MINUTES
AUDITING SECTION EXECUTIVE COMMITTEE MEETING
Sunday, August 6, 2006
8:00 A.M to 4:00 P.M
Wardman Park Marriott, Buchanan I – Mezzanine Level

Present: Mark Beasley (President), Linda McDaniel (Past President), Ray Whittington (Vice President—Academic), Scott Showalter (Vice President—Practice; absent 12:00 noon – 4:00 p.m for AAA council meeting), Kathryn Kadous (Treasurer), Kay Tatum (Secretary), Arnie Wright (Historian; absent 8:00 – 12:00 noon for AAA council meeting).

Guests at various times during the meeting: Trevor Stewart (Vice President—Practice elect), Julia Higgs (Secretary elect; Director, Annual Meeting 2006 Committee), Dan Simunic (Editor, A:AJPT), Bob Allen (Chair, Auditing Standards Committee), Glen Gray (Section Webmaster), Jay Rich (Chair, Research Committee), Jennifer Mueller (Member, Communications Committee), and Dee Strahan (Meetings Coordination, AAA).

Beasley called the meeting to order at 8:05 a.m.

Discussion and Approval of January Minutes (Kay Tatum)

Tatum presented the minutes from the Executive Committee’s (XC’s) meeting on January 12, 2006 and the Auditing Section’s (Section’s) Business Meeting on January 13, 2006.

Action: McDaniel moved that the minutes be approved. Showalter seconded the motion. The XC unanimously approved the motion.

Business Conducted Since Previous Executive Committee Meeting (Kay Tatum)

Tatum reviewed the business that the XC had conducted since its January 12, 2006 meeting. Actions taken were:

1) McDaniel moved that the XC appoint Dana Hermanson as the initial editor of the Section’s online journal. The term of the position is three years. Showalter seconded the motion. The motion passed unanimously. (January 24, 2006)

2) The XC unanimously agreed to appoint Scott Showalter as co-editor of the Section’s online journal. Showalter did not participate in the discussion. (February 2, 2006)

3) The XC unanimously agreed to honor the memory and recognize the contributions of John Willingham at the Section’s luncheon on August 7, 2006; invite his widow Carol to attend the luncheon; and to fund her travel expenses, if necessary. (May 8, 2006)
Thanks to Outgoing Officers and Welcome to Incoming Officers (Mark Beasley)

Beasley thanked outgoing officers Linda McDaniel, Scott Showalter, and Kay Tatum for their service and contributions to the Section. Beasley welcomed incoming officers Trevor Stewart and Julia Higgs. He said that Mark Peecher (Vice President–Academic elect) was unable to attend the meeting due to illness.

Treasurer’s Report (Kathryn Kadous)

Kadous presented the Treasurer’s Report. The Section’s cash balance decreased $13,881.70 from 8/31/05 to 6/30/06 to a balance of $201,662.47.

The XC discussed significant differences in receipts and disbursements. Kadous noted that anticipated costs discussed by the XC at its last meeting are starting to hit this year. A:AJPT costs are high in 2005-06 compared to 2004-05 because of a timing difference. The publication date of 2005 and subsequent journals was pushed back to accommodate the AAA’s publication schedule. Editorial support fees in 2005-06 are high compared to 2004-05 due to the change in editors. The editorial support included fees paid to the editor’s assistant and fees paid to the editor for course relief. The cost of the 2006 Midyear Conference in Los Angeles was lower than the cost of the 2005 Midyear Conference in New Orleans (which was unusually high because of the extra day and special events surrounding the 25th anniversary of A:AJPT).

The XC also discussed the Section’s cash balance. Showalter pointed out contingencies regarding future revenues and costs—for example, whether journal subscriptions will continue to be a source of revenue and the cost of the online journal. In addition, the cash balance has permitted the Section to support activities such as providing complimentary memberships for Ph.D. students and reinstating the printed newsletter.

Action: Beasley moved that the XC accept the Treasurer’s report. Showalter seconded the motion. The motion passed unanimously.

Next, the XC discussed whether the subscription rate (i.e., the “print only” subscription rate for libraries and agencies) for A:AJPT needed to be adjusted. The XC compared the Section’s rate for A:AJPT to the rates for other AAA journals. The rate for A:AJPT ($120) is less than the rates for the AAA’s three main journals, comparable to the rate for Accounting and the Public Interest ($125), but higher than the rates for Behavioral Research in Accounting ($20), Journal of the American Taxation Association ($30), and Journal of Information Systems ($35).

Action: Beasley moved that the Section not change its subscription rate for A:AJPT for non members. McDaniel seconded the motion. The motion passed unanimously.
Update on the KPMG Support of the Midyear Conference and Doctoral Consortium (Mark Beasley)

Beasley announced that the KPMG Foundation has renewed its commitment to support the Section’s Midyear Conference and the Section’s Doctoral Consortium for 2007, 2008, and 2009. The KPMG Foundation provides up to $45,000 of funding in support of the Midyear Conference over a three year period, generally in the amounts approximating $15,000 per year. The funding commitment for the Doctoral Consortium is $11,000 per year. Beasley will acknowledge KPMG’s renewed commitment at Monday’s Section luncheon. A press release has been developed. It will be posted on the website. An e-mail announcing the commitment will be distributed to Section members.

Overview of the AAA Annual Meeting Planning Process/Sessions (Julia Higgs)

Higgs reported that 133 papers were ultimately submitted for the Section’s annual meeting program. This number was second only to the Financial Accounting and Reporting Section. In addition, the annual meeting program includes five panels that were created by the Section. She noted that the annual meeting program includes panels that were not developed by the Section, but are relevant to the Section. For example, Showalter is moderating a panel entitled “Responding to Questions from the Media,” and Mary Curtis is moderating a panel entitled “Educating Auditors for the post-SOX World—Integrating IS into the Audit Curriculum.” She identified challenges that she and Christine Earley, Assistant Director, encountered when assigning reviewers and assembling the panels; she also proposed possible solutions.

The XC discussed two issues related to the panels: (1) the effort involved in assembling the panels, and (2) the concern about having sufficient attendance at the sessions. The XC agreed that going forward the Section should reduce the number of panels at the AAA annual meeting and coordinate with AAA panels. It was suggested that the PAC could be used for identifying panel topics and members.

Beasley thanked Higgs for serving as Director for the 2006 Annual Meeting Committee. He recognized it as a huge effort. Whittington stated that he has added more people to next year’s annual meeting committee.

Status of PCAOB Project Teams and ASB/IAASB Request for Research (Mark Beasley)

Beasley presented brief status reports of the seven PCAOB research syntheses projects—Audit Firm Quality Control, Related Party Transactions, Audit Committee Communications, Audit Confirmations, Audit Report Model, Engagement Quality Control, and Financial Statement Fraud. Beasley said that Gary Holstrum, Associate Chief Auditor and Director of Research at the PCAOB, is pleased about the overall progress of the projects. With the exception of the Audit Report Model team, all teams
have submitted reports to the PCAOB. Beasley and Holstrum have been in contact with the Audit Report Model team leader Bryan Church, who says the team will have something by end of August.

Beasley noted that the Risk Assessment and the Fair Value projects are finished. Both teams have submitted final reports to the PCAOB. The Risk Assessment project appeared in the June 2006 issue of Accounting Horizons, and the Fair Value project has been accepted by Accounting Horizons.

Beasley reported about the June meeting of the PCAOB’s Standing Advisory Group (SAG). Beasley, Roger Martin, and Bob Allen made presentations at the meeting. Beasley made overall comments, Martin reported on the fair value research synthesis project, and Allen reported on the risk assessment research synthesis project. According to Beasley, the SAG’s response to the presentations was extremely positive.

Beasley also reported on AAA/PCAOB February conference. Holstrum indicated that the feedback from February 2006 symposium was positive and that a third year conference is highly likely. The tentative target date is February 2007. The planning committee consists of Jane Mutchler (AAA representative) and Whittington and Beasley (representing the Section). A planning breakfast is scheduled on Wednesday. Beasley acknowledged work of past presidents Joe Carcello, Jean Bedard, and Linda McDaniel in establishing the relationship between the Section and the PCAOB and having a vision for such projects as the research synthesis teams.

Beasley announced that the AICPA’s Auditing Standards Board and the IFAC’s International Auditing and Assurance Standards Board have agreed to sponsor research about the auditor’s report. A request for proposals (RFP) will be issued. At the Section luncheon, Beasley will mention the project and tell Section members to look for the RFP. In addition, Whittington will send e-mail to membership about the RFP.

**Status of the PAC including Research Proposal Review/Selection (Scott Showalter)**

Showalter reported about the PAC’s activities. The PAC issued a RFP in Spring 2006. It received 15 proposals. The PAC Research Committee narrowed these proposals to a “short list” of four proposals, which were distributed to the full PAC. The PAC then narrowed the list to two proposals. A final decision had not been made. Those researchers whose proposals were not selected have been notified.

Overall, the PAC found it difficult to link the proposed research to issues that are relevant to practice. The XC agreed that going forward the PAC needs to better articulate what it wants before issuing a RFP.
Update on the Progress of the Proposed Online Education Journal (Mark Beasley and Scott Showalter)

Showalter announced that the AAA XC has approved Section’s online journal, *Current Issues in Accounting and Auditing Practice*. The purpose of the journal is to advance the dialogue between academics and practitioners on current issues facing the accounting and auditing practice community. Showalter emphasized that this journal fits with AAA’s strategic vision—connecting to practice. There will be a call for papers in Fall 2006 with the first publication in Fall 2007.

**Education Committee**

Beasley present the Education Committee’s report for Jay Thibodeau. Beasley acknowledged work of Education Committee in developing the proposal for the Section’s online journal. He reported that the Education Committee is looking at projects related to SOX 404.

Beasley brought up a discussion at the PCAOB SAG meeting that followed Martin’s presentation about fair values. Overall, the comments were critical of university education. In response, the XC suggested that the Education Committee explore the topic of auditing fair values. Suggestions included: (1) making inquiries of firms about what they are including in their training, (2) developing a plenary session and then breakout session, and (3) having the PAC prepare an article for the online journal. McDaniel posed an interesting question, what do academics have a comparative advantage teaching and what do the firms have comparative advantage of teaching?

**Nominations for Officer Slate for the Fall Elections (Mark Beasley)**

The Section will hold elections in the Fall for two officer positions—Vice President-Academic and Treasurer. The nominating committee consists of Beasley, Roger Martin, and Rich Houston. The committee has two nominees for Treasurer and shortly hopes to have two nominees for Vice President-Academic.

Beasley moved that the XC submit nominations of Mark Taylor and Susan McCracken for Treasurer. Showalter seconded the motion. The motion passed unanimously.

The XC agreed to approve the nominations for Vice President-Academic online.

**Report of the AJPT Editor (Dan Simunic)**

Simunic presented the editor’s report. According to Simunic, “things are operating okay.” He reported about the processing activity (submissions are down, but not significantly), the manuscripts in inventory (mix is consistent with past—
empirical/archival, with little analytical), and manuscript results. He reported that communication among the editor, co-editors, and assistant is good. He presented the cover page for the November 2006 issue of *A:AJPT*. He said that the issue was a little thinner than he would have hoped, but normal when you have a change of editors.

Beasley thanked Simunic for his service as Editor.

**Report of the Editor of The Auditor’s Report (Mark Beasley for Jim Bierstaker)**

Beasley presented the Editor’s report. He acknowledged Bierstaker’s work as editor over the past year. Special features included a fraud column by Joe Wells, an article by Dana Hermanson about participating in a PCAOB research project team, and a tribute to John Willingham. In addition, Section member were provided abbreviated print copies of the electronic version of the newsletter. Beasley reported that the editor’s position has transitioned to Mark Zimbelman.

**Report of the Auditing Standards Committee (Bob Allen)**

Allen presented the Auditing Standards Committee’s report. The Committee participated in a variety of activities in the past year. The Committee: (1) commented on COSO’s exposure draft, “Internal Control Integrated Framework: Guidance for Smaller Public Companies;” (2) provided input (along with the Research Committee) for the selection of research teams for the PCAOB Research Synthesis Projects; (3) was involved in various activities and meeting related to the AAA/PCAOB research synthesis program; and (4) sponsored a concurrent session for the 2006 Midyear Conference.

He said that chairing the Committee had been a “fun assignment.” He thanked the XC for its leadership regarding the PCAOB research projects. In Allen’s opinion, “the projects will make a difference.”

Beasley said that in appreciation of their efforts in drafting a comment letter, the AAA will send gratis copies of COSO report to members of the Auditing Standards Committee.

**Report on Auditing Section Web Site Issues (Glen Gray)**

Gray provided his perspective about the Section’s web site issues. He noted that the peak work for the webmaster is the Midyear Conference. He talked about how having a Section webmaster can lead to duplicate and in some cases conflicting information. For example, the AAA website currently has two lists of section officers. Gray said that he supports the transition of the webmaster responsibilities from Gray to the AAA. He indicated that Kathy Casper, the AAA’s Web Development Specialist, wants to do it and the AAA is willing to do it.
**Action:** McDaniel moved that the XC give Gray the authority to make the transition of the webmaster duties from Gray to AAA. Beasley seconded the motion. The motion passed unanimously.

**Action:** Notify AAA that XC has given Glen the authority.

Beasley thanked Gray for his many years of service as the Section’s webmaster.

**Report of the Research Committee (Jay Rich)**

Rich delivered the Research Committee’s report. He reported that the Committee: (1) worked with the Auditing Standard Committee on the PCAOB research synthesis projects about fair-value auditing and risk assessment; (2) worked with the Auditing Standards Committee to evaluate applications for membership on seven other PCAOB research synthesis projects; (3) participated in the PAC’s RFP in Spring 2006; (4) updated the audit research database through 2005; and (5) sponsored a panel session at the 2006 Midyear Conference entitled “Two PCAOB Research Synthesis Projects—Risk Assessment and Fair Value Auditing.”

Regarding the PAC’s RFP, he expressed disappointment in the process. A discussion followed. The general consensus was that there were disappointments from the perspectives of both academics and the firms. McDaniel pointed out that process was improved over prior year process. Rich suggested that it would be helpful to have review comments passed back to researchers.

Regarding the update of the audit research database, he emphasized that committee member Joe Brazel had updated the database. He suggested that the update should be done on an annual basis.

**Action:** Send an e-mail to Section members about the update of audit research data base.

The XC thanked Rich for his work on the Research Committee.

**Report of the Communications Committee (Jennifer Mueller for Brian Ballou)**

Mueller presented the Communications Committee’s report. The Committee’s activities included:

1. Reconciling the AAA website with the AAA Auditing Section website. This activity was performed in Fall 2005. In addition, the Committee developed and documented a process for submitting and maintaining information on the Section’s website.
2. Determining the best mechanism for posting information of the Section’s website. The Committee recommended that the webmaster duties be transitioned to the
AAA. (As noted above, Glen Gray was in favor of the transition and the XC unanimously supported the recommendation).

(3) Updating the list of complimentary recipients of *A:AJPT*. The Committee has not done a lot with this activity, but will provide the XC information in the Fall. The XC noted that the key issues are keeping the list up to date and determining who should be on the list.

(4) Identifying ways in which the impact of *A:AJPT* can be elevated for B-School deans. The Committee offered several arguments for and against attempting to elevate the level of *A:AJPT*.

(5) Identifying ways to improve *The Auditor’s Report* readership.

**Action:** The XC agreed to transfer the *A:AJPT* issue from the Communications Committee to the XC.

**Action:** Look at Communication Committee’s charge.

Beasley thanked Mueller for her presentation to the XC and her work on the committee. Beasley and Tatum both acknowledged Brian Ballou’s leadership and service as the Committee’s Chair.

**Update of 2007 Midyear Conference (Ray Whittington for 2007 Planning Committee)**

Whittington reported that he will meet with 2007 Conference Co-chairs Karla Johnstone and Terry Neal on Monday.

Dee Strahan stopped by the XC meeting to talk about the 2007 and 2008 Midyear Conferences. She said that the Charleston meeting seems to be moving okay. She participated in a discussion about potential locations for the 2008 Midyear Conference. The XC thanked Strahan for attending the meeting.

The XC discussed the issue of whether the Section will have joint meetings with International Section on a periodic basis going forward. The consensus was no. Rather than scheduling a periodic joint meeting, the XC agreed that it would look at potential synergies when scheduling a joint meeting.

**Membership/Regional Coordinators Committee (Mark Beasley for Chris Agoglia)**

Beasley presented the Membership Committee’s Report. The report included information about membership numbers. The XC concluded that membership is steady; however, the XC should stay focused on the membership numbers and be aware of efforts that can increase membership. The report also included information about membership initiatives: (1) free membership offer, (2) outreach to professionals and
faculties at schools oriented more toward teaching, and (3) survey of auditing doctoral consortium. The XC hopes that online journal will show “value” for membership.

**Update on CPE Committee (Mark Beasley for Charles Stanley)**

Beasley reported that CPE Committee has been inactive in the past year. Incoming chair Al Nagy has reached out to Beasley, Johnstone, and Neal about CPE for the Midyear Conference in Charleston. The XC brainstormed about potential CPE topics. Several suggested topics focused on teaching the auditing course. Although the Section does not sponsor CPE sessions at the annual meeting, the AAA offers some fairly standard topics (e.g., SEC update) that might be of interest to Section members. Wright asked if the CPE Committee works with regional sections.

**Action:** Make Section members aware of CPE sessions at annual meeting that are of potential interest to Section members.

**Discussion and Other Business**

Beasley thanked everyone for their work and for being at the meeting. The XC thanked Beasley for his leadership and service as the Section’s President.

The meeting was adjourned at 3:40 p.m.