



Association
of International
Certified Professional
Accountants®

Request for Proposals Academic Research in Private Company Assurance Services June 2018

Proposal Deadline: Friday, September 28, 2018

Background

Founded in 1887, the American Institute of Certified Public Accountants (AICPA) represents the CPA profession nationally regarding rule-making and standard-setting, and serves as an advocate before legislative bodies, public interest groups and other professional organizations. The AICPA develops standards for audits of private companies and other services by CPAs; provides educational guidance materials to its members; develops and grades the Uniform CPA Examination; and monitors and enforces compliance with the profession's technical and ethical standards.

In July 2012, The Pathways Commission (which was formed by the AICPA and American Accounting Association (AAA) to study the future of higher education and develop recommendations for the accounting profession) recommended that the profession establish additional joint research ventures with academia.

In response, in 2016 the AICPA established the [Assurance Research Advisory Group \(ARAG\)](#), comprised of representatives from academia and the profession, which reviews and approves academic research proposals addressing private company assurance topics that are of interest to practitioners. Approved research proposals are eligible for:

- Access to assurance partners and staff at approximately 36 national and regional firms (excluding the largest 8 firms);
- Funding of up to \$15,000 per proposal;
- Access to up to 40 peer reviewers from small/medium size firms (e.g., for survey or interview purposes); and
- Access to anonymized data collected through a [peer review questionnaire](#).

In providing funding and resources, ARAG seeks to:

- Drive research relative to private company¹ assurance issues that are most pressing to the profession;
- Provide the AICPA with valuable insight into the factors that affect the quality of private company assurance services; and
- Use those insights to support the standard setting process and the broader [Enhancing Audit Quality \(EAQ\)](#) initiative.

The AICPA is interested in supporting empirical research using any appropriate research method, as well as literature reviews and syntheses, descriptive analyses and meta analyses.

Areas of Interest

The AICPA is interested in funding projects that address research questions with a nexus to one of the topics listed below. These topics are solicited from various AICPA and state CPA society committees and are focused on domestic private company assurance engagements. The AICPA will also consider research proposals which are unrelated to the topics below but will support the ARAG's mission as described above.

Audit Quality

Audit quality has been a focus in the United States and abroad for several years. The AICPA is interested in research into factors that affect audit quality, including but not limited to research focused on:

- Utilizing data collected through a [peer review questionnaire](#) to identify meaningful correlations between firm characteristics and performance;
- The factors which have the greatest influence on quality in specialized audit segments (for example, financial institutions, employee benefit plan audits and single audits);
- The relationship between adherence to the Quality Control Standards and the firm's performance on assurance engagements;
- The factors that motivate an auditor to perform high-quality work; and
- The role that professional skepticism plays in influencing the quality of an audit.

Risk Assessment and Response

¹ Defined as entities not required to be audited in accordance with PCAOB auditing standards, including privately-held companies, not-for-profit organizations, employee benefit plans and governmental entities.

Risk assessment is one of the most common areas of non-conformity identified through the AICPA Peer Review Program. The AICPA is interested in research addressing this area, including but not limited to research which explores:

- The factors which are driving non-conformity with AU-C 315 and 330, including the prevailing understanding in practice of
 - The purpose of obtaining an understanding of the entity;
 - The requirement to evaluate the design and implementation of controls;
 - The meaning of “relevant assertion” and “financial statement level” risks and their impact on the audit;
 - The assessment of inherent and control risk, their effect on the risk of material misstatement, and what is required to assess them below “high”;
 - The definition of a significant risk and the response that is required; and
 - What it means to respond to risks of material misstatement and the requirement to link that response to assessed levels of risk.
- The impact of a firm’s audit methodology on their collective understanding of the requirements of AU-C 315 and 330;
- How an accountant considers risk in limited assurance engagements; and
- How an accountant considers risk when assurance is provided on non-financial measures (e.g., sustainability assurance engagements).

Materiality

The AICPA is interested in research into the concept of materiality and how it impacts the amount of evidence gathered in both audit and limited assurance engagements. This includes engagements where assurance is provided on non-financial information. Relevant research may explore:

- Divergent practices in determining materiality and how they impact assurance quality;
- How an accountant considers materiality in limited assurance engagements;
- How an accountant considers materiality when assurance is provided on non-financial measures (e.g., sustainability assurance engagements);
- How the accountant identifies the primary user(s) of the financial statements or non-financial information;
- How the accountant determines the benchmarks that are most relevant to the primary user(s);
- In examination or review attestation engagements, what criteria do practitioners use to evaluate whether presentation or disclosure misstatements or omissions,

individually or in the aggregate, are sufficiently material to require a modification of the practitioner's report; and

- In financial statement audit or review engagements, what criteria do auditors and accountants use to evaluate whether presentation or disclosure misstatements or omissions, individually or in the aggregate, are sufficiently material to require a modification of the auditor or accountant's report.

Levels of Assurance

There are different levels of assurance that an accountant may obtain when providing audit, examination or review services. An audit or examination engagement requires the accountant to design and perform procedures to obtain reasonable assurance. When performing a review engagement, the accountant is only required to obtain limited assurance, which is less than the high level of assurance obtained in an audit or examination engagement. Some practitioners have experienced challenges in applying these definitions in practice, resulting in disparity in the level of work performed in order to obtain the appropriate level of assurance. Supporting research in this area is a high priority for the AICPA and there is specific interest in research addressing:

- The perceptions of practitioners regarding the level of evidence required in order to obtain the desired level of assurance (reasonable or limited);
- Potential approaches to reducing or eliminating disparate perceptions, if any; and
- How an accountant considers risk in limited assurance engagements.

Emerging Technologies

Emerging technologies are transforming how we work and live, and the market is seeking assurance on information not contained in traditional financial statements. The profession needs to prepare for these changes to meet clients' needs, create value and continue to provide quality services. The AICPA is interested in research studying how emerging technologies will impact auditing and assurance in the future. Research interests include, but are not limited to, the following:

- To what extent are private companies adopting blockchain technology and how have audits been impacted?
- To what extent are cryptocurrencies being utilized by private companies and how has financial reporting been impacted? How are auditors auditing existence?
- How are companies implementing maturity models and what is the appetite of users for examination engagements covering maturity assessments?

- For users of artificial intelligence, are the application controls functioning as intended?
- What impact might emerging technologies have on the application of professional skepticism?

Specialization

Statement of Quality Control standard QC Section 10 paragraph .33 (“QC standards”) requires engagement partners to have the appropriate competence and understanding of the industry in which their client operates. The assurance space is vast, and with a rapidly evolving business environment, it can be challenging for practitioners to maintain the competency required to perform audits in numerous industries and areas. To comply with the requirements of the QC standards, commit to quality and maximize the value of their work, practitioners often find an audit niche in which they are highly competent and concentrate their practice on that industry or area. The AICPA is interested in research which explores the effect of practitioners’ specialization on the quality of private company assurance practices. Research interests include, but are not limited to, the following:

- What matters more – overall experience in audit and assurance or experience in specific industries or areas?
- If specialization impacts the quality of assurance services, is that impact uniform across industries?
- Do industry-specific risks influence the impact of specialization?

Proposal Instructions

Any accounting educator is eligible to submit a proposal. Proposals should be concise and contain the elements that follow. Research teams are encouraged to utilize the [ARAG proposal template](#) to ensure all required elements are included.

- An executive summary (no longer than two pages) that is written for a non-academic audience and includes
 - A description of the research question,
 - Its importance to practice,
 - How it would contribute to enhancing the quality of private company assurance services, and
 - How private company assurance standard(s) may be affected.
- A description of how the research fits into the existing literature by explaining how the proposed study builds on the extant research on the topic.

- A description of specific predictions, including theory-based explanations underlying the predictions. Research without specific predictions (e.g., interview, case study, survey) will also be considered and should include a description of how the research relates to theory.
- A description of the proposed methodology, including the research design and key variables, if applicable, and the proposed methods of analysis. If the researcher has begun to implement the research plan, (e.g., researcher has developed a data collection protocol or has gathered data from a pilot study; researcher has created a database of observations from a secondary data source) include that information, along with draft research instruments and pilot results (if available), in your proposal submission.
- A description of the resources needed to complete the study, and what assistance will be required from the AICPA and its members firms (e.g., funding request, access to professional staff – including experience and/or industry requirements, access to peer reviewers, access to peer review questionnaire responses).
 - Requests for access to personnel should detail the number of participants requested and the time commitment required of each participant. Such requests should ordinarily not exceed 120 participants including a limit of 40 peer reviewers and 45 minutes per participant.
 - Personnel will participate remotely, come from approximately 36 regional/national public accounting firms, and will not come from the largest eight firms.
 - Access to peer review personnel will come from small/medium size firms.
- A timeline for data collection, analysis and report writing or other deliverables. If access to personnel will be requested, this timeline should reflect that personnel will be unavailable until after April 30.
- An itemized budget including budget rationale.
 - Note that grant funds are available to cover direct costs of conducting the research (research stipends, dataset purchases, etc.).
 - The AICPA requires a waiver of university overhead and will not pay for indirect costs such as travel to conferences or journal submission fees.
 - Firms providing access to personnel do not permit researchers to offer payment or gifts to personnel for participating in research studies.
- Identification of proposed members of the research team (e.g., principal investigator, other researchers, and research assistants), including
 - An indication of which researcher will serve as the principal investigator;
 - A brief, one-page bio for each member of the research team; and
 - A description of the roles and the estimated level of effort (in hours) proposed for each member.

- Other information that the research team believes will assist in the review of the proposal.

Proposals should be focused, concise and **should not exceed 10 pages in length** (double-spaced; excluding executive summary, references, research team bios, draft research instruments and pilot test results).

Up to five projects will be selected for funding. The number of projects selected will depend on the quality and number of proposals received. The AICPA anticipates providing up to \$15,000 for each approved research proposal. ARAG representatives will be available to provide feedback on research instruments for approved research projects.

Submission process

The AICPA has an online process for submitting research grant proposals. To submit your proposal, please go [the online submission form](#) and follow the instructions. To be considered, proposals must be received **on or before 12:00 midnight EDT, Friday, September 28, 2018**.

Proposals will be reviewed by the AICPA's Assurance Research Advisory Group. Grants will be announced no later than **February 28, 2019**.

Questions should be addressed to Michele Craig (arag@aicpa.org).