

Report on the Survey of Audit Committee Members

**Conducted by:
The Center for Audit Quality**

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CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors & the Markets

Affiliated with the American Institute of CPAs

Summary of Data

Center for Audit Quality Survey of Audit Committee Members Quick Summary

The Center for Audit Quality (CAQ) was founded in order to promote a robust dialogue about issues of importance to the U.S. capital markets for the benefit of investors, the public company auditing profession and the markets as a whole. As part of that mission, the CAQ recently commissioned a survey to examine an essential participant in the preparation of audited financial statements: audit committees.

Since the passage of the Sarbanes-Oxley Act (SOX), audit committee members have been required to play an increasingly pivotal role in ensuring the reliability and relevance of financial statements. However, to this point, it has been difficult to ascertain the shared views of this important group on vital issues such as the quality of the audit process since the passage of SOX; the risk of material misstatements and fraud; the value of the changes mandated under SOX; and areas of needed improvement to the audit process.

This survey touches on all these areas and more. Representing the responses of over 250 audit committee members, including committee chairs and financial experts representing small-, medium- and large-cap companies, this survey offers a unique perspective on these critically important issues. The survey offers a valuable snapshot of how audit committee members view the changes of the past several years, the state of the audit today, and provides a useful platform for ongoing discussions about how best to strengthen audit quality for the future.

Methodology:

This survey was completed via the internet from January 7 to February 20, 2008 by 253 individuals who served on at least one audit committee for a publicly traded company in 2007. Some respondents were also given the option to complete a paper and pencil survey in place of the online survey to increase response rate.

While conducting a probability sample with audit committee members is technically possible, it was not feasible from a cost or time standpoint. In an effort to reach as many audit committee members as possible, we elected to invite participants by partnering with a variety of organizations that had a high likelihood of representing audit committee members. We worked with these organizations to invite participants via email. Additionally, these organizations posted invitations on their websites so that the survey would be visible to as many audit committee members as possible.

With a pure probability sample of this size, one could say with ninety-five percent confidence that the overall results would have a sampling error of ± 6.2 percentage points. As this survey is not a pure probability sample, theoretically no sampling error can be calculated. Percentages may not add to 100% due to rounding.

Acknowledgements:

The CAQ would like to take this opportunity to express its gratitude to the following organizations for their cooperation and assistance in soliciting the participation of our target respondents – audit committee members of publicly traded companies:

- National Association of Corporate Directors
- KPMG’s Audit Committee Institute
- Association of Audit Committee Members, Inc.
- The Directors Forum
- Outstanding Directors Exchange

We also thank these publications for their efforts to bring the survey to the attention of audit committee members:

- *Audit Committee Insights*
- *Bank Director*
- *Corporate Board Member*
- *Directors Monthly*
- *Directors & Boards*

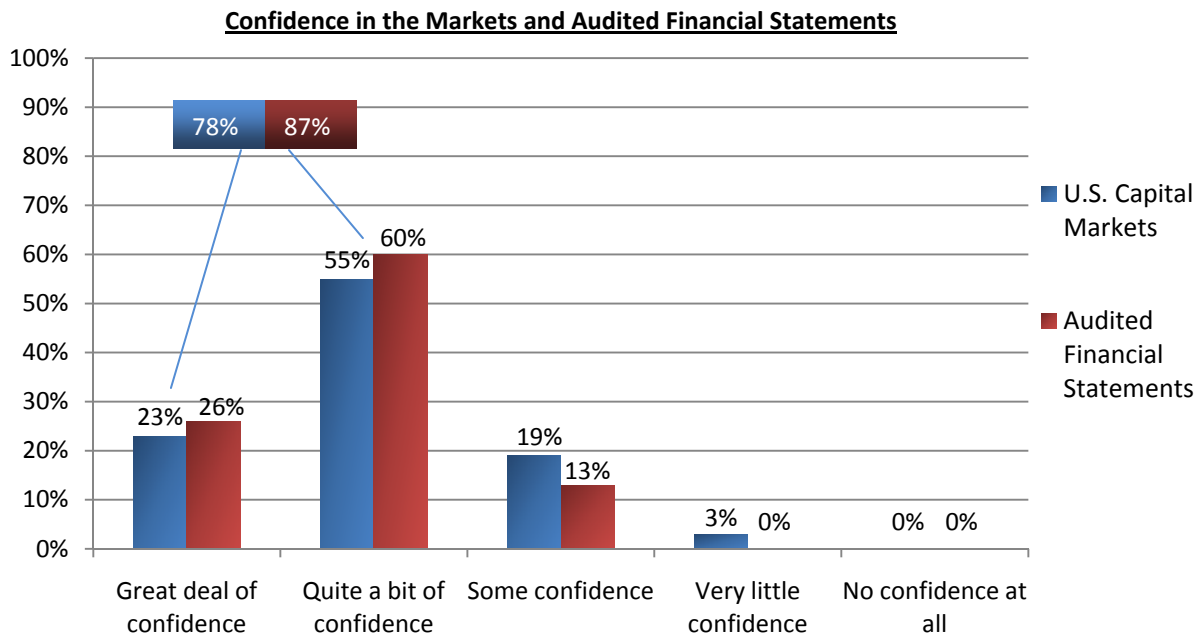
Key Findings:

Audit Committee Members Experience Many Changes in their Role Since SOX:

- The greatest change to their role is the *amount of time commitment required* – 99% indicate this has increased (68% say significantly so). Also among the biggest changes include their *level of responsibility* (90% say this has increased) and their *amount of interaction with external auditors* (90% say this has increased) (Q6)
- Fewer report changes regarding their *level of concern related to personal risk and litigation* with 68% indicating this has increased (30% say this has not changed). Also, 73% say their *level of authority* has increased (27% say this has not changed) (Q6)
- Nearly all are somewhat (32%) or very (60%) *likely to serve on an audit committee again* if asked (Q23)

Confidence in Markets and Audited Financial Information is High:

- Audit committee members have *confidence in U.S. capital markets* (77% quite a bit/great deal) and in *audited financial information* released by publicly traded companies (87% quite a bit/great deal) (Q7 & Q8)



Q7: What level of confidence do you currently have in U.S. capital markets?

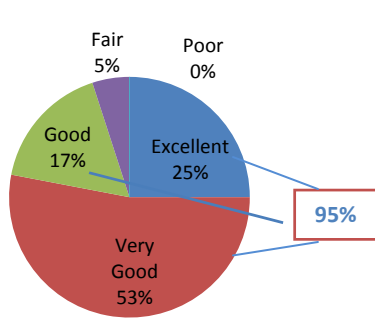
Q8: What level of confidence do you currently have in audited financial information released by publicly traded companies?

- 65% believe that investors should have *somewhat/significantly more confidence* in the markets today compared to pre-SOX; one-third think their confidence level should remain unchanged (Q22)

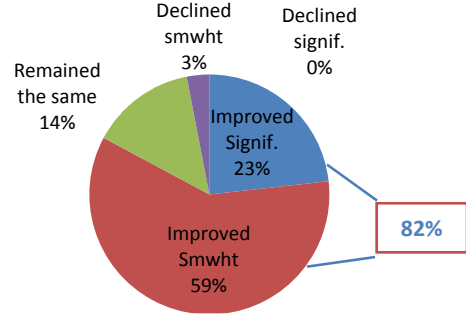
Audit Quality Viewed as High and Has Improved:

- 95% view audit quality as good (17%), very good (53%) or excellent (25%) (Q9), while 82% say overall quality has improved somewhat/significantly over the past several years (Q10)

Perceptions of the Current State of Audit Quality



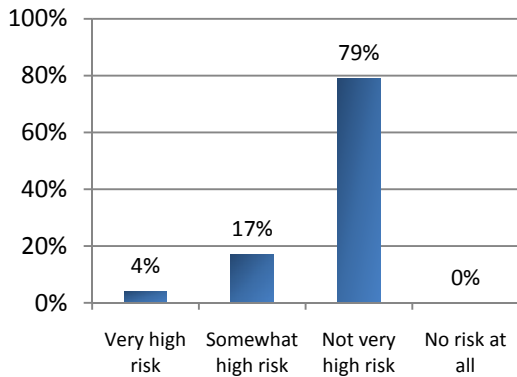
Q9: Based on your experience as an audit committee member, how would you rate the overall quality of audits of publicly traded companies being conducted today?



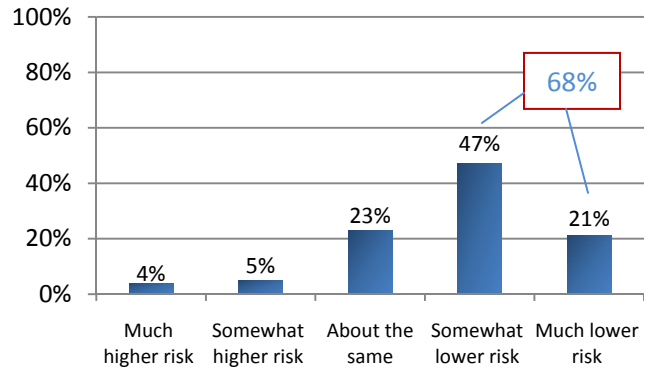
Q10: And over the past several years, would you say that the overall quality of audits of publicly traded companies has...?

- 79% believe the risk of releasing financial statements that are materially inaccurate is not very high/no risk (Q11); two-thirds believe the risk is somewhat/much lower today compared with pre-SOX (Q12)

Risk of Materially Inaccurate Financial Statements



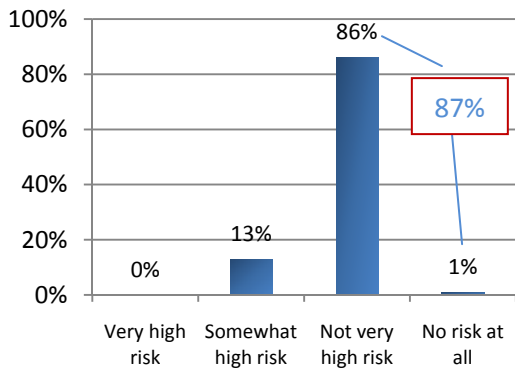
Q11: Based on your experience, how high is the risk of publicly traded companies releasing financial statements that are materially inaccurate?



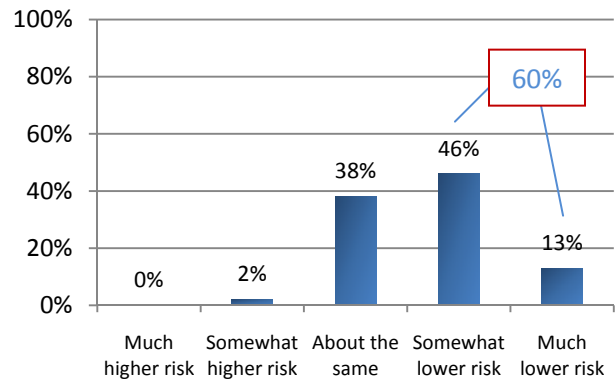
Q12: In your opinion, is the risk of publicly traded companies releasing financial statements that are materially inaccurate higher, lower or about the same as the risk prior to the implementation of SOX?

- 87% believe the risk of releasing financial statements that are materially inaccurate *due to fraud* is not very high/no risk (Q14); 60% believe the risk is somewhat/much lower today compared with pre-SOX (Q15)

Risk of Fraudulent Financial Statements



Q14: Based on your experience, how high is the risk of publicly traded companies releasing materially inaccurate financial statements due to fraud?



Q15: In your opinion, is the risk of publicly traded companies releasing materially inaccurate financial statements due to fraud higher, lower, or about the same as the risk prior to the implementation of SOX?

- The top reasons audit committees believe the risk of releasing materially inaccurate financial statements and materially inaccurate financial statements due to fraud are tighter internal controls, increased scrutiny by external auditors, more checks and balances in place, and increased communication and disclosure by company executives (Q13 & Q16)

Reasons the risk of publicly traded companies releasing materially inaccurate financial statements is lower today	Materially Inaccurate	Materially Inaccurate Due to Fraud
Tighter internal controls	90%	93%
Increased scrutiny by external auditors	86%	84%
More checks and balances in place	77%	82%
Increased communication and disclosure by company executives	77%	59%

- Nearly 4 in 10 (38%) think the risk due to fraud hasn't changed with SOX implementation. This belief stems from a number of reasons, with one-quarter volunteering responses around the theme you can't legislate against fraud (Q15)
 - Same number of crooks are out there
 - Audits cannot detect collusive fraud
 - If people want to defraud a company, they will find a way to do it

- Respondents were also asked, unaided, what more could be done to improve audit quality. While 62% did not offer any suggestions, those who did offer responses often focused on the issue of complexity. These respondents volunteered a range of specific recommendations, many of which were focused on themes of encouraging more principles-based accounting standards, promoting greater exercise of auditor judgment and simplifying rules that many view as overly-complex (Q19 – for a list of actual verbatim responses related to these themes, please see the addendum to the survey data).

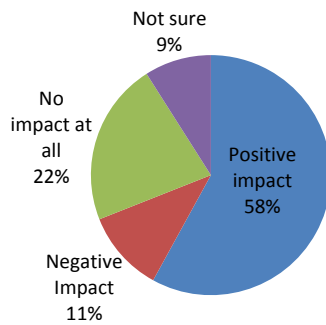
Audited Financial Statements Viewed as Relevant and Accessible, but Overly Complicated:

- Audited financial statements are viewed as containing information *relevant* to investors (87%) and as *easily accessible* to investors (81%) (Q17)
- But, are also seen as too *complicated* (78%) (Q17)

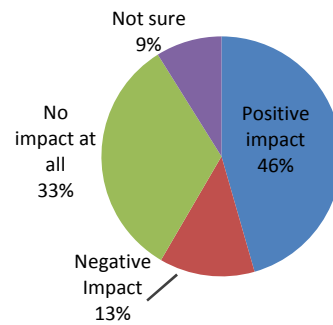
Most SOX-related Changes Seen as Having a Positive Impact:

- Overall, 58% say changes implemented by SOX had a positive impact (Q20); 46% say changes implemented by external auditors were positive (Q21)

The Impact of Changes since Sarbanes-Oxley on Audit Quality



Q20: What kind of impact do you believe the changes implemented since SOX have had on investors?

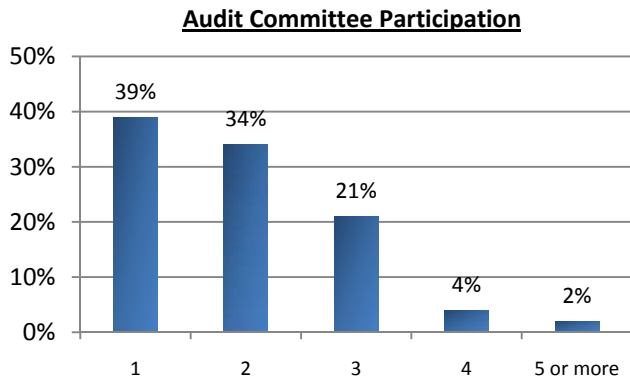


Q21: What kind of impact do you believe the changes implemented by external auditors since SOX have had on investors?

- Audit committee members believe *their increased oversight* has had the most positive impact (92%); other changes with the most positive impact include the requirement to document/audit internal controls (87%), CEO/CFO sign-off (81%) and increased communication among AC members (85%) (Q18)
- The changes with the least positive impact include *increased regulation and oversight of external auditors* (50%) and *automated processes* put in place by public accounting firms (50%) (Q18)

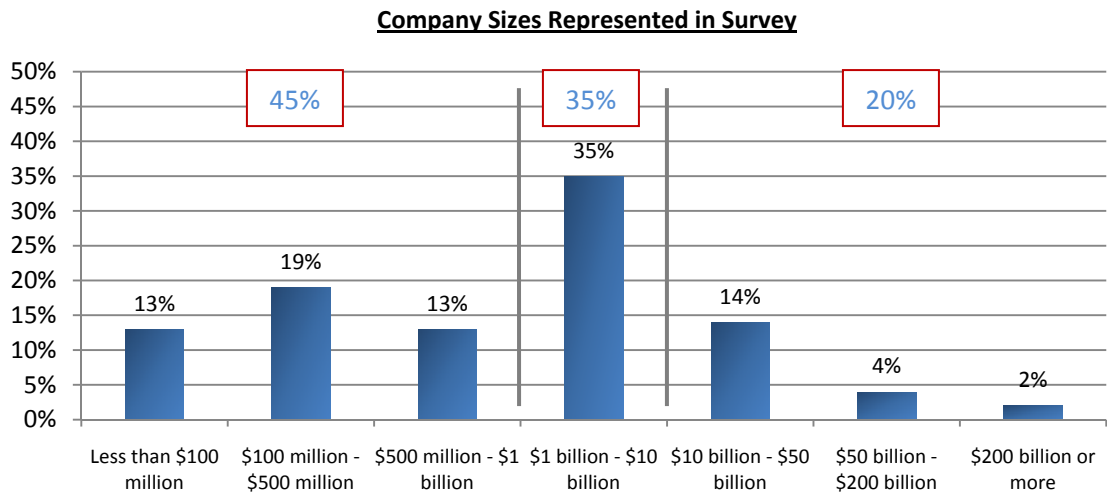
A Glimpse into the Survey Participants:

- A little over one-half have served since 2002 or earlier (Q2)
- 6 in 10 served on 2 or more audit committees in 2007 (Q3)



Q3: How many audit committees have you served on during 2007?

- A variety of company sizes are represented, including revenues of less than \$1 billion (45%), \$1 billion to less than \$10 billion (35%) and \$10 billion or more (20%) (Q4)



Q4: What is the revenue of the largest publicly traded company on which you serve as an audit committee member?

- Half are committee chairs; one-quarter are the designated financial expert (Q5)

Survey Data

Frequencies

Survey of Audit Committee Members

- Fielded: January 7 – February 20, 2008
- Sample: Audit Committee Members
- N: 253
- Data Collection Mode: Internet

(Q1.) Do you currently serve as a member of an audit committee for any publicly traded companies?

	%
Yes	100
No	0
	N=253
	NR=0

(Q2.) In what year did you begin serving on any audit committee? If you're not completely sure, please answer as best as you can recall.

	%
2007	5
2006	9
2005	8
2004	10
2003	13
2002	8
2001	8
2000	7
1999	6
1998	5
1997	2
1996	2
1995	5
1994	2
1993	1
1992	2
1991	1
1990	2
1989	0
1988	0
1987	1
1986	1
1985	0
1984	2
<u>Collapsed codes</u>	
2002 or earlier	56
2003 or later	44
	N=253
	NR=0

(Q3.) How many audit committees have you served on during 2007?

	%
0	0
1	39
2	34
3	21
4	4
5	2
6	1
<u>Collapsed codes</u>	
1 committee	39
2+ committees	61
	N=253
	NR=0
Mean	2.0

(Q4.) What is the revenue of the largest publicly traded company on which you serve as an audit committee member?

	%
Less than \$100 million	13
\$100 million to less than \$500 million	19
\$500 million to less than \$1 billion	13
\$1 billion to less than \$10 billion	35
\$10 billion to less than \$50 billion	14
\$50 billion to less than \$200 billion	4
\$200 billion or more	2
<u>Collapsed codes</u>	
Less than \$1b	45
\$1b to less than \$10b	35
\$10b or more	20
	N=253
	NR=0

(Q5.) What position do you hold on this audit committee (that is, the audit committee for the largest publicly traded company you serve)?

	%
Designated Committee Chairperson	48
Designated Financial Expert	24
Designated Secretary	0
Member	25
VOL: Both chairman and financial expert	2
VOL: Other	1
	N=253
	NR=0

(Q6.) How, if at all, has your role as a member of an audit committee changed in each of the following ways since the implementation of Sarbanes-Oxley (SOX)?

- A - Amount of time commitment required
- B - Level of authority you have
- C - Level of responsibility you have
- D - Level of specialized knowledge required to perform your job
- E - Amount of interaction with company executives (CEO/CFO, etc)
- F - Amount of interaction with internal auditors
- G - Amount of interaction with external auditors
- H - Level of concern you have related to personal risk and litigation

	Q6.							
	A	B	C	D	E	F	G	H
	%	%	%	%	%	%	%	%
Decreased significantly	0	0	0	0	0	0	0	0
Decreased somewhat	0	1	0	0	0	0	0	2
Remained the same	1	27	10	19	21	19	10	30
Increased somewhat	32	41	43	51	55	42	49	39
Increased significantly	68	32	47	30	24	39	42	28
<u>Collapsed codes</u>								
Decreased 1-2	0	1	0	0	0	0	0	2
Remained same 3	1	27	10	19	21	19	10	30
Increased 4-5	99	73	90	81	79	81	90	68
	N=142	N=142	N=142	N=142	N=142	N=142	N=142	N=142
	NR=111	NR=111	NR=111	NR=111	NR=111	NR=111	NR=111	NR=111
Mean	4.7	4.0	4.4	4.1	4.0	4.2	4.3	3.9

(Q7.) What level of confidence do you currently have in U.S. capital markets?

	%
A great deal of confidence	23
Quite a bit of confidence	55
Some confidence	19
Very little confidence	3
No confidence at all	0
<u>Collapsed codes</u>	
Great deal, Quite a bit 1-2	77
Some 3	19
Very little or No 4-5	3
	N=253
	NR=0
Mean	2.0

(Q8.) And, what level of confidence do you currently have in audited financial information released by publicly traded companies?

	%
A great deal of confidence	26
Quite a bit of confidence	60
Some confidence	13
Very little confidence	0
No confidence at all	0
<u>Collapsed codes</u>	
Great deal or Quite a bit 1-2	87
Some 3	13
Very little or No 4-5	0
	N=253
	NR=0
Mean	1.9

(Q9.) Based on your experience as an audit committee member, how would you rate the overall quality of audits of publicly traded companies being conducted today?

	%
Excellent	25
Very Good	53
Good	17
Fair	5
Poor	0
<u>Collapsed codes</u>	
Excellent or Very Good 1-2	78
Good 3	17
Fair or Poor 4-5	5
	N=253
	NR=0
Mean	2.0

(Q10.) And, over the past several years, would you say that the overall quality of audits of publicly traded companies has...?

	%
Improved significantly	23
Improved somewhat	59
Remained the same	14
Declined somewhat	3
Declined significantly	0
<u>Collapsed codes</u>	
Improved 1-2	82
Remained same 3	14
Declined 4-5	4
	N=253
	NR=0
Mean	2.0

(Q11.) Based on your experience, how high is the risk of publicly traded companies releasing financial statements that are materially inaccurate?

	%
Very high risk	4
Somewhat high risk	17
Not very high risk	79
No risk at all	0
<u>Collapsed codes</u>	
Very or Somewhat high 1-2	21
Not very high or No 3-4	79
	N=253
	NR=0
Mean	2.7

(Q12.) In your opinion, is the risk of publicly traded companies releasing financial statements that are materially inaccurate higher, lower or about the same as the risk prior to the implementation of SOX?

	%
Much higher risk today	4
Somewhat higher risk today	5
About the same	23
Somewhat lower risk today	47
Much lower risk today	21
<u>Collapsed codes</u>	
Higher risk 1-2	9
About same 3	23
Lower risk 4-5	68
	N=253
	NR=0
Mean	3.8

(Q13.) For what reasons do you think the risk of publicly traded companies releasing financial statements that are materially inaccurate is {Q12.}? Please select all that apply.

	Total	Q12.		
		Higher Risk (A)	Same Risk (B)	Lower Risk (C)
Base N=	253	23	57	173
More checks and balances in place	60%	13%	26%	77%
Tighter internal controls	72%	22%	37%	90%
Increased communication and disclosure by company executives	62%	17%	35%	77%
Increased scrutiny by external auditors	70%	39%	35%	86%
Increased complexity of accounting standards	28%	83%	72%	6%
Increased complexity of business transactions	19%	70%	49%	2%
Increased globalization of American companies' business operations	10%	22%	33%	1%
VOL: Focus on Process over substance	2%	13%	2%	0%
VOL: Potential legal ramifications/General fear	4%	4%	2%	4%
VOL: Required CEO/CFO certification of statements/Greater Management oversight	3%	0%	2%	3%
VOL: Impact of SOX	1%	0%	2%	1%
VOL: Greater audit committee involvement	2%	0%	0%	3%
VOL: New rules have little impact	1%	0%	5%	0%
VOL: Other	5%	17%	9%	2%

(Q14.) Based on your experience, how high is the risk of publicly traded companies releasing materially inaccurate financial statements due to fraud?

	%
Very high risk	0
Somewhat high risk	13
Not very high risk	86
No risk at all	1
<u>Collapsed codes</u>	
Very or Somewhat high 1-2	13
Not very high or No 3-4	87
	N=253
	NR=0
Mean	2.9

(Q15.) In your opinion, is the risk of publicly traded companies releasing materially inaccurate financial statements due to fraud higher, lower or about the same as the risk prior to the implementation of SOX?

	%
Much higher risk today	0
Somewhat higher risk today	2
About the same	38
Somewhat lower risk today	46
Much lower risk today	13
<u>Collapsed codes</u>	
Higher risk 1-2	2
About same 3	38
Lower risk 4-5	60
	N=253
	NR=0
Mean	3.7

(Q16.) For what reasons do you think the risk of publicly traded companies releasing materially inaccurate financial statements due to fraud is {Q15.}? Please select all that apply.

	Total	Q15.		
		Higher Risk (A)	Same Risk (B)	Lower Risk (C)
Base N=	253	6	96	151
More checks and balances in place	59%	17%	25%	82%
Tighter internal controls	70%	17%	39%	93%
Increased communication and disclosure by company executives	46%	33%	26%	59%
Increased scrutiny by external auditors	61%	33%	27%	84%
Increased complexity of accounting standards	17%	50%	32%	6%
Increased complexity of business transactions	12%	50%	28%	1%
Increased globalization of American companies' business operations	7%	33%	17%	0%
VOL: Can't avoid fraud/can't legislate/new rules haven't helped	10%	17%	25%	0%
VOL: Potential legal ramifications/ General fear	4%	0%	1%	5%
VOL: Heightened awareness/audit committee scrutiny/Stronger standards	4%	0%	1%	7%
VOL: Required CEO/CFO certification of statements/Greater Management oversight	2%	0%	1%	3%
VOL: Other	4%	17%	6%	2%

(Q17.) There are many different views on how effective audited financial statements that publicly traded companies file with the SEC are in communicating the financial position of a company to investors. Based on your experience, how much do you agree or disagree with each of the following statements? Audited financial statements filed with the SEC...

- A - Help strengthen public companies' internal business practices
- B - Help investors obtain a comprehensive picture of current financial performance and associated risks of the Company
- C - Are not very effective because of the complexity associated with accounting principles
- D - Are easily accessible by investors
- E - Contain information relevant to investors
- F - Provide a comprehensive assessment of the company's performance
- G - Are too much of a financial burden on publicly traded companies
- H - Are too complicated

	Q17.							
	A	B	C	D	E	F	G	H
	%	%	%	%	%	%	%	%
Disagree completely	3	1	7	2	0	2	17	2
Disagree somewhat	11	18	22	8	6	18	23	9
Neither agree nor disagree	25	13	16	9	8	17	20	11
Agree somewhat	47	55	38	36	58	52	32	46
Agree completely	13	14	17	45	29	11	8	32
<u>Collapsed codes</u>								
Disagree 1-2	15	19	29	10	6	20	41	10
Neither agree nor disagree 3	25	13	16	9	8	17	20	11
Agree 4-5	61	68	55	81	87	63	39	78
	N=253	N=253	N=253	N=253	N=253	N=253	N=253	N=253
	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0
Mean	3.6	3.6	3.4	4.1	4.1	3.5	2.9	4.0

(Q18.) Many changes have been implemented since SOX was enacted over five years ago. How much impact, if any, would you say each of the following changes has had on the overall quality of audits of publicly traded companies being conducted today? If you don't have enough information to comment, please mark NA.

- A - Increased regulation and government oversight of external auditors
- B - Rules aimed at preserving external auditor independence
- C - Requirement to document and audit internal controls
- D - CEO and CFO required to sign off on company financial statements
- E - Increased audit committee oversight
- F - External auditor hired by and directly accountable to audit committee
- G - Designation of a financial expert on audit committees
- H - Increased communication among audit committee members
- I - More rigorous audits conducted by public company auditing firms
- J - Increased emphasis on the quality of the audit by public company auditing firms
- K - Improved culture or tone from the top within public company auditing firms
- L - More automated processes put in place by public company auditing firms

	A	B	C	D	E	F	G	H	I	J	K	L
	%	%	%	%	%	%	%	%	%	%	%	%
Very negative impact	6	0	0	0	0	0	0	0	0	0	0	0
Somewhat negative impact	20	5	2	2	0	1	1	0	6	3	4	4
No impact	23	28	10	17	7	22	32	14	17	19	21	36
Somewhat positive impact	41	46	55	44	48	48	40	49	56	55	42	43
Very positive impact	9	20	32	37	44	28	26	36	20	23	29	8
N/A	2	1	0	0	1	2	1	0	0	1	4	9
<u>Collapsed codes</u>												
No or Negative impact 1-3	49	34	13	19	7	23	33	15	24	22	25	41
Positive impact 4-5	50	66	87	81	92	76	66	85	76	77	71	50
Not applicable 6	2	1	0	0	1	2	1	0	0	1	4	9
	N=253	N=253	N=253	N=253	N=253	N=253	N=253	N=253	N=253	N=253	N=253	N=253
	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0	NR=0
Mean	3.3	3.8	4.2	4.2	4.4	4.0	3.9	4.2	3.9	4.0	4.0	3.6

(Q19.) What more, if anything, could be done to improve the quality of audits of publicly traded companies? Please be as detailed and specific as possible. [OPEN-END: CODED RESPONSES]

	%
No response	62
Simplify procedures/get back to basics/avoid over-auditing minutiae	9
Change rules-based methods/More principles/judgment/Conceptual framework	6
Improved training/quality of audit staff	3
No improvements necessary	3
Re-address financial relationships/costs/fees	3
Enforcement of laws/penalize crimes/Ethics	2
Improved communications/tone/relationship	2
Focus on high risk issues	2
Lengthen partner rotations	1
Eliminate PCAOB	1
Other	5
	N=253
	NR=0

(Q20.) What kind of impact do you believe the changes implemented since SOX have had on investors?

	%
A positive impact	58
A negative impact	11
No impact at all	22
Not sure	9
	N=253
	NR=0
Mean	1.6

(Q21.) And, what kind of impact do you believe the changes implemented by external auditors since SOX have had on investors?

	%
A positive impact	46
A negative impact	13
No impact at all	33
Not sure	9
	N=253
	NR=0
Mean	1.9

(Q22.) In your opinion, do you believe investors should have more or less confidence in the capital markets today than they did prior to the implementation of SOX?

	%
Significantly more confidence today	10
Somewhat more confidence today	55
About the same confidence	33
Somewhat less confidence today	2
Significantly less confidence today	0
<u>Collapsed codes</u>	
More confidence 1-2	65
Same confidence 3	33
Less confidence 4-5	2
	N=253
	NR=0
Mean	2.3

(Q23.) How likely is it that you would agree to serve on an audit committee in the future, if asked?

	%
Very likely	60
Somewhat likely	32
Not very likely	8
Not at all likely	0
<u>Collapsed codes</u>	
Very or Somewhat likely 1-2	92
Not very or Not at all likely 3-4	8
	N=253
	NR=0
Mean	1.5

**(Q24.) Which of the following factors would impact your decision to serve on an audit committee in the future, if asked?
Please select all that apply.**

	%
Too much time required	35
Worries about potential liability	35
Negative previous experiences	3
Positive previous experiences	56
Belief in the process	65
The increased importance of the audit committee	51
VOL: Quality and integrity of board/management/company	5
VOL: Ability to add value/challenge of being useful	1
VOL: Company Status/Position/Industry	1
VOL: Other obligations/commitments	1
VOL: Other	5
	N=253
	NR=0

(Q25.) As a member of an audit committee, with which of the following public accounting firms have you worked? Please select all that apply.

	%
BDO Seidman	12
Crowe Chizek	5
Deloitte & Touche	64
Ernst & Young	53
Grant Thornton	16
KPMG	48
PricewaterhouseCoopers	50
McGladrey & Pullen	9
VOL: Arthur Andersen	2
VOL: BKD	1
VOL: Moss Adams	1
VOL: UHY	1
VOL: Other	10
	N=253
	NR=0

(Q26.) Other than the company(s) where you serve as an audit committee member, do you currently serve as a non-Audit Committee member of any other company's Board of Directors?

	%
Yes	33
No	67
	N=253
	NR=0

(Q27.) For what type of company(s) do you currently serve as a non-Audit Committee Board of Directors member? Please select all that apply.

	%
Public	64
Private	49
Non-profit	33
VOL: Other	2
	N=84
	NR=169

(Q28.) Other than your work as an audit committee member, which of the following best describes your current employment status? Please select all that apply.

	%
Employed full-time	34
Employed part-time	15
Retired	47
Unemployed/Looking for work	0
VOL: Self-Employed	3
VOL: Consultant	2
VOL: Other	2
	N=253
	NR=0

(Q29.) Have you ever been employed by any of the following entities? Please select all that apply.

	%
Publicly traded company	66
Privately-held company	49
Fortune 100 company	26
Fortune 500 company	27
Fortune 1000 company	16
Small business (< \$100 million in revenue)	39
Public accounting firm	51
Federal, state or local governmental agency	12
Investment bank	7
None of the above	2
	N=253
	NR=0

(Q30.) Are you...?

	%
Male	85
Female	15
	N=253
	NR=0

(Q31.) Which of the following best categorizes your age?

	%
Under 35 years of age	0
35-44 years of age	2
45-54 years of age	17
55-64 years of age	45
65-74 years of age	34
75 years of age or over	1
<u>Collapsed codes</u>	
Under 55 years	20
55-64 years	45
65+ years	36
	N=253
	NR=0

(Q32.) In which of the following states is your primary residence?

	%
Alabama	0
Alaska	0
Arizona	3
Arkansas	0
California	11
Colorado	4
Connecticut	6
Delaware	0
District of Columbia	0
Florida	10
Georgia	1
Hawaii	0
Idaho	0
Illinois	5
Indiana	1
Iowa	0
Kansas	0
Kentucky	0
Louisiana	0
Maine	0
Maryland	1
Massachusetts	4
Michigan	2
Minnesota	2
Mississippi	0
Missouri	1
Montana	0
Nebraska	1
Nevada	0
New Hampshire	0

New Jersey	6
New Mexico	0
New York	7
North Carolina	2
North Dakota	0
Ohio	3
Oklahoma	1
Oregon	2
Pennsylvania	2
Rhode Island	0
South Carolina	1
South Dakota	0
Tennessee	0
Texas	10
Utah	1
Vermont	0
Virginia	4
Washington	3
West Virginia	1
Wisconsin	1
Wyoming	0
United Kingdom	0
<u>Collapsed codes</u>	
Northeast	25
Midwest	17
South	33
West	25
United Kingdom	0
	N=253
	NR=0

Addendum

CAQ Complexity Related Verbatims

- Allow financial reporting to include accounting judgments as opposed to the rules based methods that are now in vogue.
- Allow risk-based, judgmental audit processes, and simplify GAAP. Don't over regulate through detailed, minute PCAOB standards.
- Allow/encourage Audit Firms to rely on conceptual frameworks in their audits in addition to 'black and white' proscribed rules.
- Eliminate 'process oriented' auditing and establish true quality control.
- Increase auditor efficiency by allowing more judgment in the process.
- It is not just the complexity of current accounting, it is the INCONSISTENCY of conceptual treatments in GAAP that cause us problems. Examples include leases, foreign currency, etc.
- Less emphasis on dictated audit procedures and more judgment by the senior audit professionals.
- Less focus on the regulations and more focus on what is really (i.e. qualitatively) happening with the company.
- Lessen the rules-based complexity of GAAP. The current model has intricate rules that are not necessarily based on economics but rather the whims of overly technocratic rule makers and, what compounds the problem is that the investment bankers are smarter and more nimble than the rule makers and thus design transactions to avoid the letter of the law.
- Move to a principles based set of accounting standards that allow more professional judgment to be exercised.
- Restore audit judgment and allow them to function as accounting advisors to their clients in connection with the audit. Independence is not sacrificed when auditors are allowed to discuss debits and credits with their clients. SOX and related rules have added cost and complexity but questionable value.
- The rules based accounting standards we have which are used to structure transactions don't serve us well. We need to introduce a strong element of what makes business sense (principals based) and related judgment to accounting standards.
- We need to move to more of a principles based accounting system. rules based accounting may be technically more correct, but in many cases it is counter intuitive and less easily understood. history demonstrates is more easily gamed.
- Have auditors use judgment again. They have lost perspective and are arbitrarily trying to enforce rules out of fear.

- Simplify fasb rules. Put more professional judgment back in the process.
- Allow more judgment-conceptual frameworks - rather than prescribed 'cookbooks'.
- Dumb down all the complexity caused by the proliferation of accounting rules.
- External auditors need to be more realistic as to what is important and not just treat the paper trail. Focus on what is important and get audits out on time. The home office needs to recognize the companies need for timely reports.
- Focus on material items. Public accounting firms are lost in the detail and spending a substantial amount time on auditing everything whether material or not.
- Less complexity and more plain English.
- Less complicated GAAP - especially Fair Value requirements.
- Less focus on individual transactions that have no material effect on financial statements; more detailed information on how accounting and reporting can be improved rather than mere criticisms.
- More streamlining. Oft repeated, Q to Q and K to K, boiler plate often shields some of the real value.
- Need more clarity in accounting pronouncement as it often difficult for companies and their auditors to correctly apply these pronouncements.
- Put Sarbox behind us, get back to basics.
- Reduce the immense waste of energy related to documentation of documentation, little related to the actual business or generating useful managerial and control reporting.
- Simplify accounting standards as they are far too complex for the average company and average investor. They are too difficult to decipher, often don't make logical sense and have many 'unintended' consequences.
- Simplify the process and more better support tools to help smaller companies with the process.
- The amount of disclosure now required related to such things as executive compensation and mini-MDA's is very time consuming and adds little to public understanding of a company's financial condition, especially for quarterly reports.
- The audits would be better -- and provide more useful information to investors and others using the statements -- if the rules themselves were clearer and the 'right' way to implement them unambiguous. The problems around 133 -- and the resulting restatements by most large financial sector participants -- is an example of almost indecipherable rules. Likewise, having

part of the balance sheet on an historical cost basis and part on a fair value basis leaves investors scratching their heads and managements searching for non-GAAP measures to convey their companies' actual financial conditions. The best auditing will fall prey to opaque rules, and there seem to be more of them all of the time.

- The issue is not the quality of audits, it is the complexity of the rules adopted to try and legislate/regulate morality. It is a cost burden and hurts the US economic system.
- Transactions are becoming more and more complex. Emphasis needs to be placed on disclosure and not measurement.
- The external auditors could discontinue auditing the trivia that they currently do because they feel it's required under Sarbanes-Oxley.
- Simplify the format of financial statements so that the important matters are front and center and the endless trivia is not presented.
- Simplify accounting rules and diminish the regulatory complexity.
- What is necessary is to improve the relevance of financial statements to investors, simplifying requirements and shortening required disclosures -- difficult not to drown in the detail and complexity (required even when quite irrelevant to an investment decision).
- Reduce the pace of new regulations, procedures and other requirements in order to allow auditing committees, external and internal auditors and management to absorb, learn from and apply the different rules.
- Materiality criteria clearer. Reduced complexity of accounting principles.
- Reduction/cessation of issuance of confusing, unduly complex, and/or arguably nonsensical official pronouncements by FASB; e.g. FAS 48, 157, 159, 141R, etc. and derivatives. These statements introduce more subjectivity, less predictability, less comparability, more 'rules-based' accounting -- all of the issues that FASB is supposedly trying to overcome. (As a former senior partner of one of the Big Four - I now find myself embarrassed for the accounting profession) Should be the subject of a comprehensive survey.

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