>
<tr>
<td>Awards &amp; Student Memberships</td>
<td>6,719.10</td>
<td>5,324.30</td>
<td>-20.8%</td>
</tr>
<tr>
<td>Committee Expenses</td>
<td>2,085.54</td>
<td>1,177.81</td>
<td>-43.5%</td>
</tr>
<tr>
<td>Web Services (webinars)</td>
<td>0.00</td>
<td>4,045.43</td>
<td>-</td>
</tr>
<tr>
<td>Credit Card, Postage and Miscellaneous</td>
<td>3,798.74</td>
<td>4,448.52</td>
<td>17.1%</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td><strong>$175,535.75</strong></td>
<td><strong>$212,745.74</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Cash Increase (Decrease)

<table>
<thead>
<tr>
<th>Item</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Increase (Decrease)</strong></td>
<td><strong>$12,573.81</strong></td>
<td><strong>($22,651.45)</strong></td>
</tr>
</tbody>
</table>

### Ending Cash Balance

<table>
<thead>
<tr>
<th>Item</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Cash Balance</strong></td>
<td><strong>279,551.01</strong></td>
<td><strong>292,124.82</strong></td>
</tr>
<tr>
<td><strong>Ending Cash Balance</strong></td>
<td><strong>$292,124.82</strong></td>
<td><strong>$269,473.37</strong></td>
</tr>
</tbody>
</table>

### Notes:

1. This Statement of Cash Receipts, Disbursements, and Cash Balance is compiled from the monthly financial reports received from the American Accounting Association national office in Sarasota, FL.
2. As of August 31, 2009 (2008), the section had a total of 1,529 (1,581) members, including 1,312 (1,362) full members and 217 (219) associate members. Of these, 1,180 (1,226) resided in the United States and 349 (355) resided outside the United States.
3. Receipts for the years ended August 31, 2008 and 2009 represent contributions to the Section from KPMG for costs related to the 2008 and 2009 Mid-year Conferences and Doctoral Consortiums ($30,500 for 2009; $26,000 for 2008).
4. The decrease in interest income is due to a change in the American Accounting Association's investment policy following the economic downturn.
D. Scott Showalter, CPA

D. Scott Showalter joined the North Carolina State University College of Management in the fall of 2008. He is a Professor of Practice and teaches auditing at the undergraduate and graduate levels. Prior to joining NC State University, Scott was a partner at KPMG LLP where he retired on July 31, 2008 after 33 years. In 1975, Scott received his B.S.B.A degree, summa cum laude, from the University of Richmond.

Scott has served numerous roles at the national and section levels of the American Accounting Association. Mr. Showalter is currently the chair of the AAA Strategic Management Team and is one of the founding co-editors of the Auditing Section’s *Current Issues in Auditing*. Other AAA positions served include VP-Professional Relations, including the chair of the finance and audit committees. He has also served as a reviewer, discussant and presenter at national and section meetings. Scott served two terms as the VP-Practice of the Auditing Section and fulfilled a similar position in the Government and Nonprofit Section.

Scott has received numerous awards including being recognized by *Accounting Today* in 2001 as one of the Top 100 Most Influential People in Accounting. Scott was recently appointed to a five-year term as a board member on the Federal Accounting Standards Advisory Board.
Since the last update, the Auditing Standards Board (ASB) met in Phoenix, AZ October 26-30, 2009, and in Amelia Island, FL January 11-14, 2010. The meetings ran from Monday through Thursday afternoon and were open to the public. The agenda for each of these meetings was ambitious as is usual. This update provides highlights of the two meetings’ content and outcomes. I encourage members of the section to contribute to the work of the ASB by developing comment letters related to any of the numerous exposure drafts. If you have any questions regarding any of the ASB activities, please contact me at mt@case.edu.

**RSI/SI/OI Task Force.** Jeff Markert, RSI/OSI/OI Task Force Chair, led a discussion of revisions to the proposed Statements on Auditing Standards, *Required Supplementary Information* (the “RSI SAS”), *Other Supplementary Information in Documents Containing Audited Financial Statements* (the “OI SAS”), and *Supplementary Information in Relation to the Financial Statements as a Whole* (the “IRT SAS”).

**RSI SAS.** The ASB directed the Task Force to (1) revise the effective date to be consistent with other clarified SAS, but permitting early application, (2) revise the objectives statement to read, and to make other changes including to the modifying the definition of RSI (stating that a designated accounting standard setter considers the information to be an essential part of financial reporting), and list those bodies designated to establish professional standards with respect to financial accounting and reporting principles pursuant to Rules 202 and 203.

**OI SAS.** The ASB discussed the draft document and directed the Task Force to (1) delete the definitions of RSI and designated accounting standard setter because such terms are defined in the RSI SAS, (2) revise paragraph 13 to clarify that the requirement is applicable when material inconsistencies have been identified in OI obtained subsequent to the release of the auditor’s report, (3) revise paragraph 15 to clarify that the entity receives the advice from legal counsel with respect to a potential material misstatement of fact and that the auditor then considers that advice when determining whether the matter is a material misstatement of fact, and (4) retain the use of report release date as the date before which the auditor should read the OI.

**ISA 720.** The ASB determined that since early implementation will be permitted, the SAS should refer to the extant literature and that conforming changes could be made once the clarified SASs become effective.
**IRT SAS.** The ASB discussed the draft document and directed the Task Force to (1) revise the effective date so that it is consistent with the proposed RSI and OI SASs; (2) delete the definitions of other information, required supplementary information, and designated accounting standard setter as those terms are defined in the other proposed SASs; (3) revise the guidance to state that it is inappropriate to issue an opinion on supplementary information when an adverse opinion or a disclaimer of opinion was issued on the financial statements. Such guidance would be consistent with that in the SAS on summary financial statements in which, unless the auditor withdraws from the engagement, the auditor would deny an opinion on the supplementary information; (4) add a paragraph clarifying that the auditor has no responsibility for subsequent events with respect to supplementary information. However, if information comes to the auditor’s attention prior to the release of the auditor’s report on the financial statements regarding subsequent events that affect the financial statements, the auditor should apply the relevant requirements of AU 560, *Subsequent Events*; (5) require the auditor to obtain an acknowledgement from management that it understands its responsibility to present the supplementary information with the audited financial statements or to make the audited financial statements readily available to intended users of the supplementary information when the supplementary information is not presented with the audited financial statements; (6) require the auditor to obtain a written representation from management when the supplementary information is not presented with the audited financial statements; and (7) include application material as to when financial statements are deemed to be readily available, consistent with the guidance in SAS No. 116, *Interim Financial Information.* The Task Force made changes to the three drafts during the course of the October meeting and the ASB unanimously voted to ballot the revised drafts for exposure.

**Analytical Procedures.** Walt Conn, Chair of the Analytical Procedures Task Force (Task Force), led a discussion of the materials for proposed SAS *Analytical Procedure.* The proposed SAS represents the redrafting of SAS No. 56, *Analytical Procedures* (AICPA, Professional Standards, vol. 1, AU sec. 329), for clarity and convergence with ISA 520, *Analytical Procedures.* The ASB directed the Task Force to revise the objective in paragraph 3(b) based on a discussion as to whether the objective of performing analytical procedures at the end of the audit is to assist the auditor in (a) forming an overall conclusion about whether the financial statements are consistent with the auditor’s understanding of the entity, as stated in ISA 520, or (b) assessing the conclusions reached and in the evaluation of the overall financial statement presentation, as stated in extant AU 329. The ASB concluded that the purpose is to assist the auditor in determining whether additional procedures are needed to obtain sufficient appropriate audit evidence. The ASB also directed the Task Force to revise the documentation requirements in paragraph 8 of the proposed SAS to be consistent with the requirement in extant AU 329.22, and to revise paragraph A5 to include some prose from extant AU 329.03 about auditor judgment vis-à-vis identification of the relationships and types of data used. The ASB voted to ballot the draft for exposure.

**AU section 625.** Thomas Ratcliffe, Chair of the AU Section 625 Task Force (Task Force), led a discussion of the materials for proposed SAS, *Reports on Application of Requirements of an Applicable Financial Reporting Framework* (proposed SAS). The proposed SAS represents the redrafting of SAS No. 50, *Reports on the Application of Accounting Principles* (AICPA, Professional Standards, vol. 1, AU sec. 625), in accordance with the clarity conventions. There is no ISA that corresponds to AU Section 625. The ASB directed the Task Force to (1) revise the effective date to be based on the engagement undertaken rather than the reporting accountant’s action of providing the written report or oral advice, such that the proposed SAS will be effective for engagements that begin on or after December 15, 2010, (2) change the term “type of opinion that may be expressed on a specific entity’s financial statements” to “type of report that may be issued on a specific entity’s financial statements” in order to update the use of “opinion” since SAS No. 50 was issued, and to broaden the scope and objective of the proposed SAS to include the request for an opinion regarding the report and not just a transaction, (3) expand the definition of the term “specific transaction” to encompass matters of a business situation (for example, going concern) and not necessarily only mean a discrete transaction. Divide paragraph 10 subparagraph (b) regarding the requirement for the reporting accountant to establish an understanding with the client into subparagraphs (b) and (c) in order to clarify management’s responsibilities, and (4) add a requirement for the reporting accountant to obtain an understanding of the conditions relevant to the type of report that may be issued on a specific entity’s financial statements, to reflect the change from “type of opinion...” to “type of report...” made in the proposed SAS. The ASB unanimously voted to ballot the proposed SAS for exposure during a brief conference call in November 2009.
Risk Assessment. Darrel Schubert, Chair of the Risk Assessment Task Force, led a discussion of the following proposed SASs: *Audit Evidence* (Redrafted), *Materiality in Planning and Performing an Audit* (Redrafted), *Evaluation of Misstatements Identified during the Audit, Planning an Audit* (Redrafted), *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (Redrafted), and *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained* (Redrafted). Mr. Schubert noted that the PCAOB planned to soon re-expose their version of the risk assessment standards (which they did before the January 2010 meeting…see below) and that the Task Force will review the PCAOB standards when issued and may bring any conforming changes to the ASB standards to the ASB at that time. The ASB discussed conforming amendments arising from other standards that impact the risk assessment standards. ASB operating procedures require that conforming amendments not be reflected in the standards until the conforming amendment has been subject to due process. The ASB agreed with the Task Force’s recommendations regarding the following conforming amendments:

- Include a conforming amendment to proposed SAS *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* to require the auditor to obtain an understanding of the entity’s internal audit function. This conforming amendment originated from the IAASB final clarifying changes. Ordinarily the conforming amendment would be exposed with redrafted AU section 322, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements* and then reflected in the proposed SAS; however, that project has been delayed. The Task Force does not believe that this conforming amendment is a significant change that would cause the proposed SAS to be re-exposed.

- Wait to incorporate a conforming amendment to proposed SAS *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained* until proposed SAS *The Confirmation Process* is finalized. The amendment arises from an amendment in the final ISA 505, *External Confirmations* to final ISA 330, *The Auditor’s Responses to Assessed Risks*.

- Wait to incorporate a conforming amendment to proposed SAS *Audit Evidence* to reflect the management’s specialists content (as ISA 500 does). The management’s specialists content will be incorporated into the redrafted SAS *Audit Evidence* via a conforming amendment when AU section 336, *Using the Work of a Specialist*, is redrafted.

The ASB voted to issue the redrafted risk assessment standards as final standards.

Internal Control. Keith Newton, Chair of the Internal Control Task Force, led the ASB in a discussion of a proposed SAS *Communicating Internal Control Related Matters Identified in an Audit* (Redrafted) and related issues. The proposed SAS represents the redrafting of SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, for clarity and convergence with certain aspects of ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance*. The ASB agreed with the task force to continue to allow the issuance of no-material weakness letters with use restricted to the intended users identified in extant SAS No. 115. Since such communication is an audit by-product, use is restricted to management, those charged with governance, others within the organization, and any specified governmental authority to which the auditor is required to report, consistent with the requirements in previous standards and conclusions. The ASB also directed the task force to revise the objective in paragraph 6 of the proposed SAS to describe the types of deficiencies the auditor communicates as those that, in the auditor’s professional judgment, are of sufficient importance or severity to merit the respective attentions of management and those charged with governance. The reference to “severity” was added as the proposed SAS includes the communication of both significant deficiencies and material weaknesses. The ASB also directed the Task Force to clarify the language in the written communications of significant deficiencies and material weaknesses to better describe the auditor’s consideration of internal control in an audit of financial statements. Additionally, other modifications were made to the illustrative no material weakness letter. The ASB voted to ballot the proposed SAS for exposure.

Specific Items. Art Winstead and Megan Zietsman led a discussion of the proposed SAS *Audit Evidence* - Specific
Considerations for Selected Items. This proposed SAS represents a redrafting of AU section 331, Inventories, AU section 332, Auditing Derivative Instruments, Hedging Activities, and Investments in Securities, and AU section 337, Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments, for clarity and convergence with ISA 501, Audit Evidence - Specific Considerations for Selected Items. The ASB agreed with aligning the proposed SAS with PCAOB Auditing Standard No. 6, Evaluating Consistency of Financial Statements and to exclude the listed interpretations from the proposed SAS. The ASB directed the Task Force to include application material regarding a change in an accounting entity, include application material regarding when a change in an accounting estimate is inseparable from a change in accounting principle, and to provide further guidance in paragraph A4 to provide an example of a change in the method of applying an accounting principle. The ASB requested the Task Force to return with a revised draft at the January 2010 meeting.

Consistency. Dan Montgomery, Chair of the Auditor’s Report Task Force, led a discussion of the materials for “Evaluating Consistency of Financial Statements.” The ASB agreed with aligning the proposed SAS with PCAOB Auditing Standard No. 6, Evaluating Consistency of Financial Statements and to exclude the listed interpretations from the proposed SAS. The ASB directed the task force to include application material regarding a change in an accounting entity, include application material regarding when a change in an accounting estimate is inseparable from a change in accounting principle, and to provide further guidance in paragraph A4 to provide an example of a change in the method of applying an accounting principle. The ASB requested the Task Force to return with a revised draft at the January 2010 meeting.

Association with Financial Statements. Dan Montgomery, Chair of the Auditor’s Report Task Force, led a discussion of the materials for Agenda Item 8 Association With Financial Statements. The ASB agreed to include the requirements and application material for summary financial information. Also, the ASB directed the task force to revise the scope to state it addresses the auditor’s responsibility when the auditor is associated with financial statements and move the definition of association with financial statements to the scope section, to expand the guidance on disclaiming an opinion due to lack of independence as it relates to all types of entities, not only governmental entities. The ASB requested the Task Force to consider the guidance in Government Auditing Standards and the proposed SSARS Compilation of Financial Statements, and to clarify the section for reporting on audited and unaudited financial statements to better explain why it is included in this proposed SAS and its relationship to the requirements in the proposed SAS Forming an Opinion and Reporting on Financial Statements. The ASB requested the Task Force to return with a revised draft to a future ASB meeting.

Service Organizations. Walt Conn, Chair of the Service Organizations Task Force, led a discussion of a proposed Statement on Standards for Attestation Engagements (SSAE) that would establish standards and provide guidance to service auditors reporting on controls at a service organization. Currently, that guidance is included in AU section 324, Service Organizations, along with the guidance for user auditors. The objective of the task force is to align the proposed SSAE with International Standard on Assurance Engagements (ISAE) 3402, “Assurance Reports on Controls at a Service Organization.” The draft SSAE was aligned with the September 2009 draft ISAE, which the IAASB voted to issue as a final standard at its September 2009 meeting. The ASB directed the task force to redraft the last subparagraph of paragraph 2, which addresses combined reports, as application material rather than a requirement, add to exhibit B the differences between the proposed SSAE and ISAE 3402, and revise paragraph 53(m) to include a statement about the risk of projecting to future periods any evaluation of the fairness of the presentation of management's description of the service organization’s system or conclusions about the suitability of the design of the controls to achieve the related control objectives. The ASB requested the Task Force to present a revised draft of the proposed SAS at the January 2010 meeting.

Omitted Procedures. Sheila Birch, Chair of the Omitted Procedures task force, led a discussion of proposed SAS
Consideration of Omitted Procedures After the Report Date, which represents the redrafting of AU section 390, Consideration of Omitted Procedures After the Report Date, in accordance with the clarity conventions. There is no comparable ISA. The ASB directed the task force to add an application paragraph stating that failure to document performance of an audit procedure when documentation is required by generally accepted auditing standards is considered an omitted procedure, and replace the term “date of the auditor’s report” and other forms of that phrase with “report release date.” The ASB requested the Task Force to present a revised draft at the January 2010 meeting.

Specialists. Darrel Schubert, Chair of the Specialists Task Force, led a discussion of the proposed SAS Using the Work of an Auditor’s Specialist, which represents the redrafting of AU section 336, Using the Work of a Specialist using ISA 620, Using the Work of an Auditor’s Expert, as a base. The ASB discussed the disposition of AU 9336, Use of Legal Interpretation to Support Management’s Assertion That a Transfer of Financial Asset Has Met the Isolation Criterion. AU 9336 provides guidance about obtaining sufficient appropriate audit evidence when an entity has derecognized financial assets in connection with a transfer to another entity. The Task Force recommended that, because the interpretation provides guidance on a narrow, specific issue, it be retained as an interpretation and concluded revision was not required in light of the issuance of SFAS 166. The ASB concluded that AU 9336 needs revision and members volunteered to assist in this project. The ASB voted to ballot the proposed SAS for exposure.

Auditor’s Report Research. Mark Taylor, Chair of the Auditor’s Report Research Task Force, provided a brief update about the joint meeting of the IAASB and AICPA Working Group the met in October 2009. At that meeting a representative of each research team provided an overview of the research performed and the results obtained, and answered questions that were raised about various aspects of the research. Also at that meeting, members of the IAASB Working Group provided presentations on auditor reporting on financial statements as it has developed in the United Kingdom, Japan, and France. The Working Group’s report will be brought to the IAASB at its December 2009 meeting and to the ASB at its January 2010 meeting.

January 2010 Meeting, Amelia Island Florida
Lest anyone is deceived that the January meeting in Amelia Island was spring break, the temperature Monday morning was well below freezing and didn’t change much during the entire meeting. The ASB welcomed six new members at the January meeting: Brian Bluhm, Rob Chevalier, David Duree, David Morris, Kenneth Odom, and Steven Vogel. Biographies of these individual are available on the AICPA website.

Service Organizations SSAE. Walt Conn, Chair of the Service Organizations Task Force, led the ASB in a discussion of a revised draft of the proposed Statement on Standards for Attestation Engagements (SSAE), Reporting on Controls at a Service Organization, which is being redrafted for convergence with International Standard on Assurance Engagements (ISAE) 3402, Assurance Reports on Controls at a Service Organization. The ASB directed the task force to make a number of fairly minor changes to the proposed revision, and unanimously voted to ballot the draft for issuance as a final SSAE.

Service Organizations SAS. Walt Conn, also Chair of the Service Organizations Task Force, led the ASB in a discussion of a draft of a proposed SAS Audit Considerations Relating to an Entity Using a Service Organization, which will replace the guidance in AU section 324, Service Organizations, for audit of the financial statements of entities that use a service organization. The proposed SAS is based on ISA 402, which bears the same title as the proposed SAS. The ASB directed the task force to make a few minor changes to the draft proposed by the Task Force and unanimously voted to ballot the draft SAS for issuance as a final SAS.

Omitted Procedures. The Omitted Procedures task force is redrafting SAS No. 46, Consideration of Omitted Procedures After the Report Date, in accordance with the clarity drafting conventions. SAS No. 46 addresses the auditor’s responsibilities when after the date of the auditor’s report the auditor (1) becomes aware that one or more auditing procedures considered necessary in the circumstances existing at the time of the audit were omitted from the audit of the financial statements and (2) no indication exists that those financial statements are not fairly presented in conformity with the applicable financial
reporting framework. Sheila Birch, chair of the task force, presented a draft of the proposed SAS that had been revised from the October 2009 draft. After recommending a few changes to the draft proposed by the Task Force, the ASB unanimously to ballot the proposed SAS for issuance as an exposure draft.

**Interim Financial Information.** Brian Croteau, Chair of the Interim Financial Information Task Force, led a discussion of the revisions to AU section 722, *Interim Financial Information* in accordance with the ASB clarity conventions. The ASB directed the task force to retain the use of the term *auditor*, revise the applicability so that the auditor may perform the interim review under the SASs so long as the auditor is not aware that another auditor has been engaged to perform the year-end audit, require a written report unless the interim review is performed pursuant to the requirements of a private equity exchange, and delete paragraphs 6-8 on auditor’s responsibilities since the review is performed under GAAS and therefore unnecessary to repeat the auditor’s responsibilities in this SAS. That ASB requested the Task Force to return with a revised draft at a future ASB meeting.

**Audit Sampling.** Bob Dohrer, chair of the Audit Sampling Task Force, led a discussion of the proposed SAS *Audit Sampling*. He explained that the objective of the presentation was to discuss the significant issues identified in the comment letters received in connection with the exposure draft issued in January 2009. The issues discussed include:

- The use of statistical sampling vs. nonstatistical sampling. Commenters recommended a more strict, pure application of statistical sampling and curbing the use of nonstatistical sampling. The Chair noted that although commenters’ responses have merit, they go beyond the clarity project scope.

- Mr. Dohrer pointed out that a reference to the AICPA Audit Guide is included in the proposed SAS (see A1) to provide a general linkage to the Audit Guide. He explained that the Task Force received numerous comments relating to definitions in the proposed SAS and their relationship to the Audit Guide and that a general reference to the Audit Guide may alleviate most of these concerns. He further explained that the Task Force included other references to the Audit Guide in other specific areas.

- Mr. Dohrer presented the issue of “containment” which a commenter raised. Although the responder supports the ASB decision to remove the concept of anomalies from the proposed standard, the responder noted that auditors will need to project all misstatements over the population from which the sample was selected. However, the responder does not believe that this is a practical approach because in some situations, the misstatement could be “contained” within a subpopulation of the audit sample population. The ASB expressed concern about introducing “containment” without appropriate guidance to explain it. The ASB reached a consensus that this matter would be better addressed in the Audit Guide.

The ASB requested the Task Force to return with a revised draft at a future ASB meeting.

**Consistency.** Dan Montgomery, Chair of the Auditor’s Report Task Force, led a discussion of *Consistency of Financial Statements*. Among other things, the ASB directed the task force to include application material to clarify that the proposed SAS Subsequent Events and Subsequently Discovered Facts address the auditor’s responsibilities when adjustments have been made to correct a material misstatement in previously issued financial statements, and to include application material to note that in some cases changes in classification in previously issued financial statements may result from changes in the entity’s business or operating structure. The ASB unanimously voted to ballot the proposed SAS for exposure.

**Fraud.** Tom Stemlar, Chair of the Fraud Task Force, led the ASB in a discussion of a draft of proposed SAS, *Consideration of Fraud in a Financial Statement Audit* (Redrafted), which will replace the guidance in AU section 316, *Consideration of Fraud in a Financial Statement Audit*. The ASB issued an exposure draft (ED) of the proposed SAS in January 2009 based on ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*. The
changes made to the ED included changes in response to comments well as changes to conform with revisions to the final version of ISA 240, which was issued in December 2008. The ASB discussed that:

- The PCAOB re-exposed its risk assessment standards (PCAOB Release No. 2009-007, Proposed Auditing Standards Related to the Auditor’s Assessment of and Response to Risk, and Related Amendments to PCAOB Standards) in December 2009, after the Fraud agenda items were sent to the ASB for discussion at the January meeting. With regard to this discussion, the ASB supported:
  - the Task Force request to review the PCAOB’s ED to determine where the fraud-related guidance in Release No. 2009-007 differs from the PCAOB’s initial ED PCAOB Release No. 2008-006, Proposed Auditing Standards Related to the Auditor’s Assessment of and Response to Risk (October 21, 2008)), and whether (or how) the ASB ED should be revised as a result.
  - retaining a separate fraud standard as opposed to the PCAOB’s integrated approach. The ASB believes that the stand back, focused approach to consider fraud is primarily why having a separate standard gives the consideration of fraud more prominence rather than integrating it into risk assessment standards.
  - revising the ASB ED based on comments received, and monitoring PCAOB developments with regard to PCAOB Release No. 2009-007.

Additional discussion revolved around the definition of fraud. The PCAOB’s interim auditing standard and extant SAS No. 99 use “material” misstatement in their definitions, whereas the ISA 240 definition does not use “material” but does use “unjust and illegal,” which gravitates toward a legal definition that the ASB does not believe is appropriate in the U.S. environment. The ASB agrees that the ED definition should remain unchanged. The ASB expressed some confusion regarding what the differences in requirements are between performing analytical procedures related to revenue in paragraphs 22 and 34 of the ED. Although paragraph 22 is under the “Risk Assessment Procedures and Related Activities” heading, and paragraph 34 is under the “Evaluation of Audit Evidence” heading, the ASB directed the Task Force to consider the need to clarify paragraph 34. Various other less significant changes were suggested. The Task Force was requested to return with a revised draft to the June 2010 meeting for a vote to ballot the ED for issuance as a final clarified standard.


The ASB directed the Task Force to make a number of changes, including adding to paragraph 8(c) the option of reviewing the predecessor auditor's audit documentation to obtain evidence regarding the opening balances, but include a parenthetical statement that reviewing the predecessor auditor's audit documentation alone does not provide sufficient appropriate audit evidence and clarifying the requirements to permit disclaiming an opinion if withdrawal from the engagement is prohibited by law or regulation. The ASB requested the Task Force to return with a revised draft at a future ASB meeting.

**External Confirmations.** Megan Zietsman led the discussion of comments received on the ED of proposed SAS, External Confirmations. Overall the comments supported the changes made to clarify and converge the standard with ISA 505, External Confirmations. As a result of the comments received, the ASB:

- Reconfirmed that the presumptive requirement to perform external confirmation procedures for accounts receivable is appropriate and will be included as a conforming amendment in clarified SAS, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained (Redrafted).
Added additional guidance to clarify when direct access to information held by a third party meets the definition of External Confirmation.

Added additional guidance to further explain that the procedures used to determine whether requests are properly addressed depend on the risks associated with the confirmation or address.

Added additional guidance on disclaimers and other restrictive language similar to the guidance in IAASB Staff Audit Practice Alert, Emerging Practice Issues Regarding the Use of External Confirmations in an Audit of Financial Statements, which was issued in November 2009.

The ASB requested the Task Force to return with a revised proposed SAS to the June 2010 meeting for vote for issuance.

**Going Concern.** Brian Richson led a discussion of the agenda materials focusing on Going Concern. This issue is challenging because the FASB is considering changing the accounting guidance on this issue, including possibly changing substantial doubt to more like probable, possible, etc. Most of the discussion centered on potential changes associated with the FASB’s considerations. The ASB requested the TF to bring a revised draft to the May 2010 meeting.

**AU Section 711.** John May, Chair of the AU Section 711 Task Force, led the discussion for a first read of proposed SAS Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933. The Task Force has been charged with redrafting AU Section 711, Filings Under Federal Securities Statutes (AICPA, Professional Standards, vol. 1), in accordance with the clarity conventions. There is no ISA that corresponds to AU Section 711. The ASB directed the Task Force to consider revising the ED to add a reference to AT section 501, An Examination of an Entity’s Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements, so that it is clear that the standards is not referring to PCAOB Auditing Standard No. 5, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements. The ASB also directed the Task Force to consider whether the year of the effective date of the proposed SAS needs to change to 2011 to more closely align with the financial statements impacted by the effective date in the other clarified SASs. The provisional effective date for all but six clarified AU sections is expected to apply to audits of financial statements for periods beginning on or after December 15, 2010. Other changes were also proposed. The ASB requested the Task Force to return with a revised draft to the May 2010 meeting to vote to ballot for issuance as an exposure draft.

**Auditor’s Report Research.** Mark Taylor, Chair of the Auditor’s Report Research Task Force, reviewed the history of the auditor’s report research project and the materials presented to the ASB, which are the materials presented to the IAASB at its December 2009 meeting and requested Dan Montgomery, who attended the IAASB meeting discussion, to report on that discussion. The IAASB has asked its Auditor’s Report Working Group for a proposed plan for further actions.

**Concluding Comments**

As is clear from this update, the agendas of the October 2009 and January 2010 meetings were full. I reiterate that the members of the ASB are dedicated to making positive improvements in auditing standards with an aim to increase audit quality. If you require additional information about the ASB and its activities, please contact me at mt@case.edu.
In fiscal year 2009, the federal government had much to account for, as it took unprecedented actions to stabilize the financial markets and promote economic recovery. The government made substantial investments and incurred increased operating costs, budget deficits, and debt held by the public. As of September 30, 2009, the government’s actions to stabilize the financial markets and promote economic recovery resulted in an increase in reported federal assets of over $500 billion—including Troubled Asset Relief Program (TARP) equity investments and investments in Fannie Mae and Freddie Mac—which is net of about $80 billion in valuation losses. The government reported incurring additional significant liabilities (e.g., liquidity guarantees to Fannie Mae and Freddie Mac) and related net cost resulting from these actions.

The Secretary of the Treasury, in coordination with the Director of the Office of Management and Budget, is required to annually submit financial statements for the U.S. government to the President and the Congress. GAO is required to audit the statements. Most of the 24 CFO Act agencies required to submit financial statements were able to do so, and GAO was able to audit and express an unqualified opinion on the financial statements of such critical agencies as the Internal Revenue Service, Treasury’s Bureau of the Public Debt (Schedules of Federal Debt), Securities and Exchange Commission, Federal Housing Finance Agency, and Office of Financial Stability for TARP.

However, for the thirteenth year in a row, GAO was unable to express an opinion on the accrual-based consolidated financial statements because the government was unable to demonstrate the reliability of significant portions of them for fiscal years 2009 and 2008, resulting mainly from material weaknesses in internal control over financial reporting and limitation on the scope of work. About $906 billion, or 34 percent, of the federal government’s reported total assets as of September 30, 2009, and approximately $784 billion, or 23 percent, of the federal government’s reported net cost for fiscal year 2009 relate to four agencies’ fiscal year 2009 financial statements that, as of the date of our report, received disclaimers of opinion or were not audited.

Principal impediments that prevent GAO from issuing an opinion on the federal government’s financial statements include (1) serious financial management problems at the Department of Defense that have prevented its financial statements from being auditable, (2) the federal government’s inability to adequately account for and reconcile intragovernmental activity and balances between federal entities, and (3) its ineffective process for preparing the consolidated financial statements.

For the last 3 years, GAO has rendered an unqualified opinion on the Statement of Social Insurance, which shows the present value of scheduled benefits for social insurance programs, including Social Security and Medicare, projected over the next 75 years. The bad news is that the estimated future cost is about $46 trillion in excess of the related revenues. The Statement of
Social Insurance is becoming increasingly important because it helps to show, as GAO has reported for many years now, that the federal government is on an unsustainable long-term fiscal path driven primarily by rising health care costs and known demographic trends.

Looking at the lessons of the current fiscal crisis, GAO sees a need to address weaknesses in the U.S. financial regulatory system, which, if not effectively addressed, may fail to prevent similar or even worse crises in the future. The current system, put into place over the past 150 years, is fragmented, complex, and has not kept pace with financial structures, innovations, and products that emerged during the years leading up to the recent financial crisis.

**Related Resources**


**ACG Speaks at NDU: Times May Be Right for to Make Great Strides**

“DOD is second to none in warfighting capabilities,” Acting Comptroller General Gene Dodaro. said, “But it is a very different story when it comes to issues of economy, efficiency, and accountability on the department’s business side.” Mr. Dodaro addressed students and faculty in January at the National Defense University on maximizing the potential of the Department of Defense to face new fiscal challenges.

The size and complexity of DOD contribute to the challenges it faces in improving business performance, Mr. Dodaro said. DOD dominates GAO’s list of federal programs and operations that are at high risk of and vulnerable to fraud, waste, abuse, and mismanagement. DOD’s high-risk business operations include systems and processes related to management of contracts, finances, the supply chain, and support infrastructure, in addition to weapon systems acquisition.

Yet Mr. Dodaro sees hope for the future. In the past several years, he said, top management has put greater emphasis on reform, and there has been measurable progress in some areas. Further, GAO has seen indications that the current environment may be right for DOD “to make great strides,” with President Obama’s emphasis on transparency and contracting reform, Secretary Robert Gates’ willingness to reevaluate programs and make the hard decisions, DOD’s December 2008 revision of its acquisition policy, and the Weapon Systems Acquisition Reform Act of 2009.

**Financial management** has been an area of repeated reform efforts that have met with little success, Mr. Dodaro said, and DOD continues to be one of only a few entities in the entire government that cannot pass the test of an independent audit. To increase chances for success, DOD’s new Comptroller plans to begin by improving budgetary information, with a focus on the Statement of Budgetary Resources, and asset accountability. The rationale for this new emphasis, he said is that budgetary and asset-accountability information is widely used by DOD managers at all levels, so its reliability is vital to daily operations and management.

In asset accountability, DOD will focus on verifying the existence and completeness of mission-critical assets, from weapons systems to real property. In this context, GAO believes it may be worthwhile to revisit the question of how DOD reports assets in its financial statements, Mr. Dodaro said, because the traditional financial reporting model was not designed to address the unique aspects of military assets.

Overall, GAO is encouraged, Mr. Dodaro said, by the renewed attempt to improve DOD’s financial management and achieve accountability for its expenses and assets. He said that GAO will continue to monitor progress and provide feedback on the status of the efforts of the department and its components. Financial management improvement efforts, he said, are pivotal to
achieving broader business transformation goals. Success will require strong leadership and sound strategic planning.

In support of successful reform, GAO has recently increased its staffing to oversee the current reform activities in the financial management area of DOD.

Related Resources

GAO Pilots "Watchdog Report" Podcast
GAO is piloting audio podcasts featuring interviews with GAO officials. They are recorded, hosted, produced, and posted on the Web site by GAO staff. These “Watchdog Reports,” as they are called, offer commentary of about five minutes each on GAO reports and important issues facing the country. The audio files can be downloaded for listening on computers or mobile music devices and will also be offered by subscription through an RSS feed or iTunes (http://www.gao.gov/podcast/watchdog.xml).

Currently, two podcasts feature interviews on 2 of 31 areas identified by GAO as being at high risk for waste, fraud, abuse, mismanagement or in need of broad reform. Watchdog Report #1 is an interview with Phil Herr, a Director in Physical Infrastructure issues, on the United States Postal Service’s financial condition. In another report, Robert Goldenkoff, a Director in Strategic Issues, is interviewed on the 2010 Census. The most recent releases are “Key Issues Facing NASA,” an interview with Cristina Chaplain, Director in Acquisition & Sourcing Management, and “Sexual Assault Prevention and Response in the Military,” an interview with Brenda Farrell, Director in Defense Capabilities & Management.

Reach the podcasts through the “Follow Us On . . .” link on the GAO home page http://www.gao.gov.

**Jeanette Franzel, Director, Financial Management and Assurance;
Maxine Hattery, Financial Management and Assurance; U.S. Government Accountability Office
Introduction
This update addresses selected PCAOB developments since the Fall 2009 Update that are likely to be of interest to accounting and auditing researchers, educators, and students. The developments discussed include: PCAOB’s Third International Auditor Regulatory Institute; selection of Standing Advisory Group Members for 2010—2011; issuance of re-proposed auditing standards related to the auditor’s assessment of and response to risk; establishment of and candidate solicitation for the Academic Fellowship Program for the 2010–2011 academic year; and the SEC’s approval of Auditing Standard No. 7, Engagement Quality Review.

October 2009
Third International Auditor Regulatory Institute: The PCAOB concluded its third International Auditor Regulatory Institute on October 29, 2009. Representatives of auditor oversight bodies and government agencies from 42 countries convened in Washington, DC, to learn more about the PCAOB’s programs and exchange views on issues that have an impact on the oversight of auditors.

The Institute took place over two days, offering seminars on the structure of the PCAOB’s auditor oversight program, considerations relevant to international inspections, and current topics in enforcement and standard setting. The Institute also included a panel discussion with representatives of several of the PCAOB’s international counterparts, addressing a range of issues related to auditor oversight worldwide.

The PCAOB established the Institute in 2007 to provide a forum for open discussion, among regulators around the world, about the approaches to auditor oversight and improving audit quality.

November 2009
Announcing Standing Advisory Group Members: The PCAOB announced 19 new and re-appointed members to its Standing Advisory Group (SAG) on November 6, 2009. These members will serve two-year terms beginning in January 2010. The PCAOB issued a request for SAG nominations in May 2009 and received 103 applications. From this list, the Board selected individuals with expertise in a variety of fields, including accounting, auditing, corporate finance, corporate governance, and others having an impact on investors.

The SAG is chaired by Martin F. Baumann, PCAOB Chief Auditor and Director of Professional Standards. The names of the current SAG members and their biographies may be found on the PCAOB Website at http://pcaobus.org/Standards/SAG/Pages/Current.aspx.


December 2009

**Reproposing Auditing Standards on Auditor's Risk Assessment:** On December 17, 2009, the PCAOB voted to repropose for comment seven auditing standards and related amendments that collectively would revise the requirements for assessing risk in an audit. The PCAOB initially proposed these standards on October 21, 2008.

The reproposed standards include changes made in response to comments received on the original proposal and other refinements. The reproposed standards are intended to improve audits of issuers by enhancing the effectiveness of an auditor’s assessment of and response to risk; enhancing the integration of the audit of financial statements with the audit of internal control over financial reporting in an integrated audit; emphasizing the auditor’s responsibility to consider the risk of fraud throughout the audit; and adding new requirements to improve the auditor’s evaluation of disclosures in financial statements. The comment period ended on March 2, 2010.

The proposing release, text of the reproposed auditing standards, related amendments to PCAOB standards, and comments received on this proposal are available on the PCAOB Website under Rulemaking Docket No. 026, at [http://pcaobus.org/Rules/Rulemaking/Pages/Docket026.aspx](http://pcaobus.org/Rules/Rulemaking/Pages/Docket026.aspx).

**Establishment of Academic Fellowship Program for 2010-2011 Academic Year:** On December 22, 2009, the PCAOB announced the establishment of and candidate solicitation for an Academic Fellowship Program. This program is designed to appoint, annually, an experienced accounting researcher and academic, with an active interest in auditing and oversight matters, to serve as an Academic Fellow at the PCAOB Washington, DC, headquarters for a term of up to 12 months.

The inaugural Fellow will be assigned to the Office of Research and Analysis (ORA) for the academic year 2010-2011. ORA identifies and analyzes emerging accounting and auditing issues, and other risk areas that may contribute to audit failures. The Academic Fellow will provide analytical support and expertise to ORA and other PCAOB staff. More information about the program can be found on the PCAOB Website at [http://www.pcaobus.org/Careers/Pages/Fellowship.aspx](http://www.pcaobus.org/Careers/Pages/Fellowship.aspx).

January 2010

**SEC Approval of Auditing Standard on Engagement Quality Review:** On January 15, 2010, the U.S. Securities and Exchange Commission (SEC) approved Auditing Standard No. 7, *Engagement Quality Review*. This standard is effective for engagement quality reviews (EQR) of audits and interim reviews for fiscal years that began on or after Dec. 15, 2009. Accordingly, for interim reviews of public companies that file financial reports on a calendar-year basis, the EQR standard is applicable beginning with the quarter ending March 31, 2010. AS No. 7 was adopted by the PCAOB on July 28, 2009 and can be found on the PCAOB Website at [http://pcaobus.org/Standards/Auditing/Pages/Auditing_Standard_7.aspx](http://pcaobus.org/Standards/Auditing/Pages/Auditing_Standard_7.aspx).

The SEC in its order approving AS No. 7 encouraged the PCAOB to issue guidance on the standard’s documentation requirements. On February 19, 2010, the PCAOB published a staff question and answer that provides implementation guidance. The staff question and answer document can be found on the PCAOB Website at [http://pcaobus.org/Standards/QandA/2010-02-19_EQR_QA%20_2.pdf](http://pcaobus.org/Standards/QandA/2010-02-19_EQR_QA%20_2.pdf).

*Martin F. Baumann is PCAOB Chief Auditor and Director of Professional Standards
Gregory Scates is PCAOB Deputy Chief Auditor
Dima Andriyenko is PCAOB Associate Chief Auditor*
Have You Seen...

Pennie Bagley, Texas Tech University
Albert Nagy, John Carroll University
Gary Peters, University of Arkansas


This study examines how financial audits are best controlled: by public accounting firms through their control of audit work and auditor behavior, or by outside non accounting agencies who regulate the industry. The authors attempt to address this question through interviews of 25 former Arthur Andersen partners and employees reflecting on the collapse of their firm. They find that the majority of the interviewees believe financial auditing can best be controlled by the firms, without any direct involvement of regulators, whereas a number felt reinforcing outside regulation is necessary to discipline the auditors. Despite the differences, almost all interviewees believe financial auditing is controllable through one of these two mechanisms.


Using an experiment, this study investigates the advantages of two enhanced forms of interacting group processes (brainstorming guidelines and pre-mortem instructions) over an interacting group with brainstorming guidelines (i.e., interacting group). The authors find that the brainstorming groups and the pre-mortem groups outperform the interacting groups; they are able to generate a larger number of potential frauds. In addition, the authors find a negative relationship between the assessed likelihood of fraud for the entity and the number of items listed.


Using an experiment, this study investigates whether 1) being trained to use a strategic-systems-approach (SSA) or a transaction-focused-approach (TFA) to evaluating a misstatement and 2) analyzing information organized in a either an SSA or TFA format influence the extent to which auditors are able to integrate business risk assessments with their judgment regarding the likelihood of a misstatement. The authors find that auditors who are trained to use SSA and who analyze information in an SSA format more effectively integrate business risk assessments with assessments of risk of material misstatement. These results have implications for the methods by which auditors should consider business risk when evaluating the risk of material misstatement in the planning phase of the audit.

This study examines the relationship of several demographic variables, including gender, firm size, degree type, level of education, length of experience, age, and work area, on the ethical intentions, ethical judgment, perceived ethical intensity, and perceived ethical culture of accountants. To investigate their research question, the authors provided trainee accountants in Ireland with cases containing four types of time pressure induced dysfunctional auditor behaviors. They found that gender, firm size, and degree type have a significant association with ethical decision making. In addition, these variables along with work area also have a significant association with perceived ethical intensity. Lastly, they find gender, firm size, level of education, and length of experience have a significant association with perceived ethical culture.


This study examines the impact that advertising and solicitation have on audit fees. The authors are able to separately examine the effect of each form of market competition (advertising and solicitation) on audit firms in the New Zealand environment, which separated the two key forms of regulation by 6 years. They find that advertising is associated with increases in audit fees, which suggests that quality-based advertising took place. In addition, they find solicitation corresponds with a general decrease in audit fees. In sum, the results suggest that there is a complex relationship among market competition, advertising, and solicitation, and fees that regulators need to consider.


This study investigates the effect that client-specific, industry-specific, and country-level factors have on the Big N clients’ demand for industry expertise. The sample includes firms from twenty-nine countries and fourteen broad industries from 1993-2005. The authors find that client size, client growth opportunities, and client capital intensity are positively related to Big N clients’ industry expertise demand. In addition, the Big N clients’ industry expertise demand is more prevalent in countries where levels of investor protection, quality of financial reporting environment, and national economic development are higher.


The authors examine the several audit quality proxies for Big 4 and Second-tier auditors during 2003-06. They find weak evidence that the Big 4 have a higher propensity to issue going concern audit opinions for distressed companies. However, the level of performance-adjusted abnormal accruals for Big 4 and Second-tier audit firm clients appears to be similar. They also find lower client-specific ex ante equity risk premium for Big 4 clients compared to Second-tier audit firm clients. They interpret their collective findings as suggesting little difference in actual audit quality but more pronounced differences in perceived audit quality between Big 4 and Second-tier auditors.
"Have You Seen These Instructional Resources?"

By the 2009-2010 Education Committee of the Auditing Section of the AAA

Jay Rich, Chair – Illinois State University
Jason MacGregor – Baylor University
Mark Pecher – University of Illinois
Paul Polinski – University of Illinois
Richard Riley - West Virginia University
Ray Whittington – Depaul University

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<td>On-line</td>
<td>Fraud Prevention Check-Up</td>
<td>Current</td>
<td>Association of Certified Fraud examiners</td>
<td>The ACFE Fraud Prevention Check-Up is a straight-forward assessment a company’s anti-fraud environment / processes and was designed to help identify and repair fraud gaps.</td>
<td><a href="http://www.acfe.com/documents/Fraud_Prev_Checkup_IA.pdf">http://www.acfe.com/documents/Fraud_Prev_Checkup_IA.pdf</a></td>
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<td>On-line</td>
<td>Characteristics and Skills of the Forensic Accountant</td>
<td>June 2009</td>
<td>AICPA</td>
<td>The authors surveyed attorneys, CPAs and academics and received responses from 126 attorneys, 603 CPAs and 50 accounting/auditing professors in June 2009 to better understand the current perceptions of what it means to be an effective forensic accountant.</td>
<td><a href="http://fvs.aicpa.org/NR/rdonlyres/280DCD43-73A7-489F-8778-E98156F2BD6F/0/10307378_ForensicAccResearchWhitePaper.pdf">http://fvs.aicpa.org/NR/rdonlyres/280DCD43-73A7-489F-8778-E98156F2BD6F/0/10307378_ForensicAccResearchWhitePaper.pdf</a></td>
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Auditors’ Responsibilities for Communicating Fraud

by Jim Bierstaker

I. Brief Statement of the Issue

This case focuses on auditors’ responsibilities for communicating illegal acts to the audit committee and the SEC as well as communicating with successor auditors.

II. Objectives to be Achieved

2. Explain auditors’ responsibilities to communicate with successor auditors.
3. Discuss the ethical responsibilities of auditors when they find fraud and place them in a historical context.

III. Basic Disciplinary Context

Situation:
ABC auditors discover management fraud is going on at one of their clients, DEF Company. After a long and difficult audit, they decide to sever the relationship. A smaller audit firm, GHI, is considering whether to take on DEF as a new client and contacts ABC. Although ABC answers all their questions, the issue of management integrity does not come up, and ABC gets the sense GHI does not have a handle on all the issues surrounding the audit of DEF. Should ABC volunteer information regarding management integrity?

IV. Relevance to CGL

This case deals with auditors’ ethical responsibilities for communicating finds of fraud to the Board of Directors through the audit committee and regulators such as the SEC. Fraud and corruption have received greater attention recently from the Department of Justice and the SEC, as well as overseas authorities. Fraud is an important topic to discuss in the context of global business. For example, OECD countries now ban bribes to foreign government officials.

V. Teaching Notes
The case should be assigned following coverage of management fraud in an auditing course. I have an open class discussion during the debriefing of the case. The pros and cons of each alternative are debated, after which the actual outcome of the case is revealed, and a discussion of why the auditors chose that alternative will follow.

**Alternatives:**
Technically, ABC may not be required to volunteer additional information to GHI. In addition, they may risk a lawsuit by DEF if they do. From a minimalist perspective, ABC should do nothing. However, knowing GHI is in over their heads, both GHI and investors and creditors of DEF may be harmed if ABC does nothing. From an ethical or maximalist perspective, ABC should come forward with what they know. Furthermore, under SAS 84, predecessor auditors should communicate their audit findings to the successor auditors. However, it is up to the successor auditor to get client consent to speak with the predecessor, and initiate communications. An interesting ethical dilemma is if the successor does not consult with the predecessor, what should they do then? Under the Private Securities Litigation Reform Act of 1995, auditors must go to the audit committee of the Board of Directors within 24 hours of learning on an illegal act involving management, and make sure the SEC is notified within another 24 hours of informing the audit committee. However, what if it is a private client?

**Outcome:**
ABC did nothing. Two years later DEF went bankrupt and investors and creditors sued GHI.

**Related cases**
This case is similar to the audit of National Student Marketing Corporation, in which Arthur Andersen resigned over concerns regarding the reliability of management. However, they did not inform the successor auditor of their concerns and the successor did not ask for an explanation (Clikeman 2009).
This case is also similar to the Lincoln Savings and Loan (LSL) audit, in which Arthur Andersen (AA) resigned while LSL was under investigation by banking authorities. AA claimed it had no reservations about management’s integrity. The engagement partner for the subsequent auditing firm, Arthur Young, later accepted an executive position with a related party for $930,000 per year.
In addition, this case is similar to the ZZZZ Best audit, in which the auditors waited one month to notify the SEC and did not contact the predecessor auditor. This fraud led to the “expectations gap” auditing standards, including SAS 99, which clarified auditors’ responsibilities for detecting fraud and communicating with the audit committee, as well as the aforementioned Private Securities Litigation Reform Act of 1995. In addition, the aforementioned cases occurred prior to the issuance of SAS 84. It should also be noted that the Auditing Standards Board is currently in the process of revising SAS 84 to make it more consistent with international auditing standards.

**References**
By-Laws and Policies of the Auditing Section

Prepared by Audrey A. Gramling

Over the last year, the Executive Committee has been busy updating the Section’s by-laws and its Operating Manual.

In 2009 the section members approved a by-laws change related to our process of selecting our Section’s officers. The new process, which is available for your reading pleasure at http://aaahq.org/audit/bylaws.htm, requires a Nominating Committee that is comprised of two past presidents of the Section, along with three members of the Section that are elected by the Section members. The Nominating Committee accepts nominations for open offices during the Fall and prepares a slate of at least one candidate for each open office. The slate is presented to the Executive Committee and announced at the Auditing Section’s annual business meeting. The by-laws also provide for nominations, with a petition signed by not less than 100 members of the Section, for additional candidates for a period of 30 days following the annual business meeting. The membership will be asked to provide their votes for the new officers during the Spring. Please participate in this important process.

The Executive Committee has also worked to update and revise the Section’s Operating Manual. This Operating Manual contains the Section’s by-laws, policies, and procedures, as well as general information about the Section. Officers, Committee Chairs and Members, and Regional Chairs should find the Manual helpful in understanding and carrying out their respective responsibilities. The Manual will be available at the Section’s website sometime this Spring. Suggested enhancements to the Manual should be communicated to the Section Historian.
The Auditing Section of the American Accounting Association is conducting an Audit Educator’s Bootcamp, June 15-17, 2010 at DePaul University. The Bootcamp will begin on Tuesday, June 15 at 9:00 AM and conclude on Thursday, June 17, at 4:00 PM. Participants will be required to do some advance preparation so that their time at the Bootcamp is more beneficial.

**Purpose**
The camp agenda will include discussions of current practices related to the auditing profession. Coverage will include various topics including audit planning, internal controls, risk, materiality and substantive testing. Participants will receive a set of materials that they can customize for use in their classrooms as well as a list of available resources for audit-related teaching materials.

**Audience**
The event is designed with two types of faculty members in mind: recent doctoral graduates who do not have auditing experience, but will be teaching auditing courses at their new university and faculty members who currently teach auditing courses, but do not have recent auditing experience.

**Location**
DePaul Center  
One E. Jackson Bld.  
Chicago, IL 60604  
7th floor

**Registration Information**
The registration fee includes the 3-day workshop, breaks, and lunches (if you stay at the Hotel Blake, the room rate includes a free continental breakfast). Note: Enrollment is limited, paid registrations are taken on a first-come basis, based on the dates outlined below.

**Auditing Section Member**
Registration fee: $475

**Non-Auditing Section Member**
**After May 14,** non-Auditing Section members can register, on a space available basis.
Registration fee: $525

**Registration Deadlines (enrollment is limited)**
Auditing Section Members are encourage to register by May 14, 2010
After May 15 registration will open to Non-Auditing Section Members, through June 1, 2010
**Preregister Online**

Members can pre-register online for the meeting. You will be prompted to log in by entering your AAA user ID and password. Note: payment can be made by VISA or MasterCard only. Non-members should follow Mail/Fax Registration instructions below, but only after May 15 and only if space is available.

If you have forgotten your user ID and password, you may retrieve them by entering your email address on the login retrieval form located [HERE](#). (Note that the email address you enter must be the same email address contained in your AAA member record.) If you do not receive an email message containing your login information, please contact the American Accounting Association at office@aaahq.org or (941) 921-7747.

**Mail/Fax Registration**

Registrations paid by check should be made payable to the American Accounting Association. Mail registration form and payment to:

American Accounting Association  
5717 Bessie Drive  
Sarasota, FL 34233-2399.

Registrations paid by credit card can be faxed to 941-923-4093.

**Hotel Accommodations and Information**

A block of rooms is available at the Hotel Blake ([http://www.hotelblake.com/](http://www.hotelblake.com/)). The room rate includes a free continental breakfast and an evening cocktail hour. Free wireless internet access is also available. The hotel is approximately 4 blocks from DePaul University.

**Room rate:** $159 per night, plus taxes  
**Deadline:** May 25  
**Hotel phone number:** 312-986-1234  
**Registration Code:** GDEPBO

NOTE: This block of rooms and rate are only available until May 25. After this date you will be responsible for finding accommodations as the hotel cannot guarantee room availability.

**Meeting Cancellation Policy**

Cancellations must be received in writing at the AAA ([office@aaahq.org](mailto:office@aaahq.org)) in order to be processed. Cancellation requests received after May 25 will incur a $50 cancellation charge. No refunds will be available for cancellation requests received after June 1, 2010, or for no-shows.

**Americans with Disabilities Act**

The American Accounting Association intends to comply fully with the Americans with Disabilities Act (ADA). Any members planning to attend this meeting who have special needs, as covered by the ADA, are requested to notify Debbie Gardner at the American Accounting Association, [debbie@aaahq.org](mailto:debbie@aaahq.org) or (941) 556-4101 to facilitate identification and accommodation of these needs by the Association.

[Back to the Auditing Section Home Page](#)  
[Back to AAA Home Page](#)
Call for Submissions and Volunteers
Seventeenth Annual Midyear Auditing Section Conference
Albuquerque, NM

Mark your calendars now for the Seventeenth Annual Midyear Auditing Section Conference that will be held January 13–15, 2011 at the Albuquerque Marriott. A Doctoral Consortium will be held on January 13, and we will also be offering another Excellence in Audit Education workshop as part of the conference. The remainder of the conference will consist of keynote speakers, panel discussions, and concurrent sessions dealing with a wide variety of contemporary topics related to audit, attestation and assurance practices, education, and research. Awards will be given for the Best Ph.D. Student Paper submitted to the conference and for the Best Manuscript submitted to the conference. While all papers will be considered for the Best Manuscript award, authors must indicate that they would like to be considered for the Best Ph.D. Student Paper award at the time of submission.

You are encouraged to contribute to the program through submissions of auditing, attestation, and assurance research, education research (including instructional cases), and special session proposals. In addition, the Section will rely on your help in planning and conducting the conference and in providing suggestions for session topics, panels, and/or workshops. Please consider volunteering to participate as a reviewer, discussant, and/or moderator. Details on how to do so will be posted to the Auditing Section website.

SUBMISSION GUIDELINES
Research papers should follow the style and submission guidelines of Auditing: A Journal of Practice & Theory, including the requirement to submit separate electronic files containing the cover page and the paper itself.¹ Instructional cases should be in a format similar to that used in Issues in Accounting Education. Submissions are not eligible for consideration if they have been published or accepted for publication, were presented at the 2010 AAA Annual Meeting, or were presented at more than one AAA regional meeting or other academic conference. Papers presented at the Research Forum of the AAA Annual Meeting are eligible for consideration. It should be noted that papers accepted for presentation at the 2011 Midyear Auditing Section Conference may also be submitted for presentation at the AAA Annual Meeting scheduled for August 2011.

SUBMISSION DEADLINE
Submissions must be received by August 31, 2010 to be considered for the program. Early submission is highly encouraged. Any questions should be addressed to Scott Vandervelde (University of South Carolina) or Mike Wilkins (Texas A&M University) through the following email address: MYM2011@moore.sc.edu.

¹Also, please be sure to remove all identification of the authors, including changing the document "Properties" to "anonymous".
Call -- Nominating Committee Members

Because of a recent change in the Section’s by-laws, we are announcing a call for nominations for the 2010 – 2011 Nominating Committee. Please consider nominating yourself or another member of the Auditing Section. The Nominating Committee’s duties include soliciting candidates from the membership for open offices and preparing a slate of at least one candidate for each of the open offices. Consider becoming involved in selecting the next leaders of the Auditing Section. Additional details on the by-laws change, and the responsibilities of the nominating committee, are available at http://aaahq.org/audit/ByLawsProposal2009.pdf.

Nominations for the Nominating Committee should be submitted to Audrey A. Gramling by July 15 at agramli1@kennesaw.edu.
Call for Nominations – Editor of *Auditing: A Journal of Practice and Theory*

The Auditing Section is accepting nominations for the next editor of *Auditing: A Journal of Practice and Theory (AJPT)*. The Editor’s duties should include, but are not limited to, the following:

1. Manage the submission, review and acceptance of manuscripts submitted to AJPT.
2. Appoint members to the Review Board.
3. Select ad hoc reviewers as appropriate.
4. Work with the AAA Executive Offices to assure timely publication.
5. Manage approved co-sponsorship of Auditing Symposia according to policy statements.
6. Manage transition to the new editor.
7. Submit an annual report to the Executive Committee.

The Editor of AJPT should possess the following characteristics:
- Breadth of understanding of the auditing literature and research methods.
- Understanding of auditing practice and an appreciation for the practice community.
- Experience with the editorial review process.
- Integrity and open-mindedness.
- Demonstrated organizational skills and effective collaboration with peers.
- An ability to critically analyze research.
- An ability and willingness to communicate effectively with authors, providing constructive feedback about their research.

Please submit your nominations (self nominations are certainly appropriate) to Audrey A. Gramling (agramli1@kennesaw.edu) by April 15.
Call for Nominations – Co-Editor of Current Issues in Auditing

The Auditing Section is accepting nominations for the next co-editor of *Current Issues in Auditing* to replace Scott Schowalter. The Co-Editors are responsible for the administration, publication, and content of *Current Issues in Auditing*.

*CIIA* has two co-editors. For this nomination, our goal is for the co-editor to come from a significant practice background and/or perspective and have significant appreciation for issues facing practice.

The Co-Editors of *CIIA* should possess the following characteristics:
- Breadth of understanding of the auditing literature and research methods.
- Understanding of auditing practice and an appreciation for the practice community.
- Experience with the editorial review process.
- Integrity and open-mindedness.
- Demonstrated organizational skills and effective collaboration with peers.
- An ability to critically analyze research.
- An ability and willingness to communicate effectively with authors, providing constructive feedback about their research.

Please submit your nominations (self nominations are certainly appropriate) to Audrey A. Gramling ([agramli1@kennesaw.edu](mailto:agramli1@kennesaw.edu)) by April 15.
WALTON T. CONN, JR.
Global Head of Audit Methodology
and Implementation

KPMG LLP
Three Chestnut Ridge Road
Montvale, NJ 07645

Tel 201-505-2615
Fax 212-954-5289
wconn@kpmg.com

Function and Specialization
Mr. Conn is a partner in KPMG’s Audit practice
and has significant experience with software and
other technology companies.

Professional Associations
- Member, AICPA
- Member, American Accounting
  Association (AAA)
- Member, AAA’s Auditing Section
- Member, board of directors of the
  Auburn Alumni Association

Education, Licenses & Certifications
- BS, Auburn University
- Licensed CPA, multiple states

Background
Walt Conn is an audit partner and Global Head of Audit Methodology and
Implementation at KPMG. In a newly created role to which he was appointed in
September 2008, Mr. Conn leads the development, maintenance, and worldwide
deployment of the firm’s audit methodology. He is the partner-in-charge of the firm’s
Global Services Centre – Audit (GSC), which develops audit policy, guidance, tools
and other support for use by audit engagement teams in KPMG member firms
around the world. In addition, the GSC is developing KPMG’s next generation tool
that will facilitate the performance of efficient and effective audits using enabling
technology. Mr. Conn also serves on KPMG’s Global Audit Steering Group, which
oversees the audit strategy for KPMG International and its member firms.

Professional and Industry Experience
Mr. Conn also serves on the U.S. Auditing Standards Board, the senior technical
committee of the American Institute of Certified Public Accountants (AICPA)
designated to issue auditing standards and guidance relating to private entities in the
United States. In addition, he is involved in the monitoring of International Standards
on Auditing and the auditing standards of the Public Company Accounting Oversight
Board.

From early 2004 to September 2008, Mr. Conn was in the firm’s Department of
Professional Practice (“national office”) in New York, where he assisted KPMG’s
engagement teams with the resolution of auditing issues, developed firm policy on
professional practice matters, and followed the standard-setting and rulemaking
activities of the Public Company Accounting Oversight Board and the Securities and
Exchange Commission.

From 1998 through early 2004, Mr. Conn served as an audit partner in KPMG’s
Silicon Valley office, where he served software and other technology clients and
worked on a number of high profile mergers and initial public offerings. Prior to
1998, he worked in KPMG’s Department of Professional Practice and in its
Birmingham and Nashville offices and served as a practice fellow for the Auditing
Standards Board in New York. As an SEC Reviewing Partner, he is one of the firm’s
designated senior technical partners.

In 2006, Mr. Conn completed participation in KPMG’s Chairman’s 25, a two-year
leadership development program for 25 KPMG partners selected by the chairman of
the firm.

Mr. Conn is a graduate of Auburn University and is a member of the board of
directors of the Auburn Alumni Association. During the University’s recent capital
campaign, he was co-chair of the NY Regional Campaign and served on the
Campaign National Committee. He is a member of Auburn’s School of Accountancy
Advisory Council and was a member of its College of Business Advisory Council
from 2001 to 2004. In 2006, he received the Outstanding Alumnus Award from the
School of Accountancy, and in 2008, he was named to the University’s College of
Business “40 of 40” – 40 outstanding graduates in the 40-year history of the College
of Business.

He has served on and chaired a number of task forces of the AICPA and the Center
for Audit Quality.
D. Scott Showalter joined the North Carolina State University College of Management in the fall of 2008. He is a Professor of Practice and teaches auditing at the undergraduate and graduate levels. Prior to joining NC State University, Scott was a partner at KPMG LLP where he retired on July 31, 2008 after 33 years. In 1975, Scott received his B.S.B.A degree, summa cum laude, from the University of Richmond.

Scott has served numerous roles at the national and section levels of the American Accounting Association. Mr. Showalter is currently the chair of the AAA Strategic Management Team and is one of the founding co-editors of the Auditing Section’s Current Issues in Auditing. Other AAA positions served include VP-Professional Relations, including the chair of the finance and audit committees. He has also served as a reviewer, discussant and presenter at national and section meetings. Scott served two terms as the VP-Practice of the Auditing Section and fulfilled a similar position in the Government and Nonprofit Section.

Scott has received numerous awards including being recognized by Accounting Today in 2001 as one of the Top 100 Most Influential People in Accounting. Scott was recently appointed to a five-year term as a board member on the Federal Accounting Standards Advisory Board.
Jennifer R. Joe, PhD, CPA

Jennifer Joe, CPA, is an Associate Professor of Accountancy at Georgia State University. She has professional experience as an external and an internal auditor. Jennifer teaches doctoral and undergraduate courses in auditing. Her research focuses on individual judgment and decision making in accounting contexts with an emphasis on audit judgments. Jennifer received an outstanding research award from the AAA-ABO section for her study on auditors’ going-concern judgments. Her research also received an award from the AICPA. Jennifer has published in the following leading journals: *The Accounting Review, Journal of Accounting Research, Journal of Financial and Quantitative Analysis, Contemporary Accounting Research,* and *Accounting Organizations and Society.* Jennifer is a member of the editorial board of *Auditing: A Journal of Practice and Theory.* She has contributed to the accounting profession and the AAA in many ways including serving as Secretary-Treasurer of the ABO Section, a member of the New Faculty Consortium Committee and was a founding member of The PhD Project Accounting Doctoral Students Association. Currently, she serves as Co-Chair of the 2010 Auditing Section Mid-Year Conference.
The 16th Annual International Symposium on Audit Research (ISAR) will be hosted by Nanyang Technological University on 24 and 25 June, 2010 in Singapore. ISAR is jointly organized by Nanyang Technological University, the University of Southern California (USA), Maastricht University (Netherlands), and the University of New South Wales (Australia). The symposium will be held at the Marina Mandarin hotel, Singapore.

Scope of Topics

The scope of ISAR is intended to be broad and includes research papers and panels that deal with all aspects of auditing, attestation and assurance. Papers that utilize any of a broad range of research methodologies will be considered.

ISAR 2010 will coordinate with the World Continuous Auditing & Reporting Symposium [WCARS] to present research that focuses on information technology and continuous auditing. Papers in this area are to be submitted to ISAR as indicated below, and subject to regular review.

ISAR 2010 will also be preceded immediately by a by-invitation ACCA/IAAER mini-conference in conjunction with the ACCA/ IAAER call for academic research proposals [http://www.iaaer.org/research ] that support the work of the International Auditing and Assurance Standards Board. During the mini-conference, proposal winners will present their research designs and preliminary results.

Further Information

For questions about the symposium please contact Hun Tong Tan at AHTTAN@ntu.edu.sg or Ted Mock at tmock@ucr.edu . Further information is also posted at the ISAR website at www.isarhq.org where you can also register for email updates on ISAR 2010.
15th Annual Ethics Research Symposium
Co-hosted by the AAA’s Professionalism and Ethics Committee and the AAA’s Public Interest Section
August 1, 2010: San Francisco, CA

The Professionalism and Ethics Committee of the American Accounting Association and the Public Interest Section invite submission of papers for presentation at the 15th Annual Ethics Research Symposium to be held August 1, 2010 in San Francisco, CA. This Symposium will focus on ethics research and teaching within the field of accounting.

It has been 19 years since the Professionalism and Ethics Committee of the AAA offered its first seminar on teaching ethics in accounting curricula. The 15th Annual Ethics Research symposium encourages thoughtful papers in a number of different areas of accounting ethics scholarship. Sample topics may include, but are not limited to, the following:

- Philosophical foundations of accounting and accounting ethics
- Accounting ethics vis-à-vis professional ethics
- Historical perspective on issues relating to accounting ethics
- Accounting ethics literature reviews
- Empirical studies relating to accounting ethics
- Application of sociology, psychology, and/or political theory to ethical issues in accounting
- Critical studies of ethical lapses in business or accounting practice
- The ethical role of accounting in social and environmental reporting
- Conceptual papers analyzing what is necessary to advance accounting ethics education and/or accounting ethics research to greater prominence

The Symposium will take place as a Continuing Professional Education seminar immediately preceding the 2010 American Accounting Association Annual Meeting in San Francisco.
CALL FOR PAPERS

19th Symposium on Auditing Research
University of Illinois
October 14-16, 2010

The Nineteenth University of Illinois Symposium on Auditing Research will be held on the Urbana-Champaign campus during October 14-16, 2010. The symposium will be funded by generous support from the KPMG LLP Foundation.

While we invite papers about all aspects of auditing and assurance, a portion of The 19th Symposium will focus on the assessment of the risk of financial-statement fraud, the prevention and detection of financial-statement fraud, and the assignment of responsibility/culpability when fraud goes undetected. Papers should employ rigorous research methods (e.g., analytical, archival, experimental, and field).

Submission deadline: July 9, 2010.

Authors should follow The Accounting Review format and submit a regular version and an anonymized version of their paper to Mark E. Peecher at peecher@illinois.edu. Your email should identify contact information for the corresponding author and indicate, as applicable, other symposia or conferences at which the submitted paper has been or will be presented.

Authors will be notified during late July as to whether submissions have been accepted for presentation at the symposium. If you have any questions, please direct them to Mark E. Peecher.