

# E&Y CARAT NEWS BRIEFS

Ernst & Young Center for Auditing Research and Advanced Technology (E&Y CARAT)  
Division of Accounting and Information Systems, School of Business  
The University of Kansas, Lawrence, KS 66045

Fall 1997

**DIRECTOR'S NOTE** I will start with holiday greetings to all of you. We have had an exciting semester at the Ernst & Young Center for Auditing Research and Advanced Technology. The Fall Semester started with selecting five Ernst & Young Student Fellows, four at the under-graduate and graduate levels and one at the Ph.D. level (see the details below). These E&Y Fellows are selected every year in the fall semester from a pool of applicants on the basis of their academic achievements and leadership qualities. Each E&Y Student Fellow is assigned to an E&Y Faculty Mentor with whom he or she works on various projects related to teaching and research. The students selected for E&Y Fellowships have had varied interests from auditing, information systems, to taxes. I am very pleased to inform that the Fellowship program has been a great success and wish to express my sincere thanks to "E&Y Family" for directly contributing to the Fellowship program. Th support is going a long way in helping students and faculty.



Rajendra P. Srivastava  
Ernst & Young Professor and Director  
The Ernst & Young CARAT

Another program that has been a great success is the Ernst & Young Distinguished Visiting Scholars program. Every semester the E&Y CARAT invites distinguished researchers from other institutions to present their research work at our research colloquiums, and also to work with the faculty associates of the Center. We had the following visitors during the fall semester: Professor Susan F. Haka, Ernst & Young Professor at Michigan State University, Professor Theodore Mock, Arthur Andersen Alumni Professor at University of Southern California, Professor Arnold Wright, Arthur Andersen Professor at Boston College, Professor Stanley Biggs, KPMG Peat Marwick Professor at University of Connecticut, Professor Bonnie Morris, University of West Virginia, and Dr. Kenneth O. Cogger, CEO, Peak Consulting Inc., Denver, Colorado. We are really excited about the research projects in progress at the E&Y CARAT. Described below are some of the projects that are currently in progress:

1. Analysis of unusual fluctuations found in analytical procedures for determining the potential causes by Ted Mock of USC, Arnie Wright of Boston College and myself. 2. Financial Reporting and Auditing Agent with Net Knowledge (FRAANK). There are seven researchers involved with the FRAANK project: Five from KU (Professors Mike Ettredge, Kay Nelson, Vernon Richardson, Sue Scholz, and myself) and two from Rutgers University-Newark (Professors Miklos Vasarhelyi and Alex Kogan). 3. Development of a computer system for planning and evaluation of audit evidence under uncertainty by Professor Peter Gillett of Rutgers University-Newark, and Professor Prakash Shenoy and myself from KU. All these projects are part of the overall research mission of the E&Y CARAT. You will be pleased to know that all these projects are cutting edge research and they will make our name.

Recently, a six member team (Professor Kay Nelson and myself from KU, Professors Peter Gillett, Alex Kogan, & Miklos Vasarhelyi from Rutgers University-Newark and Professor Ted Mock from University of Southern California) had a two and a half day visit to the Ernst & Young LLP's world headquarter in Cleveland. It was an exciting visit. Not only we got to learn about what E&Y is currently doing but also got to share the research work being done at the E&Y CARAT in collaboration with the distinguished visiting scholars. As mentioned earlier, the E&Y CARAT is involved in conducting research on topics such as online auditing, WebTrust assurance services, on-line reporting, analytical procedures, applications of neural networks in predicting management fraud and bankruptcies. The involvement of visiting research scholars to the E&Y CARAT from other institutions makes the Center unique in the sense that no single institution in the world would have the expertise that the E&Y CARAT is able to have. I again would like to thank the "E&Y Family" for their generous support to E&Y CARAT.

## 1997-1998 E&Y Student Fellows



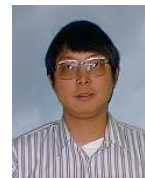
Angela Apple



Scott Barnes



Jill Earles



Hai Lu



Susan Shanafelt

Angela Apple will be entering the Master's of Accounting and Information Systems program in January 1998. In addition to being involved in the Ernst & Young Fellowship Program, Angie is also the recipient of the University of Kansas School of Business Scholarship and the Steve Bauer Memorial Scholarship. Her name is included in the National Dean's List, and she has been on the

Dean's Honor Roll for all semesters. Angie is working with Professor Mike Ettredge to discover factors which determine the amount and nature of financial data presented on the websites of various organizations.

Scott Barnes is pursuing a Master in Accounting and Information Systems with a double concentration in tax and information systems. Scott received an undergraduate degree in broadcasting, and spent three and a half years working as Production Director at KLJC radio in Kansas City. Under the direction of Professor Susan Scholz, Scott is working on the Internet on-line financial reporting related research projects.

Jill Earles, a second-year MBA student, is working with Professor Kay Nelson. Jill received her undergraduate degree (B.A. in Music, Piano emphasis) from KU in May 1996. Currently, she is in her last year of the MBA program working on a concentration in Information Technology. Jill's Ernst & Young project consists of working with relational databases to create forms and reports for the School of Business Administration and Faculty, and construction of a database for FRAANK experiments between KU and Rutgers. In addition, she will be assisting in and learning CGI database access on the web.

Hai Lu is working with Professor Rajendra Srivastava. Hai has BS in Engineering from Zhejiang University in China, and M.Eng, PhD in Optoelectronics from Chinese Academy of Sciences. He worked in Australia CSIRO Division of Telecommunication and Engineering Physics from 1991-1993. He was in MBA program last year and currently pursues PhD in Business. He is working on Fraank Project, a joint project of KU and Rutgers. His responsibilities include the intelligent agent programming and analysis of on-line auditing. He is also going to work on audit decision making under uncertain items of evidence.

Susan Shanafelt is currently working with Professor Rajendra Srivastava, the Director of the Ernst & Young CARAT. Susan is a junior currently seeking a B.S. in Accounting with an emphasis in Computer Information Systems. Susan's CARAT responsibilities include updating, redesigning, and maintaining the Ernst & Young CARAT webpage and all other related pages. In addition to the CARAT webpage, she is also designing a WWW Board for Professor Srivastava's graduate auditing classes.

**E&Y CARAT's Research Workshop Activities:** The Ernst & Young Center for Auditing Research and Advanced Technology has been arranging two research workshops on every Friday each semester for sharing and exchanging research ideas amongst the faculty and Ph. D. students. Please visit our home page: <http://Stat1.cc.ukans.edu/~srivasta/> for more details. Here are the Fall 1997 seminars:

**10:30 - 12:00 AM in 506 Summerfield Hall**

Aug.	29	John M. Charnes/Experience with Fast Cycle Teams	19	Professor Kissan Joseph, University of Kansas, "The Role of Customer Satisfaction Incentives in Preventing Hard-Sell."		
Sept.	9	Dave Stetson and John Vu/Doing Research with Industry	26	Professor Mark Hirschey, The University of Kansas, "The 'Dogs of the Dow' Myth."		
	12	Achille Maurellis/Prediction Intervals in Environmental Management	Oct	3	Professor Vernon Smith, Regents' Professor of Economics, University of Arizona, "The Two Faces Of Adam Smith: Why Are People Both Self Regarding And Other Regarding?"	
	19	Rajendra P. Srivastava/FRAANK: Financial Reporting & Audit Net Knowledge		10	Professor James Brickley, Simon School of Business, University of Rochester, "What Happens to CEOs After They Retire? New Evidence On Career Concerns, Horizon Problems, And CEO Incentives."	
	26	Jeffrey Parsons/Emancipating Instances from the Tyranny of Classes in Information Modeling		24	Professor Paul Koch, University of Kansas, "Volume & Volatility Surrounding Quarterly Expiration of S&P 500 Futures Contracts."	
Oct.	3	Tim Magnuson/Business Applications of Adaptive Data Mining Technology		31	Professor Bonnie Morris, University of West Virginia	
	8	Reception for Ron Harper		Nov	7	Professor D. Bruce Johnsen, George Mason University School of Law, "The Financing and Redeployment of Specific Assets."
	10	d. t. ogilve/On Technology and Creativity		14	Professor Michael Jensen, Harvard Business School	
	17	Jae Joon Lee/Monte Carlo Methods for Signal Extraction		21	Professor Stanley Biggs, KPMG Peat Marwick Professor of Accounting, University of Connecticut	
	24	Lawrence A. Sherr/Regression Graphics-I		Dec	5	Dr. Kenneth O. Cogger, CEO, Peak Consulting Inc., Denver, Colorado.
	31	Lawrence A. Sherr/Regression Graphics-II				
Nov.	7	Prakash P. Shenoy/Reasoning with Probability				
	14	V. K. Narayanan/Hebbian Analysis of Causal Maps				
	21	Stanley Biggs/Expert Systems and Audit Decisions				
Dec.	5	Ross D. Shachter/Causal Models: What Does One Need to Know?				

**1:30 - 3:00 PM in 506 Summerfield Hall**

Aug	22	No Workshop (Accounting area group meeting: 1:00-3:00 PM)			
	29	Professor Mike Ettredge, School of Business, The University of Kansas, "Financial Disclosure on the Internet: A Bull Session."	Dec	5	Dr. Kenneth O. Cogger, CEO, Peak Consulting Inc., Denver, Colorado.
Sep	12	Professor Susan F. Haka, Ernst & Young Professor, Michigan State University			