



RUTGERS  
Rutgers Business School  
Newark and New Brunswick

# Rutgers AICPA Data Analytics Research Initiative

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## Charter

### Mission and Objectives

The mission of the Rutgers AICPA Data Analytics Research Initiative (the “Initiative”) is to facilitate the further integration of data analytics into the audit process, and to demonstrate through research how this can effectively lead to advancements in the public accounting profession (the “Profession”). The scope of the Initiative will encompass the testing of theory and methodology; however, it will not extend to building tools.<sup>1</sup> Theory and methodology tested under the Initiative will inform the development of audit data analytics guidance, which will benefit the Profession as a whole.

Licensed CPA firms that wish to participate in the Initiative are invited to apply at any time during the initial two years. Thereafter, new participants may be included at the discretion of the Advisory Board (the “Board”). Participants who wish to continue to participate after the initial two year period will not need to reapply. Rutgers Business School (“Rutgers”) will host and support the research infrastructure, while the AICPA and CPA Canada will facilitate any related standard setting or guidance development efforts.

In addition to testing new techniques and methodologies, the Initiative also will encourage collaboration in other scholarly, practical research into audit analytics, and will seek to spread learning in the field via publications, colloquia, conferences and networking opportunities. The Initiative will also seek to establish a process for open dialog with U.S. standards setters, regulators and other interested parties. The activities of the Initiative will involve individuals with specific skill sets and perspectives as needed to support the process. The Initiative might also call upon experts in related fields such as artificial intelligence, machine learning, statistics, Big Data analytics and researchers from other academic institutions.

### Vision

The desired outcomes of the Initiative are:

- An auditing profession that has improved audit effectiveness through the integration of data analytics and related technologies into everyday practice

<sup>1</sup> The work carried out by the Initiative will not interfere with individual firm competitive product or service development.

- Active engagement by firms and universities in fundamental applied research for continuous improvement of the Profession

### Governance Structure

The Initiative will be overseen by an Advisory Board (the “Board”), which will consist of representatives of participating organizations and others as deemed appropriate by the participants of the Board.<sup>2</sup> The Board will elect a chairperson and other officers as necessary, and appoint an executive director if and when deemed necessary.

The Board will provide input on matters such as the Initiative’s goals, composition, funding and projects, and the participating organizations will have the opportunity to participate in projects as defined by the Board.

The Initiative will be funded by contributions paid by participating organizations. Funding of the Initiative will be channeled through the AICPA’s Accounting Research Association (“ARA”).

The ARA is a 501(c)(6) organization incorporated in the District of Columbia. The purpose of the ARA is:

- To promote the progress and development of accounting, auditing, and other aspects of professional accountancy;
- To provide funds for studies and research in regard to principles and standards of the accounting profession in conjunction with the American Institute of CPAs and others;
- To directly or indirectly disseminate the results of studies, surveys and related projects designed to improve accounting, auditing, and other aspects of accountancy; and
- To engage in or sponsor any other proper and lawful activity as may be considered to the general welfare of the accounting profession.

Upon receipt of invoices generated on behalf of the Initiative, participants (other than the AICPA and CPA Canada, whose contributions are addressed below) will make annual contributions to the ARA in the amount of \$60,000 for each of the first two years and thereafter annually in amounts determined by the Board. These funds will be segregated from other funds in the ARA account, and will be used exclusively

<sup>2</sup> A “participant” or a “participating organization,” for the purposes of this Charter, includes the AICPA, licensed CPA firms, and any other organization that is represented on the Advisory Board of the Initiative.

for Initiative-related activities. Upon recommendation of the Board, the ARA Board (which consists of the AICPA Board Chair, the AICPA Board Vice Chair, the AICPA President, and the AICPA COO) will approve release of funds for Initiative-related activities. If the Initiative is dissolved, unspent funding associated with the Initiative will be redistributed to the participants based on their respective percentages of the most recent total annual Initiative funding contribution.

### Roles and Responsibilities of Participants

#### AICPA will:

- Provide staff resources, including legal counsel as necessary, to help coordinate Board meetings and project initiatives
- Coordinate with the appropriate parties to facilitate a process for the participants in the Initiative to have open dialog with standard setters, regulators and other interested parties
- Connect efforts of the Initiative to related standard setting and guidance development efforts
- Facilitate and administer the funding of the Initiative through the ARA
- Make an annual contribution of \$25,000

#### CPA Canada will:

- Help to coordinate, under the auspices of CPA Canada, with the appropriate parties to establish a process for open dialog with standard setters, regulators and other interested parties
- Connect efforts of the Initiative to related Canadian standard setting and guidance development efforts
- Make an annual contribution of \$25,000

#### Rutgers Business School will:

- Host and support the research infrastructure
- Provide resources to facilitate and oversee project initiatives
- Establish and oversee a process for collaboration with other academic institutions

#### Board participants collectively will:

- Determine and oversee the governance and funding structure that will support the Initiative
- Approve the annual operating budget
- Approve and scope research projects and budgets in consultation with the researchers
- Assess and approve all project resource and funding needs
- Review, deliberate, approve and oversee project submissions and deliverables including all materials prior to publication
- Approve meeting minutes, press releases and marketing materials

### Intellectual Property

Each participant in the Initiative shall have the right to use the name “Rutgers AICPA Data Analytics Research Initiative” in referring to the Initiative.

All participants of the Initiative will be informed of all research results from the Initiative’s projects.

Each participant shall retain sole and exclusive ownership of and all right, title and interest in and to any know-how, concepts, techniques, methodologies, ideas, processes, models, templates, tools, utilities, routines and trade secrets that (i) existed prior to, or were developed independent of, this Initiative, but were disclosed by the participant during the Initiative to the other participants or (ii) may have been discovered, created or developed by a participant as a result of its own efforts during the Initiative, which are of general application and do not contain confidential information of any other participant (“Individual Participant IP”).<sup>3</sup> All other participants (including Rutgers) shall acquire no right or interest in such Individual Participant IP. No such other party shall sublicense or otherwise grant any other party the rights to use, copy, or otherwise exploit or create derivative works from such Individual Participant IP. Each party shall also retain all right, title and interest to its logos, and firm names. A participant will not use in any advertising, promotional, or sales literature, or publications the name of any other participant (including the participant’s service marks, trademarks and logos) without prior written consent. Each

<sup>3</sup> To achieve the objectives of the Initiative, the participants may generally discuss from time to time technologies and analytics, and how they may be integrated into audit processes. Initiative participants, however, will not disclose to one another an

individual participant’s methodologies, audit tools or other competitively sensitive information or trade secrets.

participant grants all other participants the right to use participant's name to indicate that the participant is part of the Initiative. Any use of a participant's logo by another must be approved in writing in advance by the participant.

Any intellectual property ("IP") developed through or within the Initiative, including all research results from the Initiative's projects, other than Individual Participant IP ("Initiative IP"), will not be patented or trademarked and will be used to inform the development of practice guidance which will be available to the Profession as a whole. Initiative IP shall be centrally owned by the AICPA, which agrees to make published Initiative IP publically accessible and free of charge, subject to any licensing provisions as determined in accordance with this paragraph. Each Participant hereby assigns and transfer any intellectual property rights it may have in the Initiative IP to the AICPA, subject to the license rights in the following sentence. Each Participant shall have a nonexclusive, non-transferable, royalty free right to use such Individual Initiative IP for its internal and external business purposes. The licensing of Initiative IP to non-Participants shall be addressed during the initial two years of the Initiative. AICPA grants each participating organization a non-exclusive, non-transferable, worldwide, perpetual royalty free license to use the Initiative IP.

If the Initiative is terminated, neither the Initiative nor use of its name shall be continued by nor used by any party unless all parties to the Charter jointly agree that one party may continue the program and use the name, under such terms as the parties may mutually agree. If the Initiative is terminated, all Initiative IP generated as of the date of termination will be maintained by the AICPA and licensed as set forth in this Charter.

### Confidentiality

All information and materials received by any party or participant from any source related to this Initiative, except for materials that are to be posted publically on the Internet (which shall be posted on the Internet only after written agreement by the participants) or released by mutual agreement of the parties pursuant to this Charter, are confidential and shall be used only for purposes related to this Initiative. In addition, the parties agree that all materials received from any party related to this Initiative are confidential and each party agrees to maintain security of confidential materials consistent with its procedures for securing its own confidential material. No later than ten (10) days following the expiration or termination of this Initiative each party and upon request, unless otherwise agreed by the

parties, shall certify to the disclosing party that all confidential materials in its possession have been destroyed or deleted and any material which is the other party's confidential material shall be returned or deleted upon request, except that a party may retain copies of the Confidential Information in accordance with applicable professional standards and document retention policies.

Where disclosure is required by law, including a request by a regulatory authority, if legally permitted to do and to the extent practicable under the circumstances, the party receiving Confidential Information from the other party will first notify the disclosing party of any such disclosure requirement and, if practicable, afford the disclosing party the opportunity to seek a protective order or other appropriate relief.

### Dispute Resolution

Any controversy or claim arising out of or relating to the Charter document or related fees shall first be submitted to mediation. Mediation will be initiated by any party sending a written notice of a dispute to all of the other parties involved. A mediator will be selected by agreement of the parties, or if the parties cannot agree a mediator acceptable to all parties will be appointed by the American Arbitration Association ("AAA"). Any mediator must confirm in writing that he or she is not, and will not become during the term of the mediation, an employee, partner, executive officer, director, or substantial equity owner of any participating CPA firm audit client. The mediation will proceed in accordance with the customary practice of mediation.

The disputing parties may disclose facts during the mediation in an attempt to resolve the dispute. Any facts disclosed will be in furtherance of settlement and maintained as confidential by all parties. The disputing parties agree to conclude mediation within sixty (60) days from receipt of the written notice unless the parties jointly agree to extend, terminate or waive mediation. Each party will each pay its own costs of mediation but will share equally the fees and expenses of the mediator.

In the event mediation is unsuccessful, the parties agree that they shall submit the dispute to the AAA at New York City for resolution. All parties agree that each party that is involved in the dispute will bear its own costs and fees (including attorney's fees) associated therewith, except that the disputing parties involved in the arbitration shall share equally the costs of the arbitration as charged by the AAA. The proceeding shall be governed by the provisions of the Federal

Arbitration Act (“FAA”) and will proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that no pre-hearing discovery shall be permitted unless specifically authorized by the arbitration panel. Potential arbitrator names will be exchanged within 15 days of the parties’ agreement to terminate or waive mediation and arbitration will thereafter proceed as scheduled. There shall be three arbitrators, with one to be chosen by each party and the third selected by the chosen arbitrators. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures and has confirmed in writing that he or she is not, and will not become during the term of the arbitration, an employee, partner, executive officer, director, or substantial equity owner of any participating CPA firm audit client.

The decision of the arbitrators shall be final and binding on the parties and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators shall have no authority to award non-monetary, equitable relief and will not have the right to award punitive damages nor any damages that are inconsistent with the Limitation of Liability provision below. The award of the arbitration shall be in writing and shall be accompanied by a well-reasoned opinion. The award issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential mediation or arbitration.

### **Limitation of Liability**

Subject to the limitations and conditions of applicable laws governing each participant and Rutgers, each participant and Rutgers will be responsible for any loss, cost, damage, claim, or other charge to the extent arising out of or caused by the actions of that participant or Rutgers or their employees or agents to the extent of its negligence as it relates to the Initiative. Neither Rutgers nor any participant will be liable for any loss, cost, damage, claim, or other charge that arises out of or is caused by the actions of any other participant or other participants’ employees or agents. Joint and several liabilities will not attach to the participants or Rutgers; neither Rutgers nor any participant is responsible for the actions of any other

participant, but each participant and Rutgers is only responsible for that to which it agrees in any subsequent Participant Application or funding agreement.

Notwithstanding anything to the contrary herein, except to the extent finally determined to have resulted from a participant’s gross negligence, willful misconduct, or fraud, Rutgers and each participant agrees that the liability of a participant for any and all claims (including for that participant’s own negligence) between or among the participants, Rutgers, or with the Initiative itself in connection with this Charter document or the activities hereunder shall not exceed the latest annual participant contribution that such participant has paid in respect of the then-current year, proceeding the conduct in question. Also, because of the importance to the Initiative of receiving information that is provided by participants, Rutgers and each of the participants release each other from any liability, damages, fees, expenses and costs (including defense costs) that may arise from or relate to any information (including representations) provided by any party, participant, or any third party, that is not complete, accurate or current.

In no event will consequential, incidental, special, and exemplary or punitive, indirect damages (including but not limited to lost profits, taxes, interest, penalties, loss of savings, or lost business opportunity) be applicable or awarded with respect to any dispute that may arise between or among the participants, Rutgers, or with the Initiative itself, in connection with this Charter document or the activities hereunder. In performing any obligation created under this Charter document, each participant and Rutgers is acting as an independent party and not as an agent of any other participant.

### **Governing Law**

This Charter document, including its formation and the parties’ respective rights and duties and all disputes that might arise from or in connection with this Charter or its subject matter, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflicts of laws rules. The parties consent to the personal jurisdiction of the courts of such state and the United States District Courts for the Districts of such state, and the parties waive objection to venue in any of these courts. No participant shall assign any rights, obligations or claims relating to this Charter document without the other party’s prior written consent.



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