

Rutgers AICPA Audit Analytics Research Initiative
Advisory Board Meeting
September 2, 2015

Attendees:

Mike Leonardson
Dorothy McQuilken
Erica Nelson
Juli-Ann Gorgi
Thomas Mackenzie
Phil McCollough
Alexander Kogan
Miklos Vasarhelyi
Amy Pawlicki
Trevor Stewart

Via teleconference:

Dave Dauksas
Eric Cohen
Kristine Hasenstab

Meeting Notes:

- The Advisory board discussed how participation in the consortium will be handled. It was agreed that:
 - Instead of “consortium” this will be named the “Rutgers AICPA Audit Analytics Research Initiative”
 - Participation will be open to all interested licensed accounting firms. Interested accounting firms will complete an intent to participate form and pay a fee of \$60,000 in year 1 (the amount is TBD by the Advisory Board thereafter). All participating firms will have a seat on the Advisory board, and will help drive the direction of the research.
 - Board approved meeting minutes will be shared publically on the Rutgers website
 - In order to promote the research initiative, a board approved press release will be issued jointly by Rutgers and AICPA noting when applications are due, and where public minutes can be accessed. The press release may also list some of the proposed projects for board approval, and will be approved by the group before distribution.
 - Other members in academia may be invited to participate in research projects upon recommendation of/approval by advisory board members.

Next Steps:

- 1. The proposal document and memorandum of understanding will be combined into one charter document, based on the edits discussed by the Board.**
- 2. Board members will vet the updated charter document with appropriate parties for review.**
- 3. A one-page document discussing the funding process (i.e. utilizing the ARA) will be drafted and reviewed by the Board**

- The board members discussed the proposed project plans: (1) Exceptional Exceptions, (2) Analytical Procedures, and (3) Visualization. Below are the overall comments on each of the projects:
 - **Overall Project Comments:**
 - One of the first steps that should be taken, for each project, is meeting with firm representatives to understand the current audit issues that need to be solved.
 - For each project, pair a practitioner with the researchers.
 - There are data sets available for each of the projects, but additional data sets from the firms would be helpful as well.
 - Visualization might be incorporated into each project as opposed to being positioned as a separate and distinct project on its own.
 - **Exceptional Exceptions:**
 - This proposed project would address the problem of large numbers of exceptions detected using data analytics, by proposing a methodology to rank and prioritize the exceptions.
 - *Overall Comments:*
 - Suggested the following edits to the research questions provided in the document:
 - Delete question #1
 - Reword question #2: How do you build a framework for identifying outliers that you should reasonably be expected to follow up on?
 - Suggested that it may be better to work with a broader, simpler data set (i.e. journal entry level), and with a number of different data sets.
 - Suggested that this framework could also introduce materiality into this process as well.
 - **Audit Analytics:**
 - This proposed project addresses the use of data analytics in auditing.
 - *Overall Comments:*
 - Suggested adding an additional research question:
 - How do you create substantive evidence out of this?
 - What type of procedure is it (e.g. substantive, analytic, risk assessment, test of details)? This may also be a new procedure that doesn't exist today.
 - Disconfirming evidence – what are the implications? What do I have to do as an auditor?
 - Suggested foundational questions:
 - Can these types of advanced techniques generate evidence?

▪ **Visualization:**

- This proposed project addresses the understanding of the basic axioms of visualization in the audit domain as well as its integration with audit analytic methods.
- The Board noted that visualization is an element included in each of the projects.

Next Steps:

- 1. The proposed project plans will be updated based on edits received by the group, and reviewed by Board members.**
- 2. Updated versions will be discussed on our next Advisory Board conference call scheduled for October 8th from 9:00am – 11:00am**