Rutgers AICPA Audit Analytics Research Initiative
Monthly Update Call
March 1, 2017

Participants:

Erica Nelson	Miklos Vasarhelyi
Dave Dauksas	Dorothy McQuilken
Brian Miller	Brian Collins
Shane O'Connor	Eric Cohen
Kristine Hasenstab	Amy Pawlicki
Nicole Deschamps	Ami Beers
Nicole Oberst	Kelly Hnatt
Trevor Stewart	Jason Guthrie
Brian Wolohan	Evan DeFord

Meeting Minutes:

- There were no new meeting minutes to approve. The January meeting minutes were approved during the February executive session conference call.

- Rutgers will be giving presentations to PCAOB representatives on all of the projects that are currently underway at the Rutgers Continuous Auditing and Reporting lab. The RADAR projects will be discussed at a high level, and representatives from the AICPA and Rutgers will be in attendance.   An update on this meeting will be given at the April RADAR meeting.

- The group discussed the Point of View document (POV):
    - This document was updated to address comments received at the last meeting. The overall format of the document was updated to conform to a "Q&A" format (or question and hypothesis format).
        - Reactions from the group:
            - The document currently details "questions and hypotheses"; however, some "hypothesis" are not worded as hypothesis. Many of the hypothesis could be a bit stronger and more impactful.
            - It was suggested that this document could be used as a script for a taped interview. The interview video could be included on the RADAR website. This may be a better way to present the information rather than just in a hard copy form.

        N/S – Board members to review the POV document and send Dorothy edits by COB March 15th. The updated document will be shared with the group at the next in

- The RADAR executive director gave an update on the status of the research team questionnaires that were discussed at the January in person meeting. The research teams are updating their specific questionnaires and will share them at the April meeting. A while back, the research teams conducted interviews with firm's representatives. The results of these interviews are being analyzed and will be shared during the April meeting.

- The group discussed the proposed Year 2 budget.

    o Group reaction:
        - The calculations for process mining and visualization are off
        - The current year 2 budget runs from September 2016 – August 2017, but many of the milestones end in May. The future milestones will be created as more data sets come in.
        - It was agreed that the milestones should be reframed to be more measurable (i.e. there should be deliverables throughout)
        - The budget will be revisited at the April meeting

    N/S – Dorothy will send around an updated version of the Year 2 budget, including updated calculations and more measurable milestones, along with the meeting minutes.

- The executive director gave an update on data requests. He has been working with another possible donor to acquire a data set. There are a few new data requests that are out and in process.

- The chair of the ADA guide working group gave an update on the status of the development of the AICPA's Audit Data Analytic guide. The guide has been reviewed by the AICPA's Assurance Services Executive Committee and Auditing Standards Board. Comments were consolidated and grouped by common theme. The common themes were: (1) data reliability, (2) notable items vs. exceptions, (3) distinguishing between CAATs, ADAs and Analytical Procedures, (4) terminology, (5) level of complexity of the guide, (6) edits to examples, (7) our proposed 4-step process for applying ADAs, and (8) editorial comments. The group met back in February to begin discussing a plan for revising the draft. The final timeline has shifted a bit, and it looks like that guide may be out late summer/early fall.

- The research teams gave an update on each of the RADAR projects:

    o **Multidimensional Audit Data Selection (MADs)** – The research team has been analyzing the new data sets obtained in order to understand what is included within each set. Once the team has a better understanding of the data they will run it through the MADs

framework.   The team is also trying to develop a measure to test the efficiency and effectiveness of the MADs framework.

Researchers are also reviewing the completed "judgement based filters" questionnaires. Responses showed that many were confused by the term "judgement based filters". The team went back and revised their questionnaire, and would like to share it again with the Board for feedback. Once the research team receives feedback from the board they would like to set up a call or meeting to discuss in more detail.

N/S – Board members to send their feedback on the appendix 2 questions by March 15th. The research team will accumulate the feedback and let the group know by the April meeting how they will set up individual meetings.

o **Process Mining -** The RADAR Vice Chair has been working with the research team to support this project. The team is analyzing the new data sets obtained in order to understand what is included and what the "business rules" are. As a next step, the team is developing a framework for identifying potential abnormal activities in the procure to pay cycle.

o **Visualization –** The research team has been working with the other teams to leverage the new data sets that have come through. The team also intends to work closely with the other project teams to develop visualizations that could assist both the process mining and MADs projects.

Overall, the research teams would like to engage board representatives on each of the project in order to leverage their knowledge and for additional support.

Summarized Next Steps:

(1) **Board members to review the POV document and send Dorothy edits by <u>COB March 15th</u>. The updated document will be shared with the group at the next in person meeting/conference call in April. If possible, the interview taping will be planned around the time of the next in person meeting.**

(2) **Dorothy will send around an updated version of the Year 2 budget, including updated calculations and more measurable milestones, along with the meeting minutes.**

(3) **Board members to send their feedback on the appendix 2 questions by <u>COB March 15th</u>. The research team will accumulate the feedback and let the group know by the April meeting how they will set up individual meetings.**

(4) **The next in person meeting is in the process of being scheduled for the April / May timeframe**