

USC Leventhal School of Accounting

ACCT-541L: AUDITING IN THE ENHANCED DATA AGE

Fall 2020 (scheduled in 001) + 80 minute Friday Labs

3 units

Professor John Owens
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Co-requisite: ACC 548L: IT Audit and Data Applications

CLASS DAY AND TIME

This class will be entirely online. Synchronous class sessions will be held Tuesdays and Thursdays from 11:00 a.m. to 12:20 p.m. Labs will be held some Fridays, either from 8:00 to 11:30 a.m. (with no lab on those days for ACCT 548L) or from 9:30 a.m. to 11:30 a.m. via Zoom. The Zoom link is posted with your Blackboard course pages.

OFFICE HOURS

Office hours will be held on Tuesdays from 2:00 to 4:00 p.m. and as needed by students via Zoom. The Zoom link is posted with your Blackboard course pages.

COURSE FORMAT

All course materials can be found in Blackboard (<https://blackboard.usc.edu>). Session activities may include reading assignments, weekly lessons, interactive exercises, homework assignments, Blackboard discussion forums, class sessions, and quizzes or exams. It is expected that students will have completed all required activities and assignments *before* attending each class session.

Students should ensure that they can access all online tools via Blackboard prior to the start of classes.

Zoom is the platform used for all online sessions and online office hours. A link and instructions to join the Zoom sessions will be posted in the Blackboard Course Pages. For more information about Zoom, go to: [Zoom Support Tutorials](#)

CLASSROOM POLICIES

1. Class attendance and participation is important in developing a coherent view of the materials covered in the course. Unless accommodated as described in (b) below, attendance and active participation is expected at the synchronous Zoom class sessions.

- a. Students are expected to have cameras on during the synchronous Zoom sessions, and preferably use headsets or earphones to ensure the best audio quality. *Please advise me if you have circumstances under which you will not be able to meet these expectations.*
 - b. For students located in a time zone where the synchronous class sessions or exams fall outside the window of 7 a.m. to 10 p.m. in your local time zone, please contact me. You will not be penalized for not attending the live Zoom class sessions. The Zoom sessions will be recorded and posted on Blackboard, and you will be responsible for watching the recorded sessions. Exams and other synchronous assessments will be scheduled for students to be able to complete the assessment between 7 a.m. and 10 p.m. in your local time zone.
 - c. In addition, for any student who does not attend the Zoom session live, please notify the professor in advance and you will be required to complete a supplementary assignment as an alternate method of contribution to the class.
2. During synchronous Zoom sessions, the following netiquette is expected, as if you were in a physical classroom.
- a. Please do:
 - i. Log into class early or promptly
 - ii. Arrange to attend class where there is a reliable internet connection and without distractions
 - iii. Dress respectfully. Video conference business meetings are and will be the norm, so practice your professional telepresence.
 - iv. If you use a virtual background, please keep it respectfully professional.
 - v. Display both your first and last name during video conferencing and synchronous class meetings.
 - vi. Respectfully minimize distractions by muting and or turning off video if necessary and when appropriate.
 - vii. Engage in appropriate tone and language with instructors and classmates.
 - b. Please try not to:
 - i. Engage in a simultaneous activity not related to the class.
 - ii. Interact with persons who are not part of the class during the class session.
 - iii. Leave frequently or not be on camera for extended periods of time.
 - iv. Have other persons or pets in view of the camera.
3. All Zoom sessions will be recorded and posted in the Blackboard Course pages.

TECHNOLOGY REQUIREMENTS

The following equipment and system requirements are recommended to successfully participate in this online course:

- Computer with webcam
- Earphones or headset
- Reliable (preferably high speed) Internet connection
- Current operating system for Windows or Mac

- Current browser
 - Google Chrome
 - Firefox
 - Internet Explorer (not recommended)
 - Safari (Mac)

For technical support please see:

- **USC Systems** (Blackboard, USC Login, MyUSC, USC Gmail, GoogleApps)
For assistance with your USC login or other USC systems, please call +1 (213) 740-5555 or email Consult@usc.edu. They are open Mon – Fri 9:30am – 5pm and weekends from 8am - 5pm (all Pacific time).
- **Zoom Video Web Conferencing System** (MarshallTALK)
For assistance using Zoom, go to [Zoom Support Page](#). You may also call +1 (888) 799-9666 ext. 2. They are available 24/7.
- **Marshall Systems** (MyMarshall, Marshall Outlook email)
For assistance with Marshall systems you can call +1 (213) 740-3000 Mon-Fri 8am-6pm (Pacific), email HelpDesk@marshall.usc.edu, or use our self-help service portal as shown below. The portal allows you to get immediate assistance by searching for the information you need. You can also use it to chat with a technician or input a request. To access the service portal, follow these steps:
 - On a computer or mobile device, go to [MyMarshall Home Page](#) and click the “**Help**” link on the upper right.
 - Log in using your Marshall username and password.
(If you don’t know your Marshall login please follow the onscreen instructions pertaining to login issues)

If your computer does not have Microsoft Word, Office 365 package is available to you free of charge and allows you to install Word, Excel, PowerPoint, Outlook, OneNote, Publisher, and Access on up to 5 PCs or Macs and Office apps on other mobile devices including tablets. Office 365 also includes unlimited cloud storage on OneDrive. To download Office 365 log into your student (University) email through a web browser, choose Settings (top right corner), and select software. If you have further questions or need help with the software, please contact the USC ITS service portal.

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| <u>COURSE DESCRIPTION</u> |
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This course will address the framework of the audit process as incorporated in the audit model. Students will develop the ability to evaluate disparate businesses, assess the risks relevant to the business entity and develop approaches for control and substantive testwork. Such audit approaches will include use of higher-level techniques (management level controls and financial statement analytics), sampling (controls and substantive) and 100% data tests. We will design approaches using all of these tools, though use of the tools will be in ACCT 518L, *IT Audit and Data Applications*. Labs will be used for interactions with clients and audit firms a live case study environment, as well as with other outside professionals.

COURSE OBJECTIVES

Our objectives are for you:

1. To understand and apply the audit risk model
2. Approach a business and audit risk assessment in an integrated way
3. Design an audit approach through identification and testing of audit risks, internal controls over financial reporting and financial statements
4. Think critically and analytically evaluate financial information
5. Explain the concept of professional skepticism and how it applies in the audit process
6. Work together as a team in an audit environment
7. Effectively communicate audit risks and approaches

COURSE MATERIALS

Available on the internet:

- PCAOB Documents
Available on the PCAOB website at www.pcaobus.org (On the PCAOB's home-page, click on headings for links to Standards, which then contain links to the relevant documents.)
- Statements on Auditing Standards (SAS or AU-C)
Available on the AICPA website at www.aicpa.org (On the top of the AICPA's home-page go to Research and click on the Standards sub category. In the left column of the screen, click on Audit and Attest Standards and then on Clarified Statements on Auditing Standards. You should then see references to the section numbers.)
- SEC Staff Accounting Bulletins: <http://sec.gov/>
- SEC Filings: <http://sec.gov/edgar/searchedgar/webusers.htm>

GRADING

| <u>Assignments</u> | <u># of Points</u> | <u>% of Overall Grade</u> |
|---------------------------|---------------------------|----------------------------------|
| Midterm Exam | 200 | 20 |
| Final Exam | 200 | 20 |
| Case Studies (3) | 375 | 37.5 |
| Assignments | 125 | 12.5 |
| Participation | 100 | 10 |
| TOTAL | 1000 | 100% |

All assignments must be turned in on time to receive any credit. No late materials will be accepted.

Exams

The midterm and final exams will require you to: 1) identify the relevant issues in a given business situation; 2) analyze the data and transform it into information to be used in a comprehensive answer; and 3) explain what you did using techniques demonstrated in class.

The Leventhal School of Accounting policy states that exams should not be missed unless there is a very serious emergency AND it can be properly documented. Also, to the extent possible, you must inform the instructor of the emergency prior to the exam (it is understood this is not always possible). If you miss an exam for something other than a serious emergency and / or you cannot provide documentation, you will receive a zero grade for the exam. If there is a serious emergency, you can

provide proper documentation and (when possible) have notified me before the exam, a substitute grade will be calculated based on the normalized average of your other exam(s). There will be no make-up exams.

The final exam must be taken at the scheduled time unless an incomplete contract has previously been approved per Leventhal School of Accounting guidelines.

Client and Firm visits (Case studies): The class will have 9 groups. We will spend multiple class sessions studying the following 3 entities:

- Parsons Corp.
- PacWest Bancorp
- Children's Hospital of Los Angeles

Students will obtain the financial statements, including footnotes, and other relevant information contained in the 10K or 10Qs . Each group will perform an overall risk assessment and prepare an audit planning meeting agenda and discussion outline. For each entity visit, members of 3 groups will lead an audit planning meeting with the senior financial management of the client. The primary purpose of the meeting will be to take your current understanding of the economy, the client's industry environment and its specific business, the nature of its various financial statement accounts and disclosures and other relevant information and obtain from the client relevant information with which to plan your audit.

The next step will be for each group to prepare an audit plan. Three groups (other than the 3 groups referred to above) will lead a presentation of the class to that client's audit team. The audit team will interact with the presenters so you will need to be able to interact with them and defend your approach. In the second part of that session, we will conduct simulated audit procedures with members of the firm audit team in breakout sessions.

Grades for the client and Firm visits will include written grades for all groups and oral grades for groups leading each session. I may request peer evaluations for all groups and individuals for each case as well as for in-class assignments. Although peer evaluations do not correlate directly to grade points, it is information that I will consider when evaluating a student's group project score.

Assignments

Assignments will be posted on Blackboard two weeks before they are due. Those will include some questions for guest professionals who interact with the class, brief readings and student feedback, student ideas and observations after the client and Firm visits, etc. In addition, some exercises may be completed either during the lab sessions for the course or if necessary, completed externally by the students.

Class Participation

Class contribution points are awarded for being engaged and involved in the classroom discussion. Points are awarded for both attending class and on how much each student contributed positively to the classroom experience.

| COURSE OUTLINE | | | |
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| | Dates | Topic | Readings/Assignments |
| Week 1 | 8/18 | Course overview Audit objectives Preliminary knowledge assessment Professional standards review | |
| | 8/20 | Audit risk model Client business and audit risks and assertions Audit dashboard | <ul style="list-style-type: none"> • AU-C Section 300 • AU-C Section 315 • Videos – Series 0, 1 and 2 |
| | 8/21 | No lab | |
| Week 2 | 8/25 | Controls testing strategy | <ul style="list-style-type: none"> • AU-C Section 330 (par. 1-17) • Videos – Series 3 and 4 |
| | 8/27 | Parsons Corp. preparation session | <ul style="list-style-type: none"> • Parsons Corp. 2019 Form 10-K Business section and financial statements |
| | 8/28 | Scott Zimmerman - EY Americas Innovation Digital Leader: Exercise on <i>Future of the Audit</i> | <ul style="list-style-type: none"> • Question list |
| Week 3 | 9/1 | Substantive testing strategies | <ul style="list-style-type: none"> • AU-C Section 330 (par .18-.33) • Videos – Series 5 |
| | 9/3 | IT Controls | <ul style="list-style-type: none"> • PCAOB Auditing Standard No. 12 • AU-C Section 402 |
| | 9/4 | Parsons Corp. client interaction (led by Group 1) | <ul style="list-style-type: none"> • Discussion outline |
| Week 4 | 9/8 | Addressing Parsons Corp. audit objectives | <ul style="list-style-type: none"> • Student ideas |
| | 9/10 | Use of data sets - boundary controls, data integrity, assertions | |
| | 9/11 8:00-11:30 | PWC Parsons audit interaction (led by Group 2), including audit procedures by all | <ul style="list-style-type: none"> • Parsons audit plan |
| Week 5 | 9/15 | Parsons Corp. audit debrief | <ul style="list-style-type: none"> • Student observations |
| | 9/17 | PacWest Bank prep session | <ul style="list-style-type: none"> • PacWest Bancorp 2019 Form 10-K Business section and financial statements |
| | 9/18 | No Lab | |

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| Week 6 | 9/22 | Substantive analytics | <ul style="list-style-type: none"> • AU-C Section 520 • Majestic Case Study |
| | 9/24 | Fair value and other estimates | <ul style="list-style-type: none"> • AU-C Section 540 • AU-C Section 570 |
| | 9/25 | PacWest client interaction (led by Group 2) | <ul style="list-style-type: none"> • Discussion outline |
| Week 7 | 9/29 | Addressing PacWest audit objectives | <ul style="list-style-type: none"> • Student ideas |
| | 10/1 | Arthur Ajemyan, Reliance Steel Controller: <i>Audit from the client's perspective</i> | <ul style="list-style-type: none"> • Question list |
| | 10/2 8:00-11:30 | KPMG PacWest audit interaction (led by Group 3), including audit procedures by all | <ul style="list-style-type: none"> • PacWest audit plan |
| Week 8 | 10/6 | PacWest audit debrief | <ul style="list-style-type: none"> • Student observations |
| | 10/8 | Midterm review | |
| | 10/9 | No Lab | |
| Week 9 | 10/13 | Midterm exam | |
| | 10/15 | Ron Galperin - Los Angeles City Controller: <i>Use of D&A in Control over and Analysis of LA City Financials and Operations</i> | <ul style="list-style-type: none"> • Question list |
| | 10/16 | No Lab | |
| Week 10 | 10/20 | Use of and interaction with specialists and internal audit | <ul style="list-style-type: none"> • AU-C Section 620 |
| | 10/22 | Children's Hospital of LA Prep session | <ul style="list-style-type: none"> • CHLA readings posted on Blackboard |
| | 10/23 | No Lab | |
| Week 11 | 10/27 | Audit scoping - Materiality & Sample Sizes | <ul style="list-style-type: none"> • AU-C Sections 320, 450 and 530 |
| | 10/29 | Reporting | <ul style="list-style-type: none"> • AU-C Sections 700, 701, 705 and 706 • Videos – Series 6 |
| | 10/30 | CHLA client interaction (led by Group 3) | <ul style="list-style-type: none"> • Discussion outline |
| Week 12 | 11/3 | Addressing CHLA audit objectives | <ul style="list-style-type: none"> • Student ideas |
| | 11/5 | Firm & PCAOB quality controls | <ul style="list-style-type: none"> • PCAOB report observations |
| | 11/6 8:00-11:30 | Deloitte CHLA audit interaction (led by Group 1), including audit procedures by all | <ul style="list-style-type: none"> • CHLA audit plan |

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|------------|-------|-----------------------|------------------------|
| Week 13 | 11/10 | CHLA audit debrief | • Student observations |
| | 11/12 | Review for final exam | |
| | 11/13 | No Lab | |
| | 11/17 | Final exam | |

STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Academic Conduct:

Students are expected to make themselves aware of and abide by the University community's standards of behavior as articulated in the [Student Conduct Code](#). Plagiarism – presenting someone else's ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, "Behavior Violating University Standards" policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct at <http://policy.usc.edu/scientific-misconduct>.

Support Systems:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call
studenthealth.usc.edu/counseling

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention and Services (RSVP) - (213) 740-9355(WELL), press "0" after hours – 24/7 on call
studenthealth.usc.edu/sexual-assault

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED)- (213) 740-5086 | Title IX – (213) 821-8298
equity.usc.edu, titleix.usc.edu

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following *protected characteristics*: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations. The university also prohibits sexual assault, non-consensual sexual contact, sexual misconduct, intimate partner violence, stalking, malicious dissuasion, retaliation, and violation of interim measures.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298
usc-advocate.symplicity.com/care_report

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity | Title IX for appropriate investigation, supportive measures, and response.

The Office of Disability Services and Programs - (213) 740-0776
dsp.usc.edu

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

USC Support and Advocacy - (213) 821-4710

uscsa.usc.edu

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity at USC - (213) 740-2101

diversity.usc.edu

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call

dps.usc.edu, emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call

dps.usc.edu

Non-emergency assistance or information.

Appendix IA. MARSHALL GRADUATE PROGRAMS LEARNING GOALS

How ACCT 541L Contributes to Leventhal Graduate Program Learning Goals

| Leventhal Graduate Program Learning Goals | ACCT 541L Objectives that support this goal | Assessment Method* |
|--|---|--|
| <p>1. Technical, Conceptual, Problem-Solving</p> <p>Students will be competent in and be able to apply discipline-specific knowledge and skills in the fields of accounting and auditing. This learning outcome includes the development of critical thinking and problem-solving skills, as well as an understanding of the strategic role of accounting and auditing in business organizations and society.</p> | 1,2,3,4,5 | Client and Firm visits, in-class audit architecture assignments, exams |
| <p>2. Applied Data Analytics</p> <p>Students will be able to analyze business and audit objectives, issues and problems and identify the data necessary for solutions. They will learn to integrate data tools and languages and communicate the answers in pragmatic and understandable terms. Students will learn to be effective in unstructured environments and productive in live business situations.</p> | 1,2,3,4,5 | Client and Firm visits, in-class audit architecture assignments, exams |
| <p>3. Professional Development</p> <p>Students will be able to communicate clearly and strategically, after considering the relevant audience, situation, and purpose of the communication. Students will demonstrate the ability to work productively with others to accomplish established goals.</p> | 5,6,7 | Client and Firm visits |
| <p>4. Research/Life-Long Learning</p> <p>Students will be able to use relevant research databases and academic/professional literature to gain new knowledge and analyze business situations.</p> | 1,2,3,4,5,6 | Readings, client and Firm visits |
| <p>5. Ethical Principles and Professional Standards</p> <p>Students will be able to apply ethical principles and professional standards in analyzing situations and making informed decisions.</p> | 1,2,3,4,5 | Selected class sessions, client and Firm visits |
| <p>6. Globalization and Diversity</p> <p>Students will be able to demonstrate an international perspective and appreciation for diversity and cultural differences, along with their significance in global business.</p> | 2,3,4 | In-class assignments |

