



THE AUDITOR'S REPORT

Volume 24, No. 1, Fall 2000

AUDITING SECTION/AMERICAN ACCOUNTING ASSOCIATION

REPORT OF THE PRESIDENT

As I write my first report as President of the Auditing Section, numerous thoughts are running through my mind. I want you to know how honored I feel to be given the opportunity to serve as the president of the Auditing Section. It is a humbling experience. As we celebrate the 25th anniversary of the founding of the Section, it is difficult not to think back to all the outstanding officers. Beginning with the first President, Fred Neumann, our Section has benefited from the extraordinary service provided by so many able people. I pledge to do my very best to live up to the traditions of our Section and provide the leadership that you have come to expect and so richly deserve. In this report I want to highlight some of the important Section activities and a few changes you will see within the Section over the next year. I will also discuss some of the initiatives that the Section will begin.

Midyear Meeting—In January, we will hold our annual Midyear Meeting in Houston. We all know that the Midyear Meeting is one of the major highlights of the year because it always has a great lineup of research papers, discussants, and special panels. I have been closely following the work of the planning committee, headed by Linda McDaniel, and I know they are putting together an outstanding program. There will be a plenary session on corporate governance with speakers from Enron Corporation. There will also be a special plenary session with Bob Elliott as the speaker. The planning committee also has put together several terrific panels, including one on international issues that has a great panel of speakers. Finally, because it is our 25th anniversary, there will be a number of special events that will honor the work of so many over the existence of the Section. Hope to see "y'all" in Houston.

Doctoral Consortium—Last year we held our first Auditing Doctoral Consortium just prior to the Midyear Meeting in Newport Beach. Mike Bamber put together the consortium and the KPMG Foundation funded it on a pilot basis. I am very pleased to announce that, based on last year's success, the KPMG Foundation has agreed to fund the doctoral consortium for another three years. This funding will coincide with their recent renewal of a three-year commitment to provide financial sup-



Stanley F. Biggs

port for the Midyear Meeting. Such support is a significant part of our ability to achieve a high level of excellence in these two important activities of the Section, and I know you join me in thanking KPMG for their generous help. This year, Rick Tubbs is planning another outstanding doctoral consortium, which will be held the day before the Midyear Meeting in Houston. This is a wonderful learning experience for doctoral students and I hope you will encourage your doctoral students to attend. Please look over the Consortium Announcement in this issue of *The Auditor's Report* for further information.

By-law Amendments—This issue of *The Auditor's Report* contains the Section's Executive Committee proposal for amending our By-laws. The amendments are very important to the operation of the Section and require your attention and vote. Please read the

(continued on page 2)

WINTER ISSUE DEADLINE

The deadline for material to be included in the Winter 2000 issue of *The Auditor's Report* is January 15, 2001. The preferred, but not mandatory, format is Word files attached to email messages. Please send all material to the Editor at the address below by January 15, 2001, to ensure timely publication of the issue:

Mark H. Taylor
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Darla Moore School of Business
University of South Carolina
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The address of the Auditing Section's Home Page
on the World Wide Web is:
<http://raw.rutgers.edu/raw/aaa/audit/>

President's Report

(continued from page 1)

amendments carefully and promptly mail your ballot to Audrey Gramling, Auditing Section Secretary.

Survey of Auditing/Assurance Services Courses—At last year's business meeting I mentioned that with all the changes taking place in auditing and assurance services (i.e., practice changes, technological advances, etc.), it seemed to be a good time to conduct a survey of auditing and assurance services courses. That is, I thought it would be helpful for all of us who teach auditing/assurance services to share information about how our courses have changed over the past few years. I asked Eric Johnson, Chairperson of the Education Committee, to have his committee conduct this survey. They have obtained course outlines for approximately 200 courses offered around the country and are in the process of analyzing the data they collected. Watch for the results of this survey to be presented on the Section's web site in the coming months. We are very grateful to Eric and his committee for undertaking this task.

Auditing Research Database—This past year the Research Committee, chaired by Ken Trotman, conducted a survey of the auditing literature. They have looked at most of the major accounting journals and have classified the auditing articles by journal and research methodology. They have compiled the results of their survey into a database that will be available for members' use. The committee will have a final report ready very soon and the database is expected to be included on the Auditing Section's web site. Watch for this valuable information to appear.

1999–2000 AAA Environmental Screening Committee Report—As I was finishing writing this report, I received a copy of the 1999–2000 Environmental Screening Committee Report. Joe Carcello, past Auditing Section Treasurer, chaired the committee. I call your attention to this report because it relates quite well to the Albrecht and Sack monograph that we all received at the AAA meeting in Philadelphia. You can read the report on the AAA web site under the headings: "About AAA, Committee Reports." I encourage you all to read this report.

Evaluation of the Auditing Section Committee Structure and Operations—Over the next year the Executive Committee will take a look at the operation of our committee structure. While the committee structure has worked fairly well over the years and many committees have provided valuable information for the Section, we believe that it is appropriate to evaluate the committee structure and see if improvements can be made. We will be getting information from incoming and past committee chairpersons about how the committees can be more productive. We will also be considering ways in which the committees' agendas and reports can be more effectively communicated to the members of

the Section. For example, one of the ideas we are considering is to post each committee's agenda on the Section's web site. This should help members become aware of work that is in progress. If you have any ideas or suggestions as to how the committees can more effectively serve the Section, please let me know.

Auditing and Accounting Research—Whenever I go to conferences and talk with other auditing/accounting professors, one of the major topics of conversation involves concerns about research and publication. We all recognize that auditing/accounting research has come a long way over the past several decades. I think we all agree the auditing/accounting professors receive excellent training and are increasingly able to apply sophisticated research methods to important issues. Clearly, there has never been a time when more accounting and auditing research was being done. It is also true that we have accumulated a substantial body of knowledge over the past several decades. But, despite these positive developments, we all see how accounting journals seem to be shrinking in size while journals in other business disciplines seem to be expanding. Some of you are probably aware that the AAA's Publications Committee has several task forces that are looking into issues related to processes involved in publishing. Hopefully, these task forces will provide some important insight, but there is also room to consider the research side of the issue as well as the publication side. I think we would all like to see our research be a source of excitement and to exhibit the vitality and growth characteristic of a vibrant field. I have discussed these general issues with Bill Wright, who is the incoming Chair of the Research Committee. We both believe that the research committee might be able to provide some important insight into issues relevant to the future of auditing research. At this point, the Research Committee has not yet determined the specific approach it will take in dealing with such a broad topic. However, Bill is very interested in having his committee give some thoughtful consideration to issues that could help revitalize auditing research. Please let me know if you have any thoughts that the Research Committee should consider.

In closing, I want to thank all of the members of last year's Executive Committee, especially Karen Pincus, Tim Bell, and Jean Bedard. I have learned a great deal from them over the past year. I am also looking forward to working with the new Executive Committee that will include Mike Bamber (Vice President—Academic), Mark Beasley (Treasurer), Audrey Gramling (Secretary), Abe Akresh (Vice President—Practice), Jack Robertson (Historian), and Karen Pincus (Past President). What a pleasure it is to work with this very able group.

Again, thank you for the opportunity to serve as the President of the Auditing Section. Please let me know if you have any comments or suggestions.

CALL FOR CLASSROOM INNOVATION ARTICLES

Classroom innovation continues to be an important area of interest for both auditing practitioners and professors. Therefore, "Innovations in the Classroom" will be an ongoing feature in *The Auditor's Report*. This feature will continue to be dedicated to disseminating insights gained by members (and others) who have had success with classroom innovations at the undergraduate and graduate level. If you have an idea for a submission, please contact Mark H. Taylor (mhtaylor@darla.badm.sc.edu or (803) 777-4387).

CALL FOR PAPERS

2001 AAA ANNUAL MEETING

The 2001 Annual Meeting will be held on August 12–15 in Atlanta. The number of sessions allocated to the Auditing Section is related to the number of manuscripts submitted to our Section Coordinator. Please consider submitting your work for possible presentation at the Annual Meeting.

Submissions must be received by January 11, 2001. A submission fee of U.S.\$15, made payable to the American Accounting Association, must accompany each manuscript. Papers should not be submitted that have been either published or accepted for publication, or that will be presented at more than one AAA Regional Meeting during Spring 2001.

Further details on submitting a paper to the Annual Meeting will be published in the Early Fall issue of *Accounting Education News*. Submissions should be sent to:

Robin W. Roberts, Ph.D., CPA
School of Accounting, College of Business Administration
University of Central Florida
Orlando, FL 32816-1400
Phone: (407) 823-6726
Fax: (407) 823-3881

CALL FOR PROPOSALS

2000 AAA ANNUAL MEETING AUDITING CPE PROPOSALS

The Auditing Section plans to sponsor one or more CPE sessions at the 2001 Annual Meeting of the American Accounting Association. The Section's CPE Committee is looking for individuals or groups who are interested in presenting sessions at this meeting.

The Committee is also soliciting ideas for possible auditing CPE topics and speakers, either for the 2001 Annual Meeting or for future meetings. Please respond by December 11, 2000. Early responses will provide sufficient time to fully develop auditing CPE proposals for submission by the AAA's deadline, which is usually in early January. To submit proposals or ideas, please contact:

Dana Hermanson
Kennesaw State University
1000 Chastain Road
Kennesaw, GA 30144-5591
Phone: (770) 423-6077
Fax: (770) 499-3420
Email: Dana_Hermanson@coles2.kennesaw.edu

Professor Burks Oakley Addresses Annual Meeting Auditing Luncheon Attendees

Professor Burks Oakley, Associate Vice President for Academic Affairs at the University of Illinois and Director, University of Illinois Online, presented "e-Learning: The Impact of the Internet on Higher Education" at the Auditing Section luncheon on Monday, August 14 at the AAA Annual Meeting in Philadelphia. Professor Oakley emphasized the usefulness of the Internet as an "any time, any place" resource for learning and provided specific information about efforts at the University of Illinois to access the growing market of potential students with Internet access.

Oakley emphasized that such distance education or "site independent learning" can be used to administer entire courses or as a partner with traditional approaches, with the potential to provide universal learning access to everyone. It allows individuals who have work or geographic restrictions to access university resources not previously available to them.

After a general overview of the Internet explosion, Professor Oakley provided specific information about the University of Illinois Online initiative. This Internet-based program focuses on providing public-service information, individual courses, complete degree programs, and continuing education to users. He reported that the University of Illinois Online program has seen strong growth, from 68 online courses and 1,300 (approx.) course enrollments in 1997–98 to more than 300 courses and 5,500 course enrollments in 1999–00. Oakley projected more than 10,000 course enrollments by 2001–02.

Currently, the University of Illinois Online provides access to graduate and undergraduate programs for people around the world. At the graduate level, students can earn degrees (e.g., M.S., M.A., M.Ed.) in Engineering, Computer Science, MIS, Library and Information Science, and a variety of programs in Education. At the undergraduate level, a B.A. in Liberal Arts is available. Finally, the online program offers a variety of Certificate Programs in areas such as Community College Teaching and Learning, French Translation, and Nonprofit Business Management.

Oakley also provided some candid insights into the key challenges facing such Internet-based programs, including:

- Developing pedagogically sound content for delivery over the Internet
- Promoting interaction among students and faculty
- Establishing faculty and department incentives for program development
- Assisting in faculty development in the area
- Settling on viable business plans and tuition schedules
- Scaling up such programs to meet increasing demand
- Dealing with copyright and ownership issues
- Establishing suitable quality controls

In his closing, Oakley emphasized that University of Illinois Online is "just beginning" and that the program seeks an entirely new market of adult learners previously limited by the challenges of accessing higher education.

For additional information about the University of Illinois Online program, Professor Oakley can be reached via email at oakley@uillinois.edu or on the Internet at <http://www.online.uillinois.edu/oakley/>.

Philip Laskawy Speaks to Annual Meeting Participants on the Global Economy, the Connected Economy, and the SEC's Auditor Independence Proposals

Ernst & Young Chairman Philip Laskawy provided his perspective on the SEC's proposed independence rule change, perhaps the most controversial issue in the profession today. He delivered his remarks at the Tuesday plenary session at the Annual Meeting in Philadelphia. He prefaced his criticism and suggestions for change with an overview of the global marketplace and the accounting firm's plight in the changing business environment. Specifically, Laskawy provided an overview of the push toward a single global market that integrates capital, technology, and information across borders. With this globalization, Laskawy highlighted the increasing prominence of strategic business alliances, including the need for such relationships in accounting. He commented that in public accounting:

"Strategic alliances provide us with access to the diverse skills, tools, and technologies that enable us to better understand the business process and industry dynamics of the companies that we audit. And they enable us to leverage our own knowledge base and skill set."

With regard to the SEC auditor independence proposal, Laskawy applauded the Commission's efforts to increase the prominence of the POB and to start a voluntary "look-back" program for firms to report past independence rule violations. However, he expressed strong concern about the SEC's recent proposals to revise the auditor independence rules and suggested that the Commission (with its proposal) has not considered changes in the global marketplace and that the proposals will impair the accounting professional's ability to keep up with client needs.

In criticizing the SEC's efforts, Laskawy acknowledged that the increased scrutiny of auditor independence has had an adverse effect on the marketplace because audit clients are "questioning and denying our ability to offer a range of services that the SEC would agree do *not* present independence concerns." He then highlighted the need for more certainty on such issues while calling for restored civility between the profession and external regulators.

Among Laskawy's concerns is the Commission's proposal to disallow accounting firms from entering into strategic alliances as too restrictive. He detailed that such prohibition would both jeopardize the accounting firm's ability to provide a quality audit at reasonable cost and impair client service by undermining efforts to leverage off of others' (e.g., technology specialists, lawyers) relevant expertise. Laskawy also noted that the SEC's current proposal would conflict with the Independence Standards Board's efforts to develop a conceptual framework for auditor independence. The Commission's broad and inclusive language would prohibit services currently accepted and not necessarily in question.

Laskawy did offer a potential solution in an effort to get the SEC to reconsider its position. He suggested a revised SEC independence rule with five elements including: (1) modernization of financial interest and family rules, (2) guiding independence principles, (3) selective prohibition of full-scope internal audit outsourcing, (4) adoption of existing SEC Practice Section rules for prohibited nonaudit services, and (5) implementation of a disclosure rule that allows users to compare total fees for audit services and total fees for nonaudit services. Laskawy closed by emphasizing that such alternative solutions could address the SEC's specific concerns about independence while allowing accounting firms to serve their clients in the rapidly changing global environment.

CALL FOR NOMINATIONS

Editor of *AUDITING: A Journal of Practice & Theory*

The Executive Committee of the Auditing Section appoints an editor-elect of the Section's journal in the year preceding the new editor's assumption of duties. The Editor Nominations Committee is charged with presenting candidates for this position to the Executive Committee. The members of the Editor Nominations Committee are Karen Pincus (chair), Bill Felix, Jere Francis, James Hunton, Jane Mutchler, and Arnie Wright (current editor).

The editor of *Auditing: A Journal of Practice & Theory* should possess the following characteristics:

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

The Editor Nominations Committee solicits your suggestions for candidates who fit these criteria. The committee will obtain *vita*e and references on each candidate, but would also appreciate any information you contribute in support of your nomination. Self-nominations are welcome.

Please submit nominations to Karen Pincus via email (kpincus@walton.uark.edu) or mail (Department of Accounting, Sam M. Walton College of Business Administration, University of Arkansas, Fayetteville, AR 72701) at the earliest possible date, but no later than November 10, 2000.

Proposed Amendments to Section Bylaws: PLEASE READ

At the last annual business meeting, members in attendance discussed a number of proposed changes to the Section's by-laws. At its August meeting, the Executive Committee endorsed bringing these changes to a vote of the membership. All members are now asked to consider four substantive changes (indicated in the proposed text by the presence of boldfaced italics) and a package of "clean-up" changes:

(1) *Expansion of eligibility to serve on the Nominations Committee*: Currently, only immediate past Regional Chairs are eligible to serve with the Past President on the Nominations Committee. Eligibility would be expanded to include immediate past Committee Chairs. The primary arguments in favor of this change were recognizing the importance of committees to the Section and making international members eligible to participate on the nominating committee. **See Section V Article 4 below.**

(2) *Change the voting procedure for officer elections*: Currently, elections are held at our annual business meeting (during the Midyear Meeting). The proposed new method is to announce the results at the annual business meeting, but to conduct votes before this via mail, email, fax, or electronic voting in the last quarter of the calendar year. The primary argument in favor of this change is to make it possible for more members to have a voice in officer elections. **See Section V Article 6 below.**

(3) *Create a petition option to place officer candidates on the ballot*: The Section's current election procedure allows for nominations from the floor at the annual business meeting. Assuming the election is moved to mail, email, fax, or electronic voting (see above), floor nominations would no longer be possible. The proposed new mechanism is that any nominee with the support of a petition signed by 100 or more Section members and a signed statement of willingness to serve if elected will be automatically placed on the ballot. This is in addition to the current call for nominations process, which would continue. The primary argument in favor of this change is to preserve a democratic-elections safeguard that floor nominations currently provide. **See Section V Article 5 below.**

(4) *Expand the voting options for bylaws changes*: Currently bylaws changes may be voted on at the annual business meeting or by mail referendum. The proposed new method adds the options of email, fax, and electronic voting. **See Section VIII below.**

(5) *Assorted "clean-up" changes to update the wording of the bylaws and reflect current practice*: For example, a provision that the Executive Committee had authority to increase dues up to \$15 without member vote was removed; dues are now over this limit and all dues changes require member vote. The clean-up changes are numerous. If you wish to compare the current version of the bylaws to the proposed version to verify the clean-up changes, **you may view the current wording on the Section's web site.**

In accordance with current by-laws, we are conducting this vote by mail ballot.

A mail ballot appears after the proposed new bylaws.

The voting deadline is: postmarked by December 1.

A. AUDITING SECTION BY-LAWS

I. Name of Organization

The name of this organization is the Auditing Section of the American Accounting Association.

II. Status of the Organization

This organization has the status of a Section within the American Accounting Association ("AAA"), a nonprofit association incorporated under the laws of the state of Illinois. These by-laws explain the status of the Auditing Section with relation to the AAA. Any conflict between these by-laws and any rules or regulations of the American Accounting Association shall be resolved in favor of the parent organization.

III. Purpose of the Organization

The purpose of the Auditing Section of the AAA ("Section") is to foster excellence in the teaching, research, and practice of auditing and other assurance services. The Section's strategic framework is expressed in a Mission Statement, which is periodically updated and published.

IV. Membership

1. Any AAA member or associate member in good standing who supports the Mission Statement of this Section can be enrolled as a regular member or as an associate member, respectively, upon payment of annual dues to the Administrative Secretary

of the AAA, or other representative of the Section so authorized.

2. All members are eligible to vote, hold offices, participate in all activities of the Section, and be entitled to all its other privileges. Associate members are eligible to participate in all activities of the Section and are entitled to all its other privileges except those of voting and holding office.
3. The Section's Executive Committee proposes the amount and type of annual dues and the payment schedule subject to approval by the membership present at the Section's annual business meeting. Associate members' dues are set by the AAA's Executive Committee.

V. Officers and Duties

1. The duties and terms of office are consistent with those the AAA specifies for officers of Sections. These are as follow:
 - A. **President**: The President serves a one-year term. The duties of the President are:
 1. to direct the affairs of the Section and carry out its programs with the advice of the Executive Committee;
 2. to preside at all Section meetings and Executive Committee meetings;
 - B. **Vice President-Academic**: The Vice President-Academic

(continued on page 6)

Proposed Amendments to Auditing Section By-Laws

(continued from page 5)

is elected for a one-year term and, upon completion of this term as Vice President, automatically becomes President. The duties of the Vice President–Academic are:

1. to direct the affairs of the Section and/or preside at Section meetings in the event the President is unable to serve;
2. to appoint the Historian;
3. to perform whatever other duties the President might assign.

C. **Vice President–Practice:** The Vice President–Practice is elected for a two-year term and is not eligible for immediate reelection. The duties of the Vice President–Practice are:

1. to direct the affairs of the Section and/or preside at Section meetings in the event that the President and Vice President–Academic are unable to serve;
2. to perform whatever other duties the President might assign.

D. **Secretary:** The Secretary is elected for a two-year term and is not eligible for immediate reelection. The duties of the Secretary are:

1. to supervise the keeping of records of Section meetings, policies, and procedures;
2. to provide information and guidance for the Section’s Newsletter;
3. to work in liaison with AAA personnel regarding all facets of Section membership.

E. **Treasurer:** The Treasurer is elected for a two-year term and is not eligible for immediate re-election. The duties of the Treasurer are:

1. to work with AAA personnel relative to collection and disbursement of Section funds;
2. to provide financial information for the Section’s newsletter;
3. to report to the membership at the Section’s annual business meeting on the financial affairs of the Section.

F. **Past President:** The Past President serves for one year immediately following his or her term as President. The duties of the Past President are:

1. to serve as a full member of the Executive Committee;
2. to consult and advise with the other officers

G. **Historian:** The Historian serves a two-year term as an officer and is designated as an *ex-officio*, nonvoting member of the Executive Committee. The duties of the Historian are:

1. to maintain an up-to-date history of Section activities;
2. to maintain and update the Section’s *Operating Manual*;
3. to provide historical perspective at Executive Committee and Section business meetings and aid in providing continuity to the Section.

H. **Editor of *Auditing: A Journal of Practice & Theory*:** The Editor is responsible for the administration, publica-

tion, and content of *Auditing: A Journal of Practice & Theory* subject to cost constraints imposed by the Executive Committee. The term of the Editor is three years. The Editor cannot serve successive terms.

During the second year of the Editor’s term, the Executive Committee selects an Editor-Elect for the following year. The Editor-Elect, during the term as Editor-Elect, performs only those functions assigned by the Editor.

In the event that an Editor decides not to complete the three-year term, he or she should inform the President at the earliest possible time in order to allow the Executive Committee to designate an Editor-Elect to serve for the remainder of the Editor’s term.

2. Each officer begins serving his or her term at the time of the Auditing Section Luncheon at the Annual Meeting of the American Accounting Association.

3. The President, Past President, the Vice Presidents, Secretary, Treasurer, and Historian constitute the Executive Committee. They are responsible for directing the affairs of the Section and formulating the plans, policies, rules, and procedures they consider necessary to achieve the Section’s Mission Statement. The President and three other voting officers constitute a quorum.

4. The Nominating Committee of the Section is comprised of the most recent Past President of the Section and two ***people who served as either immediate past Committee Chairs or Regional Chairs***. The current year’s Nominating Committee appoints the two people other than the Past President to serve on the following year’s Nominating Committee. The Nominating Committee is chaired by the immediate Past President of the Section.

5. ***A call for nominations from members will be announced each year no later than May 1; the nominating period will close on July 1.*** The Nominating Committee will consider all nominated persons who are members in good standing of the Section at that time. ***In addition, the Nominating Committee will automatically place on the ballot any person whose nomination is accompanied by a signed petition of not less than one hundred (100) members in good standing of the Section and a signed statement by the nominee of willingness to serve if elected.*** The Nominating Committee places two or more names on the ballot for each Section office becoming vacant with the possible exception of the office of Vice President–Practice. The Nominating Committee, at its discretion, may place only one name on the ballot for Vice President–Practice. The Nominating Committee cannot nominate a member from itself.

6. The Nominating Committee shall announce the nominees for offices of Vice Presidents, Secretary, and Treasurer at least three weeks before the close of the voting period. The candidates’ names for each office will appear on the ballot in alphabetical order. ***The election shall take place by mail, email, facsimile, or electronic vote of the members. The Executive Committee shall decide for each election which of these***

(continued on page 7)

Proposed Amendments to Auditing Section By-Laws

(continued from page 6)

methods will be used. The voting period shall begin not earlier than October 1 and shall be closed no later than December 31. The results of the election are certified and announced by the Secretary at the Section's annual business meeting.

7. The officers are authorized to initiate and carry out projects in keeping with the Section's Mission Statement. The President or the Treasurer may authorize disbursements. Disbursements larger than \$500 must be approved by both the Treasurer and the President.
8. The Executive Committee may appoint committees and task forces and may make similar assignments appropriate to achieve the Section's Mission Statement.
9. The Section may decide to co-sponsor audit symposia by a majority vote of the Executive Committee. Decisions regarding the publication of symposia papers are delegated to the Editor(s) of *Auditing: A Journal of Practice & Theory*.

VI. Meetings

1. The annual business meeting and any other meetings of the Section are held at such time and place as determined by the Section's Executive Committee. Notice of the time and place is given to members, by mail or other means before such meet-

ings, unless other means of satisfactory notice can be applied. A quorum at duly-called meetings consists of the members present.

2. The program for the annual business meeting of the Section is the President's responsibility.
3. For purposes of conducting all general and special meetings of the Section, *Robert's Rules of Order* (Newly Revised) apply in cases where the by-laws do not specify a procedure.

VII. Fiscal Year of the Section

The Section's fiscal year is September 1–August 31, matching the fiscal year of AAA.

VIII. Amendments

Amendments to these by-laws may be submitted at any time by any member or group of members to the President and by the President to the membership at the next annual business meeting or, at the discretion of the Executive Committee, **in a referendum by mail, email, facsimile or electronic vote.** Notice of by-law amendments to be presented for membership vote is given at least three weeks before the annual business meeting or **at least three weeks before the reply deadline for referendum by mail, email, facsimile or electronic vote.** Amendments are adopted by two-thirds favorable vote of the Section membership in attendance at the annual business meeting **or by two-thirds favorable vote of those voting in a referendum by mail, email, fax or electronic vote.**

BALLOT ON PROPOSED BY-LAWS CHANGES

Five proposed by-laws changes are hereby submitted to the Auditing Section membership for vote. Each member should indicate his/her vote by circling the appropriate choice pertaining to each proposed change on this form (or a copy of this form) and mail the form (must be postmarked no later than December 1, 2000) to Audrey Gramling, AAA Auditing Section Secretary, Georgia State University, School of Accountancy, College of Business Administration, 35 Broad Street, 5th Floor, Atlanta, GA 30302-4050.

Please indicate your vote below:

Proposal 1: *Expansion of eligibility to serve on the Nominations Committee:* **Change the wording to that shown above for Section V Article 4.**

I am (circle one) ☐ FOR ☐ AGAINST this proposal.

Proposal 2: *Change the voting procedure for officer elections:* **Change the wording to that shown above for Section V Article 6.**

I am (circle one) ☐ FOR ☐ AGAINST this proposal.

Proposal 3: *Create a petition option to place officer candidates on the ballot:* **Change the wording to that shown above for Section V Article 5.**

I am (circle one) ☐ FOR ☐ AGAINST this proposal.

Proposal 4: *Expand the voting options for bylaws changes:* **Change the wording to that shown above for Section VIII.**

I am (circle one) ☐ FOR ☐ AGAINST this proposal.

Proposal 5: *Assorted "clean-up" changes to update the wording of the bylaws and reflect current practice.* **Accept all wording changes other than those in Proposals 1 through 4.**

I am (circle one) ☐ FOR ☐ AGAINST this proposal.

Member Name (please print): _____

Member Signature: _____ Member Number (if known): _____

ASB Update as of April 30, 2000

*Ray Whittington, DePaul University
Academic Member of the Auditing Standards Board*

The recently released report of the POB Panel on Audit Effectiveness included over 200 recommendations for the AICPA, accounting firms, the SEC, and standards setters, including a substantial number for the ASB. The majority of the ASB's annual planning retreat held on September 12 was devoted to considering the implications of these recommendations for the ASB's agenda. It is fair to say that a majority of the activities of the ASB over the next two years will be committed to issues arising from the recommendations. In this update I will summarize the scope of several significant ASB projects that arose from the Panel's report. Since the projects are in formative stages, there are significant opportunities for research to have an impact. Please send any questions, comments, or suggestions to rwhittin@wppost.depaul.edu.

Assessing Audit Risk

A task force has been formed to focus on the recommendations of the panel that criticize the audit risk model and the auditor's assessment of inherent risk. While concluding that the audit risk model is fundamentally sound, the Panel's report indicates that the model needs updating and is not sufficiently specific and vigorous. The task force also will consider the report of the APB/AICPA/CICA Joint Working Group that studied the audit methodology of the largest accounting firms. That group concluded that "the extension of the conventional audit approach embodied in the business risk approaches [of the large accounting firms] raises the question of whether audit methodologies have evolved such that they are no longer well described by current auditing standards." Among other matters, the task force will consider how business, engagement, and fraud risk articulate with the overall audit risk model. Consideration will also be given to alternatives to the current concept of assessing risk. For example, a viable alternative might require auditors to simply identify risks (both inherent and control) and react to the risks by modifying the audit plan. Next, the task force will focus on the auditor's assessment of inherent risk and consider the following issues:

1. SAS No. 47 currently requires an assessment of inherent risk. If the task force concludes that this requirement will survive, there is concern that it is difficult to operationalize. For example, it is unclear what evidence, if any, is necessary to support an assessment of inherent risk at less than the maximum. In addition, the task force will consider whether it is appropriate for the auditor to default to an assessment of inherent risk at the maximum without some consideration of what could go wrong at the individual assertion level.
2. The APB/AICPA/CICA Joint Working Group report includes a recommendation to the International Auditing Practices Committee that its standards include a more comprehensive concept of business risk and describe its implications for the audit. Therefore, the ASB task force will consider the relationship of business risk to inherent risk.
3. The task force will also consider the level of understanding of business processes and business risk that is necessary to effectively assess inherent risk for an audit.

Audit research on alternative ways of operationalizing the audit risk model, the process of assessing inherent risk, and the

relationship of business risk to inherent risk would be especially helpful to this project.

Assessing Control Risk

This task force will consider whether additional guidance is needed on the nature, timing, and extent of tests of controls. More specifically, this task force will focus on the following issues:

1. The results of the research of the APB/AICPA/CICA Joint Working Group indicate that firms are placing more reliance on "high-level" controls. The task force will consider the extent to which this is appropriate, and the nature of the evidence necessary to support a reduced assessed level of control risk with respect to "high-level" controls.
2. The report of the Panel indicates that standards regarding assessing control risk are perceived as complex and difficult to apply, particularly with respect to the knowledge of internal control the auditor needs to plan the audit, the need to test controls, and the nature and extent of control testing. The task force will consider whether it is possible to provide additional guidance in this regard.

Research on the auditor's assessment of control risk, especially as it relates to relying on and testing "high-level" controls, would be useful to the deliberations of this task force.

Fraud Risk

The fraud risk task force will reconsider the guidance contained in SAS No. 82, based on the Panel's recommendations, the results of academic research performed on the effectiveness of SAS No. 82, and the information and recommendations provided by other financial reporting stakeholders. A major issue is the effectiveness of SAS No. 82 in driving audit procedures for the detection of fraud on a particular audit. If SAS No. 82 is found lacking, the task force will consider how it can be improved, including the possibility of requiring some form of forensic auditing on all audits or audits with specific risk factors.

This project would continue to benefit from the results of research focusing on the detection of fraud and the effectiveness of SAS No. 82.

Linkage and Confirmation

The linkage and confirmation task force will focus on the process by which the auditor uses the results of his or her risk assessments to determine the nature, timing, and extent of the substantive procedures to be performed on a particular audit. Specifically, the task force will attempt (1) to develop more definitive guidance on designing substantive tests, and (2) to improve the guidance with respect to the use of confirmations. The timing of this project is somewhat delayed as its deliberations will be affected by the conclusions of the task forces on Assessing Audit Risk, Assessing Control Risk, and Fraud Risk.

This project would benefit from any research related to linking risk assessments to the nature, timing, and extent of substantive tests, and the effectiveness of various types of substantive tests. Research on more effective methods of confirmation or other means of obtaining evidence from third parties, such as through the use of technology, would be of particular interest to the task force.

HAVE YOU SEEN...?

Troy Hyatt, Seattle University, and Brad Reed, Southern Illinois University Edwardsville

“The Incremental Information Content of SAS No. 59 Going-Concern Opinions,” by L. M. Holder-Webb and M. S. Wilkens, *Journal of Accounting Research*, (Vol. 38, No. 1, 2000): 209–219.

The auditors’ responsibility to evaluate a firm’s ability to continue as a going concern was passive under SAS No. 34, but now is active under SAS No. 59. Due to this change in responsibility, this paper examines whether the implementation of SAS No. 59 has improved investors’ ability to identify firms that will ultimately file for bankruptcy. The study’s hypotheses are tested using data from 217 firms that filed for bankruptcy between 1975 and 1996. Results indicate that bankruptcy surprises associated with SAS No. 59 going-concern opinions are smaller than bankruptcy surprises associated with both SAS No. 59 clean opinions and SAS No. 34 going-concern opinions. In addition, the difference between the going-concern bankruptcy surprise and the clean opinion bankruptcy surprise under SAS No. 59 is greater than the corresponding difference under SAS No. 34. These findings suggest that investors have benefited from SAS No. 59 in that they are better able to predict which firms will ultimately file for bankruptcy.

“The Effect of the External Accountant’s Review on the Timing of Adjustments to Quarterly Earnings,” by M. L. Ettredge, D. T. Simon, D. B. Smith, and M. S. Stone, *Journal of Accounting Research*, (Vol. 38, No. 1, 2000): 195–207.

This paper analyzes a sample of 200 companies that reported at least one nonroutine adjustment (defined as discontinued operations, extraordinary items, unusual gains and losses, changes in accounting principles, and changes in estimates) during 1988 or 1989 to determine whether the timing of the external accountant’s review of quarterly financial data is associated with differences in the timing of recognition of adjustments to quarterly earnings. Quarterly reviews of SEC registrants can be performed at the end of each quarter (a timely review) or in conjunction with the year-end audit (a retrospective review). The SEC prefers timely reviews, and the SEC and others have claimed that timely reviews enhance the quality of earnings. One reason for this claim is that they believe timely reviews help to discipline companies to record nonroutine adjustments in the quarter in which they are first recognizable as opposed to waiting until the fourth quarter to record them. On the other hand, many managers have argued that timely reviews do not provide incremental benefits and simply increase costs. Results of the study indicate that a disproportionately large number of such adjustments are recorded in the fourth quarter. Further, results show that the frequency and proportion of adjustments recorded during the first three quarters (fourth quarter) are greater (smaller) for companies that have timely reviews. Finally, when controlling for the

total number of adjustments made, the number of adjustments recorded during the first three quarters is positively associated with having a timely review and with company size.

“Will Auditors Take Over the World? Program, Technique and the Verification of Everything,” by B. T. Pentland, *Accounting, Organizations and Society*, (Vol. 25, No. 3, 2000): 307–312.

This article presents an essay that explores some of the issues raised in M. Power’s 1999 book entitled, *The Audit Society: Rituals of Verification*. Several factors have led to the explosion of audit as a mechanism of control, including new models of governance, the privatization of government services, and the general trend for increased accountability in virtually every setting (e.g., government services, medicine, insurance, etc.). Power claims that we are moving along a continuum from a society that trusts everything and audits nothing towards a society that trusts nothing and audits everything. As auditing spreads, it takes on new forms that resemble a typical financial statement audit in some ways, but may be quite different in others. As a result, this essay argues for the need of conducting the following empirical research: (1) identify the various types of practices that are emerging under the general category of “audit” and compare them and (2) assess the effects of auditing, not just its effectiveness. For example, as organizational members work in an environment that they know is subject to audit, they may become more concerned with generating the right indicators as opposed to actually doing their jobs well.

“The Impact of Improved Auditor Independence on Audit Market Concentration in China,” by M. L. DeFond, T. J. Wong and S. Li, *Journal of Accounting and Economics*, (Vol. 28, 2000): 269–305.

Until recently nonmarket forces have governed China’s capital markets. In an effort to create a viable capital market, the government began phasing in a new set of accounting rules that are comparable to International Accounting Standards. Additionally, in an effort to increase auditor independence, the Chinese government recently adopted a new set of auditing standards that are patterned after the International Standards on Auditing promulgated by the International Federation of Accountants. This study finds, consistent with increased auditor independence, that the frequency of modified opinions increases nine-fold subsequent to the adoption of the new auditing standards. However, the increase in modified reports is followed by a decline in audit market share among large auditors—those with the greatest propensity to issue modified reports. The authors conjecture that this “flight from audit quality” results from lack of incentives to demand

(continued on page 8)

Have You Seen?

(continued from page 9)

independent auditors. The findings suggest that government regulation alone is insufficient to create financial markets that foster auditor independence.

“An Examination of Substitution among Monitoring Devices: The Case of Internal and External Audit Expenditures,”

by M. Ettredge, M. Reed and M. Stone, *Review of Quantitative Finance and Accounting*, (Vol. 15, No. 1, 2000): 57–79.

Firm owners/managers use a variety of methods to reduce total agency costs arising in corporations. Monitoring methods are used until their marginal cost equals their marginal benefit. The professional auditing literature allows external auditors to place limited reliance on the work of internal auditors. It is an empirical question if this allowance prompts managers to substitute internal for external auditing. Substitution should occur over time if internal and external auditing are partial substitutes and there is a change in the relative prices of internal and external auditing. The authors find that no systematic substitution of internal for external auditing (or vice versa) occurred during the period 1989–1993. However, additional analysis indicates that relative prices of internal and external auditing inputs did not change over the period examined. Therefore, a necessary condition for substitution to occur did not exist.

“An Empirical Analysis of Auditor Report Timing by Large Municipalities,”

by A. J. McLelland and G. Giroux, *Journal of Accounting and Public Policy*, (Vol. 19, 2000): 263–281.

External auditors of local governments should submit their audit report as soon as possible after the fiscal year-end of the auditee. However, this study finds that the length of time from fiscal year-end to the external auditor report date is increasing. The finding of an increasing lag between fiscal year-end and audit report date is surprising given the technological improvements in both financial accounting and auditing that should decrease the time period between fiscal year-end and audit report date. The authors find that cities with a combination of a city manager and a certificate of achievement issued more timely audit reports. Additionally, cities with more timely audit reports had web pages, did not use other auditors, presented single audit reports, and had lower intergovernmental grant percentages. The results suggest that regulation complexity increases external audit time, but this was partially offset by information technology and signaling incentives. The authors find little difference in their sample between Big 6 and non-Big 6 firms relative to audit report timing.

“The Interaction between Internal Control Assessment, and Substantive Testing in Audits for Fraud,”

by J. R. Smith, S. L. Tiras, and S. S. Vichitlekarn, *Contemporary Accounting Research*, (Vol. 17, No. 2, 2000): 327–356.

The authors of this study use an analytical model to examine the interaction between internal control assessments and substan-

tive testing in a model of fraud detection. A two-stage game theoretic interaction between the external auditor and the management of the client firm is used to analyze the auditor's allocation of effort between performing an internal control assessment and performing substantive audit tests for fraud. The authors find that the equilibrium probability that fraud is committed and not detected is unaffected by the amount of effort allocated to assessing internal controls. However, when internal control assessments are relatively efficient at identifying the potential for fraud, cost savings for the auditor can be achieved by allocating audit resources away from substantive testing and toward internal control assessment. The authors also find that the cost savings from control system assessment decrease in factors that increase the effectiveness of substantive testing procedures. If substantive testing procedures are sufficiently effective, the auditor will choose to allocate all of the audit resources to substantive testing.

“Demand for Audit Quality: The Case of Laventhol and Horwath's Auditees,”

by B. J. Reed, M. A. Trombley, and D. S. Dhaliwal, *Journal of Accounting, Auditing & Finance*, (Vol. 15, No. 2, 2000): 183–198.

This study investigates the demand for audit quality for the firms being audited by Laventhol and Horwath (LH) at the time LH declared bankruptcy. The demand for audit quality for the former LH clients is inferred from their decisions to select Big 6 or non-Big 6 auditors. Because the change in auditors was involuntary, the sample avoids self-selection issues associated with voluntary auditor switches. Two sets of determinants of the demand for audit quality are examined: (1) components of the client's contract set, including debt contracts, bonus plans, security offerings, and management ownership; and (2) other firm characteristics, including risk and size. The study finds that after controlling for size, LH clients that selected Big 6 auditors tended to be more highly leveraged, have less management ownership, and issue more securities in the year after selecting the new auditor than LH clients that selected non-Big 6 auditors.

“Why Do Audits Fail? Evidence from Lincoln Savings and Loan,”

by M. Erickson, B. W. Mayhew, and W. L. Felix, Jr., *Journal of Accounting Research*, (Vol. 38, No. 1, 2000): 165–194.

This study describes and critiques the audit procedures applied in the 1987 audit of Lincoln Savings and Loan to two material real estate transactions (specifically related to revenue recognition issues). Audit workpapers and auditor depositions obtained during the civil trial against the auditors provide the material necessary to conduct the analysis. The main conclusion reached in this analysis is that the auditors failed to obtain an adequate understanding of the client's business, the industry in which it operated, and important economic conditions at the time of the audit. Instead of obtaining and using such information (which could have been used to evaluate the substance of the transactions), the auditors simply evaluated whether the real estate

(continued on page 11)

Have You Seen?

(Continued from page 10)

transactions complied in form with the relevant FASB requirements. The authors believe that had the auditors performed audit procedures to obtain a thorough understanding of the client's business and industry they may have reached different conclusions than they did regarding the appropriateness of the client's revenue recognition practices. Since evidence obtained from such procedures is obtained externally (i.e., not from the client), the authors recommend that procedures designed to understand the client's business and industry be applied in all audits because they can be effective in either the presence or absence of management fraud. The paper concludes by suggesting several avenues for future research.

"Auditors as Whistleblowers," by P. B. Jubb, *International Journal of Auditing*, (Vol. 4, July, 2000): 153–167.

The author of this study examines the phenomenon of society's growing perception of auditors as whistleblowers. The author provides a definition of whistleblowing which can be summarized briefly as "a disclosure which expresses accusation and dissent; and entails an ethical dilemma of divided loyalty, the origins of which lie in a *prima facie* duty to respect an organization's proprietary rights over its information." Given this definition of whistleblowing, the author argues that auditing does not qualify as a whistleblowing activity. Auditing is not considered to be whistleblowing primarily due to the fact that disclosures from auditing are required and therefore do not violate organizational loyalty. Additionally, the author argues that the auditing profession should take efforts to rid the public of the perception of auditors as whistleblowers due to the negative connotation often given to whistleblowers.

"The New Role of the Internal Auditor: Implications for Internal Auditor Objectivity," by R. G. Brody and D. J. Lowe, *International Journal of Auditing*, (Vol. 4, July, 2000): 169–176.

This study examines the continually evolving role of the internal auditor. Much of the change in the internal audit profession is due to the growing emphasis on consulting activities. The purpose of this research is to determine whether internal auditors

view their consulting role as one in which they are to provide objective feedback to management or one in which they are to provide solutions that they believe are in the best interests of their company. Data is gathered by presenting internal auditors with identical acquisition cases except that the role of buyer and seller was manipulated between groups. Results show internal auditors in the buyer position provided significantly higher likelihood assessments that an inventory obsolescence problem existed than internal auditors in the seller position. This result suggests that internal auditors are likely to assume the position that is in the best interests of their employer.

"Information Processing at Successive Stages of Decision Making: Need for Cognition and Inclusion-Exclusion Effects,"

by I. P. Levin, M. E. Huneke, and J. D. Jasper, *Organizational Behavior and Human Decision Processes*, (Vol. 82, No. 2, 2000): 171–193.

The purpose of this study is to examine measures of effort, depth, and breadth of information processing, and decision quality for individual decision makers as they proceed through the successive stages of consideration set formation and final choice. In a computerized information search and decision task, 60 college students were asked to: (1) narrow their options for purchasing a notebook computer to form a consideration set; and then (2) make a final choice from this set (subjects did not know that they would perform stage 2 until stage 1 was completed). During stage 1, half the subjects were instructed to indicate which alternatives they would want to examine further before making a final choice (the inclusion condition) and the other half were instructed to indicate which alternatives they would want to exclude from further consideration (the exclusion condition). Results indicate that subjects in the inclusion condition narrowed their choices more than subjects in the exclusion condition. In addition, subjects in the inclusion condition had greater measures of breadth and depth of information search. The effect of task condition on effort and decision quality depended on subjects' need for cognition (NC), a personality variable. High NC subjects expended more effort and showed higher decision quality than low NC subjects in the inclusion condition. In addition, high NC subjects showed greater shifts in decision-making strategy (i.e., more adaptive to changes in the decision task) than low NC subjects.

Ideas for Future Research on Audit Quality

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Introduction

This essay provides a brief overview of the audit quality literature and highlights several potentially rich areas for future research on the subject. Research on audit quality is a timely topic given that the SEC dubbed 1999 as “The Year of the Accountant” to emphasize the agency’s concern over earnings management (Johnson 1999). SEC chairman Arthur Levitt (Levitt 1998) questioned the thoroughness of financial statement audits and challenged the accounting profession to enhance the quality of financial reporting in light of several prominent accounting failures (e.g., Sunbeam and W.R. Grace). More recently, the Panel on Audit Effectiveness (POB 2000) suggested that “the auditing profession has not kept pace with a rapidly changing environment” (par. 3.27). These concerns suggest a continued need for research evaluating the factors that affect audit quality.

DeAngelo (1981) provides a frequently cited definition of audit quality, defining it as the joint probability that an auditor will both discover and report a breach in the client’s accounting system. The discovery of a misstatement measures quality in terms of auditor’s knowledge and ability, while the reporting of the misstatement is dependent upon the auditor’s incentives to disclose. While DeAngelo’s definition is appropriate for external financial statement audits, it can be expanded to include other types of auditors (e.g., internal auditors) and audits (e.g., compliance and operational audits). Despite the lack of a comprehensive definition of audit quality covering all types of audits and auditors, it is reasonable to assume the term incorporates compliance with relevant audit procedures and standards.

Because audit quality is a multidimensional latent construct, it is inherently difficult to measure. As a result, the extant literature reflects multiple measures of audit quality. A brief overview of supply and demand factors associated with audit quality is presented below to illustrate different research methodologies used in the area. While the overview is certainly not exhaustive, it provides a basis for discussing several potentially rich areas for future research.

The Supply of and Demand for Audit Quality

The audit quality literature can be divided into two major areas—supply-side research and the demand-side research. Supply-side research focuses on factors affecting the auditor’s ability to supply a quality audit. In contrast, demand-side research is primarily concerned with factors affecting the client and audit report users, such as shareholders, creditors, and regulators. Several studies on audit quality from each area are presented below to illustrate the diverse research conducted on the topic.

Supply-side studies

There are numerous factors that can affect audit quality from the auditor’s perspective, including auditor ability and economic incentives (Yardley et al. 1992). A large body of research examines audit decision quality and its impact on audit efficiency and effectiveness. Many of these studies do not test audit quality directly, but improved decisions are implicitly associated with increased audit quality. For example, Libby and Frederick (1990) found that more experienced auditors have a greater understanding of financial statement errors, suggesting that auditor decision quality may be improved with expertise.

Many studies investigate audit quality by examining supply-side factors directly. Lys and Watts (1994) tested the association between lawsuits, an inexact proxy of audit quality, and auditor supply-side characteristics. They found that auditors who use less structured audit technology were associated with a greater likelihood of litigation. This result suggests that audit quality may be improved with more structured audit technologies.

The implicit inverse relationship between audit quality and litigation risk also has been examined in the experimental economics literature. For example, King and Schwartz (1999) investigated auditors’ effort choices (a proxy for audit quality) when providing information to investors under different legal regimes and penalties. Their results indicated that penalties affect audit effort for multiple periods. This finding contradicts the assumption that auditors would adopt effort strategies based on the expectation of penalties and that actual penalties should not induce a change in strategy (change in effort). The authors also advocated the use of experimental markets in the audit quality domain to deal with data availability, market complexity, and internal validity problems.

One supply-side characteristic that appears to affect audit quality is auditor size. For example, numerous studies (e.g., DeAngelo 1981; Davidson and Neu 1993; Becker et al. 1998) empirically support a positive association between audit firm size and audit quality. DeAngelo (1981) suggested that larger auditing firms produce higher quality audits because of their desire to maintain a favorable reputation in the market, and because large audit firms have a wide client base and are not unduly influenced by the prospect of losing any individual client. Davidson and Neu (1993) found that the association of larger firms with larger client forecast errors may be due to the market’s perception of the larger firms’ audit quality. In addition, anecdotal evidence suggest that larger firms produce higher quality audits because they have more, and better, resources for training their auditors and conducting tests than do smaller auditing firms.

Recently a number of studies (e.g., Dunn et al. 2000; Gramling et al. 1999) have found a positive association between industry

(continued on page 13)

Ideas for Future Research on Audit Quality

(continued from page 12)

specialization and reporting quality. In these studies, the quality of the reported financial information is assumed to be a reflection of audit quality. Auditors with industry specialization are posited to provide higher audit quality for a number of reasons, such as an enhanced ability to identify and address industry specific problems and issues. In addition, as firms develop expertise within an industry, auditors have incentives to maintain high levels of audit quality to maintain a positive reputation in the industry (Gramling et al. 1999).

Demand-side studies

A more narrow body of research investigates demand-side factors (e.g., client-firm and investor characteristics) that affect audit quality. Willenborg (1999) examined the demand for higher audit quality associated with initial public offerings (IPOs) and found evidence that the choice of auditor impacts both IPO underpricing and the auditors' compensation. Specifically, his findings indicated that IPOs with non-national auditors are associated with higher underpricing. This suggests that using non-national audit firms in IPOs provides investors with a potentially lower level of damage recovery from auditors (i.e., less of a deep pocket) in the event of an audit failure.

To obtain a higher quality audit, clients sometimes change auditors. Several studies find that the selection of auditors is associated with agency cost variables and the need for signaling (DeFond 1992; Firth and Smith 1992; Francis and Wilson 1988). For example, DeFond (1992) found that changes in institutional ownership and leverage are positively associated with audit quality changes. This finding suggests that institutional owners and debtholders are active monitors of the companies they finance. As institutional ownership and leverage increase, both institutional investors and creditors may have increased economic incentive to monitor corporate behavior. Thus, these stakeholders demand higher audit quality. Alternatively, DeFond's findings could be attributed to management taking a proactive position and demanding higher audit quality to signal its desire to release reliable financial information.

Abbott and Parker (1999) also investigated auditor changes and found that the presence of active and independent audit committees is associated with increases in audit quality at the time of auditor changes. Their finding, consistent with agency theory, suggests that effective corporate governance acts to limit dysfunctional management behavior. Thus, the presence of a strong audit committee may create a demand for higher audit quality by ensuring that the auditing firm maintains its objectivity and will not inappropriately acquiesce to management's wishes.

Future Research on Audit Quality

New audit quality studies continue to emerge because of constant changes in the audit environment. The changes include, but are not limited to, the expansion of assurance services provided by auditors, modification of the audit process, and adoption of new technologies. While there are many potential avenues for future research on audit quality, several potentially rich areas are discussed below.

Modeling Audit Quality

Although multiple factors influence audit quality, few studies have focused on the development of a conceptual framework or model to capture the audit quality construct. The development and testing of models that capture audit quality is a ripe area for additional research.

Catanach and Walker (1999) provided an untested model that suggests audit quality is a function of two determinants of auditors' performance: the auditors' ability (including knowledge, experience, adaptability, and technological proficiency) and professional conduct (including independence, objectivity, due professional care, conflicts of interest, and judgment). In addition to the performance determinants, their model also includes the impact of economic incentives (e.g., fees, costs, efficiencies, litigation, and consulting services), market structure (e.g., competition, industry concentration, economies of scales, and regulatory mechanisms), and audit tenure on the audit quality construct. While many of the components included in the model have been studied, this framework captures many of the complexities enumerated in the audit quality literature.

Researchers interested in modeling audit quality can test the assumptions and links in the Catanach and Walker (1999) model. The question of which factors have the greatest influence on audit quality is a promising avenue of research. In addition, their model should be tested under various conditions to determine its robustness, and modified where necessary.

Audit Quality from the Insurers' Perspective

An alternative way of examining audit quality is from the perspective of auditor insurance providers. The insurers' perspective on audit quality is different from the supply-side and demand-side perspectives because it is a third-party assessment. Auditors carry malpractice insurance to protect themselves in the event of an audit failure. The premiums charged for insurance coverage vary according to the perceived risk of the insured party. Insurance premiums should be lower for auditors viewed by insurers as providing higher quality audits. While comparing audit firm insurance premiums to assess audit quality is not tractable, researchers could examine insurance policies and solicit information from underwriters on what risk factors they assess and how policies are priced. Specific measurements of risk factors, along with their importance weightings based on the pricing of policies, could be used to provide a

(continued on page 14)

Ideas for Future Research on Audit Quality

(Continued from page 13)

useful proxy for audit quality. Inquiries of insurers' assessments of audit risk, and the implied assessment of audit quality, would not only be useful to academics conducting research, but also would be beneficial to practicing auditors looking to lower the cost of their malpractice insurance.

Internal Audit Quality

Research on audit quality also could expand into the internal auditing domain. While findings in the internal audit domain could benefit the internal audit profession, they also could help external auditors who rely on internal auditors' work. Although the factors that influence internal audit quality are likely to be similar to those affecting external audit quality (e.g., training, experience), some important differences may emerge. For example, the level of management that internal auditors report to may affect their objectivity, as well as whether the internal auditors receive incentive-based compensation (DeZoort et al. 2000).

Client Structure and Auditor Specialization

Finally, additional research on auditor specialization can provide insight into audit quality. In contrast to studies that use auditor industry specialization as a supply-side factor, future research can focus more on how demand-side factors affect the clients' need for auditor specialists. Clients may demand increased audit quality via use of industry specialists for numerous reasons (e.g., desires of institutional owners and debtholders). For example, companies in financial distress may hire specialist auditors to signal their desire to release more reliable financial information. Testing for an association between audit quality and industry specialist auditors can assist audit practitioners in better meeting the needs of their clients.

Summary

Many factors play a role in the determination of audit quality. While studies have examined various aspects of audit quality, more encompassing proxies of audit quality should be pursued. For example, the development of comprehensive models of audit quality could capture many of the complexities found in the audit quality research. In addition, what constitutes audit quality for a traditional financial statement audit may be different from what constitutes audit quality in internal control examinations or special compliance engagements. Thus, there is still much to understand about audit quality and there is ample room for continued research on the topic.

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2001 Auditing Doctoral Consortium Program

Thursday, January 11, 2001

JW Marriott Houston

The Auditing Section of the American Accounting Association and KPMG are sponsoring the second annual Auditing Doctoral Consortium to be held in conjunction with the Auditing Section's Midyear Conference, January 11–13, 2001, Houston, Texas. The purpose of the Consortium is to stimulate students' research by exposing them to the very latest ideas from leading researchers in auditing, and by providing opportunities for networking with other Ph.D. students interested in auditing, established auditing researchers, and editors of the journals in which they will seek to publish. I ask you to help in publicizing the Consortium to your Ph.D. students and in supporting and encouraging their attendance. Students may be at any stage in their program, and there is no limit on how many students may attend from each university. There is a limit on how many students in total can attend the Consortium, and applicants will be accepted on a first come basis.

Program

7:00–8:00 AM	Breakfast
8:00–8:15 AM	Welcome – Richard M. Tubbs
8:15–9:30 AM	Rachel Schwartz – Analytical Auditing Research
9:30–9:45 AM	Break
9:45–11:00 AM	Mark L. DeFond – Economics-Based Empirical Auditing Research
11:00–11:15 AM	Break
11:15–12:30 PM	Steven J. Kachelmeier – Experimental Economics Auditing Research
12:30–1:45 PM	Lunch
1:45–3:00 PM	Ira Solomon – Experimental Psychology Auditing Research
3:00–3:15 PM	Break
3:15–5:15 PM	Editors' Panel – E. Michael Bamber, <i>The Accounting Review</i> ; Dan A. Simunic, <i>Contemporary Accounting Research</i> ; Arnold M. Wright, <i>Auditing: A Journal of Practice & Theory</i>
6:30–9:00 PM	Auditing Midyear Meeting Reception

Information

1. The Consortium is sponsored by the Auditing Section and KPMG.
2. Registration is free. For those students wishing to attend the Auditing Midyear Meeting (January 11–13) that follows the Consortium (January 11), the meeting registration fee is \$25.
3. The Consortium is open to all Ph.D. students with an interest in auditing research. The size of the Consortium is limited, so students will be accepted on a first-come basis.
4. Students will have one night's lodging paid for at the Consortium/Meeting hotel. The cost of additional lodging (\$100 per night, single or double occupancy) is the student's responsibility.
5. Meals will be provided during the Consortium. The Meeting also provides breakfast and lunch for attendees, with a reception in the evening.
6. Participants are responsible for their own transportation to and from the JW Marriott Houston.
7. For additional information call (319) 335-0848 or email (richard-tubbs@uiowa.edu) Rick Tubbs. Register by emailing Rick Tubbs. Please provide your name, mail and email addresses, phone and fax numbers, stage/year in program, and auditing research interests. Additional information will then be forwarded to you.

CALL FOR PAPERS: MARCH 1, 2001

NEW DIRECTIONS FOR ACCOUNTING-ETHICS RESEARCH

SIXTH SYMPOSIUM ON ETHICS IN ACCOUNTING

The Professionalism and Ethics Committee of the AAA invites papers for the Sixth Symposium on Ethics in Accounting, to be held immediately preceding the 2001 AAA Annual Meeting in Atlanta. Because of the current importance of the issue, we hope to devote at least one session to focus on new directions for accounting-ethics research. We also welcome papers examining any other aspect of ethics in accounting. At the author's discretion, papers will also be considered for publication in either *Research on Accounting Ethics* OR *Accounting and the Public Interest*, which is a new journal published by the Public Interest Section of the AAA.

Scope and Aims of Symposium: The purpose of the symposium is to explore new frontiers of ethics research in an accounting context. The symposium will provide an opportunity for researchers and practitioners interested in ethics in an accounting setting to discuss recent research, exchange information, to network, and to discuss emerging issues encountered in practice. Both presentation and forum sessions will be included in the program.

Location and Dates: The symposium will be held in Atlanta immediately prior to the AAA Annual Meeting. The meetings will be held in the main convention hotel, or within a convenient walking distance from the hotel.

Details for Paper Submission: One (1) copy of the completed manuscript should be transmitted as an attached Word file to Linda Thorne (lthorne@schulich.yorku.ca) on or before March 1, 2001. To preserve the anonymity of the review process, please remove any references to authors on the cover page and in the body of the paper.

A nonrefundable submission fee of U.S.\$10 (made payable to the American Accounting Association) should be submitted concurrently to:

Linda Thorne
Schulich School of Business
York University
4700 Keele Street
Toronto, Ontario
M3J 1P3
lthorne@schulich.yorku.ca
Phone: (416) 736-5062
Fax: (416) 736-5687

Please indicate in your submission cover letter whether you want your submission to be concurrently considered for publication in either *Research on Accounting Ethics* OR *Accounting and the Public Interest*. Professor Bill Schwartz (Editor of *Research on Accounting Ethics*) and Professor Jesse Dillard (Editor of *Accounting and the Public Interest*) have graciously waived the journal submission fee.

We are also attempting to identify those individuals ready, willing, and able to assist in the review of manuscripts, as well as those willing to discuss or chair paper sessions and organize panel sessions for the 2001 *Sixth Symposium on Ethics in Accounting*. Please indicate your preference below and send the form or a copy to Linda Thorne at the address above.

Your name _____ is willing to participate as a: (please circle):

(1) Reviewer (2) Discussant (3) Moderator (4) Organize a panel session

Name: _____

Address: _____

Email: _____

Phone: _____

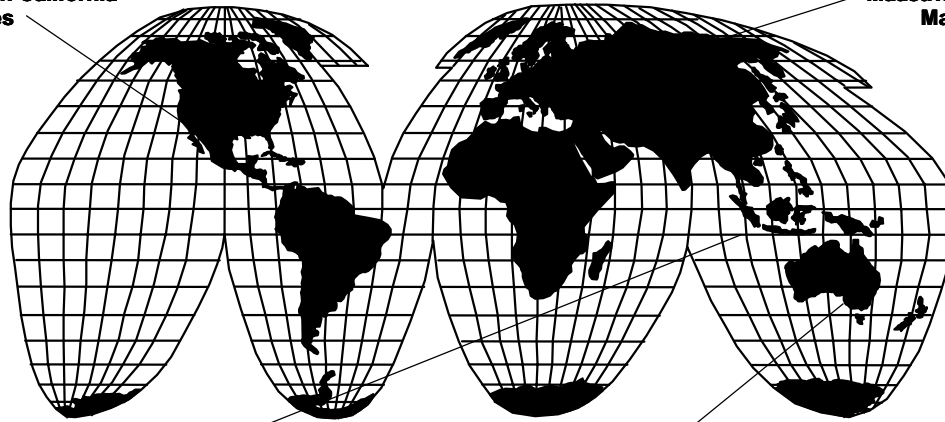
Fax: _____

CALL FOR PAPERS

International Symposium on Audit Research

University of Southern California
Los Angeles

Maastricht University
Maastricht



Nanyang Technological University
Singapore, 2001

University of New South Wales
Sydney

Hosted by

The Centre for Accounting and Auditing Research (CAAR)
Nanyang Business School, Nanyang Technological University
Nanyang Avenue, Singapore 639798 — <http://www.ntu.edu.sg/nbs/caar/>

ABOUT THE SYMPOSIUM: The seventh annual International Symposium on Audit Research (ISAR) will be hosted by the Centre for Accounting and Auditing Research (CAAR) of the Nanyang Technological University June 28 and 29, 2001. ISAR has been formed from a merger of two previous audit research symposia: the University of Southern California (USC) Audit Judgment Symposium and the Maastricht Audit Research Symposium. Starting in 1997, the University of Southern California, University Maastricht, Nanyang Technological University, and the University of New South Wales began co-hosting ISAR.

SCOPE OF TOPICS: The scope of ISAR is broad and includes research papers and panels that deal with economic and behavioral aspects of auditing and assurance. Papers that utilize any of a broad range of research methodologies will be considered. General topics of interest include research relevant to practice issues such as providing assurance services, litigation, regulation and international matters. Judgment and decision-making topics can include any aspect relating to auditor behavior, such as financial and social incentives, cross-cultural differences in audit judgments, risk-based audit planning, decision aids, alternative models of evidential reasoning and expertise. Economic-based topics can include national and international issues relating to regulation of audit and assurance services markets, audit quality, auditor choice, and auditor service production.

SUBMISSION OF PAPERS: Submitted manuscripts should follow the "Instructors to Authors" published in *Auditing: A Journal of Practice & Theory*. Pay particular attention to format and length requirements. Accepted papers will not be published in a formal proceedings and may be submitted to any appropriate journal. Papers should be submitted electronically in HTML, RTF, Adobe Acrobat, or Word formats. Submissions must be received by January 15, 2001 at: amytang@ntu.edu.sg (Attention: Ms Adeline Tang). Please contact us at this address if you are unable to submit your materials electronically. Further information concerning the Symposium is available at <http://www.ntu.edu.sg/nbs/caar/> or by contacting Assoc Professor Hun-Tong Tan at ahttan@ntu.edu.sg.

VENUE AND HOTEL ACCOMMODATION: The Symposium will be held at Merchant Court Hotel. This hotel is centrally located in the heart of the city, along the banks of the Singapore River and next to Raffles Place, the financial and business hub. The hotel is within easy walking distance from prime shopping, dining, and entertainment areas like Chinatown, and Clarke Quay Festival Village. The Orchard Road shopping district is also within easy access. Special room rates will be provided for conference delegates. Further information about the hotel is available at <http://www.merchantcourthotels.com>.

SINGAPORE: Situated at one of the most important crossroads of the world, and truly a place where East and West come together. Here you will find Chinese, Indian, and Malay communities living harmoniously, their long-established cultures forming a unique backdrop to a modern garden city. English is spoken everywhere. There is a wide variety of beautifully appointed yet reasonably priced hotels. Few places on earth promise such a delight for the palate, with gourmet cuisine from over 30 countries. Singapore's climate is warm and welcoming all year round, with temperatures ranging from 28°C in the day, to 23°C by night. Singapore has the finest conference facilities in the world. For business and pleasure, Singapore has everything to make your convention a productive and a memorable experience.

Fraud-Related SEC Enforcement Actions Against Auditors: 1987–1997

Copyright AICPA (2000)

Mark S. Beasley

Associate Professor, North Carolina State University

Joseph V. Carcello

Stokely Scholar and Associate Professor, University of Tennessee

Dana R. Hermanson

Director of Research – Corporate Governance Center; Associate Professor, Kennesaw State University

Executive Summary

This study, *Fraud-Related SEC Enforcement Actions against Auditors* (AICPA 2000), examines fraud-related SEC enforcement actions against auditors from January 1987 – December 1997 to identify the settings in which auditors were cited by the SEC, as well as the alleged deficiencies in the audit process that caused the auditors to be cited. By examining these alleged audit problems, we hope to offer insights for auditors and regulators to consider as they work to continuously improve the auditing profession's ability to detect instances of material financial statement fraud.

The data in this study were obtained from *Fraudulent Financial Reporting: 1987–1997, An Analysis of U.S. Public Companies* (copyright COSO 1999). The COSO fraud study provided an analysis of 204 financial fraud cases investigated by the SEC from January 1987 – December 1997. The present study examines the 56 of the 204 cases from the COSO study in which the auditor was cited by the SEC in an Accounting and Auditing Enforcement Release (AAER).

The key results of the present study are as follows:

- From 1987–1997, SEC enforcement actions against auditors were quite rare, particularly against auditors employed by national audit firms (top 10 firms). The sample used in this study, which comprises two-thirds of the known financial statement fraud cases from 1987–1997, included only 56 fraud cases with SEC actions against auditors. Only 10 of these 56 cases involved auditors employed by national audit firms. None of the actions against national firm personnel was against the audit firm itself (only against individual personnel involved in the audit engagement).
- The subsample of financial fraud cases in which the auditor was cited appears to differ substantially from the overall sample of 204 fraud cases examined in the COSO fraud study (1999). Relative to the 204 cases, the 56 instances in which the auditor was cited by the SEC involved very small companies, a concentration in the mining / oil and gas industries, less top executive (CEO / CFO) involvement in the frauds, larger frauds relative to the size of the companies, and a concentration of asset overstatement frauds.
- Of the 56 cases in which the auditor was named, 11 cases appear to involve “bogus audits” or “bogus auditors.” In such cases, either an audit was never performed, or a non-CPA posed as an auditor and issued a phony opinion. The primary penalty in these cases involved barring the perpetrators from practice before the SEC.

- In the other 45 cases, it appears that an audit was attempted, but was deficient. Auditor turnover (58 percent of cases), early stage companies, and new audit engagements were engagement characteristics present in many of these cases. In 5 of the 45 cases (11 percent), it appeared that a key member of the client management team had come from the audit firm. Auditor penalties primarily involved bars (for a period of time or permanently) from practice before the SEC.
- In the 45 attempted, but deficient, audits, the most common alleged audit problems were:
 - failure to gather adequate audit evidence
 - lack of due professional care
 - lack of appropriate professional skepticism
 - misinterpretation or misapplication of GAAP
 - inadequate audit planning
 - over-reliance on inquiry as a form of evidence
 - failure to obtain adequate evidence in support of management estimates
 - inadequate confirmation of accounts receivable
 - failure to recognize or disclose key related parties
 - over-reliance on internal controls
 - lack of independence (generally due to the auditor performing accounting or management functions for the client)
 - inadequate supervision and review
 - inadequate or inconsistent working papers.
- Differences were identified between national firm audits and non-national firm audits. Over-reliance on internal controls, inadequate cutoff tests of transactions, and improper evaluation of known audit differences were among the most common problems in national firm audits, but not in non-national firm audits. Inadequate confirmation of accounts receivable, failure to recognize or disclose key related parties, and lack of independence were among the most common problems in non-national firm audits, but not in national firm audits (e.g., there were no independence violations at all among national firm auditors).

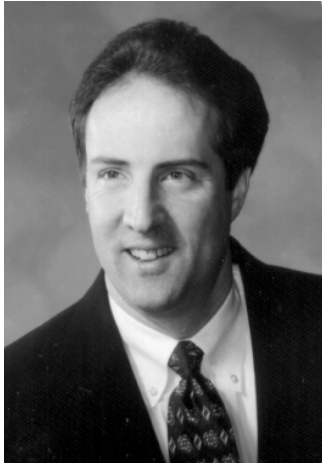
Based on the pattern of results found, the key implications for auditors and regulators to consider are as follows:

- When assessing the nature of audit problems highlighted in the SEC enforcement actions, it is important to remember the rare nature of these documented audit problems and to carefully consider the costs and benefits of potential responses to the problems.
- Auditors may need to pay particular attention to very small clients (which may lack a baseline level of internal controls)

(continued on page 19)

ELECTION OF OFFICERS

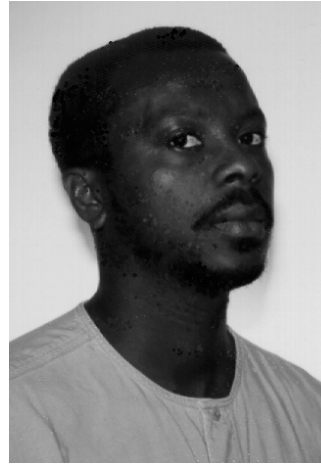
We will be electing two officers for the Auditing Section (Vice President—Academics and Treasurer) at the 2001 Midyear Meeting in Houston, TX. The officers will assume their responsibilities at the Annual Meeting in August. The nominees for each of the offices are listed below and on page 20.



Joe Carcello



Morley Lemon



Steve Asare



Rick Tubbs

(continued on page 19)

Fraud-Related SEC Enforcement Actions

(continued from page 18)

and unique industry risks. Fraud cases in which accounts receivable, oil, gas, and minerals, or investments were misstated appeared to pose the greatest risk to the audit firm. Special care should be taken in auditing such areas, including the need to consider the use of a specialist to assist in assessing asset valuations.

- The SEC recently announced an effort to work more closely with federal criminal prosecutors in bringing criminal charges in egregious financial fraud cases. We would expect future instances of bogus audits or bogus auditors to be prime candidates for criminal prosecution.
- Auditors need to be alert to the unique risks posed at the beginning of a client relationship and should be especially vigilant when making inquiries of predecessor auditors before client acceptance, and during planning and performing the first few annual audits for those accepted client engagements. Also, consistent with the Independence Standards Board's focus on auditors accepting employment with clients, auditors should consider the risks associated with client relationships when an audit firm member joins the client's executive team and adjust the audit approach accordingly to ensure independence and objectivity are maintained.
- The three most common audit deficiencies (inadequate evidence, lack of due care, and inadequate professional skepticism) represent global shortcomings in the audit process or the auditor's frame of mind when performing the audit. Perhaps the most appropriate way to address these global issues is through the audit firms' explicitly sharing their culture and emphasizing their philosophy towards a baseline level of ac-

ceptable audit quality (over and above audit profitability goals) with their professionals at all levels. A second area to consider is the types of incentives created by the audit firm's performance measures and compensation system. In many cases, it appeared that auditors simply chose not to pursue or consider *identified* issues due to perceived pressures, such as pressures from tight time schedules and time budgets.

- Numerous specific areas of concern are raised in the other alleged audit deficiencies. Several of these may have implications for specific auditing standards or specific elements of a firm's audit approach. Key auditing standards related to these problems include SAS No. 69 (*The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles in the Independent Auditor's Report*), SAS No. 22 (*Planning and Supervision*), SAS No. 82 (*Consideration of Fraud in a Financial Statement Audit*), SAS No. 85 (*Management Representations*), SAS No. 57 (*Auditing Accounting Estimates*), SAS No. 67 (*The Confirmation Process*), and SAS No. 45 (*Related Parties*).

The full report, which is available from the AICPA (item No. 990040CPA07), is organized as follows. Section II briefly outlines the research approach. Section III contains the results from our detailed analysis of 56 alleged cases of fraudulent financial reporting in which the auditor was named in an enforcement action. The detailed analysis in Section III produced numerous insights for further consideration. Section IV highlights implications applicable to external auditors and regulators of the audit market.

We believe that this report will prove helpful to parties concerned with auditor performance. We hope it will stimulate greater awareness of new opportunities for improvements in the auditing process.

ELECTION OF OFFICERS

(continued from page 19)

Candidates for Vice President-Academics (President-Elect)

Joe Carcello

JOSEPH V. CARCELLO, Ph.D., CPA, CMA, CIA is a Stokely Scholar and an Associate Professor in the Department of Accounting and Business Law at the University of Tennessee. Joe received his Ph.D. from Georgia State University and his M.Acc. from the University of Georgia. His research has investigated audit committee performance, fraudulent financial reporting, going-concern reporting, and audit service quality and has been published in journals such as *The Accounting Review*, *Journal of Accounting Research*, *Contemporary Accounting Research*, *Auditing: A Journal of Practice & Theory*, *Accounting Horizons*, *Behavioral Research in Accounting*, *Journal of Accountancy*, and *Internal Auditing*. He currently serves on a number of editorial boards including those of *Auditing: A Journal of Practice & Theory*, *Accounting Horizons*, and *Issues in Accounting Education*. Joe is the co-author of a funded research study by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission titled, *Fraudulent Financial Reporting: 1987–1997, An Analysis of U.S. Public Companies*. In addition, he is the co-author of a research project commissioned by the Auditing Standards Board titled, *Fraud-Related SEC Enforcement Actions against Auditors: 1987–1997*. Joe was the academic representative on the Independence Standards Board's task force, Accepting Employment with an Audit Client. He has taught continuing professional education courses for two of the Big 5 accounting firms, AICPA, Institute of Internal Auditors, Institute of Management Accountants, and the Tennessee and Florida Societies of CPAs. Joe is a past recipient of the Robert Beyer Gold Medal for his performance on the Certified Management Accountant examination. He has received research grants from COSO, KPMG, and the Institute of Internal Auditors. Joe currently serves the Auditing Section as Vice Chair of the Auditing Standards Committee. He was the Section's Treasurer between 1997 and 1999. Joe also served as liaison from the Auditing Section to the AAA Annual Meeting Planning Committee during the three-year period ending in 1999, and he was the Secretary of the Section's Future Audit, Attestation, and Assurance Services task force between 1994 and 1997. Joe has chaired the AAA's Environmental Screening Committee, and is now serving as a member of the New Faculty Consortium Planning Committee.

Morley Lemon

W. Morley Lemon obtained his B.A. from the University of Western Ontario, his M.B.A. from the University of Toronto, and his Ph.D. from The University of Texas at Austin. He obtained his CA in 1965 and was elected a Fellow in 1985. He received his CPA in Texas in 1974. Morley is Director of the University of Waterloo's School of Accountancy and is the PricewaterhouseCoopers Professor of Auditing. In 1998 he was awarded a University of Waterloo Distinguished Teacher Award. A charter member of the Auditing Section, Morley has served over the years as a chair or member of several committees. He organized six University of Waterloo Audit Symposia co-sponsored by the Auditing Section and published as a Supplement to *Auditing: A Journal of Practice & Theory*. He has served as an *ad hoc* reviewer for *Auditing: A Journal of Practice & Theory* and the journal and for papers submitted to the annual and midyear meetings. Morley has served on the AAA Council and as a chair or member of a number of committees for the AAA and the Canadian Academic Accounting Association. He serves on the Editorial Boards of several journals and has acted as an *ad hoc* reviewer for others. Publications include a co-authored monograph on the audit risk model and articles in academic and professional journals. He has presented papers at AAA national, regional, and sectional meetings, CAAA meetings, universities in Canada and the United States, and to professional groups. Professional activities include a four-year stint as member of the CICA's Assurance Standards Board and service on several CICA Task Forces. Morley served on the Joint Working Group (Canada, the U.S., and the U.K.) that examined the audit methodologies of the eight largest accounting firms. The research was published as a monograph co-authored with Kay Tatum from Miami and Stuart Turley from Manchester. Morley is co-author, with Arens, Loebbecke, and Spletstoesser, of *Auditing and Other Assurance Services* Canadian Eighth Edition published by Prentice Hall Canada, and co-authored four previous Canadian editions of that text. He is co-author, with Harrison Horngren and Bamber, of *Accounting* Canadian Fourth Edition.

Candidates for Treasurer 2001–2003:

Steve Asare

Stephen Kwaku Asare is an Associate Professor at University of Florida where he teaches assurance and financial reporting. His research interest is in judgment and decision making. Steve's PhD. is from The University of Arizona.

Rick Tubbs

Richard M. Tubbs is an Associate Professor of Accounting in the Henry B. Tippie College of Business at The University of Iowa. He has also been a faculty member at the University of Connecticut. Rick received his Ph.D. in Business Administration from the University of Florida in 1988 and also holds degrees from Kalamazoo College and Illinois State University. At The University of Iowa his primary teaching responsibilities include cost accounting and a doctoral seminar in experimental accounting research. Rick currently serves on the editorial boards of *The Accounting Review* and *Auditing: A Journal of Practice & Theory* and previously served on the editorial board of *Behavioral Research in Accounting*. His research examines how certain attributes of the auditing environment like experience, the review process, and characteristics of the information set are related to the memory, attitudes, and judgments of auditors. He has published in *The Accounting Review*, *Auditing: A Journal of Practice & Theory*, *Accounting, Organizations and Society*, *Journal of Accounting Literature*, and *Journal of Behavioral Decision Making*. Rick has participated in a number of Auditing Section committees. He is currently chairing the 2001 Auditing Doctoral Consortium, has chaired the Midwestern Region, and has served as a member of the Outstanding Dissertation Award and Midyear Meeting Planning committees. He has also served as the chair of the Big Ten Doctoral Consortium, a group leader at the AAA New Faculty Consortium, and a member of various AAA committees.

Announcement and CALL FOR PAPERS

**University of Waterloo
Symposium on Information Systems Assurance
October, 2001**

e-Business Assurance

The Center for Information Systems Assurance at the University of Waterloo is pleased to announce a symposium to be held October 2001 at the Canadian Institute of Chartered Accountants and the Skydome Hotel in downtown Toronto, Canada. The Symposium is sponsored by the University of Waterloo, the Canadian Institute of Chartered Accountants, the Information Systems Audit and Control Association, and the Information Systems Section of the American Accounting Association. Proceedings will be published as a supplement to the *Journal of Information Systems*, subject to editorial review and approval by the Editors of the Journal.

Theme

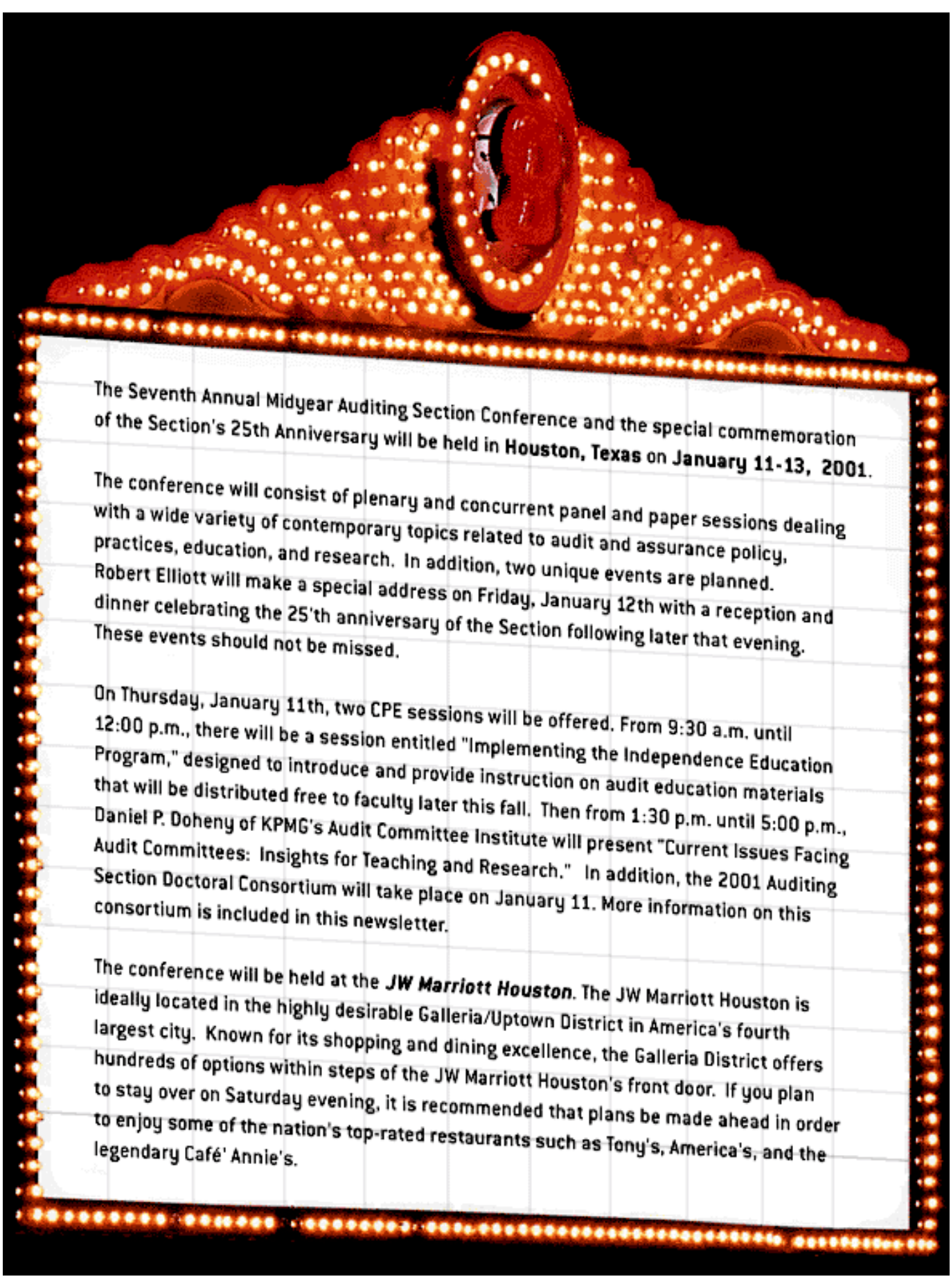
This symposium will focus on issues related to e-business assurance.

Papers are invited from academe and practice. Submitted papers should be at an advanced stage of completion. Papers will be subject to blind review by academics and practitioners. Authors must adhere to the editorial style of the *Journal of Information Systems*. The Journal's Editorial Policy and Instructions to Authors are included in each issue of the *Journal* or may be obtained from the University of Waterloo Centre for Information Systems Assurance through our web site (<http://watarts.uwaterloo.ca/ACCT/uwcisa>). Information about the previous Symposium and the Center is also available at this web site.

Please send four copies of the paper, together with a submission fee of U.S.\$50.00 payable to the American Accounting Association, by March 15, 2001 to:

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

Notice of acceptance or rejection will be sent out by June 15, 2001. Papers accepted subject to revision must be revised by July 30, 2001.



The Seventh Annual Midyear Auditing Section Conference and the special commemoration of the Section's 25th Anniversary will be held in **Houston, Texas** on **January 11-13, 2001**.

The conference will consist of plenary and concurrent panel and paper sessions dealing with a wide variety of contemporary topics related to audit and assurance policy, practices, education, and research. In addition, two unique events are planned. Robert Elliott will make a special address on Friday, January 12th with a reception and dinner celebrating the 25th anniversary of the Section following later that evening. These events should not be missed.

On Thursday, January 11th, two CPE sessions will be offered. From 9:30 a.m. until 12:00 p.m., there will be a session entitled "Implementing the Independence Education Program," designed to introduce and provide instruction on audit education materials that will be distributed free to faculty later this fall. Then from 1:30 p.m. until 5:00 p.m., Daniel P. Doheny of KPMG's Audit Committee Institute will present "Current Issues Facing Audit Committees: Insights for Teaching and Research." In addition, the 2001 Auditing Section Doctoral Consortium will take place on January 11. More information on this consortium is included in this newsletter.

The conference will be held at the **JW Marriott Houston**. The JW Marriott Houston is ideally located in the highly desirable Galleria/Uptown District in America's fourth largest city. Known for its shopping and dining excellence, the Galleria District offers hundreds of options within steps of the JW Marriott Houston's front door. If you plan to stay over on Saturday evening, it is recommended that plans be made ahead in order to enjoy some of the nation's top-rated restaurants such as Tony's, America's, and the legendary Café Annie's.

American Accounting Association
2001 AUDITING SECTION
25TH ANNIVERSARY CELEBRATORY MIDYEAR CONFERENCE
Registration Form — January 11-13, 2001

Name: _____

Nickname for badge: _____

University Name or Affiliation: _____

Mailing Address: _____

City: _____ State: _____ Country: _____ ZIP: _____

Phone: _____ Fax: _____ Email: _____

Early Registration for Auditing Section Member (by December 11, 2000)	\$ 135.00
Auditing Section Member (after December 11, 2000)	155.00
Nonmember of Auditing Section *	155.00
Student	25.00

CPE Sessions: Please register me for the following CPE Session(s) on Thursday, January 11

- | | | |
|---|---------------|----------|
| <input type="checkbox"/> “Challenges Facing Audit Committee Members:
Insights for Teaching and Research” | 1:30 – 4:00PM | \$50.00 |
| <input type="checkbox"/> “The Impact of Enterprise Resource Planning (ERP) and e-Commerce
on Assurance and Business Practices: Implications for Education” | 1:30 – 4:00PM | \$ 50.00 |

In celebration of the Section’s 25th Anniversary, you are cordially invited to attend a special reception and buffet dinner on Friday, January 12th at 6:30 PM. There is no additional charge for this dinner *for registrants*, however, *admittance to this special event requires a ticket. Please check all appropriate boxes below.*

- ☐ I plan to attend the 25th Anniversary Celebration buffet dinner.
Please include a ticket to the event in my registration materials.
- ☐ I would like to purchase _____ additional tickets for spouses / guests at \$40 each.
- ☐ I plan to attend the Saturday luncheon.
- ☐ I have dietary restrictions for the luncheon (please indicate): _____

Member ID#: _____ Total Amount Paid: \$ _____

Name on Card: _____ Signature: _____

Card Number for VISA or MC (only): _____ Exp. Date: _____

- ☐ I am an American Accounting Association member and would like to allocate \$15 to my registration fee to join the Auditing Section.

If you are paying by credit card, you can fax this form to: (941) 923-4093. If paying by check, please make check payable to the American Accounting Association for the conference fee. Mail completed form and fees to the American Accounting Association, 5717 Bessie Drive, Sarasota, FL 34233-2399

Hotel Information—JW Marriott Hotel on Westheimer by the Galleria

Please make your hotel reservations with the JW Marriott Houston Hotel. The JW Marriott Houston is located at 5150 Westheimer in Houston, Texas 77056, and the Reservations Desk phone number is (713) 961 -1500. Please identify yourself as an attendee of the American Accounting Association’s Auditing Section Midyear Conference. A block of rooms has been reserved for the Conference at a rate of \$100 single/double occupancy, \$110/triple occupancy, and \$120/quadruple occupancy. Please be sure to identify yourself as attending the AMERICAN ACCOUNTING ASSOCIATION (not just AAA) Auditing Section Midyear Conference. The deadline for room reservations is **December 11, 2000**. After this date, reservations will be accepted on a space- and rate-availability basis only. Make your reservations early. The JW Marriott Houston is ideally located in the highly desirable Galleria/Uptown District in America’s fourth largest city. Known for its shopping and dining excellence, the Galleria District offers hundreds of options within steps of the JW Marriott Houston’s front door. We recommend that plans be made ahead in order to enjoy some of the nation’s top-rated restaurants such as Tony’s, America’s, and the legendary Café Annie’s. Regardless of your shopping, dining or entertainment preferences, it’s all easily accessible in Houston’s Galleria District!

* Members of the American Accounting Association may allocate \$15 of their registration fee to join the Auditing Section. Membership includes subscriptions to *Auditing: A Journal of Practice & Theory* and the Section’s newsletter.

American Accounting Association

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