

Challenges to Proposal Developed for Treasury Advisory Committee on the Auditing Profession

Why should the PCAOB have a say over what we teach / research?

Currently the AICPA and state boards of accountancy have some say over what we teach. Given the PCAOB some authority is consistent with this model. Moreover, there is precedence for this approach; the American Bar Association has some influence over law school curriculums through its accreditation process. In addition, my suggestion is that accreditation of Professional Schools of Auditing be a joint undertaking between the PCAOB and AAA. Such a cooperative approach is likely to lead to the best outcome, and may address the concerns of some academics that an outside party will have too large a role. Finally, accreditation of Professional Schools of Auditing does not mean that all curricula must be identical – I envision multiple models that are likely to be equally valid.

The PCAOB will have no control over what and how we research. They will play a role in providing access to data, data that is not currently available.

How would professional schools of auditing be carved out of accounting programs?

Although different universities may approach this challenge in different ways, I envision that most faculty would move to the Professional School of Auditing. Faculty expertise in auditing, financial accounting, management accounting, systems, and tax is clearly needed. Some schools may retain a small number of accounting faculty within the COB to teach financial accounting and management accounting courses to other B-school students. Other schools will just “contract” with faculty from the Professional School of Auditing for these services. Finally, some universities may want to retain enough faculty within the B-school to offer 4-year degrees in accounting for students interested in a career in industry.

How well would this model work given that so few people stay in public accounting for the long term?

Many people who leave public accounting go into internal auditing. Being educated in a Professional School of Auditing is likely to serve those who end up in internal auditing well. And, for those individuals who move to a corporate accounting position, more in-depth training in financial accounting and auditing, especially since the advent of 404, is likely to be useful for corporate accountants. Many attorneys don't stay with law firms their entire career, but this does not mean that their law school education was not useful.

Would the Big 4 buy this and truly support it?

This is a big wild card and my guess is probably not unless prodded by regulation. But if the PCAOB expected such educational background I imagine that the Big 4 would get on the bandwagon pretty quickly.

Where is the School of Professional Auditing positioned in the academic education flow?

As for Law Schools, I suggest a 3-year model after the completion of a 4-year undergraduate degree in general business or finance. (Students with a liberal arts background could complete a year of prerequisites and then enter the Professional School.)

Why do you think the PCAOB will cooperate with the AAA and not be pre-empted by the AACSB?

The AACSB largely reflects the interests of business, private interests, rather than the public interest. The AAA is clearly focused on accounting education and, given the history of the accounting profession, is more likely to “buy in” to a public interest mandate. Moreover, there already is substantive interaction between the AAA and the PCAOB; not so between the AACSB and the PCAOB.

How do you suggest moving forward to implement such a suggestion?

I believe that a “blue ribbon” group should be formed, with representatives from the PCAOB, AICPA, AAA, investor advocates, public company auditing firms, and university administrations to study the issue in greater depth and make recommendations consistent with developing Professional Schools of Auditing and a separate examination and licensure for public company auditors.

The main criteria for membership on the “blue ribbon” group is a passion for quality auditing and financial reporting and a deep and genuine concern for the investing public.