

Rutgers AICPA Data Analytics Research Initiative
Monthly Update Call
March 2, 2016

Attendees:

Mike Leonardson	Dorothy McQuilken
Erica Nelson	Ami Beers
Dave Dauksas	Greg Shields
Thomas Mackenzie	Margot Cella
Brian Miller	Thomas Payne
Katie Greehan	Kevin Lavin
Brian Wolohan	Nicole Deschamps
Dan Balla	Brian Foster
Susan Coffey	Eric Cohen
Amy Pawlicki	Jason Guthrie
Alex Kogan	Elizabeth Scherr
Trevor Stewart	Qi Liu
Alan Anderson	Won No
Miklos Vasarhelyi	Becky Swanson
Kelly Hnatt	

Meeting Notes:

- The purpose of the March Advisory Board conference call was to continue the discussion on the visualization project, and to discuss any updates on the multidimensional exceptional exceptions and audit analytics sandbox projects.
- The board welcomed the newest participant, Katie Greehan, from RSM US.
- The board approved the following meeting minutes:
 - o (1-25-16) Advisory Board Meeting Notes
 - o (2-3-16) Advisory Board Meeting Notes
 - *Please note that the following edit was made and approved during the conference call: Deleted the second bullet point under the bullet entitled: "Multidimensional Exceptional Exceptions (formerly "Exceptional Exceptions"). The sentence began with "There are times where we..."*

Next step: AICPA Staff will post the approved minutes to the RADAR website

- The board discussed what information to include on the RADAR website. Research teams will develop one-page summaries of each of the projects. The final, board approved, summaries will be posted to the RADAR website.

Next step: Research teams to develop project summaries to share with the board for review. Final project summaries will be posted to the RADAR website.

- The RADAR executive director and AICPA staff are in the process of developing a messaging document with suggested talking points for board members to use when discussing the initiative.

Next step: AICPA staff to share a draft of the messaging document with board members for review.

- Research teams continued their presentation and discussion of the visualization project. The following items were noted:
 - o A good starting point for this project would be to look at the analyses that auditors are currently using in the field. Research teams should leverage the presentations that were given at the February meeting, when updating the project proposal.
 - o It may be helpful to show how some of these graphical tools, that are well known, can be applied to different kinds of data.
 - o Research teams should review the proposal to determine if this project lends itself to being a separate study.
 - o Visualization is a mechanism to facilitate making decisions and drawing conclusions. It also helps with communication. It was noted that the value of this project is in showing how to get audit evidence out of this.

Next steps:

- 1. Research teams will leverage the examples presented at the February meeting to update the proposal to show what the objective of this research project is.**
- 2. Miklos will share a link to the Rutgers digital library video on confirmatory vs. exploratory techniques.**

- Research teams gave updates on the remaining project proposals:
 - o ***Multidimensional Exceptional Exceptions (final title TBD)***: The research team is currently working to develop an updated framework. In the next version of the proposal, the team will provide more detail on each of the components included within the current framework. This project should help with the identification of “outliers” (group to determine the appropriate word to use going forward). As teams get into more of the research, they may be able to begin to determine ways to address the outliers, but this may ultimately need to be addressed through guidance as well.

Next steps:

- 1. The research team will share an updated proposal with the board for review.**
- 2. The research team and AICPA staff will follow up on the taxonomy/definitions (i.e. outliers vs. exceptions). The terminology used should be consistent with what will be included with in the new guide.**

- **Audit Analytics Sandbox:** The research team is currently updating the proposal to formalize the five approaches noted within the document. It was noted that, depending on the data sets that are received, the team will determine the best approach to use (i.e. text mining, process mining, etc.)
Next step: The research team will review the risks and controls that were supplied by each of the advisory board members, who presented at the February meeting, and will provide examples of how each of the five techniques could be used to test controls.
- Board members discussed getting data sets to use for research purposes. Members are still in the process of locating and looking for volunteers to share data sets with the group. Research teams need to provide the exact types of data (i.e. GL, sub ledger, audit logs, etc.) that is needed for each project in order to make these requests.
Next step: Research teams to share specific data requests with board members.
- Greg Shields gave a quick update on the status of the development of the AICPA's Audit Data Analytics guide. This guide will replace the current Analytical Procedures guide, but will carry forward (and update if necessary) much of the content from the current guide. It is expected that this publication will be available for sale in the spring of 2017. Some items discussed:
 - Outliers and exceptions should be defined within the guide.
 - Examples will include visualization (where appropriate) and illustrate how certain tools can be used throughout the phases of the audit.
 - The guide is meant to be foundational and basic, but the working group did decide that there should be a chapter that discusses how these tools can evolve over time, and what's to come.
 - One challenge is demonstrating how some of these new procedures might replace traditional procedures rather than simply complement them.

Summary of Next Steps:

- 1. AICPA Staff will post the approved minutes to the RADAR website**
- 2. Research teams to develop project summaries to share with the board for review. Final project summaries will be posted to the RADAR website.**
- 3. AICPA staff to share a draft of the messaging document with board members for review.**
- 4. Research teams will leverage the examples presented at the February meeting to update the proposal to show what the objective of this research project is.**
- 5. Miklos will share a link to the Rutgers digital library video on confirmatory vs. exploratory techniques.**
- 6. The research teams will share an updated proposal with the board for review.**
- 7. The research teams and AICPA staff will follow up on the taxonomy/definitions (i.e. outliers vs. exceptions). The terminology used should be consistent with what will be included with in the new guide.**

8. The research teams will review the risks and controls that were supplied by each of the advisory board members, who presented at the February meeting, and will provide examples of how each of the five techniques could be used to test controls.
9. Research teams to share specific data requests with board members.