



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Report of the President

D. Scott Showalter



Thank you to the many volunteers that make the Auditing Section a great place to call home. From committee members, moderators, journal editors, officers, presenters, committee chairs, program chairs, discussants, strategic initiative leaders, papers reviewers, and volunteers that do whatever is asked, these are the individuals who make it great for everyone. If you think about it, that covers just about everyone in the Section. Roger Martin, VP-Academic, recently sent a request for committee volunteers for next year; continuing a long tradition of service, I am confident he received a good response.

What all these members have in common is that they are all working toward implementing our mission *“To further the discipline and profession of auditing and assurance services through education, research, and research.”*

To achieve our mission, we initiated five strategic initiatives:

- Data and Research Fulfillment
- Respect, Voice, and Strategic Relationships
- Membership, Growth, and Involvement
- Education Fulfillment
- Governance and Structure

For the remainder of my letter, I will share some Section’s activities directed toward achieving our strategic initiatives.

Data and Research Fulfillment

Journals

Both of our journals continue to be strong with record submission for both journals. At the

INSIDE

Features

[Summary of 2012 Auditing Section Conference](#)

[2012 Auditing Doctoral Consortium](#)

[2012 Distinguished Service in Auditing Award](#)

[2012 Auditing Section Innovation in Auditing and Assurance Education Award](#)

[2012 Notable Contributions to the Auditing Literature Award](#)

[2012 Outstanding Dissertation Award](#)

[2012 Outstanding Accounting Educator Award](#)

Executive Committee meeting in Savannah, GA, the EC approved a 5th special edition of *Auditing: A Journal of Practice & Theory* to publish the synthesis papers being prepared for the PCAOB. Senior Editor Robert Knechel has also announced a call for papers for 5 separate Research Forums during 2012. Additionally, *Current Issues in Auditing* added a new section on practice summaries and will begin accepting teaching-related articles specific to practice issues.

Webinars

Thanks to the financial support of Ernst & Young, the Section will host two webinars this spring. Under the leadership of Rick Lillie and Sridhar Ramamoorti, the Vice-Chairs of CPE for the Education and Research Committees, respectively, the first webinar will be hosted on April 20 from 1:00 to 2:00pm EDT and the second webinar will be hosted on May 4 from 1:00 to 2:00pm EDT. Each webinar program will qualify for CPE. The April webinar will be conducted by representatives from the Public Company Accounting Oversight Board and cover potential research topics. The May 4th webinar will cover the proposed changes to COSO's Internal Control-Integrated Framework. Special thanks to Ernst & Young for providing the significant financial support for our spring webinars!

Respect, Voice, and Strategic Relationships

Auditing Standards Committee

Chair Keith Jones and the Auditing Standards Committee continue to let our voice be heard to the standards setters. Through the first half of the year, the committee issued responses to five exposure drafts.

PCAOB

Under the leadership of Steve Glover, the section assembled 13 academic teams in the fall 2011 to prepare papers synthesizing published academic research on 13 requested topics. The papers were delivered to the PCAOB in early 2012. As well as influencing the standard setting process, the papers will serve as a basis for a special edition of AJPT previously mentioned.

Membership, Growth, and Involvement

2012 Midyear Conference and Doctoral Consortium

Records all around were broken during this year's Midyear Conference and Doctoral Consortium. Attendance was up by one-third for the conference, paper submissions for the conference were up 40%, and attendance at the Doctoral Consortium was an all-time high. Both events were held in Savannah, GA. Although it got a little chilly as the meeting progressed, the city was a great host.

Thanks to the Conference Planning Committee for a great program, highlighted by plenary

[Section Financial Statements](#)

[ASB Update](#)

[PCAOB Standards Update](#)

[GAO Update](#)

[Publication Highlight: **Current Issues in Auditing**](#)

Calls and Announcements

[20th Symposium on Auditing Research](#)

[Call for Submissions 2013 Auditing Section Conference](#)

[22nd Audit & Assurance Conference – British Accounting & Finance Association](#)

[17th Annual Ethics Research Symposium](#)

speakers Jay Hanson, PCAOB board member, and Harry Markopolos, Madoff whistleblower. Hats off to the Committee Co-Chairs Joe Brazel and Keith Jones for a job well done. Joe and Keith were assisted by Vice-Chairs Jackie Hammersley and Linda Myers, who will Co-Chair the 2013 Midyear Conference. With the record paper submissions they were very busy—great job! As I mentioned in my first paragraph, many thanks to everyone who volunteered in any one of the numerous conference roles to support the success of the meeting. Next year's Midyear Conference will be held in New Orleans on January 18-19.

Likewise, with record attendance, Jean Bédard did an outstanding job as Doctoral Consortium Coordinator. Jean was assisted by Robert Knechel, Vice-Coordinator, and next year's Coordinator. The purpose of the Doctoral Consortium is to stimulate student's research by exposing them to the latest ideas from leading researchers in auditing, and by providing opportunities for networking with other Ph.D. students, established auditing researchers, and journal editors. Thanks to all the researchers and editors for your contribution to a successful consortium.

The Section is most appreciative for the continued support from the KPMG Foundation for the Midyear Conference and the Doctoral Consortium. Thank you KPMG Foundation!

Education Fulfillment

Audit Educator's Bootcamp a Sell Out

Once again the Audit Educator's Bootcamp sold out in a few weeks. The fourth bootcamp will be held in the offices of Ernst & Young in Chicago on June 19-21. Many thanks to Frank Buckless and Christine Earley for developing and leading this year's bootcamp. We are also grateful to Ernst & Young for hosting us this year.

2012 Audit Education Workshop

In conjunction with the 2012 Midyear Conference, almost 60 members attended the Audit Education Workshop that was held the day before the Midyear Conference began. Urton Anderson coordinated this year's workshop. Mark Beasley and Paul Walker shared best practices for incorporating enterprise risk management into a curriculum, Thomas Weirich demonstrated an inventory observation case (including videos) that he uses in the classroom and Veronica Johnson and Margaret Christ shared tools for introducing internal auditing into a financial auditing class. Thanks to IDEA Data Analysis Software and Audit Analytics for sponsoring the workshop.

Governance and Structure

By-laws Proposals Passed

Our proposed by-laws changes were supported by 98% of the members voting. The by-laws were amended to bring them in compliance with the AAA by-laws changes that were voted into effect in 2011 and to make some minor housekeeping changes. Thank you for

[PDF Version of Newsletter
\(for printing\)](#)

[Auditor's Report Archive](#)

[Auditing Home Page](#)

Summer 2012 Issue Deadline

The deadline for material to be included in the Summer 2012 issue of *The Auditor's Report* is June 20, 2012. 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 incoming Editor at the address below by June 20, 2012, to ensure timely publication of the issue:

Gary Peters, Editor
Sam M. Walton College of Business
Department of Accounting
University of Arkansas
Business Building 448
1 University of Arkansas
Fayetteville, AR 72701-1201
gfpeters@walton.uark.edu

voting.

New Officers

You elected the following new officers who will join the Executive Committee in August 2012:

VP Academic: Mark Taylor, Case Western Reserve University
VP Practice: Darrel R. Schubert, Ernst & Young
Secretary: Jacqueline Hammersley, The University of Georgia
Council Representative: Audrey Gramling, Kennesaw State University

We appreciate each new officer's willingness to serve and thank the outgoing officers for their significant contribution to the Section. During the Midyear Conference, I announced that Larry Rittenberg was stepping down as Historian upon his retirement. Many thanks to Larry for all the service he has provided to the Section. Mark Beasley has agreed to be our next Historian. Best wishes to Larry and thank you Mark.

As with any academic year, the year has flown by and we will be in Washington DC participating in the AAA Annual Meeting before you know it. This year's meeting will be held on August 4-8. Our section's meeting Director is Marsha Keune with Co-Directors Chan Li and Mark Zimbelman. They are assembling a great program; please join us at the meeting and for the Auditing Section luncheon on August 6th. We are attempting to take advantage of our location and get a luncheon speaker from the Washington DC area. Stay tuned for details.

Thanks for a great year and see you in Washington DC.





**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Summary of 2012 Midyear Auditing Conference Savannah, Georgia

By Keith Jones (George Mason University) and
Joe Brazel (North Carolina State University)

The Midyear Conference in Savannah, Georgia was a great success and set a new attendance record. We express our gratitude to the Conference Planning Committee for organizing a great program. The Committee Co-Chairs were Joe Brazel and Keith Jones. Joe and Keith were assisted by Jackie Hammersley and Linda Myers, who will Co-Chair the 2013 Midyear Conference. We also appreciate all of you who served as panel members, presenters, moderators, discussants, and reviewers for the conference. Next year's Midyear Conference will be in New Orleans, January 17-19, 2013.

Immediately prior to the Midyear Conference, the Auditing Section hosted a Doctoral Consortium and Audit Education Workshop. Both were well attended and very successful. The purpose of the Doctoral Consortium is to stimulate students' research by exposing them to the latest ideas from leading researchers in auditing, and by providing opportunities for networking with other Ph.D. students, established auditing researchers, and journal editors. We would like to thank Jean Bédard who served as the Doctoral Consortium Coordinator.

The Audit Education Workshop focused on how to model and teach integrity in the classroom. We express appreciation to Urton Anderson who served as Coordinator of the Audit Education Workshop; as well as IDEA – Data Analysis Software and Audit Analytics for sponsoring the workshop.

The Section is most appreciative to the continued generous support of the KPMG Foundation for their generous financial support of our Midyear Conference and the Doctoral Consortium. Thank you KPMG Foundation!





[Back to Contents Page](#)

[Next](#)



American
Accounting
Association

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Report on the 2012 Auditing Doctoral Consortium

By Jean Bédard

The 2012 Auditing Section Doctoral Consortium in Savannah was attended by 70 students from 37 universities. Five of the attendees were from non-U.S. schools. Jean Bédard (director) and Robert Knechel (assistant director) planned the program. The programs included a mix of methodological method sessions, Panels, small group meetings with presenters and students, and breakout sessions in which students and faculty could get to know one another.

The Consortium theme for 2012 was "Researching Auditing for Impact". Twelve highly regarded faculty members including four from non-U.S. schools shared their insights with the students. The methodological talks focused on archival studies and experimental studies in auditing. There were three panels focusing on early career advice, advice on publishing and the interplay of research, standard setting, and regulation. The small group meetings were designed to allow participants to ask questions and receive advice from faculty members who work in their areas of interest. The consortium was widely regarded as a success. Robert Knechel will plan the 2013 consortium.





American
Accounting
Association

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 Distinguished Service in Auditing Award



Dr. Douglas R. Carmichael recently received the 2012 Distinguished Service in Auditing Award. This award recognizes individuals who have made significant contributions to the profession, the Auditing Section, and scholarship.

The 2012 selection committee members were Bill Felix (University of Arizona), John Fogarty (Deloitte), Jane Kennedy (University of Washington), and chair Walt Conn, KPMG LLP.

Dr. Carmichael was recognized for his outstanding contributions to audit standard-setting, auditing research, education, practice, and literature throughout his distinguished career.

He has played a major role and made significant contributions to the development and communication of auditing standards over the last 40 years, in a career highlighted by leading standard-setting for both the AICPA and the PCAOB. In 1969, he left his position on the faculty of UT-Austin to begin working at the AICPA. He moved through

a series of positions including, among others, Auditing Research Consultant, Director of Technical Research, Vice President of Technical Services, and Vice President of Auditing.

Dr. Carmichael was appointed the first Chief Auditor of the PCAOB in 2003. As Chief Auditor, he led efforts to strengthen standards for auditors of public companies, including development of the first standards for integrated audits.

Throughout his career, Dr. Carmichael has consistently worked to enhance the role of research in the setting of auditing standards and in practice. While he was in the top auditing standards position at both the AICPA and the PCAOB, he created or oversaw the position of Director of Auditing Research for both organizations.

Dr. Carmichael served as a faculty member directly involved in auditing education for a large portion of his career, currently serving as the holder of the Claire and Eli Mason Professorship in Accountancy at Baruch College.

He has done extensive consultation and expert witness work related to the interpretation and application of auditing standards. He also has authored or co-authored over 30 books, many of them widely used as audit guides for practitioners. In addition, he has authored approximately 100 articles and approximately 200 papers or lectures, and has served in a number of editorial and reviewer roles.

He received a B.S., M.A.S, and PhD from the University of Illinois.

[Back to Contents Page](#)

[Next](#)



American
Accounting
Association

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 Innovation in Auditing and Assurance Education Award



The Auditing Section established the Innovation in Auditing and Assurance Education Award in 2002-2003 to encourage innovation and improvement in auditing and assurance education. The Award's "Call for Nominations" states, "The award will recognize a significant activity, concept, or materials. The criteria used to judge the submissions include, but are not necessarily limited to: 1. innovation, 2. educational benefits, and 3. adaptability to other educational institutions or to other situations."

The 2012 award was presented to Professor Fred Phillips, University of Saskatchewan. His nomination and selection was based, in general, on an extensive body of pedagogical research in auditing and numerous instructional cases published in *Issues in Accounting Education* and elsewhere, including the following case, in particular:

Fred Phillips and Brandy Mackintosh. "Wiki Art Gallery, Inc.: A Case for Critical Thinking." *Issues in Accounting Education* 26 (3): 593-608.

Wiki Art Gallery (WAG) is a privately-held for-profit art gallery in which a co-owner, who is a client, is preparing to

purchase another co-owner's shares at a price based on recent financial performance. WAG's financial statements reflect a variety of accounting judgments for students' consideration of relevant valuation issues. This case might appropriately be incorporated into financial accounting courses, as well as auditing and assurance courses.

The 2011-2012 Innovation in Auditing and Assurance Education Award Committee was comprised of Tim Bell, University of North Florida; Paul Copley, James Madison University; Mark Kohlbeck, Florida Atlantic University; and (4) Don Tidrick, Northern Illinois University, Committee Chair. The Committee salutes Fred Phillips and our colleagues in the Auditing Section for a commitment to excellence and innovation in auditing education.

[Back to Contents Page](#)

[Next](#)

2012 Notable Contribution to the Auditing Literature Award



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 Rich Houston, University of Alabama, Jordon Lowe, Arizona State University, Kenny Reynolds at Florida State University, and David Williams at Ohio State as Committee Chair. As 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, and the winner was:

Jeffrey Cohen, Ganesh Krishnamoorthy, Arnold Wright, "Corporate Governance and the Audit Process" (Contemporary Accounting Research, 2002)

This paper was among the first to do an in-depth analysis of corporate governance, an emerging area that has

produced a significant and meaningful field for auditing researchers. In addition, the area of corporate governance is of major importance to the profession as well as regulators. The manuscript relied on semi-structured interviews of auditors, which provided insights into actual management decisions dealing with important topics such as audit risk assessments, new client acceptance decisions, and the auditor's view of the audit committees' role in establishing strong governance mechanisms. With over 200 citations, this manuscript was considered to make a lasting contribution to the area of auditing research.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 Auditing Section Outstanding Dissertation Award



Jeremy Griffin, at the University of Notre Dame, who completed his Ph.D. at The University of Georgia, received the 2012 Auditing Section Outstanding Dissertation Award for his dissertation entitled "The Effects of Uncertainty and Disclosure on Auditors' Fair Value Materiality Decisions." The award was accompanied by a cash prize of \$2,500. Michael Bamber (University of Georgia) was also recognized for his service as Jeremy's dissertation chair.

Awards Committee: Ken Trotman (Chair) (University of New South Wales), Mark Beasley (North Carolina State University), Brad Pomeroy (University of Illinois at Urbana-Champaign) and Ann Vanstraelen (Maastricht University) served on the selection committee for this award.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 Auditing Section Outstanding Dissertation Award



It is a great honor and pleasure to announce and introduce this year's recipient of the outstanding auditing educator.

Nominators mentioned, her AAA involvement from serving in leadership positions, to award committees, and conference organizer.

They commented on her international reputation and presence on prestigious panels at important conferences. Her outstanding publication record in auditing research addressing important research issues, which is well cited. It is not only the quantity and quality of her audit research that makes her an outstanding educator, it is her pure enthusiasm for research and her mentoring of young scholars that are important qualifications for an outstanding auditing educator.

"Jean Bedard has an outstanding publication record in auditing research. She has published over 50 auditing papers in leading journals, in particular, *The Accounting Review* (6 papers) and *Auditing: A Journal of Practice & Theory* (11 papers). Add to this, papers in *Journal of Auditing Research*, *Contemporary Accounting Research*, *Behavioral Research in Accounting*, *Accounting Horizons* and *Journal of Accounting Literature* and it is a very impressive record."

“Her AAA activities that contribute to this outstanding educator tag include VP-Publications/Executive Committee, heading the research synthesis team on audit firm quality control and chairing the Wildman award committee. Her international presence is evidenced by invitations to be on an ICAEW panel coming up at the annual meeting and a panel at EARnet at their meeting in Norway this fall. She has organized two ABO conferences and been associate editor of *Auditing: A Journal of Practice & Theory*.”

I reached out to one of Jean’s co-authors and former PhD Students Karla Johnstone and I know there are many many more who would provide similar comments. Karla provided permission for me to quote some of her comments:

“Jean is deserving of this award because:

* Jean has made a significant difference to the lives of the PhD students that she has worked with, in a way that goes beyond just a good working relationship. She is a mentor that cares deeply about developing her students, both personally and professionally. She is someone that knows how to teach the process of research, from idea generation to writing style to understanding incremental contribution, to dealing with the myriad complexities of the review process. Jean is patient and willing to take the time necessary to develop her students by consistently modeling excellence in these areas.

* I have turned to Jean countless times during my career to gain her perspective about complex issues and she has always been generous with her time and has always provided me with thoughtful, ethical insights.

* One of the best parts of our job as researchers is that we can choose what we want to research, and who we want to co-author with. Jean has been to me the best co-author that anyone could ever hope to have. She is an incredibly hard worker and always keeps a positive attitude no matter the obstacles that we have faced together. I always look to Jean for a “lift” and a positive spin on even the most frustrating of review comments!

* From a personal perspective, Jean has been a true friend over the years. It is rare to find a great co-author that turns into a person that you can share your personal ups and downs with, and I have found that in Jean. I’ve known Jean since 1993 when she interviewed me for the PhD program at the University of Connecticut, and she has patiently and kindly helped me navigate all the changes in my personal and professional life since then. I know I am not alone -- there is a large group of my fellow PhD students and other young researchers here today that are close colleagues and friends of Jean -- and she has given of herself in a way that has helped each of these people excel beyond what they could have without her. I know they will all agree with me that Jean is truly deserving of this award and is the exemplar of an Outstanding Educator.”

Jean C. Bedard is the Timothy B. Harbert Professor of Accountancy at Bentley University. In addition, she is a Professorial Visiting Fellow at the University of New South Wales, and an Extramural Fellow at the Maastricht Research School of Economics of Technology and Organizations, Maastricht University. Professor Bedard’s main research interest is in improving audit quality, at both the audit firm and individual auditor levels. Topics she has studied include analytical procedures, risk assessment, audit planning, client portfolio management, and the effects of using information technology in the audit process. Her research is published in *The Accounting Review*, *Journal of Accounting Research*, *Management Science*, *Auditing: A Journal of Practice & Theory*, *Behavioral Research in Accounting*, as well as a number of other scholarly and professional journals. Her primary teaching interests are financial reporting and auditing, and she has taught at the undergraduate, Masters and doctoral levels. Professor Bedard has served as Vice President-Publications of the American Accounting Association (AAA), and has also served the AAA’s Auditing Section as President, Secretary and Historian. Other service activities for the AAA include chairing the Deloitte Wildman Award Committee, and serving on the Nominations and Publications Committees. She was also Research Coordinator for the AAA’s Accounting, Behavior and Organizations Section, and co-coordinated that Section’s 1998 and 2008 Research Conferences. Professor Bedard’s work experience outside academia includes public accounting and management of public health services.

Previous Award Recipients Listed on the website, but here are the last 5-6 years, as you can see it is a very prestigious list.

2005-2006 (MYM 2006)
Jane Mutchler, Georgia State University

2006-2007 (MYM 2007)
Larry Rittenberg, University of Wisconsin at Madison

2007-2008 (MYM 2008)
Michael Gibbons, University of Alberta

2008-2009 (MYM 2009)
Stanley F Biggs, University of Connecticut
William F. Messier, Jr., University of Nevada, Las Vegas

2009-2010 (MYM 2010)
Arnold Wright, Northeastern University

2010-2011 (MYM 2011)
Jere Francis, University of Missouri

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 American Accounting Association - Auditing Section

Statement of Cash Receipts, Disbursements, and Cash Balance for Year Ended August 31, 2009, Nine Months Ended May 31, 2010, Year Ended May 31, 2011, and Seven months Ended 12/31/2011. (Note 1)

Receipts	9/1/08- 8/31/09 (one Year)	9/1/09- 5/31/10 (9 months)	6/1/2010- 5/31/2011 (one year)	6/1/2011- 12/31/11 (7 months)
Membership Dues (Note 2)	\$45,115.00	\$22,491.00	\$44,506.00	\$36,702.00
Journal Subscriptions	42,188.78	31,403.44	29,714.15	17,370.00
Publications Sales/Royalties	3,027.71	45.80	2,450.22	1,879.34
Journal Submission Fees (AJPT and CIA)	7,400.00	5,950.00	9,875.00	8,025.00
Reimbursements/Contributions (Note 3)	30,500.00	30,500.00	32,500.00	2,000.00
Annual Meeting Lunch Fees/Deferred Rev	0.00	3,480.00	10,611.00	6,075.00
Bootcamp Registration Fees	11,000.00	16,350.00	13,825.00	0.00
Mid-Year Meeting Registration	40,520.00	45,290.00	47,165.00	53,215.00
Interest Income	692.80	7.08	0.00	0.00
Total Receipts	\$180,444.29	\$155,517.32	\$190,646.37	\$125,266.34
Disbursements				
AJPT Printing	\$19,331.16	10,971.03	22,147.16	\$5,893.00
AJPT Distribution	11,606.52	5,734.55	19,059.88	5,136.13
AJPT Professional Support and Editor Discretionary	24,000.00	18,000.00	15,000.00	15,000.00
AJPT AAA Editorial Support	20,609.00	23,458.00	27,750.00	21,053.00
AJPT Postage and Other	309.85	645.07	126.35	44.03
CIA Expenses	1,185.20	25.00	10.84	0.00
Newsletter	2,918.00	0.00	0.00	0.00
Mid-Year Meeting and Doctoral Consortium	93,067.44	126,561.57	79,835.60	6,229.26
Boot Camp Expenses	10,397.99	0.00	15,287.00	14,982.28
Annual Meeting Audio Visual Costs	0.00	0.00	0.00	42.01
Annual Meeting Luncheon Costs	4,674.52	0.00	9,406.12	9,020.47
Awards & Student Memberships	5,324.30	5,203.00	5,583.75	4,610.00
Committee Expenses	1,177.81	0.00	5,234.80	1,277.64
Web Services (webinars)	4,045.43	3,339.31	2,663.17	120.44
Credit Card, Postage and Miscellaneous	4,448.52	5,105.04	4,225.15	3,522.06
Strategy Planning meeting	-	-	2,000.00	0.00
Consulting Fee	0.00	10,065.00	20,386.80	0.00
Total Disbursements	\$203,095.74	\$209,107.57	\$228,716.62	\$86,930.32
Cash Increase (Decrease)	\$(22,651.45)	\$(53,590.25)	\$(38,070.25)	\$38,336.02
Beginning Cash Balance	292,124.82	269,473.37	215,883.12	\$177,874.87
Adjustment to eliminate difference previously carried forward (Note 4)			\$62.00	

Cash Increase (Decrease)	\$(22,651.45)	\$(53,590.25)	\$(38,070.25)	\$38,336.02
Beginning Cash Balance	292,124.82	269,473.37	215,883.12	\$177,874.87
Adjustment to eliminate difference previously carried forward (Note 4)			\$62.00	
Ending Cash Balance	\$269,473.37	\$215,883.12	\$177,874.87	\$216,210.89

Notes:

1. This Statement of Cash Receipts, Disbursements, and Cash Balance was compiled from the monthly financial reports received from the American Accounting Association national office.
2. As of December 6, 2011, the section had a total of 1,633 members (1,280 U.S. and 353 international). As of May 31, 2011, the section had a total of 1,577 members (1,228 U.S. and 349 international), including 1,337 full members and 240 associate members. As of May 31, 2010, the section had a total of 1,751 members (1,343 U.S. and 408 international), including 1,499 full members and 252 associate members. As of August 31, 2009, the section had a total of 1,529 members, including 1,312 full members and 217 associate members. Of these, 1,180 resided in the United States and 349 resided outside the United States.
3. Receipts for the full year ended August 31, 2009 and the 9 months ended May 31, 2010 represent contributions to the Section from KPMG for costs related to the 2009 and 2010 Mid-year Conferences and Doctoral Consortiums. Receipts for the full year ended May 31, 2011 represent a contribution to the Section from KPMG for costs related to the 2011 Mid-Year Conference and Doctoral Consortium as well as a \$2,000 contribution from Audimation Services Inc. (co-sponsor of Integrity CPE session at Mid-year Conference).
4. There existed for several years a \$62.00 unresolved difference between the Section's ending cash balance and the American Accounting Association national office. Karla Johnstone made this adjustment to resolve the difference.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Auditing Standards Board Update - March 2012

Kay W. Tatum - Associate Professor of Accounting
School of Business Administration
University of Miami
Coral Gables, FL

This update marks the first update that I will provide as a member of the ASB. I am honored to serve as the ASB's academic member. My first official meeting was the ASB's meeting in San Juan, Puerto Rico on January 10-12, 2012. In preparation for my first meeting, I observed the ASB's October 25-26, 2011 meeting that was held in New York, NY.

October 2011 Meeting

Table 1 presents for the October 2011 meeting, the Proposed SASs, Task Force Chairs who presented the Proposed SASs, and the outcomes of the deliberations.

Table 1. Proposed SAS, Task Force Chair, and Outcome		
October 2011 ASB Meeting		
Proposed SAS	Task Force Chair or Discussion Leader	Outcome
<i>Alert as to the Intended Use of the Auditor's Written Communication</i>	Phil Wedemeyer	Voted to ballot as final SAS.
<i>The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern</i>	Brian Richson	Voted to ballot as exposure draft.

For the first item in Table 1, *Alert as to the Intended Use of the Auditor's Written Communication*, the Task Force had been charged to integrate several proposed changes at a previous ASB meeting. Phil Wedemeyer presented the ASB with the revised draft and led a paragraph-by-paragraph discussion of the document. Afterwards, the ASB voted the proposed SAS as final. The SAS is effective for auditor's written communications related to audits of financial statements for periods ending on or after December 15, 2012.

As to the second item in Table 1, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, Brian Richson led the discussion of the Task Force's work on the proposed SAS since the meeting during which it was last discussed. After further consideration, the ASB voted to ballot the proposed SAS for issuance an exposure draft. The comment period ended February 15, 2012. The proposed standard is a clarity redraft of SAS No. 59 so that it is consistent with the format of the other clarified SASs that were recently issued as SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*. The ASB will address convergence of the proposed SAS with International Standards on Auditing 570, *Going Concern*, and other significant issues involving going concern in a later project.

The October meeting concluded with a discussion about the joint meeting of the ASB's Auditing Issues Task Force with the FASB that was scheduled for the next day, October 27. Topics on that meeting's agenda included management's responsibility to assess the entity's ability to continue as a going concern and the meaning of "auditability."

January 2012 Meeting

Darrel Schubert, ASB Chair, opened the meeting by welcoming six new members. They are: Jennifer Haskell—partner in Deloitte & Touche

LLP's Professional Practice Network, Barbara Lewis—audit director with Atkinson & Co., Ltd., Carolyn McNerney—co-director of assurance services at SS&G, Don Pallais—who has his own national practice in Richmond, VA., Mike Santay—partner in charge of auditing standards in the National Professional Standards Group of Grant Thornton LLP, and myself. A list of the 2011-2012 board is available at <http://www.aicpa.org/Research/Standards/AuditAttest/ASB/Pages/ASBbiography.aspx>.

The ASB's Attestation Recodification Task Force presented to the ASB for the first time at the Puerto Rico meeting. The Task Force's charge is to revise the attestation standards for clarity and international convergence, beginning with AT 101, *Attest Engagements*. The Task Force is using the exposure draft of International Standard on Assurance Engagements 3000, *Assurance Engagements Other Than Audits or Review of Historical Financial Statements*, as a base for its work. Don Pallais, Chair of the Attestation Task Force, skillfully led a three-hour discussion about the attestation standards project. The board provided the Task Force guidance on several issues. In addition, the board agreed that the attestation revision should incorporate concepts found in the risk assessment standards.

The Strategic Planning Task Force also reported to the ASB for the first time at the Puerto Rico meeting. Formed in 2011, the Task Force's objective is to formulate and draft a strategic plan acceptable to the Auditing Standards Board. The plan will shape the Board's agenda over the next three to four years. To obtain views from its constituents about what the ASB's objectives and activities should be during that period, the Task Force developed a survey that was posted on the AICPA Audit and Attest website and sent to a variety of constituents, including CPAs, Regulators, state societies, members of academia, and standard setters. The survey solicited comments about: (1) the ASB's mission, (2) areas of audit or attestation risk for which new or revised standards are needed, (3) potential ASB projects, (4) international harmonization of standards, (5) guidance and communication, (6) auditing smaller, less complex entities and responding to the needs of small and medium practices, and (7) minimizing differences between ASB and PCAOB standards. The ASB received over 200 responses to the survey, including one from the Audit Section. The Task Force will submit a draft report to the ASB for review and request approval at the ASB's May meeting.

Future Meetings

The ASB's next meeting will be in Boston, MA on May 1-3, 2012. Previous and future meeting highlights, as well as the dates of future and past meetings of the ASB can be found at <http://www.aicpa.org/research/standards/auditattest/asb/pages/asbmeetingmaterialsandhighlights.aspx>.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

PCAOB Update

By [Martin F. Baumann, Gregory Scates, and Dima Andriyenko¹](#)

Introduction

This Update addresses selected PCAOB developments since the Fall 2011 Update that are likely to be of interest to accounting and auditing researchers, educators, and students. The developments discussed include:

- Sanctions Against an Audit Partner and Registered Firm;
- Cooperative Agreements;
- Annual International Auditor Regulatory Institute;
- Standing Advisory Group (SAG) Meeting;
- Announcement of SAG Members;
- Staff Audit Practice Alert;
- Reproposal of Auditing Standard Related to Communications with Audit Committees;
- Announcement of Public Meeting on Auditor Independence and Audit Firm Rotation;
- Appointment of New Board Member;
- Announcement of Settled Disciplinary Order; and
- Proposed Auditing Standard on Related Parties and Amendments Related to Significant Unusual Transactions.

October 2011

Sanctions Against an Audit Partner and Registered Firm: On October 13, 2011, the PCAOB announced that it had permanently barred a Denver-based audit partner and permanently revoked the registration of a registered public accounting firm because of the audit partner's participation in audits while subject to a previous PCAOB bar.

The PCAOB's Chief Hearing Officer found that Samuel D. Cordovano, CPA, violated the Sarbanes-Oxley Act and PCAOB rules when he willfully became or remained associated with a registered public accounting firm after he was barred from doing so by a December 2008 PCAOB settled disciplinary order.

In addition, the Hearing Officer found that, after being barred from association, Cordovano participated in significant activities relating to the audits of four issuer clients of his firm, including advising audit team members on important accounting and auditing issues. The decision noted that Cordovano's firm, Cordovano and Honeck, LLP removed Cordovano from overt participation in the Firm's audits of issuers while allowing

Cordovano to remain involved in the audits behind the scenes.

A copy of the Hearing Officer's decision is available on the PCAOB web site at: http://pcaobus.org/Enforcement/Adjudicated/Documents/Cordovano_and_Honeck.pdf.

Cooperative Agreements: During the fall of 2011, the PCAOB announced cooperative agreements with the Israel Securities Authority (October 31, 2011); the Netherlands Authority for the Financial Markets (December 5, 2011); and the Dubai Financial Services Authority (December 20, 2011). These agreements authorize the PCAOB and the respective regulatory authority to exchange confidential information, consistent with the provisions of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. The PCAOB also announced that it entered into a cooperative agreement with the Financial Supervisory Commission of Taiwan (November 18, 2011) for the oversight of auditors that practice in both of the regulators' respective jurisdictions. Although the agreement with Taiwan does not provide for the exchange of confidential information, it strengthens ties between the two sides so that they may work more closely together.

November 2011

Annual International Auditor Regulatory Institute: From October 31 to November 2, 2011, the PCAOB held its fifth annual International Auditor Regulatory Institute. Seventy-seven representatives of auditor oversight bodies and government agencies from 36 countries convened in Washington, D.C., to exchange views on issues that have an impact upon the oversight of auditors.

The Institute included a panel of senior audit regulators from Canada, France, Germany, Japan, The Netherlands, Singapore, Switzerland, and the United Kingdom. In addition, PCAOB inspectors conducted an interactive session on inspection case studies. Participants also heard about the structure of PCAOB audit oversight programs, international inspection considerations, and current topics in enforcement and standard setting.

Standing Advisory Group (SAG) Meeting: On November 9-10, 2011, the Board's SAG held its second meeting of the year. The meeting agenda included: an update from the Office of Chief Auditor (OCA) on its standard-setting agenda and other related developments and OCA *staff-led discussions on (1) the Board's concept release on auditor independence and audit firm rotation, (2) proposed amendments for improving the transparency of audits, (3) comments received regarding the Board's concept release and roundtable on the auditor's reporting model, and (4) activities of the Pricing Sources Task Force.* Additionally, the SAG also discussed the auditor's consideration of an entity's ability to continue as a going concern, as well as year-end audit risk and financial reporting issues.

The meeting materials, including the agenda, briefing papers, slides, and meeting webcast and podcast are available on the PCAOB web site at: http://pcaobus.org/News/Events/Pages/11092011_SAGMeeting.aspx.

Announcement of SAG Members: On November 29, 2011 the PCAOB announced 28 new and re-appointed members to its SAG. The Board expanded the size of the advisory group and increased SAG members' terms from two years to three years. This brings the total SAG membership to 42.

The longer term allows the PCAOB to benefit from the insight and advice of the SAG members for a longer period of time and will bring the SAG member terms in line with the terms of the Board's Investor Advisory Group. Initially, individual SAG terms will be staggered to allow a greater continuity of membership.

A list of SAG members, including their biographies, is available on the PCAOB web site at: <http://pcaobus.org/Standards/SAG/Pages/Current.aspx>.

December 2011

Staff Audit Practice Alert: On December 6, 2011 the PCAOB published Staff Audit Practice Alert No. 9, *Assessing and Responding to Risk in the Current Economic Environment* (Practice Alert No. 9), to assist auditors in identifying matters related to the current economic environment that might affect the risk of material misstatement in financial statements and, therefore, require additional audit attention.

Practice Alert No. 9 updates Staff Audit Practice Alert No. 3, *Audit Considerations in the Current Economic Environment* (Practice Alert No. 3), which was issued in December 2008. Many of the matters discussed in Practice Alert No. 3 - including fair value measurements, accounting estimates, going concern, and financial statement disclosures - continue to be critical in audits of 2011 financial statements. Certain of the PCAOB standards referenced in that alert regarding assessment of, and response to, risk, however, were superseded by the Board's eight new risk assessment standards (Auditing Standard Nos. 8-15) that became effective in December 2010.

Practice Alert No. 9 is organized into four sections: 1) considering the impact of economic conditions on the audit; 2) auditing fair value measurements and estimates; 3) the auditor's consideration of a company's ability to continue as a going concern; and 4) auditing financial statement disclosures.

A copy of the alert is available on the PCAOB web site at: http://pcaobus.org/Standards/QandA/12-06-2011_SAPA_9.pdf.

Reproposal of Auditing Standard Related to Communications with Audit Committees: On December 20, 2011, the PCAOB repropose for comment an auditing standard, *Communications with Audit Committees*, and other amendments to PCAOB standards. The standard was initially proposed on March 29, 2010.

Like the original proposal, the repropose standard would establish requirements that enhance the relevance and quality of the communications between the auditor and the audit committee. The repropose standard, in addition, would better align the communication requirements with performance requirements in other PCAOB standards, including the implementation of the risk assessment standards (Auditing Standard Nos. 8-15). It also would provide commenters with an opportunity to comment on the standard in relation to the audits of brokers and dealers.

The proposed auditing standard would supersede PCAOB standards AU sec. 380, *Communication With Audit Committees*, and AU sec. 310, *Appointment of the Independent Auditor*, and amend other PCAOB standards. The comment period on the repropose standard closed on February 29, 2012. Comment letters are posted on the PCAOB website at: <http://pcaobus.org/Rules/Rulemaking/Pages/Docket030Comments.aspx>.

A copy of the repropose standard and related amendments is available on the PCAOB web site at: http://pcaobus.org/Rules/Rulemaking/Docket030/Release_2011-008.pdf.

February 2012

Announcement of Public Meeting on Auditor Independence and Audit Firm Rotation: On February 2, 2012 the PCAOB announced that it will host a public meeting to obtain further input on ways to enhance auditor independence, objectivity, and professional skepticism, including through mandatory rotation, or term limits, for audit firms. The meeting will be held on March 21- 22, 2012.

The Board issued a concept release on August 16, 2011, that invited commenters to discuss measures that might meaningfully enhance auditor independence, objectivity, and professional skepticism. The release included a number of questions related to mandatory audit firm term limits, such as whether the PCAOB should consider a firm rotation requirement for audit tenures of more than 10 years, or for the largest issuer audits only.

The public meeting will consist of panel discussions, during which panelists will be invited to present their views on the matters raised in the concept release and the Board will have the opportunity to ask panelists follow-up questions. Panelists will include investors and investor advocates, senior executives and audit committee chairs of major corporations, chief executive officers of audit firms, academicians and other interested parties. The meeting will be held at 1201 15th Street N.W., Washington, D.C. It will be open to the public, and also available via webcast on the PCAOB website.

In addition, on March 7, 2012, the PCAOB announced the panelists and schedule of appearances for its March 21-22 public meeting. In light of the public meeting, the Board is reopening until April 22, 2012 the comment period on the concept release.

The panelists and schedule of appearances are available on the PCAOB web site at: http://pcaobus.org/News/Releases/Pages/03072012_PublicMeeting.aspx.

Appointment of New Board Member: On February 3, 2012, the Securities and Exchange Commission ("SEC") appointed Jeanette M. Franzel to the Board. Her term started on March 5, 2012. With over 20 years of public service, Ms. Franzel most recently served as a Managing Director of the General Accounting Office ("GAO") where she led all aspects of GAO's financial audit oversight of the U.S. federal government. Ms. Franzel also participated in the PCAOB's Standing Advisory Group through GAO's role as an observer. She is a Certified Public Accountant, Certified Internal Auditor, Certified Management Accountant, and Certified Government Financial Manager. She received her bachelor's degree from the College of St. Teresa and holds an M.B.A. from George Mason University. Ms. Franzel replaced Daniel L. Goelzer, one of the founding members and a former interim Chairman of the five-member Board.

The press-release announcing Ms. Franzel's appointment to the PCAOB can be found on the SEC website at <http://www.sec.gov/news/press/2012/2012-24.htm>.

Announcement of Settled Disciplinary Order: On February 8, 2012, the PCAOB announced a settled disciplinary order censuring Ernst & Young LLP ("E&Y"), imposing a \$2 million civil money penalty against the firm, and sanctioning four of its current and former partners for violating PCAOB rules and standards. The \$2 million civil money penalty against the firm is the Board's largest civil money penalty to date.

The order related to three E&Y audits of Medicis Pharmaceutical Corporation, and a consultation stemming from an internal E&Y audit quality review of one of the audits. The Board found that during the audits of Medicis's December 31, 2005, 2006 and 2007 financial statements, E&Y and its responsible partners failed to comply with PCAOB standards in evaluating Medicis's practice of reserving for most of its estimated product

returns at the cost of replacing the product, instead of at gross sales price. The Board also found that, in auditing the company's December 31, 2005 financial statements, E&Y and its responsible partners violated PCAOB standards by accepting the company's basis for reserving at replacement cost when the auditors knew, or should have known, that it was not supported by the audit evidence.

The Board further found that during an internal audit quality review of the December 31, 2005 audit, E&Y personnel who were not associated with the audit identified the rationale as conflicting with both GAAP and E&Y's internal accounting guidance that specifically addressed revenue recognition for sales with rights of return. Rather than appropriately addressing this material departure from GAAP, E&Y and its personnel wrongly decided in an internal consultation that another flawed accounting rationale supported the company's existing practice of reserving for most of its product returns at replacement cost.

The Board also found that E&Y and its responsible partners violated PCAOB standards in auditing the company's new methodology for calculating its year-end product returns reserve estimates for 2006 and 2007. The Board found that they failed to sufficiently audit key assumptions and placed undue reliance on management's representation that those assumptions were reasonable.

A copy of the settled disciplinary order is available on the PCAOB web site at: http://pcaobus.org/Enforcement/Decisions/Documents/Ernst_Young.pdf.

Proposed Auditing Standard on Related Parties and Amendments Related to Significant Unusual Transactions: On February 28, 2012, the PCAOB issued for public comment a proposed auditing standard, *Related Parties*. The proposed standard would improve the auditor's evaluation of a public company's identification of, accounting for, and disclosure about its relationships and transactions with related parties.

The Board also proposed amendments to enhance the auditor's identification and evaluation of a company's significant unusual transactions, which are described as significant transactions that are outside the normal course of business or that otherwise appear to be unusual due to their timing, size or nature. In addition, the Board proposed amendments that, among other things, would improve the auditor's understanding of a company's financial relationships with its executive officers.

The proposed standard would supersede the Board's auditing standard AU sec. 334, *Related Parties*. The proposed amendments would amend other auditing standards, including AU sec. 316, *Consideration of Fraud in a Financial Statement Audit*, and Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement*. Comments on the proposed standard and related amendments are due by May 15, 2012.

A copy of the proposed standard and related amendments is available on the PCAOB web site at:

http://pcaobus.org/Rules/Rulemaking/Docket038/Release_2012-001_Related_Parties.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.



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

GAO Update

By Steve Sebastian and Maxine Hattery

Jeanette Franzel Joins PCAOB

Jeanette Franzel, Managing Director of GAO's Financial Management and Assurance Team has accepted an appointment by the Securities and Exchange Commission to the Public Company Accounting Oversight Board (PCAOB), a nonprofit corporation established by Congress to oversee the audits of public companies.

Ms. Franzel has been a leader in the accounting and auditing profession and is recognized nationally and internationally for her work in auditing standards. She led the development of *Government Auditing Standards* (The Yellow Book) through important revisions in 2003, 2007, and 2011. She served as GAO's auditing standards representative to the International Organization of Supreme Audit Institutions, providing leadership and extensive policy and technical advice in the development of standards for national audit offices around the world. In 2008, she led a team of three audit offices (USA, UK, and Puerto Rico) in the first-ever peer review of Mexico's federal "Supreme Audit Institution."

With 22 years at GAO, including a decade in the Senior Executive Service, Ms. Franzel supervised audits of large, complex agencies with hundreds of billions of dollars as well as for small programs with limited resources. She provided extensive consultation, advice, and testimony preparation for the U.S. House and Senate Banking Committees during the deliberations leading up to the Sarbanes-Oxley Act of 2002. Her leadership of performance and financial audit work included audits of the Consolidated Financial Statements of the U.S. Federal Government, the Internal Revenue Service (IRS), the U.S. Federal Debt, the Federal Deposit Insurance Corporation (FDIC), and the Troubled Asset Relief Program. From 2008 through 2011, Ms. Franzel's team performed oversight of the U.S. government's efforts to help stabilize the financial markets and promote economic recovery.

Ms. Franzel received many GAO Awards in the areas of leadership, achievement, external relations, and integrity, and awards from other organizations as well. In 2006, she received the Arthur S. Flemming Award for distinguished federal service. In 2010, she received the International Achievement Award from the Association of Government Accountants. In 2011, she received GAO's Distinguished Service Award and the AICPA's Outstanding CPA in Government Award.

Ms. Franzel has a B.A. in Accounting and Spanish from the College of St. Teresa as well as an MBA from George Mason University. She also completed the Senior Executive Fellows program at Harvard University. In addition to her CPA, Ms. Franzel has certifications as an internal auditor, management accountant, and government financial manager.

In announcing her February 25 departure, Comptroller General Gene Dodaro said that throughout her career, Ms. Franzel “has demonstrated her outstanding commitment to GAO’s mission and core values, the federal government, and the American public.” He said her “exceptional leadership and dedication in support of GAO’s Financial Management and Assurance team will be greatly missed.”

Steve Sebastian to Lead GAO’s Financial Management and Assurance

Appointed to fill the position of GAO’s Financial Management and Assurance team’s Managing Director is Steve Sebastian, who has led a widely diverse portfolio of financial and performance audit engagements in over 30 years with GAO. Mr. Sebastian joined GAO in 1981 as a student participating in the University of Maryland’s Cooperative Education Program and became a full-time employee upon his graduation in 1983.

Mr. Sebastian’s work has focused on improving financial management practices at a variety of executive and legislative branch entities and government corporations. He led efforts to identify the nature and magnitude of the federal government’s loss exposure from the rising number of financial institution failures during the banking and savings and loan crises of the late 1980s and early 1990s, including assessing the impact on the federal insurance funds covering bank and thrift deposits. This work led to legislation to shore up the insurance funds and to implement a risk-based system for assessing insurance premiums.

His more recent work at FDIC has resulted in significant improvements in internal control and financial management practices as the corporation addresses the impact of the recent economic downturn on the financial institutions industry. Mr. Sebastian has been instrumental in identifying serious deficiencies in internal control and financial management practices at the IRS over the past 15 years. His work has led to the implementation of hundreds of recommendations to improve financial reporting, internal controls, and operational efficiency, which resulted in over \$20 billion in increased tax revenue collections.

In 2007 and 2008, Mr. Sebastian led a major revision to the financial audit methodology used by GAO and the Inspector General community in financial statement audits of government entities. Since 2009, he has led the annual audit of the Federal Housing Finance Agency and, most recently, he oversaw GAO’s first audit of the newly created Consumer Financial Protection Bureau.

Mr. Sebastian has a Bachelors of Science degree in accounting from the University of Maryland. He is a CPA and a Certified Government Financial Manager. He is a member of the Association of Government Accountants, and is on the University of Maryland’s Accounting and Information Assurance Advisory Board.

FY2011 Performance and Accountability Report: A Wide Spectrum of Issues

GAO’s *Performance and Accountability Report* for FY2011 presents the agency’s work and outlines products that cover a wide spectrum of issues, including a first report under a congressional mandate for an annual analysis of duplication, overlap, cost-saving opportunities, and revenue enhancements in federal government programs. The biennial High Risk report was issued, calling attention to opportunities for cost savings and improvements in federal agency and program management. We issued several products on the impact of the Dodd-Frank Wall Street Reform Act on mortgages, securities markets, financial institutions, the Federal Reserve, and consumer protection and products related to health insurance reform. We also reported and testified on the Department of Homeland Security’s progress and challenges 10 years after 9/11. We continued to report the results of our work related to the Troubled Asset Relief Program and the American Recovery and Reinvestment Act. Finally, we updated our “Yellow Book” on government auditing standards to reflect recent developments in the accountability profession.

GAO received an unqualified opinion from independent auditors on its financial statements for fiscal year 2011 and began to implement the Government Performance and Results Modernization Act of 2010, which updates the 1993 act by requiring more-frequent reporting and reviews (quarterly instead of annually) to increase the use of performance information in program decision-making. GAO documented \$45.7 billion in financial benefits for the federal government—a return of \$81 for every dollar invested in GAO— and 1,318 other benefits in broad program and operational areas cutting across the government.

Senior GAO officials testified at 174 congressional hearings, and we expanded its public outreach with a pilot e-report formatted for faster and easier Internet access and pages in Facebook and Flickr.

GAO's third triennial peer review this year covered financial and performance audits. The international team of GAO counterparts at national audit institutions gave GAO a clean opinion and identified a number of good practices that should interest other audit offices, as well as suggesting changes for GAO to consider in further strengthening our products.

[*Fiscal Year 2011 Performance and Accountability Report*](#), *GAO-12-4SP*, Nov 15, 2011

[*Summary of GAO's Performance and Accountability Report Fiscal Year 2011*](#), *GAO-12-5SP*, Jan 26, 2012

High-Risk Series: An Update, [*GAO-11-278*](#), February 2011

[*Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*](#), *GAO-12-342SP*, Feb 28, 2012

GAO's Electronic Approach to Product Distribution Adds Another App
GAO continues to expand its use of electronic publishing and communication. In September, GAO's David Gootnick, a Director in GAO's International Affairs and Trade team, testified on industry and employment in

To access this report electronically, scan this QR code.

Don't have a QR code reader? Several are available for free online.



American Samoa and the Commonwealth of the Northern Mariana Islands before a congressional subcommittee (the Fisheries, Wildlife, Oceans, and Insular Affairs Subcommittee, House Natural Resources Committee) while reporters and observers with smart phones were able to scan the QR code on the cover of his printed testimony and gain instant electronic access to the text and graphics.

Additions to GAO's online Video Gallery include Comptroller General Gene Dodaro's testimony before the House Committee on Oversight and Government Reform on government duplication, overlap, and fragmentation; how to use GAO's Fraudnet hotline; and an animated graphic on the global carbon cycle. Animated graphics are also accessible through their associated reports online and on YouTube.

*American Samoa and Commonwealth of the Northern Mariana Islands: [*Employment, Earnings, and Status of Key Industries Since Minimum Wage Increases Began*](#)*, *GAO-11-956T*, Sep 22, 2011

[*Climate Engineering: Technical Status, Future Directions, and Potential Responses*](#), *GAO-11-*

71, July 28, 2011

GAO Video Gallery: http://www.gao.gov/multimedia/video/#video_id=589006

Speed Mentoring

While external communications go electronic, internal communications are not to be left behind. Through Web conferencing software, GAO's mentoring program will soon be offering its fifth speed mentoring session, allowing employees access to the knowledge and experience of a number of experienced coworkers.

Modeled on the premise of speed dating, the virtual program allows GAO employees, through computer and phone, to meet up to nine mentors in the span of 2 hours. Mentees have 8 minutes to chat with each mentor before moving into another "room" to speak with another mentor, whose picture and short bio appear on the page.

A video introduction to speed mentoring is available at [GAOTV announcement](#).

[Back to Contents Page](#)

[Next](#)



American
Accounting
Association

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Current Issues in Auditing – Spring Update

Current Issues in Auditing, published by the Auditing Section of the American Accounting Association. (<http://aaapubs.org/loi/ciia/>), contains articles, commentaries, and practitioner summaries of interest to both the academic and practitioner community. Articles are published online very soon after they are accepted, so please check the website often to view newly published articles. Also, please submit your work to ***Current Issues in Auditing*** (website for authors: <http://ciia.allentrack.net/cgi-bin/main.plex>).

We also invite you to access recently accepted articles not yet online in the journal at: <http://aaapubs.org/toc/ciia/0/0>.

Published and recently accepted articles include:

- “The Competitive Market for Assurance Engagements on Greenhouse Gas Statements: Is There a Role for Assurers from the Accounting Profession?” by Anna Huggins, Wendy J. Green, and Roger Simnett.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50083>
- “How Effective Are Organizations’ Internal Controls? Insights into Specific Internal Control Elements” by Dana R. Hermanson, Jason L. Smith, and Nathaniel M. Stephens
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50146>
- “Another Piece of the “Expectations Gap”: What Do Investors Know About Auditor Involvement with Information in the Annual Report?” by Jean C. Bedard, Vicky Arnold, Jillian R. Phillip, and Steve G. Sutton.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50120>
- “A Different Model for Doctoral Education in Accounting and Auditing: Student and Faculty Reflections” by Dana R. Hermanson, Carol Bishop, Douglas Boyle, and Rich Clune
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50117>

Commentaries

We also have published and recently accepted several commentaries, including two related to our recent call for commentaries concerning recent PCAOB proposals concerning the auditor’s reporting model and auditor rotation: (http://aaahq.org/audit/CIIA_RequestForCommentaries_audit_reports.pdf). We encourage you to submit your commentaries related to these issues in order to further the dialogue between academics, practitioners, and regulators.

- “Response of a Subgroup of the PCAOB’s Investor Advisory Group to the PCAOB’s Concept Release Concerning Reports on Audited Financial Statements and Related Amendments to PCAOB Standards,” by Participating Investment Advisory Group Members: Kelvin Blake, Joseph V. Carcello, Norman J. Harrison, Michael J. Head, Barbara E. Roper, Anne Simpson, Tony Sondhi, Robert M. Tarola, Lynn E. Turner, Meredith Williams, and Ann Yerger.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50101>
- “Auditor Reporting Model Modifications: Practical Insights from the Academic Community,” by Hubert Glover and Matthew Reidenbach.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50122>
- “Auditor Rotation: The PCAOB Considers a New Direction,” by Pamela B. Roush, Bryan K. Church, J. Gregory Jenkins, Susan A. McCracken, and Jonathan D. Stanley.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50100>

We also have published and recently accepted several commentaries from the Section’s Auditing Standards Committee. We refer you to <http://aaapubs.org/toc/ciia/5/2> and <http://aaapubs.org/toc/ciia/0/0> for these commentaries.

Practitioner Summaries of Academic Research.

The purpose of this new section that we introduced last year is to enhance the academic community’s communications with practitioners by adding to the literature concise articles based on audit research published in other academic journals. The Practitioner Summaries focus on communicating concisely the findings, conclusions, and practical applications of the research results published in the original article. By increasing practitioners’ awareness of our research and publishing the authors’ thoughts about its practical lessons and applications we hope to promote and facilitate conversations between academics and practitioners.

Please see this link for a summary of guidelines for these articles: http://aaahq.org/audit/CIIA_New_Section_PractitionerSummaries.pdf

We have published and recently accepted several such summaries, which we believe will be of great interest to academics, practitioners, and regulators. They include:

- “No Good Deed Goes Unpunished? Recent Evidence on the Effects of Identifying and Investigating Fraud Risks on Auditors’ Litigation Exposure,” by Andrew B. Reffett.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50105>
- “Social Identification and Differences in External and Internal Auditor Objectivity,” by Chad M. Stefaniak and Robert M. Cornell
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50104>
- “Auditor Resignations and the Importance of Monitoring Client Acceptance Risk,” Paul Walker and James H. Irving.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50136>
- “Clients’ preferred relationship approach with their financial auditor,” Richard Fontaine and Claude Pilote.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50116>

Educational Resources

Finally, we are introducing another new section of the journal that will include brief audit cases. Our intention is to consider cases and other materials that are perhaps not as detailed as those published in other journals, and

our intention is to process them quickly in order to disseminate them to educators and practitioners on a timely basis. We are finalizing detailed submission guidelines, but to give you an idea of the content of the section, we provide the following summary:

Instructional Resources will include cases derived from actual or simulated business activity that are in line with the objectives of CIIA and are designed to provide timely instructional resources to auditing instructors. The instructional resources also include specific classroom exercises that are designed to enhance student understanding of current auditing issues. Thus, the resources should address current issues facing the auditing practice community (e. g., new opportunities and challenges, emerging areas, global developments, effects of new regulations or pronouncements, and effects of technological or market developments on audit processes). We define “auditing practice” broadly to include practice-related issues in external auditing, internal auditing, government auditing, IT auditing, assurance services, and related fields. Instructional resources, inclusive of implementation guidance, should follow the editorial guidelines of CIIA and should be a maximum of 2,500 words. The resources should be designed for immediate use by accounting faculty and should have two self-contained parts: the resource material itself (denoted “Instructional Resource”), and a separate instructor’s implementation guide (denoted “Instructional Resource Implementation Guide”). Each section should be submitted in a separate file and should have its own references and footnotes.

We have several articles, commentaries, and practitioner summaries that soon will be available. Thanks for your continued support of ***Current Issues in Auditing*** and, again, we invite you to submit your work.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Call for Papers

20th Symposium on Auditing Research
University of Illinois at Urbana-Champaign
October 11-13, 2012

The Twentieth University of Illinois Symposium on Auditing Research will be held on the Urbana-Champaign campus during October 11-13, 2012. The symposium will be funded by generous support from the *KPMG LLP Foundation*.

We invite papers about all aspects of auditing and assurance. However, a segment of the 20th Symposium will focus on how key stakeholders within public companies' external reporting supply chain, broadly construed to include environmental, financial and social reporting, influence or are influenced by the audit profession, audit firms, or auditors. Auditing here need not be limited to financial-statement auditing. In particular, we will consider papers that focus on roles played by:

- Other intermediaries (e.g., credit rating agencies, statutory bank auditors, etc.),
- Newer standard setters and associations (e.g., AccountAbility, Fair Labor Association, etc.)
- Third-party evaluators and commentators (e.g., arbitrators, jurors, the business press, the Internet etc.),
- Other governance stakeholders and participants (e.g., audit committee members, sophisticated activist investors, creditors).

Submission deadline: July 13, 2012.

Papers should employ rigorous research methods (e.g., analytical, archival, experimental, and field). Authors should submit a regular version and an anonymized version of their paper to Mark 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.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Call for Submissions and Volunteers

**Nineteenth Annual Midyear Auditing Section Conference
New Orleans, LA**

Mark your calendars now for the nineteenth Annual Midyear Auditing Section Conference that will be held January 17–19, 2013 at the New Orleans Marriott. A Doctoral Consortium will be held on January 17, 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 2012 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 2013 Midyear Auditing Section Conference may also be submitted for presentation at the AAA Annual Meeting scheduled for August 2013.

SUBMISSION DEADLINE

Submissions must be received by August 31, 2012 to be considered for the program. [Details on how and where to submit will be announced soon.](#) Any questions should be addressed to Jackie Hammersley (University of Georgia) or Linda Myers (University of Arkansas) through the following email address: lmyers@walton.uark.edu.

¹Also, please be sure to remove all identification of the authors, including changing the document properties to anonymous.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Conference Announcement

Auditing Special Interest Group
British Accounting & Finance Association
22nd Audit & Assurance Conference
17th & 18th May 2012
in London Savoy Place, London, UK

The 22nd Audit & Assurance Conference (formerly known as the National Auditing Conference), organised by the Auditing Special Interest Group (ASIG) of the British Accounting & Finance Association (BAFA), will be held at the London Savoy Place, in London, UK on Thursday 17 and Friday 18 May 2012. The conference organisation is supported by Aston University Business School.

The conference aims to provide a forum which: i) allows faculty from higher education establishments to meet and exchange ideas and experiences, ii) encourages the discussion of educational objectives and teaching methodologies within auditing courses, and iii) promotes the dissemination of current research and professional practice in auditing and assurance, and auditing education.

The conference has been successfully held at venues around the UK or Ireland for the past 21 years and attracts a mix of international academic and professional speakers. Approximately 40 minutes is allowed for the delivery of each paper including an allowance of 10 - 15 minutes for discussion and questions. The conference organising committee has accepted papers in many areas of auditing.

Following on from last year's successful conference whereas a number of distinguished and influential speakers participated actively in the conference such as Nathalie de Basaldúa (Head of Audit Policy Unit, EU Commission), Arnold Schilder (Chairman, IAASB), Douglas Nisbet (past President of ICAS and E&Y partner), the conference organising committee is working towards putting together an excellent conference programme for the forthcoming conference in London, and is offering a unique mix of distinguished expert speakers and highlights of the latest unpublished academic research on auditing. The distinguished non-academic speakers include:

- Arvind WADHERA, Acting Head of the Audit Unit, Directorate General Internal Market and Services, European Commission;
- Warrant (Warren) ALLEN, Deputy President, IFAC;
- Stephen HADDRILL, Chief Executive Officer, Financial Reporting Council, UK;
- Allister WILSON, E&Y UK partner and Convener, ICAS Research Committee
- Dan MONTGOMERY, Vice Chair of IAASB, Partner in E&Y USA;

- Hilde BLOMME, Deputy Chief Executive, FEE;
- Cedric GELARD, Director of Technical Services at the French CNCC (and member of IAASB);
- Richard FLECK, Chairman APB;
- Paul LEE, Hermes Asset Management;
- David WOOD, Executive Director, ICAS;
- Wolfgang P. BÖHM, Director, International Affairs, Institute of Public Auditors, Germany
- Charles BOWMAN, Chairman, ICAEW Audit and Assurance Faculty, and PwC UK partner
- Pauline WALLACE, PwC UK partner;
- Patricia SUCHER, Financial Services Authority FSA UK;
- Greg OWENS, Director / Audit Advisory, BDO;
- Clare MINCHINGTON, ACCA, and member of advisory board of IAAER);
- Mark PROTHEROUGH, Executive Director, Learning & Professional Development, ICAEW,
- Suzanne POSELEY, Course Director, Education, ICAS

If you would like to receive more information about the conference and the activities of the Auditing Special Interest Group, please contact the Chairman of the Auditing Group (ASIG), Ilias G Basioudis (Aston Business School, Aston University, Finance & Accounting Group, Birmingham, UK, email: i.g.basioudis@aston.ac.uk).

The conference has been sponsored since its inception by accounting bodies, our current sponsors being the *Institute of Chartered Accountants in England and Wales* (ICAEW) charitable trusts, and the *Institute of Chartered Accountants of Scotland* (ICAS). Their support has been invaluable through the years.

Auditing SIG's website: <http://static.aston.ac.uk/asig>

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

17th Annual Symposium on Ethics Research in Accounting

Sponsored by the
AAA's Professionalism and Ethics Committee and the Public Interest
Section
2012 Meetings, Washington, DC

The Professionalism and Ethics Committee and Public Interest Section of the American Accounting Association invite submission of papers, cases, and panel session proposals for presentation at the 17th Annual Ethics Research Symposium to be held immediately preceding the concurrent meetings, Sunday, August 5, 2012, in the area of Washington, DC.

The AAA's Professionalism and Ethics Committee is charged, in part, "to encourage and support accounting ethics education and scholarship in universities, and more broadly to set a tone for instilling a greater sense of professionalism and ethical conduct in the practice and teaching of accounting."

We, our current and former students, and all practicing accountants and institutions now face conflicting ethical choices that arise from many authorities, so we expect many contributions on topics obtained from the intersection of accounting and ethics.

Therefore the 17th Annual Ethics Research Symposium encourages beginning and completed thoughtful research and teaching papers, and panel sessions, cases studies and notes. Sample topics may include, but are not limited to, the philosophical, theological, social, political, and historical foundations of accounting, its ethics, its professions and its institutions; and its ethical applications in practice to business, organizations, governments, and to the general well being. Ethics quality similar to audit quality research will also benefit from framework and research summary papers. [See for example, Francis, R. Jere. (2011). *Auditing: A Journal of Practice & Theory* 30 (2): 125–152]. Specifically, we encourage researchers in mainstream areas (e.g., financial reporting, auditing, taxation, management, ABO, MIS, public interest, international, teaching, government and non-profit) to identify and address the implications of ethics in your research.

Contributors may receive invitations from the following journals, historically associated with the Annual Ethics Symposium: *Accounting and the Public Interest*, *Critical Perspectives on Accounting*, *Global Perspectives on Accounting Education*, and *Research on Professional Responsibility and Ethics in Accounting*. Given the author's interest then, previous papers from these or other targeted journals should be considered before submission. The Accounting Exemplar Luncheon held on Sunday, jointly sponsored by the Ethics Symposium and the AAA's Public Interest Section, will recognize the Best Research Paper, the Best Summary of Research Paper, the Two Best

Papers by Doctoral Students, and the Best Contribution to Teaching.

A reception is planned for 7 PM Saturday, August 4, with special attention to be given to all doctoral students who attend. Questions and submissions can be sent to Michael Kraten (mkraten@providence.edu) and John Sennetti (ES-AAA@huizenga.nova.edu). (Please use complete addresses).

[Back to Contents Page](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Report of the President

D. Scott Showalter



Thank you to the many volunteers that make the Auditing Section a great place to call home. From committee members, moderators, journal editors, officers, presenters, committee chairs, program chairs, discussants, strategic initiative leaders, papers reviewers, and volunteers that do whatever is asked, these are the individuals who make it great for everyone. If you think about it, that covers just about everyone in the Section. Roger Martin, VP-Academic, recently sent a request for committee volunteers for next year; continuing a long tradition of service, I am confident he received a good response.

What all these members have in common is that they are all working toward implementing our mission *“To further the discipline and profession of auditing and assurance services through education, research, and research.”*

To achieve our mission, we initiated five strategic initiatives:

- Data and Research Fulfillment
- Respect, Voice, and Strategic Relationships
- Membership, Growth, and Involvement
- Education Fulfillment
- Governance and Structure

For the remainder of my letter, I will share some Section’s activities directed toward achieving our strategic initiatives.

Data and Research Fulfillment

Journals

Both of our journals continue to be strong with record submission for both journals. At the

INSIDE

Features

[Summary of 2012 Auditing Section Conference](#)

[2012 Auditing Doctoral Consortium](#)

[2012 Distinguished Service in Auditing Award](#)

[2012 Auditing Section Innovation in Auditing and Assurance Education Award](#)

[2012 Notable Contributions to the Auditing Literature Award](#)

[2012 Outstanding Dissertation Award](#)

[2012 Outstanding Accounting Educator Award](#)

Executive Committee meeting in Savannah, GA, the EC approved a 5th special edition of *Auditing: A Journal of Practice & Theory* to publish the synthesis papers being prepared for the PCAOB. Senior Editor Robert Knechel has also announced a call for papers for 5 separate Research Forums during 2012. Additionally, *Current Issues in Auditing* added a new section on practice summaries and will begin accepting teaching-related articles specific to practice issues.

Webinars

Thanks to the financial support of Ernst & Young, the Section will host two webinars this spring. Under the leadership of Rick Lillie and Sridhar Ramamoorti, the Vice-Chairs of CPE for the Education and Research Committees, respectively, the first webinar will be hosted on April 20 from 1:00 to 2:00pm EDT and the second webinar will be hosted on May 4 from 1:00 to 2:00pm EDT. Each webinar program will qualify for CPE. The April webinar will be conducted by representatives from the Public Company Accounting Oversight Board and cover potential research topics. The May 4th webinar will cover the proposed changes to COSO's Internal Control-Integrated Framework. Special thanks to Ernst & Young for providing the significant financial support for our spring webinars!

Respect, Voice, and Strategic Relationships

Auditing Standards Committee

Chair Keith Jones and the Auditing Standards Committee continue to let our voice be heard to the standards setters. Through the first half of the year, the committee issued responses to five exposure drafts.

PCAOB

Under the leadership of Steve Glover, the section assembled 13 academic teams in the fall 2011 to prepare papers synthesizing published academic research on 13 requested topics. The papers were delivered to the PCAOB in early 2012. As well as influencing the standard setting process, the papers will serve as a basis for a special edition of AJPT previously mentioned.

Membership, Growth, and Involvement

2012 Midyear Conference and Doctoral Consortium

Records all around were broken during this year's Midyear Conference and Doctoral Consortium. Attendance was up by one-third for the conference, paper submissions for the conference were up 40%, and attendance at the Doctoral Consortium was an all-time high. Both events were held in Savannah, GA. Although it got a little chilly as the meeting progressed, the city was a great host.

Thanks to the Conference Planning Committee for a great program, highlighted by plenary

[Section Financial Statements](#)

[ASB Update](#)

[PCAOB Standards Update](#)

[GAO Update](#)

[Publication Highlight: **Current Issues in Auditing**](#)

Calls and Announcements

[20th Symposium on Auditing Research](#)

[Call for Submissions 2013 Auditing Section Conference](#)

[22nd Audit & Assurance Conference – British Accounting & Finance Association](#)

[17th Annual Ethics Research Symposium](#)

speakers Jay Hanson, PCAOB board member, and Harry Markopolos, Madoff whistleblower. Hats off to the Committee Co-Chairs Joe Brazel and Keith Jones for a job well done. Joe and Keith were assisted by Vice-Chairs Jackie Hammersley and Linda Myers, who will Co-Chair the 2013 Midyear Conference. With the record paper submissions they were very busy—great job! As I mentioned in my first paragraph, many thanks to everyone who volunteered in any one of the numerous conference roles to support the success of the meeting. Next year's Midyear Conference will be held in New Orleans on January 18-19.

Likewise, with record attendance, Jean Bédard did an outstanding job as Doctoral Consortium Coordinator. Jean was assisted by Robert Knechel, Vice-Coordinator, and next year's Coordinator. The purpose of the Doctoral Consortium is to stimulate student's research by exposing them to the latest ideas from leading researchers in auditing, and by providing opportunities for networking with other Ph.D. students, established auditing researchers, and journal editors. Thanks to all the researchers and editors for your contribution to a successful consortium.

The Section is most appreciative for the continued support from the KPMG Foundation for the Midyear Conference and the Doctoral Consortium. Thank you KPMG Foundation!

Education Fulfillment

Audit Educator's Bootcamp a Sell Out

Once again the Audit Educator's Bootcamp sold out in a few weeks. The fourth bootcamp will be held in the offices of Ernst & Young in Chicago on June 19-21. Many thanks to Frank Buckless and Christine Earley for developing and leading this year's bootcamp. We are also grateful to Ernst & Young for hosting us this year.

2012 Audit Education Workshop

In conjunction with the 2012 Midyear Conference, almost 60 members attended the Audit Education Workshop that was held the day before the Midyear Conference began. Urton Anderson coordinated this year's workshop. Mark Beasley and Paul Walker shared best practices for incorporating enterprise risk management into a curriculum, Thomas Weirich demonstrated an inventory observation case (including videos) that he uses in the classroom and Veronica Johnson and Margaret Christ shared tools for introducing internal auditing into a financial auditing class. Thanks to IDEA Data Analysis Software and Audit Analytics for sponsoring the workshop.

Governance and Structure

By-laws Proposals Passed

Our proposed by-laws changes were supported by 98% of the members voting. The by-laws were amended to bring them in compliance with the AAA by-laws changes that were voted into effect in 2011 and to make some minor housekeeping changes. Thank you for

[PDF Version of Newsletter
\(for printing\)](#)

[Auditor's Report Archive](#)

[Auditing Home Page](#)

Summer 2012 Issue Deadline

The deadline for material to be included in the Summer 2012 issue of *The Auditor's Report* is June 20, 2012. 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 incoming Editor at the address below by May 30, 2012, to ensure timely publication of the issue:

Gary Peters, Editor
Sam M. Walton College of Business
Department of Accounting
University of Arkansas
Business Building 448
1 University of Arkansas
Fayetteville, AR 72701-1201
gfpeters@walton.uark.edu

voting.

New Officers

You elected the following new officers who will join the Executive Committee in August 2012:

VP Academic: Mark Taylor, Case Western Reserve University
VP Practice: Darrel R. Schubert, Ernst & Young
Secretary: Jacqueline Hammersley, The University of Georgia
Council Representative: Audrey Gramling, Kennesaw State University

We appreciate each new officer's willingness to serve and thank the outgoing officers for their significant contribution to the Section. During the Midyear Conference, I announced that Larry Rittenberg was stepping down as Historian upon his retirement. Many thanks to Larry for all the service he has provided to the Section. Mark Beasley has agreed to be our next Historian. Best wishes to Larry and thank you Mark.

As with any academic year, the year has flown by and we will be in Washington DC participating in the AAA Annual Meeting before you know it. This year's meeting will be held on August 4-8. Our section's meeting Director is Marsha Keune with Co-Directors Chan Li and Mark Zimbelman. They are assembling a great program; please join us at the meeting and for the Auditing Section luncheon on August 6th. We are attempting to take advantage of our location and get a luncheon speaker from the Washington DC area. Stay tuned for details.

Thanks for a great year and see you in Washington DC.





**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Summary of 2012 Midyear Auditing Conference Savannah, Georgia

By Keith Jones (George Mason University) and
Joe Brazel (North Carolina State University)

The Midyear Conference in Savannah, Georgia was a great success and set a new attendance record. We express our gratitude to the Conference Planning Committee for organizing a great program. The Committee Co-Chairs were Joe Brazel and Keith Jones. Joe and Keith were assisted by Jackie Hammersley and Linda Myers, who will Co-Chair the 2013 Midyear Conference. We also appreciate all of you who served as panel members, presenters, moderators, discussants, and reviewers for the conference. Next year's Midyear Conference will be in New Orleans, January 17-19, 2013.

Immediately prior to the Midyear Conference, the Auditing Section hosted a Doctoral Consortium and Audit Education Workshop. Both were well attended and very successful. The purpose of the Doctoral Consortium is to stimulate students' research by exposing them to the latest ideas from leading researchers in auditing, and by providing opportunities for networking with other Ph.D. students, established auditing researchers, and journal editors. We would like to thank Jean Bédard who served as the Doctoral Consortium Coordinator.

The Audit Education Workshop focused on how to model and teach integrity in the classroom. We express appreciation to Urton Anderson who served as Coordinator of the Audit Education Workshop; as well as IDEA – Data Analysis Software and Audit Analytics for sponsoring the workshop.

The Section is most appreciative to the continued generous support of the KPMG Foundation for their generous financial support of our Midyear Conference and the Doctoral Consortium. Thank you KPMG Foundation!





[Back to Contents Page](#)

[Next](#)



American
Accounting
Association

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Report on the 2012 Auditing Doctoral Consortium

By Jean Bédard

The 2012 Auditing Section Doctoral Consortium in Savannah was attended by 70 students from 37 universities. Five of the attendees were from non-U.S. schools. Jean Bédard (director) and Robert Knechel (assistant director) planned the program. The programs included a mix of methodological method sessions, Panels, small group meetings with presenters and students, and breakout sessions in which students and faculty could get to know one another.

The Consortium theme for 2012 was "Researching Auditing for Impact". Twelve highly regarded faculty members including four from non-U.S. schools shared their insights with the students. The methodological talks focused on archival studies and experimental studies in auditing. There were three panels focusing on early career advice, advice on publishing and the interplay of research, standard setting, and regulation. The small group meetings were designed to allow participants to ask questions and receive advice from faculty members who work in their areas of interest. The consortium was widely regarded as a success. Robert Knechel will plan the 2013 consortium.





American
Accounting
Association

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 Distinguished Service in Auditing Award



Dr. Douglas R. Carmichael recently received the 2012 Distinguished Service in Auditing Award. This award recognizes individuals who have made significant contributions to the profession, the Auditing Section, and scholarship.

The 2012 selection committee members were Bill Felix (University of Arizona), John Fogarty (Deloitte), Jane Kennedy (University of Washington), and chair Walt Conn, KPMG LLP.

Dr. Carmichael was recognized for his outstanding contributions to audit standard-setting, auditing research, education, practice, and literature throughout his distinguished career.

He has played a major role and made significant contributions to the development and communication of auditing standards over the last 40 years, in a career highlighted by leading standard-setting for both the AICPA and the PCAOB. In 1969, he left his position on the faculty of UT-Austin to begin working at the AICPA. He moved through

a series of positions including, among others, Auditing Research Consultant, Director of Technical Research, Vice President of Technical Services, and Vice President of Auditing.

Dr. Carmichael was appointed the first Chief Auditor of the PCAOB in 2003. As Chief Auditor, he led efforts to strengthen standards for auditors of public companies, including development of the first standards for integrated audits.

Throughout his career, Dr. Carmichael has consistently worked to enhance the role of research in the setting of auditing standards and in practice. While he was in the top auditing standards position at both the AICPA and the PCAOB, he created or oversaw the position of Director of Auditing Research for both organizations.

Dr. Carmichael served as a faculty member directly involved in auditing education for a large portion of his career, currently serving as the holder of the Claire and Eli Mason Professorship in Accountancy at Baruch College.

He has done extensive consultation and expert witness work related to the interpretation and application of auditing standards. He also has authored or co-authored over 30 books, many of them widely used as audit guides for practitioners. In addition, he has authored approximately 100 articles and approximately 200 papers or lectures, and has served in a number of editorial and reviewer roles.

He received a B.S., M.A.S, and PhD from the University of Illinois.

[Back to Contents Page](#)

[Next](#)



American
Accounting
Association

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 Innovation in Auditing and Assurance Education Award



The Auditing Section established the Innovation in Auditing and Assurance Education Award in 2002-2003 to encourage innovation and improvement in auditing and assurance education. The Award's "Call for Nominations" states, "The award will recognize a significant activity, concept, or materials. The criteria used to judge the submissions include, but are not necessarily limited to: 1. innovation, 2. educational benefits, and 3. adaptability to other educational institutions or to other situations."

The 2012 award was presented to Professor Fred Phillips, University of Saskatchewan. His nomination and selection was based, in general, on an extensive body of pedagogical research in auditing and numerous instructional cases published in *Issues in Accounting Education* and elsewhere, including the following case, in particular:

Fred Phillips and Brandy Mackintosh. "Wiki Art Gallery, Inc.: A Case for Critical Thinking." *Issues in Accounting Education* 26 (3): 593-608.

Wiki Art Gallery (WAG) is a privately-held for-profit art gallery in which a co-owner, who is a client, is preparing to

purchase another co-owner's shares at a price based on recent financial performance. WAG's financial statements reflect a variety of accounting judgments for students' consideration of relevant valuation issues. This case might appropriately be incorporated into financial accounting courses, as well as auditing and assurance courses.

The 2011-2012 Innovation in Auditing and Assurance Education Award Committee was comprised of Tim Bell, University of North Florida; Paul Copley, James Madison University; Mark Kohlbeck, Florida Atlantic University; and (4) Don Tidrick, Northern Illinois University, Committee Chair. The Committee salutes Fred Phillips and our colleagues in the Auditing Section for a commitment to excellence and innovation in auditing education.

[Back to Contents Page](#)

[Next](#)

2012 Notable Contribution to the Auditing Literature Award



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 Rich Houston, University of Alabama, Jordon Lowe, Arizona State University, Kenny Reynolds at Florida State University, and David Williams at Ohio State as Committee Chair. As 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, and the winner was:

Jeffrey Cohen, Ganesh Krishnamoorthy, Arnold Wright, "Corporate Governance and the Audit Process" (Contemporary Accounting Research, 2002)

This paper was among the first to do an in-depth analysis of corporate governance, an emerging area that has

produced a significant and meaningful field for auditing researchers. In addition, the area of corporate governance is of major importance to the profession as well as regulators. The manuscript relied on semi-structured interviews of auditors, which provided insights into actual management decisions dealing with important topics such as audit risk assessments, new client acceptance decisions, and the auditor's view of the audit committees' role in establishing strong governance mechanisms. With over 200 citations, this manuscript was considered to make a lasting contribution to the area of auditing research.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 Auditing Section Outstanding Dissertation Award



Jeremy Griffin, at the University of Notre Dame, who completed his Ph.D. at The University of Georgia, received the 2012 Auditing Section Outstanding Dissertation Award for his dissertation entitled "The Effects of Uncertainty and Disclosure on Auditors' Fair Value Materiality Decisions." The award was accompanied by a cash prize of \$2,500. Michael Bamber (University of Georgia) was also recognized for his service as Jeremy's dissertation chair.

Awards Committee: Ken Trotman (Chair) (University of New South Wales), Mark Beasley (North Carolina State University), Brad Pomeroy (University of Illinois at Urbana-Champaign) and Ann Vanstraelen (Maastricht University) served on the selection committee for this award.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 Auditing Section Outstanding Dissertation Award



It is a great honor and pleasure to announce and introduce this year's recipient of the outstanding auditing educator.

Nominators mentioned, her AAA involvement from serving in leadership positions, to award committees, and conference organizer.

They commented on her international reputation and presence on prestigious panels at important conferences. Her outstanding publication record in auditing research addressing important research issues, which is well cited. It is not only the quantity and quality of her audit research that makes her an outstanding educator, it is her pure enthusiasm for research and her mentoring of young scholars that are important qualifications for an outstanding auditing educator.

"Jean Bedard has an outstanding publication record in auditing research. She has published over 50 auditing papers in leading journals, in particular, *The Accounting Review* (6 papers) and *Auditing: A Journal of Practice & Theory* (11 papers). Add to this, papers in *Journal of Auditing Research*, *Contemporary Accounting Research*, *Behavioral Research in Accounting*, *Accounting Horizons* and *Journal of Accounting Literature* and it is a very impressive record."

“Her AAA activities that contribute to this outstanding educator tag include VP-Publications/Executive Committee, heading the research synthesis team on audit firm quality control and chairing the Wildman award committee. Her international presence is evidenced by invitations to be on an ICAEW panel coming up at the annual meeting and a panel at EARnet at their meeting in Norway this fall. She has organized two ABO conferences and been associate editor of *Auditing: A Journal of Practice & Theory*.”

I reached out to one of Jean’s co-authors and former PhD Students Karla Johnstone and I know there are many many more who would provide similar comments. Karla provided permission for me to quote some of her comments:

“Jean is deserving of this award because:

* Jean has made a significant difference to the lives of the PhD students that she has worked with, in a way that goes beyond just a good working relationship. She is a mentor that cares deeply about developing her students, both personally and professionally. She is someone that knows how to teach the process of research, from idea generation to writing style to understanding incremental contribution, to dealing with the myriad complexities of the review process. Jean is patient and willing to take the time necessary to develop her students by consistently modeling excellence in these areas.

* I have turned to Jean countless times during my career to gain her perspective about complex issues and she has always been generous with her time and has always provided me with thoughtful, ethical insights.

* One of the best parts of our job as researchers is that we can choose what we want to research, and who we want to co-author with. Jean has been to me the best co-author that anyone could ever hope to have. She is an incredibly hard worker and always keeps a positive attitude no matter the obstacles that we have faced together. I always look to Jean for a “lift” and a positive spin on even the most frustrating of review comments!

* From a personal perspective, Jean has been a true friend over the years. It is rare to find a great co-author that turns into a person that you can share your personal ups and downs with, and I have found that in Jean. I’ve known Jean since 1993 when she interviewed me for the PhD program at the University of Connecticut, and she has patiently and kindly helped me navigate all the changes in my personal and professional life since then. I know I am not alone -- there is a large group of my fellow PhD students and other young researchers here today that are close colleagues and friends of Jean -- and she has given of herself in a way that has helped each of these people excel beyond what they could have without her. I know they will all agree with me that Jean is truly deserving of this award and is the exemplar of an Outstanding Educator.”

Jean C. Bedard is the Timothy B. Harbert Professor of Accountancy at Bentley University. In addition, she is a Professorial Visiting Fellow at the University of New South Wales, and an Extramural Fellow at the Maastricht Research School of Economics of Technology and Organizations, Maastricht University. Professor Bedard’s main research interest is in improving audit quality, at both the audit firm and individual auditor levels. Topics she has studied include analytical procedures, risk assessment, audit planning, client portfolio management, and the effects of using information technology in the audit process. Her research is published in *The Accounting Review*, *Journal of Accounting Research*, *Management Science*, *Auditing: A Journal of Practice & Theory*, *Behavioral Research in Accounting*, as well as a number of other scholarly and professional journals. Her primary teaching interests are financial reporting and auditing, and she has taught at the undergraduate, Masters and doctoral levels. Professor Bedard has served as Vice President-Publications of the American Accounting Association (AAA), and has also served the AAA’s Auditing Section as President, Secretary and Historian. Other service activities for the AAA include chairing the Deloitte Wildman Award Committee, and serving on the Nominations and Publications Committees. She was also Research Coordinator for the AAA’s Accounting, Behavior and Organizations Section, and co-coordinated that Section’s 1998 and 2008 Research Conferences. Professor Bedard’s work experience outside academia includes public accounting and management of public health services.

Previous Award Recipients Listed on the website, but here are the last 5-6 years, as you can see it is a very prestigious list.

2005-2006 (MYM 2006)
Jane Mutchler, Georgia State University

2006-2007 (MYM 2007)
Larry Rittenberg, University of Wisconsin at Madison

2007-2008 (MYM 2008)
Michael Gibbons, University of Alberta

2008-2009 (MYM 2009)
Stanley F Biggs, University of Connecticut
William F. Messier, Jr., University of Nevada, Las Vegas

2009-2010 (MYM 2010)
Arnold Wright, Northeastern University

2010-2011 (MYM 2011)
Jere Francis, University of Missouri

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

2012 American Accounting Association - Auditing Section

Statement of Cash Receipts, Disbursements, and Cash Balance for Year Ended August 31, 2009, Nine Months Ended May 31, 2010, Year Ended May 31, 2011, and Seven months Ended 12/31/2011. (Note 1)

Receipts	9/1/08- 8/31/09 (one Year)	9/1/09- 5/31/10 (9 months)	6/1/2010- 5/31/2011 (one year)	6/1/2011- 12/31/11 (7 months)
Membership Dues (Note 2)	\$45,115.00	\$22,491.00	\$44,506.00	\$36,702.00
Journal Subscriptions	42,188.78	31,403.44	29,714.15	17,370.00
Publications Sales/Royalties	3,027.71	45.80	2,450.22	1,879.34
Journal Submission Fees (AJPT and CIA)	7,400.00	5,950.00	9,875.00	8,025.00
Reimbursements/Contributions (Note 3)	30,500.00	30,500.00	32,500.00	2,000.00
Annual Meeting Lunch Fees/Deferred Rev	0.00	3,480.00	10,611.00	6,075.00
Bootcamp Registration Fees	11,000.00	16,350.00	13,825.00	0.00
Mid-Year Meeting Registration	40,520.00	45,290.00	47,165.00	53,215.00
Interest Income	692.80	7.08	0.00	0.00
Total Receipts	\$180,444.29	\$155,517.32	\$190,646.37	\$125,266.34
Disbursements				
AJPT Printing	\$19,331.16	10,971.03	22,147.16	\$5,893.00
AJPT Distribution	11,606.52	5,734.55	19,059.88	5,136.13
AJPT Professional Support and Editor Discretionary	24,000.00	18,000.00	15,000.00	15,000.00
AJPT AAA Editorial Support	20,609.00	23,458.00	27,750.00	21,053.00
AJPT Postage and Other	309.85	645.07	126.35	44.03
CIA Expenses	1,185.20	25.00	10.84	0.00
Newsletter	2,918.00	0.00	0.00	0.00
Mid-Year Meeting and Doctoral Consortium	93,067.44	126,561.57	79,835.60	6,229.26
Boot Camp Expenses	10,397.99	0.00	15,287.00	14,982.28
Annual Meeting Audio Visual Costs	0.00	0.00	0.00	42.01
Annual Meeting Luncheon Costs	4,674.52	0.00	9,406.12	9,020.47
Awards & Student Memberships	5,324.30	5,203.00	5,583.75	4,610.00
Committee Expenses	1,177.81	0.00	5,234.80	1,277.64
Web Services (webinars)	4,045.43	3,339.31	2,663.17	120.44
Credit Card, Postage and Miscellaneous	4,448.52	5,105.04	4,225.15	3,522.06
Strategy Planning meeting	-	-	2,000.00	0.00
Consulting Fee	0.00	10,065.00	20,386.80	0.00
Total Disbursements	\$203,095.74	\$209,107.57	\$228,716.62	\$86,930.32
Cash Increase (Decrease)	\$(22,651.45)	\$(53,590.25)	\$(38,070.25)	\$38,336.02
Beginning Cash Balance	292,124.82	269,473.37	215,883.12	\$177,874.87
Adjustment to eliminate difference previously carried forward (Note 4)			\$62.00	

Cash Increase (Decrease)	\$(22,651.45)	\$(53,590.25)	\$(38,070.25)	\$38,336.02
Beginning Cash Balance	292,124.82	269,473.37	215,883.12	\$177,874.87
Adjustment to eliminate difference previously carried forward (Note 4)			\$62.00	
Ending Cash Balance	\$269,473.37	\$215,883.12	\$177,874.87	\$216,210.89

Notes:

1. This Statement of Cash Receipts, Disbursements, and Cash Balance was compiled from the monthly financial reports received from the American Accounting Association national office.
2. As of December 6, 2011, the section had a total of 1,633 members (1,280 U.S. and 353 international). As of May 31, 2011, the section had a total of 1,577 members (1,228 U.S. and 349 international), including 1,337 full members and 240 associate members. As of May 31, 2010, the section had a total of 1,751 members (1,343 U.S. and 408 international), including 1,499 full members and 252 associate members. As of August 31, 2009, the section had a total of 1,529 members, including 1,312 full members and 217 associate members. Of these, 1,180 resided in the United States and 349 resided outside the United States.
3. Receipts for the full year ended August 31, 2009 and the 9 months ended May 31, 2010 represent contributions to the Section from KPMG for costs related to the 2009 and 2010 Mid-year Conferences and Doctoral Consortiums. Receipts for the full year ended May 31, 2011 represent a contribution to the Section from KPMG for costs related to the 2011 Mid-Year Conference and Doctoral Consortium as well as a \$2,000 contribution from Audimation Services Inc. (co-sponsor of Integrity CPE session at Mid-year Conference).
4. There existed for several years a \$62.00 unresolved difference between the Section's ending cash balance and the American Accounting Association national office. Karla Johnstone made this adjustment to resolve the difference.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Auditing Standards Board Update - March 2012

Kay W. Tatum - Associate Professor of Accounting
School of Business Administration
University of Miami
Coral Gables, FL

This update marks the first update that I will provide as a member of the ASB. I am honored to serve as the ASB's academic member. My first official meeting was the ASB's meeting in San Juan, Puerto Rico on January 10-12, 2012. In preparation for my first meeting, I observed the ASB's October 25-26, 2011 meeting that was held in New York, NY.

October 2011 Meeting

Table 1 presents for the October 2011 meeting, the Proposed SASs, Task Force Chairs who presented the Proposed SASs, and the outcomes of the deliberations.

Table 1. Proposed SAS, Task Force Chair, and Outcome		
October 2011 ASB Meeting		
Proposed SAS	Task Force Chair or Discussion Leader	Outcome
<i>Alert as to the Intended Use of the Auditor's Written Communication</i>	Phil Wedemeyer	Voted to ballot as final SAS.
<i>The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern</i>	Brian Richson	Voted to ballot as exposure draft.

For the first item in Table 1, *Alert as to the Intended Use of the Auditor's Written Communication*, the Task Force had been charged to integrate several proposed changes at a previous ASB meeting. Phil Wedemeyer presented the ASB with the revised draft and led a paragraph-by-paragraph discussion of the document. Afterwards, the ASB voted the proposed SAS as final. The SAS is effective for auditor's written communications related to audits of financial statements for periods ending on or after December 15, 2012.

As to the second item in Table 1, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, Brian Richson led the discussion of the Task Force's work on the proposed SAS since the meeting during which it was last discussed. After further consideration, the ASB voted to ballot the proposed SAS for issuance an exposure draft. The comment period ended February 15, 2012. The proposed standard is a clarity redraft of SAS No. 59 so that it is consistent with the format of the other clarified SASs that were recently issued as SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*. The ASB will address convergence of the proposed SAS with International Standards on Auditing 570, *Going Concern*, and other significant issues involving going concern in a later project.

The October meeting concluded with a discussion about the joint meeting of the ASB's Auditing Issues Task Force with the FASB that was scheduled for the next day, October 27. Topics on that meeting's agenda included management's responsibility to assess the entity's ability to continue as a going concern and the meaning of "auditability."

January 2012 Meeting

Darrel Schubert, ASB Chair, opened the meeting by welcoming six new members. They are: Jennifer Haskell—partner in Deloitte & Touche

LLP's Professional Practice Network, Barbara Lewis—audit director with Atkinson & Co., Ltd., Carolyn McNerney—co-director of assurance services at SS&G, Don Pallais—who has his own national practice in Richmond, VA., Mike Santay—partner in charge of auditing standards in the National Professional Standards Group of Grant Thornton LLP, and myself. A list of the 2011-2012 board is available at <http://www.aicpa.org/Research/Standards/AuditAttest/ASB/Pages/ASBbiography.aspx>.

The ASB's Attestation Recodification Task Force presented to the ASB for the first time at the Puerto Rico meeting. The Task Force's charge is to revise the attestation standards for clarity and international convergence, beginning with AT 101, *Attest Engagements*. The Task Force is using the exposure draft of International Standard on Assurance Engagements 3000, *Assurance Engagements Other Than Audits or Review of Historical Financial Statements*, as a base for its work. Don Pallais, Chair of the Attestation Task Force, skillfully led a three-hour discussion about the attestation standards project. The board provided the Task Force guidance on several issues. In addition, the board agreed that the attestation revision should incorporate concepts found in the risk assessment standards.

The Strategic Planning Task Force also reported to the ASB for the first time at the Puerto Rico meeting. Formed in 2011, the Task Force's objective is to formulate and draft a strategic plan acceptable to the Auditing Standards Board. The plan will shape the Board's agenda over the next three to four years. To obtain views from its constituents about what the ASB's objectives and activities should be during that period, the Task Force developed a survey that was posted on the AICPA Audit and Attest website and sent to a variety of constituents, including CPAs, Regulators, state societies, members of academia, and standard setters. The survey solicited comments about: (1) the ASB's mission, (2) areas of audit or attestation risk for which new or revised standards are needed, (3) potential ASB projects, (4) international harmonization of standards, (5) guidance and communication, (6) auditing smaller, less complex entities and responding to the needs of small and medium practices, and (7) minimizing differences between ASB and PCAOB standards. The ASB received over 200 responses to the survey, including one from the Audit Section. The Task Force will submit a draft report to the ASB for review and request approval at the ASB's May meeting.

Future Meetings

The ASB's next meeting will be in Boston, MA on May 1-3, 2012. Previous and future meeting highlights, as well as the dates of future and past meetings of the ASB can be found at <http://www.aicpa.org/research/standards/auditattest/asb/pages/asbmeetingmaterialsandhighlights.aspx>.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

PCAOB Update

By [Martin F. Baumann, Gregory Scates, and Dima Andriyenko¹](#)

Introduction

This Update addresses selected PCAOB developments since the Fall 2011 Update that are likely to be of interest to accounting and auditing researchers, educators, and students. The developments discussed include:

- Sanctions Against an Audit Partner and Registered Firm;
- Cooperative Agreements;
- Annual International Auditor Regulatory Institute;
- Standing Advisory Group (SAG) Meeting;
- Announcement of SAG Members;
- Staff Audit Practice Alert;
- Reproposal of Auditing Standard Related to Communications with Audit Committees;
- Announcement of Public Meeting on Auditor Independence and Audit Firm Rotation;
- Appointment of New Board Member;
- Announcement of Settled Disciplinary Order; and
- Proposed Auditing Standard on Related Parties and Amendments Related to Significant Unusual Transactions.

October 2011

Sanctions Against an Audit Partner and Registered Firm: On October 13, 2011, the PCAOB announced that it had permanently barred a Denver-based audit partner and permanently revoked the registration of a registered public accounting firm because of the audit partner's participation in audits while subject to a previous PCAOB bar.

The PCAOB's Chief Hearing Officer found that Samuel D. Cordovano, CPA, violated the Sarbanes-Oxley Act and PCAOB rules when he willfully became or remained associated with a registered public accounting firm after he was barred from doing so by a December 2008 PCAOB settled disciplinary order.

In addition, the Hearing Officer found that, after being barred from association, Cordovano participated in significant activities relating to the audits of four issuer clients of his firm, including advising audit team members on important accounting and auditing issues. The decision noted that Cordovano's firm, Cordovano and Honeck, LLP removed Cordovano from overt participation in the Firm's audits of issuers while allowing

Cordovano to remain involved in the audits behind the scenes.

A copy of the Hearing Officer's decision is available on the PCAOB web site at: http://pcaobus.org/Enforcement/Adjudicated/Documents/Cordovano_and_Honeck.pdf.

Cooperative Agreements: During the fall of 2011, the PCAOB announced cooperative agreements with the Israel Securities Authority (October 31, 2011); the Netherlands Authority for the Financial Markets (December 5, 2011); and the Dubai Financial Services Authority (December 20, 2011). These agreements authorize the PCAOB and the respective regulatory authority to exchange confidential information, consistent with the provisions of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. The PCAOB also announced that it entered into a cooperative agreement with the Financial Supervisory Commission of Taiwan (November 18, 2011) for the oversight of auditors that practice in both of the regulators' respective jurisdictions. Although the agreement with Taiwan does not provide for the exchange of confidential information, it strengthens ties between the two sides so that they may work more closely together.

November 2011

Annual International Auditor Regulatory Institute: From October 31 to November 2, 2011, the PCAOB held its fifth annual International Auditor Regulatory Institute. Seventy-seven representatives of auditor oversight bodies and government agencies from 36 countries convened in Washington, D.C., to exchange views on issues that have an impact upon the oversight of auditors.

The Institute included a panel of senior audit regulators from Canada, France, Germany, Japan, The Netherlands, Singapore, Switzerland, and the United Kingdom. In addition, PCAOB inspectors conducted an interactive session on inspection case studies. Participants also heard about the structure of PCAOB audit oversight programs, international inspection considerations, and current topics in enforcement and standard setting.

Standing Advisory Group (SAG) Meeting: On November 9-10, 2011, the Board's SAG held its second meeting of the year. The meeting agenda included: an update from the Office of Chief Auditor (OCA) on its standard-setting agenda and other related developments and OCA *staff-led discussions on (1) the Board's concept release on auditor independence and audit firm rotation, (2) proposed amendments for improving the transparency of audits, (3) comments received regarding the Board's concept release and roundtable on the auditor's reporting model, and (4) activities of the Pricing Sources Task Force.* Additionally, the SAG also discussed the auditor's consideration of an entity's ability to continue as a going concern, as well as year-end audit risk and financial reporting issues.

The meeting materials, including the agenda, briefing papers, slides, and meeting webcast and podcast are available on the PCAOB web site at: http://pcaobus.org/News/Events/Pages/11092011_SAGMeeting.aspx.

Announcement of SAG Members: On November 29, 2011 the PCAOB announced 28 new and re-appointed members to its SAG. The Board expanded the size of the advisory group and increased SAG members' terms from two years to three years. This brings the total SAG membership to 42.

The longer term allows the PCAOB to benefit from the insight and advice of the SAG members for a longer period of time and will bring the SAG member terms in line with the terms of the Board's Investor Advisory Group. Initially, individual SAG terms will be staggered to allow a greater continuity of membership.

A list of SAG members, including their biographies, is available on the PCAOB web site at: <http://pcaobus.org/Standards/SAG/Pages/Current.aspx>.

December 2011

Staff Audit Practice Alert: On December 6, 2011 the PCAOB published Staff Audit Practice Alert No. 9, *Assessing and Responding to Risk in the Current Economic Environment* (Practice Alert No. 9), to assist auditors in identifying matters related to the current economic environment that might affect the risk of material misstatement in financial statements and, therefore, require additional audit attention.

Practice Alert No. 9 updates Staff Audit Practice Alert No. 3, *Audit Considerations in the Current Economic Environment* (Practice Alert No. 3), which was issued in December 2008. Many of the matters discussed in Practice Alert No. 3 - including fair value measurements, accounting estimates, going concern, and financial statement disclosures - continue to be critical in audits of 2011 financial statements. Certain of the PCAOB standards referenced in that alert regarding assessment of, and response to, risk, however, were superseded by the Board's eight new risk assessment standards (Auditing Standard Nos. 8-15) that became effective in December 2010.

Practice Alert No. 9 is organized into four sections: 1) considering the impact of economic conditions on the audit; 2) auditing fair value measurements and estimates; 3) the auditor's consideration of a company's ability to continue as a going concern; and 4) auditing financial statement disclosures.

A copy of the alert is available on the PCAOB web site at: http://pcaobus.org/Standards/QandA/12-06-2011_SAPA_9.pdf.

Reproposal of Auditing Standard Related to Communications with Audit Committees: On December 20, 2011, the PCAOB repropose for comment an auditing standard, *Communications with Audit Committees*, and other amendments to PCAOB standards. The standard was initially proposed on March 29, 2010.

Like the original proposal, the repropose standard would establish requirements that enhance the relevance and quality of the communications between the auditor and the audit committee. The repropose standard, in addition, would better align the communication requirements with performance requirements in other PCAOB standards, including the implementation of the risk assessment standards (Auditing Standard Nos. 8-15). It also would provide commenters with an opportunity to comment on the standard in relation to the audits of brokers and dealers.

The proposed auditing standard would supersede PCAOB standards AU sec. 380, *Communication With Audit Committees*, and AU sec. 310, *Appointment of the Independent Auditor*, and amend other PCAOB standards. The comment period on the repropose standard closed on February 29, 2012. Comment letters are posted on the PCAOB website at: <http://pcaobus.org/Rules/Rulemaking/Pages/Docket030Comments.aspx>.

A copy of the repropose standard and related amendments is available on the PCAOB web site at: http://pcaobus.org/Rules/Rulemaking/Docket030/Release_2011-008.pdf.

February 2012

Announcement of Public Meeting on Auditor Independence and Audit Firm Rotation: On February 2, 2012 the PCAOB announced that it will host a public meeting to obtain further input on ways to enhance auditor independence, objectivity, and professional skepticism, including through mandatory rotation, or term limits, for audit firms. The meeting will be held on March 21- 22, 2012.

The Board issued a concept release on August 16, 2011, that invited commenters to discuss measures that might meaningfully enhance auditor independence, objectivity, and professional skepticism. The release included a number of questions related to mandatory audit firm term limits, such as whether the PCAOB should consider a firm rotation requirement for audit tenures of more than 10 years, or for the largest issuer audits only.

The public meeting will consist of panel discussions, during which panelists will be invited to present their views on the matters raised in the concept release and the Board will have the opportunity to ask panelists follow-up questions. Panelists will include investors and investor advocates, senior executives and audit committee chairs of major corporations, chief executive officers of audit firms, academicians and other interested parties. The meeting will be held at 1201 15th Street N.W., Washington, D.C. It will be open to the public, and also available via webcast on the PCAOB website.

In addition, on March 7, 2012, the PCAOB announced the panelists and schedule of appearances for its March 21-22 public meeting. In light of the public meeting, the Board is reopening until April 22, 2012 the comment period on the concept release.

The panelists and schedule of appearances are available on the PCAOB web site at: http://pcaobus.org/News/Releases/Pages/03072012_PublicMeeting.aspx.

Appointment of New Board Member: On February 3, 2012, the Securities and Exchange Commission ("SEC") appointed Jeanette M. Franzel to the Board. Her term started on March 5, 2012. With over 20 years of public service, Ms. Franzel most recently served as a Managing Director of the General Accounting Office ("GAO") where she led all aspects of GAO's financial audit oversight of the U.S. federal government. Ms. Franzel also participated in the PCAOB's Standing Advisory Group through GAO's role as an observer. She is a Certified Public Accountant, Certified Internal Auditor, Certified Management Accountant, and Certified Government Financial Manager. She received her bachelor's degree from the College of St. Teresa and holds an M.B.A. from George Mason University. Ms. Franzel replaced Daniel L. Goelzer, one of the founding members and a former interim Chairman of the five-member Board.

The press-release announcing Ms. Franzel's appointment to the PCAOB can be found on the SEC website at <http://www.sec.gov/news/press/2012/2012-24.htm>.

Announcement of Settled Disciplinary Order: On February 8, 2012, the PCAOB announced a settled disciplinary order censuring Ernst & Young LLP ("E&Y"), imposing a \$2 million civil money penalty against the firm, and sanctioning four of its current and former partners for violating PCAOB rules and standards. The \$2 million civil money penalty against the firm is the Board's largest civil money penalty to date.

The order related to three E&Y audits of Medicis Pharmaceutical Corporation, and a consultation stemming from an internal E&Y audit quality review of one of the audits. The Board found that during the audits of Medicis's December 31, 2005, 2006 and 2007 financial statements, E&Y and its responsible partners failed to comply with PCAOB standards in evaluating Medicis's practice of reserving for most of its estimated product

returns at the cost of replacing the product, instead of at gross sales price. The Board also found that, in auditing the company's December 31, 2005 financial statements, E&Y and its responsible partners violated PCAOB standards by accepting the company's basis for reserving at replacement cost when the auditors knew, or should have known, that it was not supported by the audit evidence.

The Board further found that during an internal audit quality review of the December 31, 2005 audit, E&Y personnel who were not associated with the audit identified the rationale as conflicting with both GAAP and E&Y's internal accounting guidance that specifically addressed revenue recognition for sales with rights of return. Rather than appropriately addressing this material departure from GAAP, E&Y and its personnel wrongly decided in an internal consultation that another flawed accounting rationale supported the company's existing practice of reserving for most of its product returns at replacement cost.

The Board also found that E&Y and its responsible partners violated PCAOB standards in auditing the company's new methodology for calculating its year-end product returns reserve estimates for 2006 and 2007. The Board found that they failed to sufficiently audit key assumptions and placed undue reliance on management's representation that those assumptions were reasonable.

A copy of the settled disciplinary order is available on the PCAOB web site at: http://pcaobus.org/Enforcement/Decisions/Documents/Ernst_Young.pdf.

Proposed Auditing Standard on Related Parties and Amendments Related to Significant Unusual Transactions: On February 28, 2012, the PCAOB issued for public comment a proposed auditing standard, *Related Parties*. The proposed standard would improve the auditor's evaluation of a public company's identification of, accounting for, and disclosure about its relationships and transactions with related parties.

The Board also proposed amendments to enhance the auditor's identification and evaluation of a company's significant unusual transactions, which are described as significant transactions that are outside the normal course of business or that otherwise appear to be unusual due to their timing, size or nature. In addition, the Board proposed amendments that, among other things, would improve the auditor's understanding of a company's financial relationships with its executive officers.

The proposed standard would supersede the Board's auditing standard AU sec. 334, *Related Parties*. The proposed amendments would amend other auditing standards, including AU sec. 316, *Consideration of Fraud in a Financial Statement Audit*, and Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement*. Comments on the proposed standard and related amendments are due by May 15, 2012.

A copy of the proposed standard and related amendments is available on the PCAOB web site at:

http://pcaobus.org/Rules/Rulemaking/Docket038/Release_2012-001_Related_Parties.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.



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

GAO Update

By Steve Sebastian and Maxine Hattery

Jeanette Franzel Joins PCAOB

Jeanette Franzel, Managing Director of GAO's Financial Management and Assurance Team has accepted an appointment by the Securities and Exchange Commission to the Public Company Accounting Oversight Board (PCAOB), a nonprofit corporation established by Congress to oversee the audits of public companies.

Ms. Franzel has been a leader in the accounting and auditing profession and is recognized nationally and internationally for her work in auditing standards. She led the development of *Government Auditing Standards* (The Yellow Book) through important revisions in 2003, 2007, and 2011. She served as GAO's auditing standards representative to the International Organization of Supreme Audit Institutions, providing leadership and extensive policy and technical advice in the development of standards for national audit offices around the world. In 2008, she led a team of three audit offices (USA, UK, and Puerto Rico) in the first-ever peer review of Mexico's federal "Supreme Audit Institution."

With 22 years at GAO, including a decade in the Senior Executive Service, Ms. Franzel supervised audits of large, complex agencies with hundreds of billions of dollars as well as for small programs with limited resources. She provided extensive consultation, advice, and testimony preparation for the U.S. House and Senate Banking Committees during the deliberations leading up to the Sarbanes-Oxley Act of 2002. Her leadership of performance and financial audit work included audits of the Consolidated Financial Statements of the U.S. Federal Government, the Internal Revenue Service (IRS), the U.S. Federal Debt, the Federal Deposit Insurance Corporation (FDIC), and the Troubled Asset Relief Program. From 2008 through 2011, Ms. Franzel's team performed oversight of the U.S. government's efforts to help stabilize the financial markets and promote economic recovery.

Ms. Franzel received many GAO Awards in the areas of leadership, achievement, external relations, and integrity, and awards from other organizations as well. In 2006, she received the Arthur S. Flemming Award for distinguished federal service. In 2010, she received the International Achievement Award from the Association of Government Accountants. In 2011, she received GAO's Distinguished Service Award and the AICPA's Outstanding CPA in Government Award.

Ms. Franzel has a B.A. in Accounting and Spanish from the College of St. Teresa as well as an MBA from George Mason University. She also completed the Senior Executive Fellows program at Harvard University. In addition to her CPA, Ms. Franzel has certifications as an internal auditor, management accountant, and government financial manager.

In announcing her February 25 departure, Comptroller General Gene Dodaro said that throughout her career, Ms. Franzel “has demonstrated her outstanding commitment to GAO’s mission and core values, the federal government, and the American public.” He said her “exceptional leadership and dedication in support of GAO’s Financial Management and Assurance team will be greatly missed.”

Steve Sebastian to Lead GAO’s Financial Management and Assurance

Appointed to fill the position of GAO’s Financial Management and Assurance team’s Managing Director is Steve Sebastian, who has led a widely diverse portfolio of financial and performance audit engagements in over 30 years with GAO. Mr. Sebastian joined GAO in 1981 as a student participating in the University of Maryland’s Cooperative Education Program and became a full-time employee upon his graduation in 1983.

Mr. Sebastian’s work has focused on improving financial management practices at a variety of executive and legislative branch entities and government corporations. He led efforts to identify the nature and magnitude of the federal government’s loss exposure from the rising number of financial institution failures during the banking and savings and loan crises of the late 1980s and early 1990s, including assessing the impact on the federal insurance funds covering bank and thrift deposits. This work led to legislation to shore up the insurance funds and to implement a risk-based system for assessing insurance premiums.

His more recent work at FDIC has resulted in significant improvements in internal control and financial management practices as the corporation addresses the impact of the recent economic downturn on the financial institutions industry. Mr. Sebastian has been instrumental in identifying serious deficiencies in internal control and financial management practices at the IRS over the past 15 years. His work has led to the implementation of hundreds of recommendations to improve financial reporting, internal controls, and operational efficiency, which resulted in over \$20 billion in increased tax revenue collections.

In 2007 and 2008, Mr. Sebastian led a major revision to the financial audit methodology used by GAO and the Inspector General community in financial statement audits of government entities. Since 2009, he has led the annual audit of the Federal Housing Finance Agency and, most recently, he oversaw GAO’s first audit of the newly created Consumer Financial Protection Bureau.

Mr. Sebastian has a Bachelors of Science degree in accounting from the University of Maryland. He is a CPA and a Certified Government Financial Manager. He is a member of the Association of Government Accountants, and is on the University of Maryland’s Accounting and Information Assurance Advisory Board.

FY2011 Performance and Accountability Report: A Wide Spectrum of Issues

GAO’s *Performance and Accountability Report* for FY2011 presents the agency’s work and outlines products that cover a wide spectrum of issues, including a first report under a congressional mandate for an annual analysis of duplication, overlap, cost-saving opportunities, and revenue enhancements in federal government programs. The biennial High Risk report was issued, calling attention to opportunities for cost savings and improvements in federal agency and program management. We issued several products on the impact of the Dodd-Frank Wall Street Reform Act on mortgages, securities markets, financial institutions, the Federal Reserve, and consumer protection and products related to health insurance reform. We also reported and testified on the Department of Homeland Security’s progress and challenges 10 years after 9/11. We continued to report the results of our work related to the Troubled Asset Relief Program and the American Recovery and Reinvestment Act. Finally, we updated our “Yellow Book” on government auditing standards to reflect recent developments in the accountability profession.

GAO received an unqualified opinion from independent auditors on its financial statements for fiscal year 2011 and began to implement the Government Performance and Results Modernization Act of 2010, which updates the 1993 act by requiring more-frequent reporting and reviews (quarterly instead of annually) to increase the use of performance information in program decision-making. GAO documented \$45.7 billion in financial benefits for the federal government—a return of \$81 for every dollar invested in GAO— and 1,318 other benefits in broad program and operational areas cutting across the government.

Senior GAO officials testified at 174 congressional hearings, and we expanded its public outreach with a pilot e-report formatted for faster and easier Internet access and pages in Facebook and Flickr.

GAO's third triennial peer review this year covered financial and performance audits. The international team of GAO counterparts at national audit institutions gave GAO a clean opinion and identified a number of good practices that should interest other audit offices, as well as suggesting changes for GAO to consider in further strengthening our products.

[*Fiscal Year 2011 Performance and Accountability Report*](#), *GAO-12-4SP*, Nov 15, 2011

[*Summary of GAO's Performance and Accountability Report Fiscal Year 2011*](#), *GAO-12-5SP*, Jan 26, 2012

High-Risk Series: An Update, [*GAO-11-278*](#), February 2011

[*Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*](#), *GAO-12-342SP*, Feb 28, 2012

GAO's Electronic Approach to Product Distribution Adds Another App
GAO continues to expand its use of electronic publishing and communication. In September, GAO's David Gootnick, a Director in GAO's International Affairs and Trade team, testified on industry and employment in

To access this report electronically, scan this QR code.

Don't have a QR code reader? Several are available for free online.



American Samoa and the Commonwealth of the Northern Mariana Islands before a congressional subcommittee (the Fisheries, Wildlife, Oceans, and Insular Affairs Subcommittee, House Natural Resources Committee) while reporters and observers with smart phones were able to scan the QR code on the cover of his printed testimony and gain instant electronic access to the text and graphics.

Additions to GAO's online Video Gallery include Comptroller General Gene Dodaro's testimony before the House Committee on Oversight and Government Reform on government duplication, overlap, and fragmentation; how to use GAO's Fraudnet hotline; and an animated graphic on the global carbon cycle. Animated graphics are also accessible through their associated reports online and on YouTube.

*American Samoa and Commonwealth of the Northern Mariana Islands: [*Employment, Earnings, and Status of Key Industries Since Minimum Wage Increases Began*](#)*, *GAO-11-956T*, Sep 22, 2011

[*Climate Engineering: Technical Status, Future Directions, and Potential Responses*](#), *GAO-11-*

71, July 28, 2011

GAO Video Gallery: http://www.gao.gov/multimedia/video/#video_id=589006

Speed Mentoring

While external communications go electronic, internal communications are not to be left behind. Through Web conferencing software, GAO's mentoring program will soon be offering its fifth speed mentoring session, allowing employees access to the knowledge and experience of a number of experienced coworkers.

Modeled on the premise of speed dating, the virtual program allows GAO employees, through computer and phone, to meet up to nine mentors in the span of 2 hours. Mentees have 8 minutes to chat with each mentor before moving into another "room" to speak with another mentor, whose picture and short bio appear on the page.

A video introduction to speed mentoring is available at [GAOTV announcement](#).

[Back to Contents Page](#)

[Next](#)



American
Accounting
Association

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Current Issues in Auditing – Spring Update

Current Issues in Auditing, published by the Auditing Section of the American Accounting Association. (<http://aaapubs.org/loi/ciia/>), contains articles, commentaries, and practitioner summaries of interest to both the academic and practitioner community. Articles are published online very soon after they are accepted, so please check the website often to view newly published articles. Also, please submit your work to ***Current Issues in Auditing*** (website for authors: <http://ciia.allentrack.net/cgi-bin/main.plex>).

We also invite you to access recently accepted articles not yet online in the journal at: <http://aaapubs.org/toc/ciia/0/0>.

Published and recently accepted articles include:

- “The Competitive Market for Assurance Engagements on Greenhouse Gas Statements: Is There a Role for Assurers from the Accounting Profession?” by Anna Huggins, Wendy J. Green, and Roger Simnett.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50083>
- “How Effective Are Organizations’ Internal Controls? Insights into Specific Internal Control Elements” by Dana R. Hermanson, Jason L. Smith, and Nathaniel M. Stephens
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50146>
- “Another Piece of the “Expectations Gap”: What Do Investors Know About Auditor Involvement with Information in the Annual Report?” by Jean C. Bedard, Vicky Arnold, Jillian R. Phillip, and Steve G. Sutton.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50120>
- “A Different Model for Doctoral Education in Accounting and Auditing: Student and Faculty Reflections” by Dana R. Hermanson, Carol Bishop, Douglas Boyle, and Rich Clune
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50117>

Commentaries

We also have published and recently accepted several commentaries, including two related to our recent call for commentaries concerning recent PCAOB proposals concerning the auditor’s reporting model and auditor rotation: (http://aaahq.org/audit/CIIA_RequestForCommentaries_audit_reports.pdf). We encourage you to submit your commentaries related to these issues in order to further the dialogue between academics, practitioners, and regulators.

- “Response of a Subgroup of the PCAOB’s Investor Advisory Group to the PCAOB’s Concept Release Concerning Reports on Audited Financial Statements and Related Amendments to PCAOB Standards,” by Participating Investment Advisory Group Members: Kelvin Blake, Joseph V. Carcello, Norman J. Harrison, Michael J. Head, Barbara E. Roper, Anne Simpson, Tony Sondhi, Robert M. Tarola, Lynn E. Turner, Meredith Williams, and Ann Yerger.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50101>
- “Auditor Reporting Model Modifications: Practical Insights from the Academic Community,” by Hubert Glover and Matthew Reidenbach.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50122>
- “Auditor Rotation: The PCAOB Considers a New Direction,” by Pamela B. Roush, Bryan K. Church, J. Gregory Jenkins, Susan A. McCracken, and Jonathan D. Stanley.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50100>

We also have published and recently accepted several commentaries from the Section’s Auditing Standards Committee. We refer you to <http://aaapubs.org/toc/ciia/5/2> and <http://aaapubs.org/toc/ciia/0/0> for these commentaries.

Practitioner Summaries of Academic Research.

The purpose of this new section that we introduced last year is to enhance the academic community’s communications with practitioners by adding to the literature concise articles based on audit research published in other academic journals. The Practitioner Summaries focus on communicating concisely the findings, conclusions, and practical applications of the research results published in the original article. By increasing practitioners’ awareness of our research and publishing the authors’ thoughts about its practical lessons and applications we hope to promote and facilitate conversations between academics and practitioners.

Please see this link for a summary of guidelines for these articles: http://aaahq.org/audit/CIIA_New_Section_PractitionerSummaries.pdf

We have published and recently accepted several such summaries, which we believe will be of great interest to academics, practitioners, and regulators. They include:

- “No Good Deed Goes Unpunished? Recent Evidence on the Effects of Identifying and Investigating Fraud Risks on Auditors’ Litigation Exposure,” by Andrew B. Reffett.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50105>
- “Social Identification and Differences in External and Internal Auditor Objectivity,” by Chad M. Stefaniak and Robert M. Cornell
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50104>
- “Auditor Resignations and the Importance of Monitoring Client Acceptance Risk,” Paul Walker and James H. Irving.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50136>
- “Clients’ preferred relationship approach with their financial auditor,” Richard Fontaine and Claude Pilote.
Available at: <http://aaapubs.org/doi/pdf/10.2308/ciia-50116>

Educational Resources

Finally, we are introducing another new section of the journal that will include brief audit cases. Our intention is to consider cases and other materials that are perhaps not as detailed as those published in other journals, and

our intention is to process them quickly in order to disseminate them to educators and practitioners on a timely basis. We are finalizing detailed submission guidelines, but to give you an idea of the content of the section, we provide the following summary:

Instructional Resources will include cases derived from actual or simulated business activity that are in line with the objectives of CIIA and are designed to provide timely instructional resources to auditing instructors. The instructional resources also include specific classroom exercises that are designed to enhance student understanding of current auditing issues. Thus, the resources should address current issues facing the auditing practice community (e. g., new opportunities and challenges, emerging areas, global developments, effects of new regulations or pronouncements, and effects of technological or market developments on audit processes). We define “auditing practice” broadly to include practice-related issues in external auditing, internal auditing, government auditing, IT auditing, assurance services, and related fields. Instructional resources, inclusive of implementation guidance, should follow the editorial guidelines of CIIA and should be a maximum of 2,500 words. The resources should be designed for immediate use by accounting faculty and should have two self-contained parts: the resource material itself (denoted “Instructional Resource”), and a separate instructor’s implementation guide (denoted “Instructional Resource Implementation Guide”). Each section should be submitted in a separate file and should have its own references and footnotes.

We have several articles, commentaries, and practitioner summaries that soon will be available. Thanks for your continued support of ***Current Issues in Auditing*** and, again, we invite you to submit your work.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Call for Papers

20th Symposium on Auditing Research
University of Illinois at Urbana-Champaign
October 11-13, 2012

The Twentieth University of Illinois Symposium on Auditing Research will be held on the Urbana-Champaign campus during October 11-13, 2012. The symposium will be funded by generous support from the *KPMG LLP Foundation*.

We invite papers about all aspects of auditing and assurance. However, a segment of the 20th Symposium will focus on how key stakeholders within public companies' external reporting supply chain, broadly construed to include environmental, financial and social reporting, influence or are influenced by the audit profession, audit firms, or auditors. Auditing here need not be limited to financial-statement auditing. In particular, we will consider papers that focus on roles played by:

- Other intermediaries (e.g., credit rating agencies, statutory bank auditors, etc.),
- Newer standard setters and associations (e.g., AccountAbility, Fair Labor Association, etc.)
- Third-party evaluators and commentators (e.g., arbitrators, jurors, the business press, the Internet etc.),
- Other governance stakeholders and participants (e.g., audit committee members, sophisticated activist investors, creditors).

Submission deadline: July 13, 2012.

Papers should employ rigorous research methods (e.g., analytical, archival, experimental, and field). Authors should submit a regular version and an anonymized version of their paper to Mark 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.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Call for Submissions and Volunteers

**Nineteenth Annual Midyear Auditing Section Conference
New Orleans, LA**

Mark your calendars now for the nineteenth Annual Midyear Auditing Section Conference that will be held January 17–19, 2013 at the New Orleans Marriott. A Doctoral Consortium will be held on January 17, 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 2012 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 2013 Midyear Auditing Section Conference may also be submitted for presentation at the AAA Annual Meeting scheduled for August 2013.

SUBMISSION DEADLINE

Submissions must be received by August 31, 2012 to be considered for the program. [Details on how and where to submit will be announced soon.](#) Any questions should be addressed to Jackie Hammersley (University of Georgia) or Linda Myers (University of Arkansas) through the following email address: lmyers@walton.uark.edu.

¹Also, please be sure to remove all identification of the authors, including changing the document properties to anonymous.

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Conference Announcement

Auditing Special Interest Group
British Accounting & Finance Association
22nd Audit & Assurance Conference
17th & 18th May 2012
in London Savoy Place, London, UK

The 22nd Audit & Assurance Conference (formerly known as the National Auditing Conference), organised by the Auditing Special Interest Group (ASIG) of the British Accounting & Finance Association (BAFA), will be held at the London Savoy Place, in London, UK on Thursday 17 and Friday 18 May 2012. The conference organisation is supported by Aston University Business School.

The conference aims to provide a forum which: i) allows faculty from higher education establishments to meet and exchange ideas and experiences, ii) encourages the discussion of educational objectives and teaching methodologies within auditing courses, and iii) promotes the dissemination of current research and professional practice in auditing and assurance, and auditing education.

The conference has been successfully held at venues around the UK or Ireland for the past 21 years and attracts a mix of international academic and professional speakers. Approximately 40 minutes is allowed for the delivery of each paper including an allowance of 10 - 15 minutes for discussion and questions. The conference organising committee has accepted papers in many areas of auditing.

Following on from last year's successful conference whereas a number of distinguished and influential speakers participated actively in the conference such as Nathalie de Basaldúa (Head of Audit Policy Unit, EU Commission), Arnold Schilder (Chairman, IAASB), Douglas Nisbet (past President of ICAS and E&Y partner), the conference organising committee is working towards putting together an excellent conference programme for the forthcoming conference in London, and is offering a unique mix of distinguished expert speakers and highlights of the latest unpublished academic research on auditing. The distinguished non-academic speakers include:

- Arvind WADHERA, Acting Head of the Audit Unit, Directorate General Internal Market and Services, European Commission;
- Warrant (Warren) ALLEN, Deputy President, IFAC;
- Stephen HADDRILL, Chief Executive Officer, Financial Reporting Council, UK;
- Allister WILSON, E&Y UK partner and Convener, ICAS Research Committee
- Dan MONTGOMERY, Vice Chair of IAASB, Partner in E&Y USA;

- Hilde BLOMME, Deputy Chief Executive, FEE;
- Cedric GELARD, Director of Technical Services at the French CNCC (and member of IAASB);
- Richard FLECK, Chairman APB;
- Paul LEE, Hermes Asset Management;
- David WOOD, Executive Director, ICAS;
- Wolfgang P. BÖHM, Director, International Affairs, Institute of Public Auditors, Germany
- Charles BOWMAN, Chairman, ICAEW Audit and Assurance Faculty, and PwC UK partner
- Pauline WALLACE, PwC UK partner;
- Patricia SUCHER, Financial Services Authority FSA UK;
- Greg OWENS, Director / Audit Advisory, BDO;
- Clare MINCHINGTON, ACCA, and member of advisory board of IAAER);
- Mark PROTHEROUGH, Executive Director, Learning & Professional Development, ICAEW,
- Suzanne POSELEY, Course Director, Education, ICAS

If you would like to receive more information about the conference and the activities of the Auditing Special Interest Group, please contact the Chairman of the Auditing Group (ASIG), Ilias G Basioudis (Aston Business School, Aston University, Finance & Accounting Group, Birmingham, UK, email: i.g.basioudis@aston.ac.uk).

The conference has been sponsored since its inception by accounting bodies, our current sponsors being the *Institute of Chartered Accountants in England and Wales* (ICAEW) charitable trusts, and the *Institute of Chartered Accountants of Scotland* (ICAS). Their support has been invaluable through the years.

Auditing SIG's website: <http://static.aston.ac.uk/asig>

[Back to Contents Page](#)

[Next](#)



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 2
Spring 2012

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

17th Annual Symposium on Ethics Research in Accounting

Sponsored by the
AAA's Professionalism and Ethics Committee and the Public Interest
Section
2012 Meetings, Washington, DC

The Professionalism and Ethics Committee and Public Interest Section of the American Accounting Association invite submission of papers, cases, and panel session proposals for presentation at the 17th Annual Ethics Research Symposium to be held immediately preceding the concurrent meetings, Sunday, August 5, 2012, in the area of Washington, DC.

The AAA's Professionalism and Ethics Committee is charged, in part, "to encourage and support accounting ethics education and scholarship in universities, and more broadly to set a tone for instilling a greater sense of professionalism and ethical conduct in the practice and teaching of accounting."

We, our current and former students, and all practicing accountants and institutions now face conflicting ethical choices that arise from many authorities, so we expect many contributions on topics obtained from the intersection of accounting and ethics.

Therefore the 17th Annual Ethics Research Symposium encourages beginning and completed thoughtful research and teaching papers, and panel sessions, cases studies and notes. Sample topics may include, but are not limited to, the philosophical, theological, social, political, and historical foundations of accounting, its ethics, its professions and its institutions; and its ethical applications in practice to business, organizations, governments, and to the general well being. Ethics quality similar to audit quality research will also benefit from framework and research summary papers. [See for example, Francis, R. Jere. (2011). *Auditing: A Journal of Practice & Theory* 30 (2): 125–152]. Specifically, we encourage researchers in mainstream areas (e.g., financial reporting, auditing, taxation, management, ABO, MIS, public interest, international, teaching, government and non-profit) to identify and address the implications of ethics in your research.

Contributors may receive invitations from the following journals, historically associated with the Annual Ethics Symposium: *Accounting and the Public Interest*, *Critical Perspectives on Accounting*, *Global Perspectives on Accounting Education*, and *Research on Professional Responsibility and Ethics in Accounting*. Given the author's interest then, previous papers from these or other targeted journals should be considered before submission. The Accounting Exemplar Luncheon held on Sunday, jointly sponsored by the Ethics Symposium and the AAA's Public Interest Section, will recognize the Best Research Paper, the Best Summary of Research Paper, the Two Best

Papers by Doctoral Students, and the Best Contribution to Teaching.

A reception is planned for 7 PM Saturday, August 4, with special attention to be given to all doctoral students who attend. Questions and submissions can be sent to Michael Kraten (mkraten@providence.edu) and John Sennetti (ES-AAA@huizenga.nova.edu). (Please use complete addresses).

[Back to Contents Page](#)