

## **Newsletter Contents**

Report of the President

PCAOB Standards Update

Auditing Standards Board

Publication Highlight: Current Issues in Auditing

Have You Seen...?

Have You Seen These Educational Resources?

American Accounting Association Competitive Manuscript Award Call for Papers

Internal Audit Foundation Research on Expanding the Internal Audit Talent Pipeline

# Report of the President

By Jennifer Joe



Greetings fellow members of the Auditing Section:

I am honored to serve as President of the best section of the AAA. This is not hyperbole. Over and over again, members have expressed how much they value the sense of community, the intellectual stimulation and the comradery enjoyed in our section. As we experience this time of seasonal change, Fall in the Northern Hemisphere and Spring in the Southern Hemisphere, we are reminded of the transformation we seek to engender in our students as they develop into the next generation of accounting professionals.

## **AAA 2023 Annual Meeting and Executive Committee**

When thinking of how I can contribute to making education a transformative experience for our students, foremost in my thoughts at this time is the theme, *Enhancing Audit Integrity*, that I invited members to support when I received the presidential gavel at the AAA annual meeting in Aurora, CO. In fulfilling our charge of preparing students who will serve as future auditors, we can instill in them the importance of the auditor's obligation under Rule 102 to serve as guardians of the public trust. Beyond teaching and mentoring, there are many opportunities for you to contribute towards this theme in your research and service activities. If you are engaged in any activities in connection with our theme of the year, please, do let me know what you are doing.

My thanks to the members of the Annual Meeting program committee: Eric Condie, Georgia Institute of Technology; Christine Gimbar, DePaul University; Roy Schmardebeck, The University of Tennessee; and Tim Seidel, Brigham Young University. They managed the Auditing Section program which included three panels and twenty-one concurrent research paper sessions. We missed seeing many of you at our section lunch meeting. Our numbers were unusually low, and we hope this was an anomaly rather than the start of a new trend. At the meeting we thanked the members of the Executive Committee who completed their service: Christine Earley, Past President and Emily Griffith, Treasurer. Please join me in welcoming the newest members of the Executive Committee: [Chad Stefaniak](#), Vice President Academic

and [Stephen Perreault](#), Treasurer. Related to this change in the composition of the Executive Committee, please note that while we recognize a changing of the guards during our section lunch at the annual meeting, AAA's procedures recognize September 1 as the starting date of the service term for new officers and committee members.

At the section lunch during the annual meeting, I invited members to volunteer for open committee roles. I am happy to report that, although there were few volunteers, all members who volunteered were assigned to a committee. Please be aware that AAA policy requires up to date membership to serve on any Auditing Section committee and to be eligible for section awards. Recently, we were saddened to notify nominees that some submissions were ineligible due to lapsed membership status.

### **2024 Midyear Meeting in New Orleans, LA**

Our 30<sup>th</sup> [Midyear Meeting](#) will be held at the New Orleans Marriott on January 11-13, 2024. The conference hotel is in an attractive location, requiring only a short walk or ride to several US top-rated restaurants, and live music venues featuring world-renowned musicians. The Midyear meeting Chairs are Josh Gunn, Lauren Reid, Andrew Trotman and Ally Zimmerman, who are hard at work putting together a great program for you. They are assisted by Vice Chairs Eric Condie, Christine Gimbar, Roy Schmardebeck, and Tim Seidel. The preconference Doctoral Consortium will be led by Bradley Bennett, Chair and Jonathan Shipman, Vice Chair.

We are excited to announce that the Center for Audit Quality has joined KPMG as co-sponsors. We are grateful to KPMG and the CAQ for their financial support of the Midyear Meeting.

### **PCAOB Conference on Auditing and Capital Markets, Washington DC**

The [Conference on Auditing and Capital Markets](#) was held on October 5-6, 2023, with more than 300 members attending in-person and online. In her welcome remarks, PCAOB Chair Erica Williams, shared that the current board has "laid out the most ambitious standard-setting and rule-making agenda in PCAOB history." A panel of representatives from institutional investor organizations provided the investor perspective on the Audit Profession and Audit Quality. Most of the program featured Auditing Section members who presented and discussed research papers organized around five topics:

- Audit Partner Accountability, Reputation, and Repercussions
- Auditor Expertise and Team Dynamics
- Diversity, Equity, and Inclusion in the Auditing Profession
- Modeling Assisted Decision Making in Auditing and Audit Regulation
- Critical Audit Matters

The PCAOB's Division of Enforcement and Investigations provided summaries of the most significant cases concluded within the past year. They indicated that their activity is aimed at:

- Rigorous enforcement of standards, rules, and laws
- Making Sanctions count
- Expanding how DEI identifies cases
- Expanding the types of cases pursued

My conference address centered on reminding attendees of the long-standing and mutually beneficial relationship that exists between the PCAOB and the Auditing Section. The PCAOB's first Chief Auditor was Baruch professor Doug Carmichael, an Auditing Section Distinguished Service award recipient. Gary Holstrum, former Auditing Section President, served as the first Associate Chief Auditor and Director of Research for the PCAOB. Today, the Auditing Section's Auditing Standards Committee (chaired by Jon Pyzoha) provides insightful comments informed by research on proposed standards and regulatory changes. You can read these comment letters in our section journal: [Current Issues in Auditing](#). Our members are engaged in service with the PCAOB as academic fellows, advisors on the PCAOB's Investor Advisory Group and the Standards and Emerging Issues Advisory Group, and as presenters at PCAOB in-house seminars.

In my role as Auditing Section President and consistent with this year's Enhancing Audit Integrity theme, I invited the PCAOB to consider including the working conditions of auditors in its inspections of audit firms. I highlighted research by our members which suggests that excessive working hours, auditor disengagement from tasks, partner tone-at-the-top at the engagement level, and audit firm culture are threats to auditors' commitment to their Rule 102 responsibility. I noted that these working condition factors are also sources of the recruiting and retention challenges confronting the accounting profession.

### **State of the Auditing Section**

We are in a sound financial position. The AAA's recalibration of cost sharing for individual section journals and other expenses has benefitted our section. There are, however, certain additional conference related expenses that will be soon passed on to us (and all other sections). Notwithstanding these charges, we anticipate a net positive cash position that will allow us to continue to provide such member benefits as subsidized conference fees and complimentary print copies to *AJPT* authors. We are considering meaningful ways our section can be of additional value for our members. If you have suggestions on how we can enhance your membership experience, please contact the Executive Committee. Our next meeting is scheduled for Thursday January 11<sup>th</sup> at the Midyear meeting. In closing, I would like to express my gratitude for being chosen to be your President.

I look forward to seeing you in New Orleans.

*Jennifer*

# PCAOB Update

By Barbara Vanich and Elena Bozhkova

PCAOB Acting Chief Auditor and PCAOB Assistant Chief Auditor

## Introduction

This Update addresses select Public Company Accounting Oversight Board (PCAOB) developments since the Summer 2023 Update that are likely to be of interest to accounting and auditing researchers, educators, and students. The developments include:

- New Online Tools to Find and Compare Inspection Report Data
- Spotlight on Staff Update and Preview of 2022 Inspection Observations
- PCAOB Scholars for the 2023-2024 Academic Year
- Report on Inspections of Audits of Broker-Dealers
- New PCAOB Chief Economist Named
- PCAOB Issues Proposal to Strengthen Accountability for Contributing to Firm Violations
- New PCAOB Board Member Appointed
- PCAOB Adopts a Standard to Modernize Requirements for Auditors' Use of Confirmation
- Spotlight on 2022 Conversations with Audit Committee Chairs
- PCAOB Conference on Auditing and Capital Markets
- Meeting of PCAOB Investor Advisory Group (IAG)
- Spotlight on Inspection Observations Related to Engagement Quality Reviews
- Settled Disciplinary Orders

## New Online Filters to Find and Compare Inspection Report Data

On July 19, 2023, the PCAOB unveiled an array of website transparency enhancements that allow users to better access and understand data from PCAOB inspection reports. The enhancements include the following six new filters that can be applied to PCAOB inspection reports:

- **Inspection type.** Users can filter according to whether a firm inspection report falls into the “annual” or “triennial” inspection frequency category for the inspection year.
- **Total issuer audit clients.** Users can now get a better and more immediate sense of the size of triennially inspected audit firms by sorting inspection reports according to the number of audit clients that firms had, as determined at the outset of the inspection.
- **Part I.A deficiency rate.** Users can now sort inspection reports according to the percentage of audits with Part I.A deficiencies.
- **Specific global network.** Users can now refine search results so they include only firms that belong to a specific global audit firm network.
- **Inspection year.** Users can now filter inspection reports according to the year that the PCAOB's inspectors completed the inspection, not just the year when the report was published.
- **Audits reviewed.** Users can search inspection reports by number of issuer audits that the PCAOB reviewed as part of its inspection.

The new search filters are available on the PCAOB's Firm Inspection Reports page at <https://pcaobus.org/oversight/inspections/firm-inspection-reports>.

## **Spotlight on Staff Update and Preview of 2022 Inspection Observations**

On July 25, 2023, the PCAOB issued a Spotlight that shows a year-over-year increase in the number of audits with deficiencies at audit firms that the PCAOB inspected in 2022. According to the report, PCAOB staff expects:

- Approximately 40% of the audits reviewed will have one or more deficiencies that will be included in Part I.A of the individual firm's inspection report, up from 34% in 2021 and 29% in 2020.
- Approximately 46% of the audits reviewed will have one or more deficiencies discussed in Part I.B of the individual firm's inspection reports, up from 40% in 2021 and 26% in 2020.
- Approximately 61% of the 710 audits the PCAOB reviewed in 2022 will have one or more Part I.A and/or Part I.B deficiencies, up from 55% in 2021 and 44% in 2020.

The Spotlight also discusses good practices, particularly in the context of risk assessment, use of practice aids, use of individuals with specialized skill or knowledge, and supervision and review.

The Spotlight is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/staff-preview-2022-inspection-observations-spotlight.pdf?sfvrsn=63b51390\\_7](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/staff-preview-2022-inspection-observations-spotlight.pdf?sfvrsn=63b51390_7).

## **PCAOB Scholars for the 2023-2024 Academic Year**

On July 27, 2023, the PCAOB announced that 369 students from U.S. colleges and universities were selected to receive a \$10,000 scholarship for the 2023-2024 academic year, the largest number of recipients in the Scholars Program's history.

The Sarbanes-Oxley Act of 2002 provides that funds generated from the collection of PCAOB monetary penalties must be used to fund a merit scholarship program for students in accredited accounting degree programs. The Scholars Program's overarching goals are to (1) benefit outstanding students who are likely to become auditors and (2) make a difference to eligible students who might otherwise pursue a different career path. Students are identified and nominated by their institutions.

A description of the program, including information on the nomination process, the selection of nominating institutions, and other details can be found on the PCAOB Scholars Program page at [https://pcaobus.org//About/Pages/Academic\\_Scholarship.aspx](https://pcaobus.org//About/Pages/Academic_Scholarship.aspx).

All participating institutions, along with the named PCAOB Scholars, are available at <https://pcaobus.org/news-events/news-releases/news-release-detail/369-students-named-pcaob-scholars-for-the-2023-2024-academic-year>.

## **Report on Inspections of Audits of Broker-Dealers**

On August 10, 2023, the PCAOB released its “Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers.” The report finds that deficiency rates observed in 2022 inspections of broker-dealer engagements generally increased or remained elevated across engagement types and areas. The report also notes that the PCAOB observed an increase in the percentage of firms inspected with deficiencies in quality control systems, including persistently high deficiencies associated with quality controls related to engagement performance, and more specifically, engagement quality reviews.

In addition to inspection observations related to deficiencies, the report provides (1) “good practices,” which include brief scenarios and possible procedures that may be effective to address those scenarios, and (2) recommended actions for firms that may be effective to address deficiencies.

The annual report is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/inspections/documents/2022-broker-dealer-annual-report.pdf?sfvrsn=24596f4e\\_4](https://assets.pcaobus.org/pcaob-dev/docs/default-source/inspections/documents/2022-broker-dealer-annual-report.pdf?sfvrsn=24596f4e_4).

In addition to the annual report, the PCAOB released a separate publication, “Supplementary Information Related to Audits of Brokers and Dealers.” This supplement presents information about firms selected for inspection, as well as audit and attestation engagements for broker-dealers selected for review. The supplement is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/inspections/documents/2022-broker-dealer-supplementary-information.pdf?sfvrsn=49b6881d\\_7](https://assets.pcaobus.org/pcaob-dev/docs/default-source/inspections/documents/2022-broker-dealer-supplementary-information.pdf?sfvrsn=49b6881d_7).

### **New PCAOB Chief Economist Named**

On August 28, 2023, the PCAOB announced that Dr. Martin C. Schmalz has been named the PCAOB’s Chief Economist and the Director of its Office of Economic and Risk Analysis. In this role, Dr. Schmalz will be primarily responsible for advising and assisting the Board by conducting independent, data-driven economic and risk analyses to inform its oversight activities, including inspections, investigations, rulemaking, and standard setting.

Dr. Schmalz’s full bio is available at <https://pcaobus.org/about/senior-staff/senior-staff-bios/martin-c.-schmalz>.

### **PCAOB Issues Proposal to Strengthen Accountability for Contributing to Firm Violations**

On September 19, 2023, the PCAOB issued for public comment a proposal to amend PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*. The rule, originally enacted in 2005, governs the liability of associated persons who contribute to registered public accounting firms’ violations of the laws, rules, and standards that the PCAOB enforces. The deadline for public comment on the proposal is November 3, 2023.

The proposal better protects investors with two key updates:

- It strengthens accountability for those who put investors at risk by updating the threshold for liability.
- It clarifies the relationship between the contributory actor and the primary violator.

The proposal, comment letters received, and supplemental materials are available at <https://pcaobus.org/about/rules-rulemaking/rulemaking-dockets/docket-053>.

Information about submitting comments on PCAOB proposals is available at <https://pcaobus.org/about/rules-rulemaking/rulemaking-dockets/open-for-public-comment>.

### **New PCAOB Board Member Appointed**

On September 27, 2023, the U.S. Securities and Exchange Commission (SEC) announced the appointment of George R. Botic as a PCAOB Board Member. Mr. Botic, a CPA who has been with the PCAOB since it was created in 2003, was the Director of the PCAOB's Division of Registration and Inspections *at the time of his appointment to the Board*. He replaces Board Member Duane M. DesParte, whose second term ends October 24, 2023.

The SEC press release is available at <https://www.sec.gov/news/press-release/2023-202>. The related PCAOB news release is available at <https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-applauds-appointment-of-george-r-botic-as-pcaob-board-member>.

### **PCAOB Adopts a Standard to Modernize Requirements for Auditors' Use of Confirmation**

On September 28, 2023, the PCAOB adopted a new standard to strengthen and modernize the requirements for the auditor's use of confirmation. The new standard establishes principles-based requirements designed to stay relevant as technology evolves by applying to all methods of confirmation, including electronic and paper-based communications. In addition, the new standard better integrates with the PCAOB's risk assessment standards.

Among its key provisions, the standard:

- Includes a new requirement regarding confirming cash and cash equivalents held by third parties;
- Carries forward the existing requirement regarding confirming accounts receivable, while addressing situations where it is not feasible for the auditor to perform confirmation procedures;
- States that the use of negative confirmation requests alone does not provide sufficient appropriate audit evidence;
- Emphasizes the auditor's responsibility to maintain control over the confirmation process; and
- Identifies situations in which alternative procedures should be performed by the auditor.

The standard, comment letters received, and supplemental materials are available at <https://pcaobus.org/about/rules-rulemaking/rulemaking-dockets/docket-028-proposed-auditing-standard-related-to-confirmation>.



## **Spotlight on 2022 Conversations with Audit Committee Chairs**

On September 28, 2023, the PCAOB issued a Spotlight on 2022 conversations with audit committee chairs. In 2022, more than 200 audit committee chairs accepted the PCAOB invitation to discuss topics related to the 2021 audit of their company's financial statements. PCAOB staff took notes during those conversations and analyzed them for recurring themes, which are presented as high-level observations and takeaways in this publication.

The Spotlight is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/2022-conversations-with-audit-committee-chairs-spotlight.pdf?sfvrsn=184f15b6\\_4](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/2022-conversations-with-audit-committee-chairs-spotlight.pdf?sfvrsn=184f15b6_4).

## **PCAOB Conference on Auditing and Capital Markets**

On October 6, 2023, the PCAOB concluded its two-day 2023 Conference on Auditing and Capital Markets. Open to academics and Ph.D. students, the conference attracted 359 in-person and online participants.

At the 2023 conference, academics presented research during panels focused on:

- Audit Partner Accountability, Reputation, and Repercussions;
- Auditor Expertise and Team Dynamics;
- Diversity, Equity, and Inclusion in the Auditing Profession;
- Modeling Assisted Decision Making in Auditing and Audit Regulation; and
- Critical Audit Matters.

In addition to these panels and sessions featuring PCAOB speakers, participants heard keynote remarks from Jennifer R. Joe, the John E. Peterson Professor in the Accounting and Information Systems Department of the Pamplin College of Business at Virginia Tech and the President of the Auditing Section of the American Accounting Association; and Karthik Ramanna, Professor of Business and Public Policy at the University of Oxford's Blavatnik School of Government and a fellow at St. John's College

More information about the conference is available at <https://pcaobus.org/news-events/events/conference-auditing-capital-markets/2023-pcaob-conference-on-auditing-and-capital-markets-call-for-papers>.

## **Meeting of PCAOB Investor Advisory Group (IAG)**

On October 10, 2023, the PCAOB held a virtual meeting of the IAG. Agenda topics included:

- PCAOB standard-setting update;
- Overview of PCAOB Enforcement and Investigations;
- IAG Presentation to the Board on Firm and Engagement Performance Metrics; and
- IAG Recommendation to the Board on Critical Audit Matters.

The recording and related materials for the meeting are available at <https://pcaobus.org/news-events/events/event-details/pcaob-investor-advisory-group-meeting-october-2023>.

### **Spotlight on Inspection Observations Related to Engagement Quality Reviews**

On October 12, 2023, the PCAOB issued a Spotlight revealing that 42% of firms the PCAOB inspected in 2022 had a quality control criticism related to engagement quality reviews (EQRs), up from 37% in 2020.

In addition to covering recent trends in audit deficiencies related to EQRs, the Spotlight provides good practices and reminders for auditors so they can avoid such deficiencies. It also highlights key questions related to EQRs that audit committees might want to consider as discussion points as they engage with external auditors.

The Spotlight is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/eqr-spotlight.pdf?sfvrsn=95a345e6\\_2](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/eqr-spotlight.pdf?sfvrsn=95a345e6_2).

### **Settled Disciplinary Orders**

The PCAOB posted numerous settled disciplinary orders that imposed monetary penalties and other sanctions.

Settled disciplinary orders are available at <https://pcaobus.org/Enforcement/Decisions/Pages/default.aspx>.

# AICPA Auditing Standards Board Update

Greg Jenkins

## Auburn University and Auditing Standards Board Member

The ASB is currently working on an array of projects involving attestation standards, fraud, leveraging technology, ESG/sustainability, going concern, audit evidence, and the definition of listed entity and public interest entity. What follows is a brief overview of selected projects. You can visit the [ASB Meeting Materials and Highlights](#) page on the AICPA's website to learn more and access the slides and documents used by the ASB during its public meeting.

### Fraud

The ASB's Fraud Task Force (TF) is currently reviewing extant AU-C 240, *Consideration of Fraud in a Financial Statement Audit*, for potential changes to enhance how an auditor approaches the matter of fraud during an audit of financial statements. The TF is also closely monitoring work by the IAASB's Fraud TF on potential changes to extant ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. The IAASB is considering enhancements to audit procedures related to fraud as well as changes to the auditor's report language meant to provide greater transparency about fraud matters encountered during an audit. The proposed changes to the auditor's report are currently expected to be applicable only to listed entities and will use the key audit matters reporting model. You can read more about the IAASB's [fraud project](#) on their website. The PCAOB also has a mid-term standard setting project on fraud which will also inform the ASB's project. The ASB expects to issue an exposure draft in the first half of 2024.

### ESG/Sustainability

The ASB's Sustainability TF is coordinating its efforts on ESG and sustainability with the board's Attestation TF because related guidance will be included in the attestation standards. Recently the IAASB issued an exposure draft, Proposed ISSA 5000, *General Requirements for Sustainability Assurance Engagements*. The ASB's Sustainability TF is analyzing the exposure draft as it works to develop guidance for U.S. practitioners. There are host of considerations in this area (e.g., how to apply the concept of materiality, determine measurement criteria, etc.) that are challenging. The ASB expects to issue an exposure draft in late 2024.

### Going Concern

The ASB, IAASB, and PCAOB are all pursuing standard-setting projects on going concern. The IAASB has issued an [exposure draft](#) to ISA 570 (Revised), *Going Concern* and the ASB and PCAOB are currently working on potential changes to their standards. The ASB's Going Concern TF has performed significant outreach related to going concern (and fraud) and is considering the results as they contemplate changes to extant AU-C 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*. Revisions to the auditor's report language related to the auditor's view on management's use

of the going concern assumption are among the changes that are being discussed by each of the boards. The ASB does not currently have a targeted date for an exposure draft.

## **Have you Seen...?**

**Candice T. Hux, Northern Illinois University**

**Jenny McCallen, University of Georgia**

**Delia Valentine, University of Wisconsin – Milwaukee**

**“The Impact of Firm Affiliation on Accountants’ Error Reporting Decisions.” By Stephen Kuselias, Christine Earley, and Stephen Perreault. *Accounting, Organizations and Society* 108: 101452.**

Archival research suggests audit quality is lower when different firms provide audit and non-audit services, attributing lower quality to inhibited “knowledge spillover” between auditors and tax professionals. Using an experiment, this study investigates how firm affiliation influences knowledge sharing between teams when an audit error is discovered. Consistent with social identity theory, both tax and audit professionals are more likely to disclose possible financial statement errors to auditors from their firm compared to those from a rival firm. They also find that tax professionals are more willing to communicate errors directly to the client when another firm is responsible for the error compared to their firm, but this effect does not hold for auditors. This study provides new insights into knowledge sharing across accounting teams and increases our understanding of the implications of multiple firms providing different services.

**“Delegated Leadership at Public Accounting Firms.” By Clive Lennox, Chunfei Wang, and Xi Wu. *Journal of Accounting and Economics* 76(1): 101572.**

Public accounting firms delegate policies, operations, and administrative matters to a national leadership team of senior managing partners. This study uses data from China to examine the characteristics of partners selected to a firm’s leadership team and the implications for audit quality. First, partners are more likely to be selected if they are older, male, have a larger equity stake in the firm, and have prior experience auditing public companies. Next, firmwide audit quality is higher when leaders are more experienced in public company audits or have a record of larger audit adjustments, and lower when leaders have attracted more high-risk clients to the firm. Supplemental interviews with 9 national leaders and 2 partners provide additional insight into how firm leaders influence audit quality and the challenges to control audit quality throughout the firm.

**“The ICFR Process: Perspectives of Accounting Executives at Large Public Companies.” By Eldar Maksymov, Jeffrey Pickerd, Jeffrey Wilks, and Devin Williams. *Contemporary Accounting Research* 40 (3):1671-1703.**

Motivated by the high incidence of adverse audit opinions on internal control over financial reporting (ICFR) and limited understanding of management’s role in the ICFR process, the authors develop and validate a theoretical model of the ICFR process from management's perspective. They also identify ways that management’s effectiveness in this process is constrained. Specifically, survey and interview data from accounting executives reveal their significant concerns that, through their auditors, they are indirectly regulated by the PCAOB and that following the PCAOB's preferences can distract management

and auditors from riskier areas. Executives also believe that audit committees' involvement in ICFR is too passive and that auditors' ICFR assessments can be too severe, prompting executives to push back on auditors. Overall, this study contributes to our understanding of ICFR governance and the ICFR process.

**“Do Accounting Firms Change Strategy Through Office Managing Partner Appointments? Evidence from the U.S.” By Michael J. Mowchan. *Accounting, Organizations and Society* 108: 101442.**

Using hand-collected information on office managing partner (OMP) appointments in the United States, this study documents that OMP appointments from the advisory function increased from 13.7% in 2003 to 37.1% in 2019 and that such appointments influenced the shift of Big 4 firms towards consulting services. Further, an advisory OMP appointment is associated with an increase in non-audit services (NAS) and a decrease in audit quality among audit clients, particularly following an audit OMP predecessor. Advisory OMP appointments also increase consulting firm acquisitions, office-level NAS, and non-audit hiring practices. Finally, the impact of advisory OMP appointments is muted at large offices and offices that have already shifted to consulting services through other strategic initiatives. Collectively, these results suggest that OMP appointments play a prominent role in setting culture and executing strategy within an audit office.

**“Eliciting Deliberative and Implemental Mindsets in Audit Planning.” By Brett Rixom and David Plumlee. *Contemporary Accounting Research* 40 (3):1856-1880.**

Auditors often perform tasks mindful that they will be accountable for their work both inside (e.g., partners) and outside (e.g., PCAOB) the firm and adopt “implementation intentions” based on previous review experiences to guide their performance. This study examines whether the use of contingent rewards could invoke a deliberative mindset, where auditors exercise a broader evaluation of evidence and plan more effective procedures. In an experimental setting, auditors complete a fraud-detection planning task under contingent rewards or accountability approaches. They find that auditors operating under contingent rewards used deliberative mindsets, where they were more likely to identify potential fraud, select more effective procedures, and plan more hours for effective procedures. Auditors in the accountability condition exhibited implementation intentions, and they broadly increased audit hours across procedures and allocated significantly more hours to less effective procedures. These findings suggest changes to the situational features of an audit can help to encourage the use of a deliberative mindset, particularly for tasks that require open-minded processing of evidence.

**“Auditors’ Use of In-house Specialists.” By Aleksandra B. Zimmerman, Dereck Barr-Pulliam, Joon-Suk Lee, and Miguel Minutti-Meza. *Journal of Accounting Research* 61(4): 1363-1418.**

This study uses Public Company Accounting Oversight Board (PCAOB) inspection data to examine the use of auditor-employed specialists in audit engagements. Descriptively, the use of specialists increased significantly over the sample period from 52% in 2006 to 94% in 2018. Results show that the use of a specialist is positively associated with client size, complex accounting estimates, and subsequent goodwill impairments. Interestingly, the impact of specialist use on audit quality is somewhat mixed. Specifically, moving from a relatively low to a high level of specialist involvement increases the odds of a Part I inspection finding related to complex estimates by 50%. Further, although specialist use is

associated with a decline in engagement profitability, financial reporting quality - measured by restatements or absolute accruals - does not decline. Collectively, this study documents important trends in the use of specialists on engagements over time and potential reasons auditors may be reluctant to involve them.

## Have You Seen These Educational Resources?

Sanaz Aghazadeh

Louisiana State University

**“It’s Not a Secret Anymore! People’s Republic of China Company and Audit Firm Collide.” 2023. By Kathleen A. Rankin, Dina El Mahdy and Stephen Rau. *Issues in Accounting Education* 1-12.**

This article provides a basis for a globalized approach to auditing. Specifically, it requires students to consider conflicts from two different country’s requirements. It requires students to consider deficiencies from acceptance to planning the audit. The article also provides students insight into how culture can impact the audit. Finally, it asks students to analyze a related comment letter. Implementation guidance is provided.

**“Making the Case for Diversity: Exploring the Use of Case Studies for Underrepresented Minorities in the Accounting Curriculum.” 2023. By Josette Pelzer, Danielle Booker, Nadra Pencle and Veena L. Brown. *Issues in Accounting Education* 38 (3): 39-63.**

This article provides suggestions on how to modify the accounting curriculum (particularly case studies) so that underrepresented minority students have an increased sense of belonging and so that other students are more prepared for a diverse workforce. Using hand-collected data, they find only two of 351 case studies published during their sample period uses URM protagonists, businesses, or discussion of URM lived experiences. They conclude that URM representation in accounting cases is sparse, possibly due to an unconscious bias toward the dominant curriculum view in the writing of case studies.

**“Accounting or Finance? The Role of Differential Career Beliefs on Undergraduate Students’ Choices of Major.” By Erin Jordan, Steven Kaplan and Janet A. Samuels. *Issues in Accounting Education* 38 (3): 1-19.**

The authors survey 271 accounting and finance majors enrolled in the first intermediate accounting course to determine the difference in perceptions of accounting versus finance in terms of interesting work, job security, job variety, and high earnings potential. Beliefs about interesting work had the greatest impact on choices of major and that beliefs about job security and high earnings potential were also significant. The authors conclude that more finance students would be attracted to accounting as a major if their beliefs about accounting involving interesting work could be increased. The authors provide action items to change students beliefs surrounding accounting.



# American Accounting Association

## Competitive Manuscript Award

### Call for Papers

The Competitive Manuscript Award Screening Committee is currently accepting nominations for the 2024 Competitive Manuscript Award.

#### Award Intent

- The award is intended to showcase the highest quality solo work by junior researchers—those who are current PhD students or have earned their PhD within the past five years.
- The anticipation is that papers selected for the award will be published in *The Accounting Review* subject to satisfactory resolution of the editorial review process.

#### Award Selection Criteria

- Any subject matter in the field of accounting is proper for inclusion.
- Manuscripts must generally conform to the style and length requirements of *The Accounting Review*. A submission to the AAA Competitive Manuscript Award should be considered as if it were a submission to *The Accounting Review* and must meet all requirements that apply therewith, including not being under review at another journal.
- Co-authored papers are not eligible.
- Papers previously rejected from *The Accounting Review* are not eligible.
- Previously published manuscripts are not eligible.
- The AAA Competitive Manuscript Award Screening Committee will select up to six papers, observing subject matter interest, depth of research, contribution to knowledge, and organization of subject matter. These papers will be forwarded to the AAA Competitive Manuscript Award Selection Committee, which is comprised of the Chair of the Screening Committee who also chairs the Selection Committee, the Senior Editor of *The Accounting Review*, and a subset of editors from *The Accounting Review* as selected by the Senior Editor of *The Accounting Review*. Beginning in 2024-2025, the Senior Editor of *The Accounting Review* will Chair the Competitive Manuscript Award Selection Committee.
- The AAA Competitive Manuscript Award Selection Committee will select as many as three recipients.

#### Award Presentation

- The recipient(s) will receive an award at the AAA Annual Meeting.
- The recipient(s) will be announced on the AAA website and in multi-topic mass emails.

#### Nominations Deadline

- Nominations are due by 11:59 pm Eastern Time on January 31. Self-nominations are encouraged.

Further information available at

<https://aaahq.org/About/Directories/2023-2024-AAA-Committees-Task-Forces/Award-Committees/Competitive-Manuscript-Award-Committee/Award-Criteria>

## **Increasing the Internal Audit Talent Pipeline**

### **Internal Audit Foundation**

The Internal Audit Foundation is conducting research on expanding the internal audit talent pipeline. Acknowledging the crucial role educators play and their impact on shaping the future talent pipeline, the Foundation is actively seeking insights directly from educators.

If you are an educator, kindly complete the 15 minute survey by December 15,2023:

<https://iiasurvey.theiia.org/flashsurvey/se/0B87D7846BEADDCB>

This collaborative effort between Deloitte and the Internal Audit Foundation aims to produce a report slated for public release in the second quarter of 2024. If you have any questions about the survey, kindly reach out to [research@theiia.org](mailto:research@theiia.org). Thank you for your valuable input.