

Rutgers AICPA Audit Analytics Research Initiative Meeting

May 18, 2017

Participants:

RADAR Board Members:

Erica Nelson	Brian Wolohan
Brian Miller	Jason Whitmer (proxy for Dan Balla)
Mary Grace Davenport	Michael Leonardson
Dave Dauksas	

AICPA, CPA Canada and Rutgers Staff & Researchers:

Al Anderson	Won No (MADS)
Amy Pawlicki	Feiqi Huang (MADS)
Dorothy McQuilken	Tiffany Chu (Process Mining)
Kelly Hnatt	Qi Lu (Visualization)
Miklos A. Vasarhelyi	Chanta Thomas (Survey)
Kaylynn Pippo	

Observers:

Brian Collins	Nicole Deschamps
Jason Guthrie	Trevor Stewart
Eric Cohen	Vanessa Teitelbaum
Evan DeFord	Kristine Hasenstab

Meeting Minutes:

- Administrative Items:
 - **Meeting Minutes** - The board approved the April 5th meeting minutes for posting to the RADAR website.
 - **Budget** – It was suggested that a timeline be developed to track milestones.
 - **POV Document** – This document will be used a script for 2-3min. “micro-learning” sessions that will be taped and posted to the website. General edits were received and will be addressed in the document. AICPA staff is in the process of scheduling the taping.

Next Step: Board to perform an overall final fatal flaw review of the POV document by COB June 9th and send final fatal flaw comments to AICPA staff.

- **Datasets** – A new dataset is in the process of being transmitted to the researchers. This data set is very robust and will help with the visualization and MADs process.

Next Step: Board reps with a background in healthcare are asked to reach out to the RADAR executive director to help with analyzing the data set.

- **Standards Listing** – This listing was shared with the board for review. Comments can be sent to the AICPA staff. A revised/final copy will be shared again with this group before it is shared with additional parties.

Next Step: Board to send comments on the standards listing by COB June 9th to AICPA staff.

- Project Updates:

- **Visualization** –

- Using a new data set, the research team performed a number of analyses and generated new visualizations to share with the board. The following analyses were performed over the data: sales-purchase, inventory mark-up, sales trend and journal entries. The following suggestions were noted:
 - It is important to understand the audit procedure or purpose of the analysis being performed (i.e. what assertions are being tested).
 - Set an expectation/boundary in order to understand what the true outliers are.
 - Align the data sets being used with the AICPA audit data standards. The AICPA staff will work with the ADS working group to determine the feasibility of this.

Next Step: Research teams to reach out to board members to gain an understanding of the audit procedures performed around journal entries, non-profit, retail and healthcare industries to help ensure that the research is properly aligned with current audit procedures.

- **Process mining update** –

- The research team is currently analyzing a new data set which includes both transactional and log data. It was noted that this project may lend itself to more of a risk assessment procedure.

- **MADS project** –

- Since the last meeting the research team has updated their original questionnaire designed to identify tests that are currently used in substantive testing. In addition, the team has continued work on analyzing a procurement dataset by employing some substantive tests and data analytic techniques.

Next Step: Board members are asked to read through questionnaire, included within the appendix of the MADS project summary document, and to think about 3 examples of how the MADS framework could work within the audit. Example areas include: procure to pay, revenue, journal entries, and any additional area.

Research teams will set up conference calls to discuss each of the examples.

A draft of the ADA guide will be shared with the researchers. The examples included throughout the guide can be leveraged and help to facilitate these discussions.

- ADA guide update:
 - The Audit Data Analytics guide has been updated to address comments received from the January review period. The guide is currently undergoing a final fatal flaw review, and the working group hopes to finalize and publish by late summer.
- Future meeting:
 - Dates will be circulated for a September in person meeting.

Summarized Next Steps:

1. Board to perform an overall final fatal flaw review of the POV document by COB June 9th and send final fatal flaw comments to AICPA staff.
2. Board reps with a background in healthcare are asked to reach out to the RADAR executive director to help with analyzing a new data set obtained.
3. Board to send comments on the standards listing by COB June 9th to AICPA staff.
4. Research teams to reach out to board members to gain an understanding of the audit procedures performed around journal entries, non-profit, retail and healthcare industries to help ensure that the research is properly aligned with current audit procedures.
5. MADS Questionnaire:
 - a. Board members are asked to read through questionnaire, included within the appendix of the MADS project summary document, and to think about 3 examples of how the MADS framework could work within the audit. Example areas include: procure to pay, revenue, journal entries, and any additional area.
 - b. Research teams will set up conference calls to discuss each of the examples.
 - c. A draft of the ADA guide will be shared with the researchers. The examples included throughout the guide can be leveraged and help to facilitate these discussions.