

# Rutgers AICPA Data Analytics Research Initiative

## In person Meeting

January 4, 2017

### Participants

Erica Nelson	Eric Cohen
Mike Leonardson	Amy Pawlicki
Shane O'Connor	Dorothy McQuilken
Dan Balla	Tiffany Chu
Brian Wolohan	Qi Liu
Dave Dauksas	Qiao Li
Al Anderson	
Trevor Stewart	<i><b>Via Teleconference</b></i>
Evan DeFord	Won No
Kaylynn Pippo	Brian Miller
Miklos Vasarhelyi	Kelly Hnatt
Jason Guthrie	Katie Greehan

### Meeting Notes:

- Erica Nelson was welcomed as the new Chair of the RADAR initiative Board.
- There were no new administrative items. The November meeting minutes had been approved on the December executive session conference call.
- The purpose of this meeting was to discuss the status of each of the research projects, and whether or not any considerations needed to be made as year 2 of the research initiative begins.
- The research teams provided updates on each of the projects:
  - **MADS Project Update:**
    - Since the last in person meeting, the research team has updated the MADS framework to address feedback from the Board. They have also researched current sampling procedures related to tests of details, auditor judgement based filters and appropriate measures of sampling effectiveness and efficiency in order to evaluate the MADS framework.
    - The research team is still looking to obtain data sets, but will also leverage and coordinate with the process mining research team.
    - The following feedback was noted on the updated MADS framework:
      1. **Initial Validation Procedure** – It needs to be clear that the validation procedure is only for research purposes, and it should be built into the methodology that the risks of material misstatement have been addressed as part of the procedures (i.e., as part of designing the filters)

in the first column. It was also suggested that “initial validation procedure” be renamed (e.g., initial MADS process validation procedure).

- **Analytical Procedure vs. Test of Details** – The group discussed whether or not the framework would be considered an analytical procedure vs. a test of details. **As a next step, Board members will consult with their firms to understand where this may fit.** It was noted that if this framework is considered an analytical procedure, the “initial validation procedure” column may not be needed.
- 2. The framework is very situation specific. As the research teams work with more varied data sets (disbursements, revenue, etc.), they will be able to model the framework accordingly and begin to apply it to different scenarios.
- **MADS Project Next Steps:**
  1. **Research team to send AICPA reps an updated version of the survey questions to send to the Board (by 1/6/17). Board members to send feedback by 1/13/17.**
  2. **Once the research teams receive feedback on the survey questions, they will reach out to Board reps to set up interviews to discuss further. Research teams will also come up with specific scenarios to put context around the survey questions (e.g., revenue testing, disbursements testing, controls vs. non-control testing).**
  3. **Board members to discuss with firms whether this framework would be considered an analytical procedure vs. a test of details.**
- **Visualization Update:**
  - Since the last meeting, the research team has been working with 2 data sets to demonstrate how visualization can be used throughout the audit process, and as audit evidence.
  - The team has developed a process for applying visualization to audit tasks and is looking into ways to develop a framework for selecting the most appropriate visualization for the audit procedure.
    1. Proposed Steps in Applying Visualization to the Audit Task:
      - **Step 1** – Understand the objectives of audit tasks (and the data being used)
      - **Step 2** – Understand the characteristics of the data
      - **Step 3** – Choose the appropriate visualization
      - **Step 4** – Evaluation (Optional)
        - It was noted that the auditor should always evaluate the visualization that they have chosen. For research purposes, the team will also need to evaluate whether the visualization is more effective than a traditional data set.



begin thinking about logical next steps for some of the current projects (i.e., how can we expand upon the current projects?).

- The February conference call will be changed to an executive session and will be held from 1:00 – 3:00pm ET.

**Summarized Action Items and Next Steps:**

- 1. MADS team to update the survey questions and send out to the Board by 1/6/17. Board members to send feedback to AICPA reps by 1/13/17.**
- 2. MADS team to coordinate interviews with board reps, once survey feedback has been reviewed.**
- 3. Board members to discuss, with firms, whether or not the MADS framework could be an analytical procedure vs. a test of details.**
- 4. Visualization and Process Mining teams to put together a proposal of key asks and questions to help gain a better understanding of the items noted above.**
- 5. Research teams and board reps to continue to work on obtaining real data sets to be used for research purposes.**
- 6. RADAR Executive Director and AICPA reps to work on drafting a point of view document to share with the board ahead of the February conference call.**
- 7. AICPA rep to send out meeting minutes, presentations, and data set spreadsheet to the group for review.**