



Discussion Board, Week One, Due Tuesday



23 unread posts

I would like each of you to update your [REDACTED] profile, maybe adding a different picture and any new information, as well as post on this forum what you think you will learn from this class. At the end of the term, I will ask what you DID learn and it will be interesting to contrast the bookends to the course.

Discussion Board, Week One, Due Tuesday



Joseph Edwards

What I think I'll learn.....



57 days ago

LOADED, upon glancing at the [REDACTED] book, is certainly not overstating the density of information covered in [REDACTED]. Learning from this class appears to be heavily reliant on an audit and subsequent usage of parts of my brain that have been dormant for-, well, -ever....so while virtually everything initially absorbed during this class will likely feel foreign, I think I'll learn to understand and further respect a discipline in the context of a larger accounting framework. Or not!

Week Two (4/13-4/19)



Discussion Board Week Two, Due Sunday



For this discussion board, I would like you to find any current article that discusses an accounting topic and post the topic and your thoughts. It can relate to fraud at a company, legislation, change in management, audit rule changes, etc. This discussion board posting will need to be done by Sunday.

<https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/2020/SFSPSpecialReport.pdf>

On April 6th 2020, Justin Wilson, State of Tennessee's Comptroller of the Treasury, on behalf of the State Audit Division, issued a Special Report to the Department of Human Services regarding the Summer Food Service Program, and payments of meals not served.

First, a quick summary. As stated within the report, "The Summer Food Service Program (SFSP) is federally funded by the U.S. Department of Agriculture and administered on the state level by the Tennessee Department of Human Services (DHS). SFSP was designed to provide free meals to children when school is not in session. DHS contracts with approved sponsors who prepare and provide meals and snacks for accepted sites in accordance with the grant contract terms. Under those grant contracts, DHS reimburses the sponsors for allowable expenses incurred in preparing and serving the meals...As a result of our Single Audit work, which included follow-up of prior audit findings from the 2018 Single Audit, we found significant deficiencies in controls and noncompliance for SFSP at both the department and sponsor levels. We also found that two sponsors, New Beginnings International Ministry (New Beginnings) and Greater Harvest Church (Greater Harvest), exhibited fraud risk factors including repeated noncompliance, questionable meal service, and questionable billing practices. Our Single Audit work also found that DHS paid these sponsors for meals that were not served to children."

My thoughts are simple. Governments, whether local, state, or federal are certainly not immune to fraud. The Tennessee Department Human Services, after an expanded investigation, clearly failed to maintain the necessary internal controls to protect taxpayer dollars. That said, no government can ever be fully prepared for multiple entities fraudulently submitting claims for DHS reimbursements - for unserved food to children in need, nonetheless. Auditing, in this case, not only proves existence of fraud within the public-private relationship but also exposes government processes in need of change. While nothing earth shattering or anything unknown, I hope enough Auditors are continuing to provide the investigative reports necessary to keep our publicly elected officials accountable.

I don't know how much you all know about the codification of generally accepted accounting principles (GAAP). It is common to get a codification research question as one of your CPA Exam simulation questions - this exercise will help you practice for that.

I would like each of you to think of one FASB topic - see your Intermediate Text for topic areas (examples are revenue recognition, accounting for leases, depreciation, contingent liabilities, related party transactions, etc. - or browse topics on the codification website) and then search that topic area for something interesting about your topic. Post the interesting thing about your topic as well as your thoughts on this way to document GAAP. Make sure to appropriately cite the codification - see this website for citation examples https://guides.newman.baruch.cuny.edu/FASB_Codification/citing

You may cover a "topic" that another student covers, but please don't duplicate subtopics, sections, subsections or paragraphs. The video below explains the difference between all of these levels of information.

Post by **Joseph Edwards**

38 days ago

FASB topic: Entertainment-Music Liabilities

Specifically, ASC 928-405-25-1 states:

"Any fees required by a licensing agreement (for example, for free records distributed by a record club in excess of a stipulated number) that are not fixed in amount prior to the expiration date of the agreement shall be estimated and accrued on a license-by-license basis by the licensee."

We need to be real here. Accounting for undefined liabilities surrounding undefined "excess" record distribution is slightly absurd. While I certainly support the "record club," so much has and continues to change within the digital realm.

With such a radical transformation of how traditional forms of media are obtained and consumed by end-users, I am always interested in how artists, beyond the contractual agreements with "record masters," are able to sustain profitable ventures. Artists, within the defined FASB codification of GAAP, relate as follows to the "bigger picture" (Citing ASC 928-10-05-01):

"The Entertainment—Music Topic addresses the accounting and reporting by entities in the music industry. Such entities often enter into contractual agreements to license music copyrights or record masters. This Topic provides accounting guidance for such license agreements, as well as for artist compensation costs, for compensation paid to recording artists in the form of royalties, and for the costs of producing record masters. It also addresses the accounting by licensees for various fees and for any minimum guarantees stipulated in a license agreement."

Furthermore, a key term here is *Record Master*- which is defined as "The master tape resulting from the performance of the artist. It is used to produce molds for commercial record production and other tapes for use in making cartridges, cassettes, DVDs, and reel tapes. The costs of producing a record master include the cost of the musical talent (musicians, vocal background, and arrangements); the cost of the technical talent for engineering, directing, and mixing; costs for the use of the equipment to record and produce the master; and studio facility charges. Under the standard type of artist contract, the record company bears a portion of the cost and recovers a portion of the cost from the artist out of designated royalties earned. However, either party may bear all or most of the cost."

Back to the original topic of liability....as evidenced by the top cited FASB source, the licensee's *fees payable liability* (or whatever the equivalent naming mechanism) is by definition unique to each license agreement, creating for an easily combustible and/or hard to define relationship. Lastly, this particular codification contains a definition of *record master* that to some that may read as antiquated. Others may argue the generality allows for the most adaptability. Time will tell. These issues beg the question of how and where to draw the line between coded accounting technicalities and unique contractual language seen beyond boiler plate agreements. Contractually, given the Internet and subsequent channels to which the everyday end-user can access the licensee artists' work, the lines certainly become blurred; thus, creating whole separate legal, copyright/licensing AUDIT related professions!

Week Four (4/27-5/3)

Discussion Board Week Four Due Sunday




Chapter 5 discusses the control environment as the first level of the system of internal control. There is a list of general principles listed on pages 178-179 (under Control Environment). I would like each of you to give **two specific** examples of a healthy control environment and **two** specific examples of an unhealthy one. This was discussed in AIS and you might want to look at information on the web to help you frame your response.

Post by Joseph Edwards

30 days ago

Control Environment

I picked two SEC cases to help frame my response. When researching examples of unhealthy control environments, I found the SEC's Spotlight on Financial Reporting and Audit (FRAud) Group as a good platform....included in each case is a discussion about the SEC required ICFR (Internal Control over Financial Reporting) filing, so I believe this is relevant? 

First Case

The FRAud Group outlined filed actions against Cyios Corporation, its CEO Timothy Carnahan, and the CPA hired by the company. Specifically stated, "against an Issuer and its CEO, sole officer and director related to false statements in filings as to the effectiveness of the company's internal controls over financial reporting" (SEC, 2020). Within the filing, the Administrative Law Judge issues a broad scoped opinion, with judgments that directly address multiple principles of what constitutes a healthy (or in this case unhealthy) control environment. Per the December 21, 2015 Initial Decision: Because Carnahan "personally certified the false statements in this case, they can be seen as 'impugn[ing] the integrity of management,' which in itself would be material to investors."

<https://www.sec.gov/alj/aljdec/2015/id930ce.pdf>

CEO Carnahan failed to make required SEC filings and also failed to assess internal control over financial reporting (ICFR). His own integrity is brought into question, and per Judge Elliot, one can only view his behavior as contributing to an unhealthy control environment, especially in regards to the principles of *Integrity and ethical values, financial reporting competency, and authority and responsibility*. The auditor, also named in this filing, was already barred by the PCAOB from being an associated person of a registered public accounting firm....a different aspect, but equally disturbing/fascinating that the CPA continued working with Cyios (to which the CEO's complicity is also questioned by Judge Elliot).

That said, to create more healthy control environment, the Cyios Corporation clearly needs to verify that all hired Public CPAs aren't facing PCAOB sanctions. I would assume this to be an inherent internal control for all public companies.

Assumptions well We know

Second Case

Another example of failure to healthily address the principles of *financial reporting competencies and authority and responsibility*, is in the case of Lifeway Foods, Inc., a dairy food producer who violated federal securities laws in connection with its Internal Control over Financial Reporting. Illustrated in the filing: "Prior to 2016, Respondent's material weaknesses resulted from, among other things, incomplete, inadequate and undocumented financial reporting processes; the lack of sufficient, competent and independent financial statement review; and the failure to consistently demonstrate effective preparation, support and review of journal entries and account reconciliations" (SEC, 2020).

<https://www.sec.gov/litigation/admin/2019/34-84995.pdf>

In addition to the unhealthy principles mentioned above, the Administrative Proceeding also recognized that (despite remediation efforts) the management team failed to complete its ICFR assessment and evaluation in 2013 and 2014. With roots of a family owned company, Lifeway Food's *management philosophy and operating style* has to be called into question here. Failing to complete its required ICFR assessment once could be considered an innocent oversight, but twice? Lazy? Ignorant? Unskilled? Uncaring? This case is interesting in that the violations are clear and obvious, management tried to remediate the problems, and yet still continued to fail in filing correctly with the SEC. It seems to be less an ethical dilemma as it is an issue of management ineptitude.

Management, from a healthy internal control standpoint, needs to replace the person in charge of filing the ICFR assessments or at the very least ensure oversight of this manager's role to ensure timely and correct filings with the SEC. The interrelated component of *human resources* would clearly become part of the company's overall control environment by creating a defined team or independent role to maintain the oversight of Lifeway's internal filing requirements. This would also be 100% pertinent to the Cyios organization's management team.

Announcement: I am going to delay the due date for Case #2 one week - it will be due Friday May 15th.

Discussion Board Week Five Due Sunday

Similar to the codification topic we had two weeks ago, I am unsure as to your familiarity with the potential changes to US GAAP and its convergence/ change to IFRS. I would ask that each of you identify one of the many topics being discussed by the FASB (representing GAAP) and the International Accounting Standards Board (IASB, representing IFRS) and provide a status report of convergence. So if you chose leases, you would need to give a brief overview as to how the rules differ between the two and the status of the conversation (timing of changes, etc.). Each student should choose a different topic.

Post by **Joseph Edwards**

27 days ago

Nonfinancial Assets - PP&E

Upon looking into reports released by Ernst and Young, KPMG, PWC, and others, I found the August 2019 release from PWC to be one of the most up to date summaries of the convergence between IFRS and US GAAP.

After researching the recent release of PWC's 2019 [IFRS and US GAAP: similarities and differences](https://www.pwc.com/us/en/cfodirect/assets/pdf/accounting-guides/pwc-ifs-us-gaap-similarities-and-differences.pdf), I chose to give a brief overview of nonfinancial assets which according to the report, broadly speaking "...differences for long-lived assets held for use could result in earlier impairment recognition under IFRS as compared to US GAAP."

<https://www.pwc.com/us/en/cfodirect/assets/pdf/accounting-guides/pwc-ifs-us-gaap-similarities-and-differences.pdf>

Specifically, when looking at property, plant, and equipment, the following differences are noted:

Currently, under US GAAP rules, there is no explicit requirement to evaluate the useful lives of long-lived tangible assets each reporting period. Under the IFRS, the guidance requires not only the separation of significant components of property, plant, and equipment with different lives to be recorded and depreciated separately, but also requires a review, at minimum, at each balance sheet date.

There are multiple other impacts that a convergence to IFRS could bring to the world of PP&E. Overhaul costs, for example, under US GAAP can be recognized under alternative accounting methods. These costs may be expenses as incurred, accounted for as a separate component asset, or capitalized and amortized over the period benefited by the overhaul. The IFRS requires one way: capitalization of the costs of a major overhaul (and carrying amount of parts or components that are replaced be derecognized). Asset retirement obligations and the measurements that go with this aspect of PP&E reporting might vary because US GAAP specifies a fair value measure and IFRS does not. The IFRS approach has the potential for more variability because of the basis of using market-based discount rates. Finally, borrowing costs under US GAAP are narrower than under IFRS.

Multiple methods of accounting (like accounting for overhaul costs in 3 ways under US GAAP or 1 way under IFRS) seen between US GAAP and IFRS presents such complexity that I'm not even quite sure what really constitutes a "recent update." Not in the sense that the convergence wouldn't radically transform reporting requirements, but the fact that there are so many moving parts and keeping up to date with all the technical changes is highly challenging. I was unable to find anything later than this late Summer revised 2019 PWC report. Interesting to see what happens next.



Since this is a busy week with Test #2 coming up, we'll dial it back for the discussion board - the topic is:

What questions do you have about the accounting profession, your career path, getting certified, salary ranges, the elusive "work-life-balance", etc?

And if you don't have a question that I can help with - let's still stay engaged, so what are you looking forward to this summer? Do you have any big plans or celebrations?

Post by **Joseph Edwards**

19 days ago

Re: Discussion Board Week Six Due 5/12

Change is inevitable but I was not expecting such a radical transformation to the way in which information is delivered, whether via government, academia, or traditional corporate environments. That said, as a dual citizen with most family back in England, I've been tracking BBC/Sky News to see the differences in their handling of all of this – one distinct difference is the delivery of unbiased information coupled with tracking and subsequent release of the healthcare data to the public. Segments of the newscast will devote a period to outlining the demographics of those afflicted with/succumbing to the disease. Evidence doesn't lie and the facts state that the managerial level and higher skilled labor-force are less susceptible given the ability to work remotely.

Politics aside Professor, I am curious as to just how many/what kind of opportunities will arise for those like us (taking courses prior to CPA exams) to obtain accounting related jobs that can be achieved from home or, at the very least, through partially remote settings. Accounting for example, with the inherent nature of the work, seems to present opportunities for the Big 4 to change their traditional "trial by fire" approach of sending new recruits out to client sites during "busy season" to perhaps a less physical site-specific manner (I'm strictly basing this on all the friends I know who completed their required work hours for official licensure through this channel)? Do you think there will be a conscious effort to mitigate the amount of "KPMGers" out auditing the books of XYZ Corp when a lot of the work truly could be achieved remotely?

If not the Big 4, will the small-medium sized organizations begin at least opening the conversation to a platform change? You only have to track the online social media sites to see that companies are already transforming. Why change back when the cost savings will become evident? It just doesn't seem to be a good result if traditional mechanisms that obviously don't work become the norm again. I don't know, thinking out loud. Stay safe everyone!

One of the concepts we have already looked at this term is how you would prepare for a new client in an industry new to you. I would like each of you to pick an industry (one you are working in now, one you used to work in or what you would like to work in) and research SPECIFIC sources of information to help you get up to speed for a client in that industry. Include links as appropriate. And each of you must use a different industry!



Post by **Joseph Edwards**

11 days ago

Unconscionable. Hollow. Equity, Human Rights, and the Surveillance State.

How about the AI-Database-Driven-Technology industry?! If you can't have fun with auditing, well, what's the point? Government-Accountability-Office. I'll audit them. They aren't an industry though. We'll call it the unaccountability of government industry, or the GUO public entity. Goo-Woh. Investigators need to be investigated. Investigated investigators make the world go around. Do the "Investigated investigators" remain accountable for a terrible job done? Not that one would ever be given the opportunity to facilitate an "Investigative Audit" of a government agency, but hey, as the leader of the free world just mentioned with respect to healthcare related life and death decisions, reaching hundreds of millions of viewers, what the hell is there to lose
(<https://kmpH.com/news/coronavirus/despite-fda-warnings-trump-says-he-is-taking-hydroxychloroquine>)? Think outside the box. He is not incorrect and he is making an irrefutable point that transcends any political discussion. This is a one-way academic forum- [REDACTED] I. Where is the response? Opinions, in academia, require supportive factual sources. Forty years of evidence would be considered a supportive factual source to the efficacy of a form of therapy. There is a side-effect and/or rebuttal to EVERYTHING. C'mon!

Auditors certainly aren't accountable if, for example, the SEC is not accountable to the Judicial Branch of government. Investigators must be investigated for privacy violations, simple ineptitude, or misuse/complete inefficient use of taxpayer dollars (<https://josephedwards.life/static/Binder1.a3ca7621.pdf>). Accountability is not even in existence. I.e. Masks not available because the GAO failed, or HHS failed? Audit failure? Why didn't a risk management audit of HHS, in conjunction with the simple fact that XYZ Country controls XYZ Supply Chain, yield an evidence-based opinion? My understanding is that the U.S. government is audited? Enlightened thoughts are welcomed. Auditing and politics do not match because neither is restricted to one particular presidency, so again, nothing with respect to political opinion. Ineptitude is certainly not appearing absent from all levels of government, and so I'll pick the industry of Forensic Accounting related to 501(c)(1) not-for-profits with whom the IRS approves or disapproves and with whom the various heads of executive agencies utilize for data aggregation related to citizen profiling. Government can't issue contact tracing, for example, without Amazon, Facebook

and Google's nuclear-grade secured datacenters....oh wait,

<https://techcrunch.com/gallery/a-look-inside-facebooks-data-center/> So, is the government really saying it will use open-source servers to track already socially insecure citizens...free of charge? Seems like an industry that will need more and better auditing.

Scripts can be designed to send the information of users back to the original designer. ONE word or one number or one letter clicked or searched within/on a database driven form will create an alert if any data-related subsequent form is triggered to match....based on established scripts, rules, criteria, etc. I do sincerely hope the reasoning for auditing is to help EVERYONE rather than management that cares most about the security of its own databases. I.e. Control. Databases are not equitably accessible and as a result, inequity is pervasive. Fact: a disproportionate number of minorities have died during this pandemic. Ineptitude does not help. How about all these aggregators of education related data? Healthcare data? Tracking, if not specific to a Social Security #, is a viable form of public healthcare security and yet Social Security sends out taxpayer dollars to lazy people milking the system of taxpayer dollars. If a pandemic is the catalyst under which a surveillance state is ramped up, then use the movement data to make sure people are actually moving. Oh, but that would be a violation of civil liberties! Same way dollars spent to fund the Department of XYZ or X Administration are used to track folks right? Unconscionable. Hollow. It needs to be cleaned up. Auditing to fix the internal issues will help.

Agency Management Platforms-Business Development Platforms are primarily data aggregators. Some better than others at actually facilitating processes that result in healthier citizens. Data will not lie at the end of all of this. Others, meanwhile, are just creating barriers to entry to help pad their bottom lines.

Leaders of companies with a vision of how the world should work based on their designed control of information isn't sustainable. It doesn't matter whether or not a pandemic is in full outbreak. Platforms, on behalf of clients like [REDACTED] for example, with AI can track every click, every search entry, where the traffic is going, etc. and spit out reports almost instantaneously. Audit the AI design itself, not the guy or gal using the hollow platform. Yet here in the State of Oregon, the implemented systems are spitting out irrelevant, useless information. Incorrect in. Incorrect out. Taxpayer-funded resources and now paid government workers in

charge of physically receiving and investigating a \$2710 claim. Efficient? Clearly, I ducked out of [REDACTED] class to go to Canada. You HAVE to be kidding me!

Week Eight (5/25-5/31)

Discussion Board Week Eight Due Sunday 5/31



An area we will not cover in this course in any depth is corporate governance. The CPA Exam has increased the number of questions in the area over the past several years. We have had quite a bit in the news recently regarding corporate governance issues, including whether the Chairman and President roles should be split, whether executives and board directors should be pledging their stock for loans, votes on executive compensation, etc. I would like you to identify a corporate governance issue and post about the specific situation (or company) as well as your thoughts on the issue.

1



Post by **Joseph Edwards**

11 days ago

Root Problems

<https://www.sanofi.com/en/about-us/governance/board-of-directors>

Sanofi: Check out the diversity.

Corporate governance, as related to Chairman and President company roles, is certainly an issue that impacts the very fabric of American democracy. For example, Sanofi-Aventis, a French Multinational Drug Conglomerate with whom President Trump recently asked about vaccine development (He gave them a resounding N.O. Leader of the Western world said no) has a Board of Directors, 79% of which according to the company's website are independent. Pasteur Institute and other parts of the company have ties to I.G. Farben, so a checkered history to say the very least...I'm not sure why they are even at the table. They're secretive for a reason. Not included on the Board in an independent role is the current CEO Paul Hudson. In conjunction with sucking the American taxpayers dry through distribution of hyper-inflated drug prices (e.g. not until very recently, and certainly after current Chairman's took his seat on the Board, did Medicare pull certain Sanofi drugs from contracts directly affecting Medicaid recipients with no choice in the matter), I believe Chairman of the Board Serge Weinberg (elected in 2015) had and continues to have a direct responsibility to instituting policies and procedures to be facilitated by the CEO. These policies and procedures, should be designed to "Executively Compensate" his CEO on the number of life-saving drugs that are received by the patients who need them, and not by the revenue of pharmaceuticals sold to intermediary distributors. Here is the argument. After meeting with a Global Director at Eli Lilly, I was given the response that due to the billions of dollars going into R&D, the prices are justified. He also manufactures the product in China. Laughable.



What is the most important concept you will take away from this course? How do you see it playing in your career? Was there anything in the course/materials that surprised you? Any other thoughts on auditing?

1



Post by **Joseph Edwards**

1 day ago

Re: Discussion Board Week Ten Due 6/9

What is the most important concept you will take away from this course?

Accountability. Accountability cannot be enforced without the very evidence that auditors seek to utilize in support of management assertions, financial disclosures, etc. Accountability is not a one-way street when 3rd parties aren't held accountable. For example, if a public entity was in the midst of an outside audit and was found to have been redundantly spending taxpayer dollars (i.e. It was not correctly designed the first time) to enforce certain processes that were supposed to be designed to serve the taxpayer, is agency management accountable for the financial mismanagement? No. Taxpayers will simply absorb the leadership failures and accountability will remain non-existent. However, Senators like Ron Wyden actually care to serve. He can force the accountability because he cares and is actually accountable to his voters. I digress, briefly.

<https://www.oregonlive.com/coronavirus/2020/05/sen-ron-wyden-asks-federal-watchdog-to-investigate-health-insurance-companies-as-coronavirus-erodes-nations-mental-health.html>

Doctors do not have the wherewithal to ensure pandemic related claims are covered due to blanket denials from private insurers. So how on earth is an individual supposed to navigate coverage for life-saving therapy when facing levels of government bureaucracy that are not designed to help the very patients it is supposed to serve? We'll also see whether OHSU remains accountable for all of its own mismanagement or the very fact that it loaned \$50,000,000 to a private insurance company!!!! C'mon! Audit that transaction to see what has been achieved through that partnership!!!!

How do you see it playing in your career?

I don't see it playing in my career for the reasons stated above. Nothing has changed. Healthcare delivery in this country is built on control and greed. Until the watchdogs, like the Government Accountability Office facilitate the investigations, institute game-changing penalties, and jail the offenders, the status quo will remain. Playing isn't something I have any interest in....

.....Was there anything in the course/materials that surprised you?

No.

Any other thoughts on auditing?

Truth is exposed during an audit, one would hope. Otherwise, what is the point of auditing? Like any public company investor, no one needs the company that pays multiple 3rd parties to achieve the same end investment achievable by 1.

Thanks for making [REDACTED], Professor [REDACTED]. Hope everyone is staying healthy.