

A STUDY ON THE AUDIT BUSY SEASON: MANAGER AND EMPLOYEE PERSPECTIVE
AND RETENTION RATES

By

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DEDICATION

To those who had faith in me even when I had no faith in myself. Thank you.

PREFACE AND ACKNOWLEDGEMENTS

I would like to thank Professor D'Souza for all her time and the patience she had with me.

Finding the motivation to do this thesis was hard. Professor D'Souza would always try her best to motivate and push me. The past year and a half were tough given the circumstances. Professor D'Souza was supportive even in the toughest of times. I can not thank her enough. I would also like to thank my friends who were supportive and positive in my most difficult time concerning this thesis.

ABSTRACT

The audit busy season is notorious for the long hours needed by audit employees, and the tremendous amount of work and effort is given to complete an audit on time. The thesis seeks to explain the manager and employee perspective of the audit busy season and examine the practice's turnover rate. The study wants to analyze the effects the busy season has on audit employees. Employee turnover rates are at 10.7% as of 2018 (Nickerson and Hall). Are more audit associates are switching from public to private accounting? The thesis wants to dive into the employee and employer's perspective and analyze why turnover is high. The thesis also wants to give insight to students who are looking to start a career in accounting.

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INTRODUCTION

I chose to write a thesis specifically about my topic because of the experience I went through as an intern at one of the big four accounting firms. I interned as an audit associate in the banking practice. This required me to travel from my house to different clients who could be as far as an hour away. I would work over 12 hours a day for 5 days a week and sometimes came in on the weekends to catch up on delayed work. Doing so forced me to change my daily routine. I went from going to the gym almost every day and eating healthy to not going at all and eating anything and everything during the internship. Due to being at the internship so often, I did not have any time to go to the gym, which led me to become unmotivated and stressed.

After noticing the change in my daily habits I asked the associates if this is what they go through every year during the busy season. I heard a mix of people becoming unable to motivate themselves to do anything, being unable to hang out with friends or family due to being exhausted from work, etc. This inspired me to choose to focus my thesis on the employee perspective of the busy season for audit associates. I believe that audit employees have a negative perspective on the busy season and this may be attributed to the long hours and perceived annual take-home pay. Something important for graduating students, especially those in accounting, to know is what to expect after they graduate and look for a job.

Being a student at Saint Peter's University has allowed me to meet some of the most amazing professors and peers who inspire me to give back to the Saint Peter's community. I hope by writing this thesis I can help those looking for a career in accounting decide if they want to pursue a certain career path based on the information I am going to present in this paper

CHAPTER 1 BACKGROUND

1.1 What is an Audit?

An audit usually refers to a financial statement audit. A financial audit is an objective examination and evaluation of the financial statements of an organization to make sure that the financial records are a fair and accurate representation of the transactions they claim to present (Tuovilla). The audit can be conducted internally by employees of the organization or externally by an outside Certified Public Accounting (CPA) firm (Tuovilla). KPMG, where I interned at is an external audit Certified Public Accounting firm. Organizations need to get audited to give an accurate representation of their financial position. This is important for investors and banks who may want to loan money to the organization. Without proper representation, the stock market would not be able to function properly and banks would have to default more loans.

Almost all companies receive a yearly audit of their financial statements, which include the income statement, balance sheet, and cash flow statements (Tuovilla). Lenders often require the results of an external audit annually as part of their debt agreements/contracts. As aforementioned, a lender needs to know the financial position their client is in. A lender giving to an organization that can not pay their debt back is bad for the economy. For some companies, audits are a legal requirement due to the compelling incentives to intentionally misstate financial information in an attempt to commit fraud (Tuovilla). For example, misstating the revenues can make an organization appear to be making more money than they are. Leading those looking to invest in a company to invest in an organization that could very much well be losing money. As a result of the Sarbanes-Oxley Act (SOX) of 2002, publicly traded companies must also receive an evaluation of the effectiveness of their internal controls (Tuovilla). Internal controls are the mechanisms, rules, and procedures implemented by a company to ensure the integrity of

financial and accounting information, promote accountability, and prevent fraud (Kenton). I had to test the effectiveness over the internal controls of clients during my internship.

Standards for external audits performed in the United States, called the generally accepted auditing standards (GAAS), are set out by the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) (Tuovilla). Additional rules for the audits of publicly traded companies are made by the Public Company Accounting Oversight Board (PCAOB), which was established as a result of SOX in 2002 (Tuovilla).

There are three types of Audits: internal, external, and Internal Revenue Service audits. For this study, I will explain external audits. In terms of the internal audits, the company or organization will employ their internal auditors who submit the audit reports to management and the board of directors. The results of internal audits are used to make managerial changes and improvements for internal controls (Tuovilla). The purpose of an internal audit is to ensure compliance with laws and regulations and to help maintain accurate and timely financial reporting and data collection (Tuovilla). It also provides a benefit to management by identifying flaws in internal controls or financial reporting before its review by external auditors (Tuovilla). After an internal audit, the company or organization will have to go through an external audit to ensure that any bias is removed.

External financial audits seek to identify if there are any material misstatements in the financial statements. A material misstatement is information in the financial statements that is sufficiently incorrect that it may impact someone's economic decisions relying on those statements (Bragg). For example, a material misstatement of revenue could trigger a decision to buy a company's stock, causing losses for the investor when the misstatement is later corrected and the price of the stock declines (Bragg). An unqualified, or clean, auditor's opinion provides

financial statement users with confidence that the financials are both accurate and complete (Tuovilla). External audits, therefore, allow stakeholders to make better, more informed decisions related to the company being audited (Tuovilla). The biggest difference between internal and external audits is the independence of the external auditors.

1.2 Brief History

The history of auditing starts with the Industrial Revolution. Due to the growth in business activities, there was the widespread adoption of auditing methods. The railroad industry developed the accounting profession in the United States. During this era, firms realized that they needed to develop a method for fraud detection and financial accountability, and investors increasingly relied on the financial reports as corporations began to participate in the stock market (Byrnes et al. 2). It was only after the stock market crash of 1929 where auditing became an obligatory process in the United States (Byrnes et al. 2).

The Securities and Exchange Act of 1934 established the Securities and Exchange Commission (SEC). Among other responsibilities, the SEC was initially given authority for the promulgation of accounting standards as well as auditor oversight functions (Byrnes et al. 2). Also, the SEC was required to enforce the mandate that publicly traded U.S. companies submit various periodic reports to the agency in a timely fashion (Byrnes et al. 2). To assist the SEC with ensuring that these reports were created per generally accepted accounting principles (GAAP), public accounting firms were eventually required to provide certain assurances about the information (Byrnes et al. 2).

At first, audits were not conducted independently and relied on information provided by the management personnel. Bias was inevitable as refinements of the audit standards occurred in response to significant negative business events. For example, audit tasks such as physical

inspection of inventories and confirmation of receivables were optional until fraudulent activities were uncovered at McKesson & Robbins in 1939 (Byrnes et al. 2). In the case of McKesson & Robbins, it was found that they overstated their balance sheet. Their accounts receivable and inventories were overstated by a combined total of \$19,000,000 (Broad et al. 188). There were \$10,000,000 of inventories and \$9,000,000 worth of accounts receivable that were nonexistent. For its 1937 fiscal year, McKesson & Robbins reported assets above \$87 million, results that were audited by Price, Waterhouse & Co. (the predecessor firm of PricewaterhouseCoopers), according to the U.S. Securities and Exchange Commission (MacDonald). Price, Waterhouse & Co. did not physically count the inventory as they were asked not to by the management of McKesson & Robbins. As a result, the AICPA issued Statement on Auditing Procedure (SAP) No.1 in October 1939 and it required that auditors inspect inventories and confirm receivables (Byrnes et al. 2). Consequently, auditors became responsible for auditing the business entity itself rather than relying on the management of the organization.

What came to follow was auditing by inspection and observation becoming normal. It was not until 1950 when automated accounting systems began to appear. Even then, manual audit procedures were continued to be used. For example, in 1954, UNIVAC was unveiled as one of the first operational electronic accounting systems in the United States (Byrnes et al. 2). UNIVAC, which stood for Universal Automatic Computer, was developed by J. Presper Eckert and John Mauchly, makers of ENIAC, the first general-purpose electronic computer (Editors). These giant computers, which used thousands of vacuum tubes for computation, were the forerunners of today's digital computers (Editors). Auditors only began to seriously consider computerized auditing in the early 1960s. Two events initiated the transition.

In 1961 Felix Kaufman wrote *Electronic Data Processing and Auditing*. The book compares auditing using the computer. “Historically, auditing around the computer entails traditional manual procedures in which the existence of automated equipment is ignored. As such, the computer is treated as a black box. In this context, auditors rely upon physical inputs and outputs from automated devices and do not concern themselves with how processing occurs within the system(s). Conversely, auditing through the computer involves the actual use of computer systems in testing both controls and transactions. Finally, auditing with the computer entails direct evaluation of computer software, hardware, and processes. Consequently, auditing through the computer or with the computer can provide a much higher level of assurance when contrasted with auditing around the computer (Byrnes et al. 2).” Kaufman states that it is much easier to use the computer for auditing since all of the information that used to be examined came from the automation of the device. Rather than seeing the audit physically throughout the process, it is much more efficient to use automated devices.

In 1963, International Business Machines (IBM) released its IBM 360 and the device made computing more affordable (Byrnes et al. 2). The development of automation signaled a paradigm shift in terms of how accounting activities were to be conducted in the future and facilitated serious consideration of movement away from the traditional manual audit (Byrnes et al. 2).

Some auditors refused to shift to automated accounting and this made it more difficult and expensive to use accounting software. The handful of auditors who did shift to computerized accounting relied on expensive programs that were essentially inefficient and in need of constant reprogramming. For example, in 1967, one firm developed between 150 to 250 unique auditing programs. Eighty percent of the programs required significant code modification in the

subsequent year because of computer system enhancements and changes in audit requirements (Byrnes et al. 3). What encouraged additional auditors to consider moving into automated accounting was the introduction of AUDITAPE by Haskins & Sells in 1967 (Byrnes et al. 3). AUDITAPE was a card-oriented auditor-friendly computer-assisted audit tool (CAAT). AUDITAPE allowed non-technical auditors the increased ability to audit through the computer and facilitate the creation of several general auditing software (GAS) programs from 1968 through the late 1970s (Byrnes et al. 3). In 1968, Gordon Davis made auditors aware that they would not be able to ignore the implementation of electronic data processing (EDP) in accounting systems when performing audits. Also, he explained how and when auditing around the computer might be accomplished. But advised that an evaluation of internal controls as both a review and test of system reliability would still need to be performed (Byrnes et al. 3). The 1970s saw 2 major developments that dramatically altered the accounting and auditing landscapes (Byrnes et al. 3).

In 1973, there was a scandal that involved the Equity Funding Corporation. The organization committed acts of fraud between 1964 and 1973 (Seidler 1977). The managers of the organization created false insurance policies and commission income to artificially inflate profits and stock price and used a variety of mechanisms to conceal the activities (Byrnes et al. 3). For example, when auditors attempted to confirm receivables via phone calls to customers, switchboard operators at Equity Funding would connect the calls to employees who would confirm the balance information (Byrnes et al. 3). When the fraud was discovered in 1973, Equity Funding had \$2 billion in false insurance policies and this reflected roughly 67 percent of the total balance in the general ledger account (Byrnes et al. 3). It was discovered that in hindsight, an EDP audit would have discovered the fraud significantly faster.

This would, in turn, mandate a shift from manual auditing to computerized auditing. Also, the incident prompted a review of existing audit processes to address internal controls and audit procedures for information systems (Byrnes et al. 3). Larger accounting firms established units consisting of EDP specialists to audit information systems. Smaller accounting firms contracted information systems professionals to audit their systems.

The Foreign Corrupt Practices Act (FCPA) of 1977 had a substantial impact on the future of accounting and auditing. The FCPA prohibited American companies from bribing foreign officials to obtain business and required these firms to have mechanisms in place to detect such activities (Byrnes et al. 3). Also, the FCPA required companies registered with the SEC to maintain their books and records such that transactions were accurately and fairly reported and consistently employ adequate systems of internal controls (Byrnes et al. 3). As a result, U.S. companies were forced to implement significantly more intricate accounting systems as well as internal controls within those systems.

The next 25 years involved many developments in the auditing of information systems. Over the years there was a refinement of automated vendor offerings designed to increase effectiveness and efficiency in auditing. The advancement and proliferation of technologies such as the personal computer led to electronic data processing becoming more widespread within organizations (Davis). Davis also displays how the number of computers installed in U.S.-based companies increased fourfold between 1962 and 1967. Along with the distribution of computers came security risk which increased the demand and needs for micro-based computer-assisted audit tools (CAATS) designed to aid in automating the audit process. CAATS improved audit quality and speed when dealing with increased data availability associated with automated systems.

In 2002, the Sarbanes-Oxley Act (SOX) passage imposed changes on the accounting profession and publicly traded companies. SOX established that assurances about internal control practices and operations as well as financial reporting quality were the responsibility of both management and auditors (Byrnes et al. 4). Also, SOX caused the accounting discipline to devote more attention to addressing fraud during an audit. For example, Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, requires auditors to design audit procedures that provide reasonable assurance of detecting fraud that could have a material effect on the financial statements. Audit still has a bright future ahead that involves continuous development and refinement of the audit technology that is used today and will continue to be used in the future.

As defined by the AICPA, today the traditional audit is:

“Following the initial establishment of a contractual arrangement between the auditor and auditee, an audit engagement typically proceeds with a risk assessment and formulation of an audit plan delineating the scope and objectives of the audit. Following this, auditors collect and analyze audit evidence and form opinions about internal controls as well as the reliability of the information provided by management. At the engagement conclusion, auditors present a formal report expressing their opinion. This approach reflects the twentieth-century methodology whereby there are high costs and significant time delays associated with information collection, processing, and reporting. However, these historical costs and delays are often not the norms today. Most likely, in the current business realm, transactions are often entered and aggregated such that they can provide near-immediate feedback to relevant stakeholders. Furthermore, academicians and practitioners alike recognize this information shift and developed numerous solutions that more appropriately reflect the current business environment” (Byrnes et al. 4).

1.3 What is Busy Season?

The busy season is one of the most stressful periods for auditors. Generally, it occurs every year from January to April. This is because most companies and organizations have a year-end on December 31st. A year-end — also known as an accounting reference date — is the completion of an accounting period. At this time, businesses need to carry out specific procedures to close their books (“Year-end – What is the year-end?”). Once the books are closed at year-end, the auditors come into work to verify that the books are being represented accurately and faithfully.

Typical due dates are 60-120 days after the year-end. The busy season can be the most lucrative time of year for many firms, but it can also be a stressful period that threatens to leave an audit team burned out by April (Dennis). An auditor’s busy season is marked by managing deadlines and communicating with team members, clients, and stakeholders that are involved in the process. This kind of back-and-forth communication allows audits to progress and eliminate surprises. For an auditor, their busy time coincides with the dates when a client’s financial statements are due to creditors and investors (“Audit by the Alphabet: A Simplified View of an Auditor’s Busy Season”).

For most auditors, surviving another audit busy season can be a rough ride. Between the 60-80-hour workweeks and the constant pressure to meet deadlines, there’s little time to rest, gather with family or friends, or enjoy personal hobbies. The reality is that stress is at an all-time high during the audit busy season, and many auditors can reach the brink of burnout (Angel). The COVID-19 pandemic and work-from-home mandates have made things harder for some. Auditors not only have to work extra-long days but there are fewer chances to break away from

the desk and get some much-needed downtime. As the lines between work and home become even more blurred, there's a serious risk for increased mental health crises (Angel).

The COVID-19 pandemic has made it harder for everyone in their respective careers even outside of accounting. With what was already a very stressful time of year, the busy season became harder. Busy season is the epitome of workload and expectation for auditors working. Generally, whether it is private or public accounting, the busy season does not differ.

CHAPTER 2: THE EMPLOYEE

2.1 Background about Salaries in the audit profession

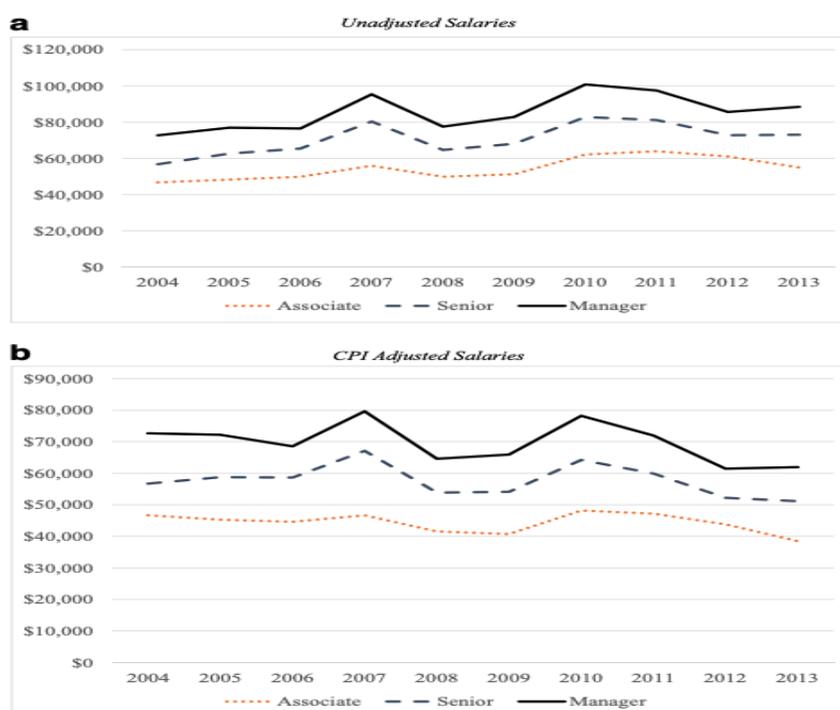
It is no secret that auditing has become a harder profession since its inception. As we looked at the brief history of auditing we saw that the introduction of technological developments made auditing easier and yet more complicated. Making it easy to analyze data but adding with it a plethora of ways of doing so. Some ways better than others and some just simply being unique. Such developments make it easier for accounting firms to increase their expectations and workload. However, despite the increases, the average auditor's salary has not changed and is underperforming compared to alternative career options (e.g., consulting, tax, and corporate accounting) (Hoopes et al. 1097).

In the auditing profession, it is important to understand how it can incentivize and attract high-quality employees (Defond and Zhang). Compensation can be assumed to be one of the most important incentives. The efficiency wage theory, "advocates paying your employees higher than the market wage for their role. The reason for doing this is not generosity and consideration but through cold hard desire for profit maximization. The logic behind the theory is simple. Paying your employees above what economists call 'market equilibrium' wage levels will impact how much your firm's employees are motivated to work" (Simpson). In terms of auditing, this would imply that higher wages should improve audit employee productivity by motivating greater effort from audit personnel and/or by attracting higher quality employees because providing an above-average wage makes it more costly to switch to alternative jobs (Hoopes et al.).

Contrarily, some views suggest that employees are easily replaceable. It suggests that employees are homogenous and substitutable inputs into the production process, allowing little

to no role for individuals to influence outcomes of the firm (Hoopes et al.). This could especially hold in the audit industry, as firms use a very standardized audit methodology, have uniform requirements for engagement teams, and maintain highly developed training programs to ensure consistency in audit delivery (Hoopes et al.). To the extent that audit personnel, especially associates, are relatively homogeneous inputs and technologies within audit firms require little individual judgment, there may be no relation between audit personnel salaries and audit quality (Hoopes et al.). It can also be argued that compensation is not the most important incentive as factors such as a firm's reputation, location, or clients could also be prioritized.

A study was done by Hoopes et al. where they analyzed 12,796 publicly available worker visa applications (H-1B visas), provided by the Department of Labor, to proxy for salaries offered to audit associates, seniors, and managers across 185 local U.S. offices Big 4 audit firms from 2004 to 2013.



Source: ProSource

The figure above plots the average annual auditor salary over the sampled period for associates, seniors, and managers. They plotted salaries using both unadjusted salary data (Panel A) and CPI-adjusted salary data (Panel B). The figure indicates that the mean salary for associates is reliably lower than that of seniors, which, in turn, is always lower than salaries for managers. It also indicates that, on average, auditor salaries appear to rise over the sample period with initial salaries rising from approximately \$47,000 to \$56,000 for associates, \$57,000 to \$74,000 for seniors, and \$73,000 to \$89,000 for managers. With an average annual increase of 1.8%, 2.7%, and 2.1% respectively. While salaries appeared to have risen from 2004 to 2013, inflation-adjusted earnings have remained relatively stagnant and, in some cases, have declined. Such a relationship can hint towards the idea that auditors are being paid poorly.

Within the same study, they demonstrated that salary is positively correlated to audit quality. They found that higher levels of salary are associated with reduced restatement frequency, after controlling for factors related to restatement as well as the trade-offs that audit personnel appear to make when accepting a given level of wage. A restatement is the act of revising one or more of a company's previous financial statements to correct an error (Liberto).

Overall, from the analysis of employee salary and audit quality, it can be asserted that employees do value their perceived salary and that it motivates them to perform and deliver better audit quality.

2.2 Associate/Manager Responsibilities

Audit personnel play a critical role in the audit process. Audit associates are responsible for several roles. The key roles of an audit associate revolve around assisting the senior auditors or managers in auditing and compliance ("Key Roles of an Audit Associate"). They are mainly responsible for the business analysis, preparation, and review of accounting and documentation

of audit evidence. They also make sure to achieve minimum firm standards according to government laws and preparation of budgets for future operations. Sometimes they are responsible for gathering information about the organization's financial structure and providing expert-level suggestions for high-quality services.

Wikiaccounting.com provides a well-summarized list of all the other responsibilities owned by an associate:

- Assist the auditing and accounting team, and solve their issues in time.
- Find out the problems in accounting and auditing activities and communicate them to the senior associate, manager, or partner.
- Analyze the internal controls of an organizations
- Provide suggestions and recommendations for improvements in internal controls.
- Preparation of audit reviews after a complete analysis of the client's accounts.
- Make sure that all business transactions comply with government rules and regulations.
- Ensure the accuracy of the financial statement.

Audit Managers have a slightly different role. Audit managers are responsible for overseeing internal operating controls, processes, and practices. They can recommend changes and enhancements to existing policies and controls to make sure they are current, adequate, functional, and utilized per standards established by the government and the client. Some audit managers will manage a team of junior auditors or accountants, reviewing their work, and providing guidance ("Audit Manager").

www.parkerlynch.com lists other responsibilities:

- Planning and performing operational and financial audits
- Identifying business process risks

- Developing testing methodologies to evaluate the adequacy of controls
- Documenting the results of the evaluations
- Developing recommendations and reports based on audits and presenting these ideas to senior management
- Formulating professional development and educational plans for junior staff members
- Planning and allocating resources and individuals by skills and schedules

Managers and associates have many responsibilities when it comes to completing the audit on time. These responsibilities are amplified during the busy season hence why there are over 60 hours worked per week during the busy season. It takes a lot of time to do a detailed review of the financial statements and the internal controls associated with them. This is why it is important to highlight the differences between the responsibilities of managers and associates. Those with more responsibility and a lower salary might perceive the job to be not worth it and move on from the current employer they are with.

2.3 The Impact of busy season on employees

Through my research, I found that the audit busy season had a negative impact on employees. To be more specific, there was a negative impact on job satisfaction, audit quality, and perceived audit workload. It only makes sense given the fact that the hours during the busy season only become longer and the workload becomes heavier. I found a study that encompasses all points of negative impact.

Julie S. Persellin, Jaime J. Schmidt, Scott D. Vandervelde, Michael S. Wilkins distributed and emailed a survey to 6,123 Masters in Accounting program graduates of three universities,

two large public universities, and one small private university near the end of the fall semester in 2013. All surveys included 5 specific research questions (RQs) which are as follows:

- RQ 1:** What are the perceived positive and negative effects of workload on audit quality?
RQ 2: What are the internal and external factors that drive workload?
RQ 3: What are the most significant contributors and impediments to a high-quality audit?
RQ 4: What is the level of job satisfaction among auditors?
RQ 5: Is job satisfaction influenced by workload and perceived audit quality?

Source: Accounting Horizons

All three schools feature an internship program with public accounting firms as a part of the fourth year of a qualifying undergraduate student's degree plan. In total, 1,363 surveys were completed. Respondents who have never worked in the audit and assurance division of a public accounting firm were removed from the survey (after the first two questions) That step removed 587 respondents resulting in a total of 776 usable surveys- 299 from current auditors and 477 from former auditors.

This was their demographic:

TABLE 1					
Survey Respondent Demographics					
Panel A: Percentages					
	<u>n</u>	<u>%</u>			
Firm Size					
Big 4	675	86.98			
Mid-Tier	41	5.28			
Other	60	7.74			
	776	100			
Current versus Former Auditor					
Current Auditor	299	38.53			
Former Auditor	477	61.47			
	776	100			
Rank					
Partner	12	1.55			
Senior Manager	39	5.02			
Manager	105	13.53			
Senior/In-charge	354	45.62			
Staff/Associate/Intern	266	34.28			
	776	100			
Gender					
Female	405	52.19			
Male	371	47.81			
	776	100			
City					
Houston	267	34.41			
Austin	69	8.89			
San Antonio	32	4.12			
Dallas/Ft. Worth	209	26.93			
New York City	32	4.12			
Multiple	40	5.16			
Other	96	12.37			
No Response	31	4.00			
	776	100			
Panel B: Experience					
	<u>n</u>	<u>Mean</u>	<u>Median</u>	<u>Min.</u>	<u>Max.</u>
Age	747	30.36	29	21	74
Years as CPA	575	6.75	5	0	48
Years in Industry	631	3.27	2.5	0	40

Source: Accounting Horizons

The majority of the respondents (87 percent) represent big 4 audit firms and are at the staff (34 percent) and senior auditor (46 percent) ranks. Since the sample size was large they were able to obtain a reasonable amount of mid-tier and small audit firm responses (41 and 60, respectively) and partner and senior manager/manager responses (12 and 144, respectively). Respondents were primarily located in the major Texas markets (Houston, Dallas, San Antonio, etc.) but 32 of the respondents worked in New York City and 96 in other locales. The sample is split approximately even on gender and includes respondents with an average age of 30, an average of 6 years as a CPA, and approximately three years of industry experience.

TABLE 2
Audit Workloads and Impact on Audit Quality
Quantitative Responses

Panel A: Audit Workloads

	<u>n</u>	<u>Mean</u>	<u>Median</u>	<u>Min.</u>	<u>Max.</u>
Average hours worked during busy season	771	65.12	65	42	100
Maximum hours worked during busy season	769	79.54	80	45	120
Min. billable hours required during busy season	502	53.96	55	40	65
% billable hours > minimum billable hours	551	73.86	90	0	100
% billable hours < minimum billable hours	542	7.95	0	0	100

Panel B: Audit Workloads and Audit Quality

	<u>n</u>	<u>%</u>
Better auditor when work mandated hours	153	27.57
Better auditor when work < mandated hours	208	37.48
Better auditor when work > mandated hours	32	5.77
Quality of audit work not impacted by hours worked	162	29.19
	555 ^c	100%
Audit quality deteriorates beyond __ hours per week (mean/median)	699 ^c	60.29/60

Panel C: What Benefits Obtained from Higher Workloads?

<u>Item</u>	<u>Mean Rank^a</u>	<u>% Reporting as Top Choice^b</u>	<u>% Reporting in Top 3 Choices^b</u>
I develop stronger relationships with colleagues	2.19	40.99	81.18
My knowledge and expertise increase	2.49	28.36	78.23
I develop stronger relationships with clients	3.19	6.45	59.14
I become more efficient	3.56	11.56	43.55
Documentation is more thorough	3.84	8.60	32.12

Panel D: What Suffers with Higher Workloads?

<u>Item</u>	<u>Mean Rank^a</u>	<u>% Reporting as Top Choice^b</u>	<u>% Reporting in Top 3 Choices^b</u>
Personal relationships	2.62	33.78	75.66
Personal health	2.67	34.31	74.20
Documentation of work performed	3.76	14.76	48.54
Professional skepticism exercised	4.54	6.65	33.64
Sufficiency of audit evidence gathered	5.12	4.12	22.07
Appropriateness of audit procedures applied	5.51	2.39	15.69
Relationships with colleagues	5.81	1.60	18.35
Relationships with client	6.17	0.66	9.44

^a Lower number = higher rank.

^b Percentages based on the number of respondents who answered the question. Total responses for Panel C are 744 and total responses for Panel D are 752.

^c All responses were requested on a volunteer-basis only.

Source: Accounting Horizons

Table 2 represents quantitative data related to audit workloads and their perceived impact on audit quality. Panel A provides the general summary measures related to work hours and billable hours. Respondents reported working an average of 65.12 hours during their last busy season, with an average maximum of 79.54 hours. The average minimum required number of billable hours is 53.96. On average, actual billable hours during the busy season exceed the minimum approximately 74 percent of the time and are below the minimum 8 percent of the time. Furthermore, over half of the respondents indicated that billable hours exceed the mandated minimum 90 percent of the time (Persellin et al.).

From panel A, we see that it is typical for auditors to work way above the typical 40 hour work week during the busy season. This was also observed through my own experience during my internship. I was lucky enough to get paid overtime however, the associates and those who ranked above them did not receive overtime as the interns did. Interns getting paid more than the associates during the busy season may leave a negative impact on how an auditor perceives their take-home pay.

Panel B of Table 2 provides initial evidence of a potential relationship between audit workload and perceived audit quality. With the questions, they asked respondents whether they believed they were “better auditors” if they worked the same, more, or fewer hours than the minimum number mandated by their firm, or whether they believed that audit quality is not impacted by the number of hours worked. 28 percent of respondents indicated that they were better auditors when they worked the minimum mandated hours, while 37 percent indicated that they were better auditors when they work less than the minimum mandated hours. 6 percent indicated that they are better auditors when they work more than the minimum mandated hours.

Over half of the respondents indicated that audit quality begins to deteriorate when auditors work more than 60 hours per week, and only 29 percent of respondents believed that the quality of audit work is not impacted by the number of hours worked (Persellin et al.).

In summary, panel B shows that more than half of respondents believed that they were “better auditors” when they worked equal to or less than the minimum mandated hours. It was also found that the more hours worked above the mandated hours, the more the perceived audit quality deteriorated.

Taken together, the data from Panels A and B in table 2 suggests the following, First, at least 65 percent of the respondents did not classify themselves as “better auditors” if they have to work beyond 55 hours per week (the minimum mandated hours.) Second, the average busy season work week (65 hours) requires auditors to work ten hours more than the mandate, which essentially translates into an extra full day of work each week. Third, respondents indicated that they believed audit quality begins to deteriorate when workloads are around 60 hours per week. Overall, the data presented in Panel B suggest that the average busy season audit is conducted in a perceived state of deteriorating audit quality and in a workload environment in which respondents typically did not classify themselves as “better auditors” (Persellin et al.).

In summary, when panels A and B are taken together, there are many findings and assumptions. First. Over half of the respondents indicated that they did not perceive themselves to be better workers if they worked over the mandated hours. Second, added hours in a busy season essentially equate to an extra full day of work per week for the 10 weeks. And finally, they found that audit quality begins to deteriorate when the workload reaches 60 hours per week.

Panels C and D of Table 2 address research question 1 (RQ 1) by summarizing the responses related to positive and negative aspects of higher audit workloads. The respondents

were asked to rank their answers from most important to least important, with a lower average score revealing a higher rank across respondents. When asked about the benefits that are obtained as the hours worked exceed the normal range, 41 percent of respondents identified developing stronger relationships with colleagues as being the top benefit and 28 percent identified increasing knowledge and expertise as being the top benefit. The highest ranks related to what suffers the most with increasing audit workloads are personal relationships (2.62) and personal health (2.67), with 68 percent of respondents naming one of these two factors as their top choice. The fact that relationships and health have the highest mean ranks may explain why employee attrition at public accounting firms is so high (Persellin et al.).

In summary, there are perceived benefits that auditors have when it comes to the busy season. The study found that the highest benefit was developing stronger relationships with colleagues. Second to that was the increase in knowledge and expertise. The perceived negatives were personal relationships being affected by the increasing workload and personal health being negatively impacted as well. The study asserts that these two negatives being the highest may attribute to the high turnover rates in most public accounting firms.

TABLE 3
Audit Workloads and Impact on Audit Quality
Qualitative Responses (Current Auditors)

Panel A: Workload Effect on Audit Quality (AQ)

	<u>n</u>	<u>% Overall Respondents</u>
Decrease	143	85.63
Increase	8	4.79
Both decrease and increase	9	5.39
No impact	7	4.19
Total n	167	100%

Panel B: Negative Effects of Workload on Audit Quality

	<u>n^a</u>	<u>% Overall Respondents</u>	<u>% Category Respondents</u>
Procedures			
Less diligent in performance of audit procedures	40	23.95	50.63
Forced to take short-cuts	15	8.98	18.99
Insufficient documentation	15	8.98	18.99
Inadequate review	9	5.39	11.39
Judgment and Skepticism			
Impaired judgment	20	11.98	57.14
Lack of professional skepticism	15	8.98	42.86
Skills and Staffing			
Inadequate staffing/staff turnover	24	14.37	61.54
Knowledge constraints	8	4.79	20.51
Insufficient skills for task	7	4.19	17.95
Non-specific/other	38	22.75	100.00

Panel C: Positive Effects of Workload on Audit Quality

	<u>n^a</u>	<u>% Overall Respondents</u>	<u>% Category Respondents</u>
PCAOB enforcement improves quality	7	4.19	41.18
Able to manage tasks more efficiently	6	3.60	35.29
Other	4	2.40	23.53

Panel D: Workload Drivers

	<u>n^a</u>	<u>% Overall Respondents</u>	<u>% Category Respondents</u>
Internal Drivers:			
Deadline/time constraints	89	53.29	58.17
Staffing shortage	49	29.34	32.03
Budget constraints	15	8.98	9.80
External Drivers:			
PCAOB pressure	35	20.96	64.81
Other regulatory pressure	6	3.59	11.11
Client unprepared	5	2.99	9.26
Client deadline pressure	5	2.99	9.26
Client fee pressure	3	1.80	5.56

^aThe n identified in this column consists of the number of times the particular pressure/effect was mentioned by the 167 overall current auditor respondents. Because participants could list up to three examples, the total n recorded across panels exceeds the number of respondents. % Overall Respondents presents the percentage of respondents with that particular response. % Category Respondents presents the percentage of responses by category.

Source: Accounting Horizons

In panel A of Table 3, it can be seen that 86 percent of current employees believed that higher audit workloads result in lower audit quality. This shows that a majority of respondents believe that a negative relationship exists between audit workloads and audit quality. Panel B categorizes the qualitative responses related to the impact of audit workloads on audit quality. Panel B shows that the majority of respondents believe that higher workloads negatively affect audit quality and performance. 51 percent of respondents reported that higher workloads result in less diligence in the performance of audit procedures, 19 percent of respondents reported the

presence of audit shortcuts, and 19 percent of respondents reported insufficient documentation. Also, 20 respondents commented that higher workloads resulted in impaired judgment, and 15 cited decreased professional skepticism. Finally, 24 respondents indicated that heavy workloads reduce audit quality for reasons related to skills and staffing (primarily turnover) (Persellin et al.).

In summary, panel A shows that there is a negative relationship between audit workloads and audit quality. Panel B summarizes the negatives that arise from the increase in workload. The first is that auditors become less attentive when performing audit procedures. Next, shortcuts in audits are used in the case of increased workload. Finally, those respondents reported insufficient documentation, or supporting documentation, for the financial statements.

Panel C shows that 17 respondents indicated that higher workloads may positively affect audit quality, seven respondents stated that PCAOB enforcement improves audit quality and six reported an increase in the ability to manage tasks efficiently. So far, the data in the table suggest that the auditors believe that higher workloads have a negative impact on audit quality. Panel D summarizes the perceived internal and external drivers of audit workloads (concerning RQ 2). The most prevalent external pressure relates to PCAOB regulatory pressure. Overall, the evidence presented in panel D indicates that the primary perceived driver of audit workloads relates to two internal factors—time constraints and staffing—and one external factor, the PCAOB (Persellin et al.).

Partition	SATIS 1-10	EXCITE(int) 1-7	EXCITE(start) 1-7	EXCITE(now) 1-7
All Respondents (n = 770-776)	5.46	6.40	5.44	2.94
Auditor Rank				
Partner/Senior Mgr. (n = 51)	6.90	6.75	6.08	4.10
Manager (n = 105)	6.73	6.71	5.95	3.64
Senior (n = 352-354)	5.56	6.36	5.53	2.73
Staff (n = 262-266)	4.55	6.26	4.99	2.71
Audit Firm Size				
Big 4 (n = 670-675)	5.35	6.39	5.44	2.84
Mid-Tier (n = 40-41)	5.65	6.34	5.27	3.17
Small (n = 60)	6.60	6.48	5.57	3.83
Auditor Status				
Current Auditor (n = 296-299)	5.85	6.32	5.35	3.72
Former Auditor (n = 474-477)	5.22	6.45	5.49	2.44

The number of observations in each category reflects the maximum number of responses for that particular question. The 28 current interns are excluded from all analyses in this table because they have not yet started full-time in public accounting.

Variable Definitions:
SATIS = level of job satisfaction from 1 (lowest) to 10 (highest);
EXCITE(int) = level of excitement about career in public accounting on first day of public accounting internship (1 = very unexcited; 4 = indifferent; 7 = very excited);
EXCITE(start) = level of excitement about career in public accounting on first day of full-time employment in public accounting (1 = very unexcited; 4 = indifferent; 7 = very excited); and
EXCITE(now) = level of excitement about career in public accounting today (1 = very unexcited; 4 = indifferent; 7 = very excited).

Source: Accounting Horizons

Table 5 is related to RQ 4 and it shows the perceived job satisfaction of differing levels of auditors. The data was broken down to different job levels and their excitement from starting as an intern, to when they first started their full-time employment, to finally, the survey completion date.

The first question in Table 5 asks respondents to rate their level of public accounting job satisfaction (*SATIS*) on a scale from 1 (lowest) to 10 (highest). The mean score across all respondents is 5.46, indicating that an indifferent to slightly moderate level of job satisfaction exists. With the remaining three questions, they asked respondents to indicate their level of excitement about a career in public accounting at three different points in time—when they first started their internships [*EXCITE(int)*], when they first started full-time employment [*EXCITE(start)*], and at the survey completion date [*EXCITE(now)*]. These questions use a seven-point scale with responses ranging from 1 (very unexcited) to 7 (very excited) and are based on Cordes and Dougherty's (1993) recommendation to measure “unmet expectations” by

having respondents report separately on their previous versus current expectations. The mean score associated with how respondents remember feeling on the first day of the internship is 6.40. This score decreased to a mean of 5.44 as of the first day of full-time employment in public accounting with a further decrease to 2.94 on the survey completion date (Persellin et al.).

What can be derived from table 5 is that as audit employees become more senior the more satisfied they are with their job. We also can see the differing levels of excitement between each rank of an auditor. Throughout the survey, lower-ranking employees were less excited about their jobs than their high-ranking counterparts. We can also see that job satisfaction is lower in the Big 4 firms and higher in mid-tier and small firms. The study found that overall, the level of job satisfaction among auditors is relatively low.

In Summary, the study found that despite accounting firms' efforts to improve work-life balance, the demands placed on auditors are still high, with workloads significantly exceeding what respondents perceive to be the point at which audit quality begins to deteriorate. They also find that auditors at all levels and all types of audit firms currently feel much more negative about working in the auditing profession than they remember feeling at the beginning of their careers, largely due to the presence of excessive workloads. On the positive side, auditors are significantly less negative when they believe that their firm supports taking a strong stance on audit issues and rewards audit effectiveness rather than audit efficiency. Thus, auditors seem to value being able to deliver high-quality audits (Persellin et al.).

2.4 How perspective of salaries can change when viewed through a wage-per-hour lens

In addition to the historical salary data, the busy season also affects the perceived take-home pay of an auditor:

Data from Bureau & Labor Statistics (BLS):					
https://www.bls.gov/oes/current/oes132011.htm#(2)					
National estimates for Accountants and Auditors: Top					
Employment estimate and mean wage estimates for Accountants and Auditors:					
	10%	25%	50% (Median)	75%	90%
Employment (1)	Employment RSE (3)	Mean hourly wage	Mean annual wage (2)	Wage RSE (3)	
1,274,620	0.5 %	\$39	\$81,660	0.3 %	\$61.87
Percentile wage estimates for Accountants and Auditors:					
Percentile	10%	25%	50% (Median)	75%	90%
Hourly Wage	\$21.74	\$27.46	\$35.37	\$46.89	\$61.87
Annual Wage (2)	\$45,220	\$57,110	\$73,560	\$97,530	\$128,680
How does busy season impact the hourly rates:					
Percentile	10%	25%	50% (Median)	75%	90%
Hourly Wage	\$21.74	\$27.46	\$35.37	\$46.89	\$61.87
Annual Wage (2)	\$45,220	\$57,110	\$73,560	\$97,530	\$128,680
this assumes a 52-week year and 40-hour per week year					
Total hours in Year (52 weeks x 40 hours per week)	2080	2080	2080	2080	2080
Hourly wage (reported by BLS)	\$21.74	\$27.46	\$35.37	\$46.89	\$61.87
Hourly wage (actual - with busy season impact)					
Busy season impact					
Weeks in busy season:	10	10	10	10	10
Extra hours PER WEEK in busy season:	20	20	20	20	20
Total extra hours	200	200	200	200	200
Total hours (BLS + Busy Season)	2280	2280	2280	2280	2280
Hourly wage with Busy Season Assumptions:	\$19.83	\$25.05	\$32.26	\$42.78	\$56.44
Busy Season Impact	\$1.91	\$2.41	\$3.10	\$4.11	\$5.43

Source: U.S. Bureau of Labor Statistics

The chart above is a visual representation of how the auditor’s hourly wage is affected by the busy season. Essentially, an auditor has a certain salary that they are paid annually. According to the U.S. Bureau of Labor, the median annual salary for an auditor is \$73,560. An average work year contains fifty-two weeks and forty hours worked per year. This totals to 2080 hours a year. The busy season adds to that. For most, a minimum of 55 to 60 hours is worked per week. That’s around 10-11 hours a day and sometimes weekends. Add to that an hour for lunch, other non-chargeable time, and your commute and your weekday probably ends up consisting of leaving home around 7 - 7:30 am and getting home around 7 - 8 pm, sometimes later. You may spend 4-6 hours in the office on Saturdays too (Boudreau et al.).

With the additional hours, an auditor’s perceived hourly wage decreases. This may prompt a viewpoint of an auditor losing money during the busy season. As mentioned previously in the paper, the perceivment of payment is a very important factor in the audit quality and

essentially, one's job satisfaction. If an auditor were to think of their salary on a per-hour basis, they would perceive themselves to be making less an hour during the busy season on top of the increased workload. This can attribute further to the attrition rates and why auditors are unsatisfied with their employment.

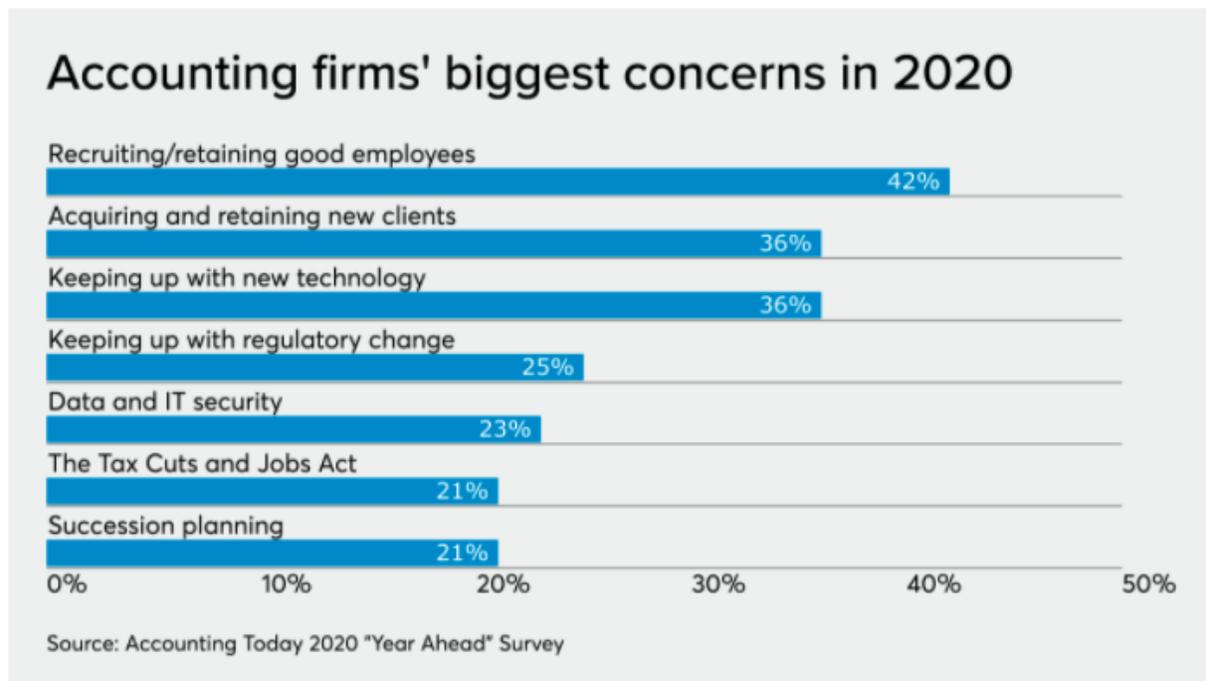
2.5 Busy Season Impact on Employee Burnout

In a public accounting setting, Sweeney and Summers (2002) measured hours worked, role stressors, and job burnout among 142 auditors, tax accountants, and consultants from a national firm before the start of the busy season and again at the end of the busy season. Interestingly, before the start of the busy season when the average workload was 49 hours per week, job burnout was not affected by workload. However, at the end of a busy season, when participants reported working on average 63 hours per week, a direct relationship was observed between workload and job burnout. The authors noted that after controlling for pre busy season hours, the increase in hours during the busy season caused job burnout to “escalate to alarmingly high levels.” Their study demonstrates that excessive hours worked during the busy season lead to burnout (“The Effect of the Busy Season Workload on Public Accountants' Job Burnout.”).

CHAPTER 3: THE EMPLOYER

3.1 Busy Season as a Factor in Retention

As more studies on the impact of the busy season come to light and as more people are leaving their current employer to seek other opportunities, Certified Public Accounting firms are becoming more aware of the importance of retaining their employees.



Source: Accounting Today

The visual above shows the results of Accounting Today's 2020 "Year Ahead" Survey. It can be seen that, as of right now, the biggest concern accounting firms have right now is recruiting/retaining good employees. Accounting Today states that "It's more vital than ever that accounting firms offer their employees an engaging work environment that allows them to be productive and accomplished, without being overworked. Fatigue and feeling overburdened at a job are some of the main reasons CPAs look for other opportunities. However, tech solutions can

help lighten the load, namely by streamlining or even eliminating the most redundant tasks of a CPA.”

A recent survey conducted by the CPA Firm Management Association in 2015 found that the annual turnover rate in large CPA firms (those with revenues over \$75 million) is 17%, and one in every six firms experiences an annual turnover of 20% or greater. The direct costs associated with replacing a professional staff member can be as much as 50%-60% of the employee’s annual salary (“Employee Retention: The State of Engagement in Public Accounting Firms and Why It Matters”). Such an expense may contribute to why firms are looking to retain their employees.

As mentioned before, employee engagement seems to be an important factor when it comes to retention. The CPA Journal defines employee engagement as “an individual’s sense of purpose and focused energy, evident to others in the display of personal initiative, adaptability, effort, and persistence directed toward organizational goals.” In the article, they mention that there is an emphasis on an individual’s state of mind which is much different from employee satisfaction. They did consistent research and found that there was a significant relationship between employee engagement and positive outcomes within organizations. “Specifically, empirical evidence suggests that employee engagement has a direct effect on job performance, return on assets, customer loyalty, profitability, and reduced employee turnover.” We can conclude that employee engagement is a more inclusive construct that can translate into greater employee retention along with better job performance and profitability.

The authors of the article conducted a study and in this study, they surveyed 1,064 employees across five different CPA firms in the Midwest. The survey focused on employee engagement, employee satisfaction, the employee’s intention to stay in the organization, and

additional workplace variables. Out of the total surveyed, only 775 employees completed the survey.

They measured employee satisfaction using a single question, “Overall, how satisfied are you with your job?” Employee engagement was measured using seven questions modeled after the Utrecht Work Engagement Scale. This included questions such as, “I am enthusiastic about my job,” “I feel full of energy when I’m at work,” and “I am passionate about the work I do.” Intention to stay in the organization was measured by asking how likely it was that the employee would be working at the firm in one (short-term) and five (long-term) years. All questions were measured on a seven-point scale, with 7 being “strongly agree,” 1 being “strongly disagree,” and 4 being neutral (“Employee Retention: The State of Engagement in Public Accounting Firms and Why It Matters”).

Overall, the survey results indicated that 45.8% of all employees in the public accounting firms surveyed are “highly engaged.” The authors further examined the participants’ engagement by separating the results based on the participant’s job title.

Exhibit 1
Highly Engaged Employees, By Job Title

Job Title	% Highly Engaged
Staff Accountant (n=122)	30.3%
Senior Accountant (n=122)	32.0%
Manager (n=101)	34.7%
Partner (n=125)	83.2%
All other (n=305)	45.9%

Source: The CPA Journal

Exhibit 1 separates engagement results by job title, showing the difference in engagement between groups of employees. It can be seen that employees under the partner level have significantly lower levels of engagement. Partners, on the other hand, have a dramatically higher percentage of engagement. The authors argue, “If one views the employee engagement results based on the typical life cycle within CPA firms, high turnover in the public accounting profession is made salient based on the lack of engagement by lower-level staff members.” They are stating that this disparity in engagement between lower-level staff can contribute to the high turnover.

In addition, the authors stated, “Because of the retention issue faced by most CPA firms, the study went beyond the measurement of employee engagement and examined its influence on an employee’s intention to stay in the firm (an indicator of actual retention). Based on the findings, employee retention is highly influenced by employee engagement, whereby highly engaged employees report a greater propensity to stay at their firm in both the short and long term. The level of engagement was the primary predictor of whether employees intended to stay in their organizations, accounting for over 40% of the differences in employees’ short- and long-term intentions to stay in the firm. While employee satisfaction can influence employee retention within CPA firms, engagement appears to be more important to an employee’s intention to stay in a firm.” In other words, the employees surveyed stated that level of engagement was their primary reason for staying with or leaving an employer.

The authors went even further in their study and did a regression analysis to determine the factors that have the greatest impact on employee engagement. Their analysis indicated that three factors have the greatest impact on employee engagement, accounting for over 65% of the differences in employee engagement from the surveyed employees.

Exhibit 2

Top Three Drivers of Employee Engagement

1.	My job gives me the opportunity to do what I do best.
2.	I believe my personal values are aligned with my firm's values.
3.	I believe I make a difference at work.

Source: The CPA Journal

They found that focusing on these three factors gives firms the best opportunity to enhance employee engagement, therefore improving employees' intention to stay in the organization. The authors went even further and explained each of the factors further and made suggestions on how to improve in each area.

For "My job gives me the opportunity to do what I do best," they explain that it was a job fit-oriented question. Job fit being whether one believes their skills are being well-matched to their responsibilities. This makes sense as one would want to feel as though their skills are being employed effectively making them more engaged in their job. They suggest improving job fit. It is important to have specific conversations about the job duties that they find fit best with their skills and to make sure that career paths allow for job fit. This emphasizes that auditors are expecting a certain level of workload that is associated with their responsibilities.

For "I believe my personal values are aligned with my firm's values," they explain that the statement more generally refers to firm culture and core values. The suggestions they make for improving this area are to make sure to discuss and define the firm's core values and to be

strategic in the hiring process. In other words, employees value that their morals align with the culture and core values of the firm. Emphasizing core values and discussing them with employees gives them a chance to give some input.

Finally, for “I believe I make a difference at work,” they explain that there is an increasingly important desire for younger employees to believe that their work is making a difference in others’ lives. They suggest making sure that the firm is telling its story and telling it often. What this means is that firms should tell their employees the stories their clients have on how they have helped them and made a positive impact on their lives. They also suggest telling employees that they are making a difference and celebrating their successes.

Overall, we examined that CPA firms are becoming more aware of the need to retain their employees and that the turnover rate is high. They realize how expensive it is to replace an employee. The CPA Journal is one of the many resources that provide suggestions on how to motivate employees to stay with an employer. In this case, through their study, they found that employee engagement is one of the most important factors in an employee’s decision to stay or leave an employer. In terms of the busy season, firms need to find a way to keep employees engaged without overworking them or ignoring their successes, values, and expected responsibilities.

3.2 Strategies Around Busy Season

As the busy season becomes heavier with workload and expectations get higher, audit firms are becoming more aware of how to strategize around the busy season to lighten the workload as best as possible and to find ways to destress their employees. As we have seen so far in this paper, firms need to find ways to compensate their auditors and to help them through the busy season. The Journal of Accountancy interviewed different CPAs to get different

perspectives on how implementing certain steps well in advance can minimize stress and make the most of the season.

Here are some of the responses they received:

“**Mobilize early.** Eric Rigby, CPA/PFS/CFF, founder and principal of the seven-person Rigby Financial Group in New Orleans, recommended making return preparation the final step in a year of good planning. **Use smart planning to avoid overtime.** If you want to shorten workdays, planning should begin well in advance. At Alabama-based Avizo Group, Inc., the firm has embarked on an ambitious goal called Project 40 to find ways for the firm's 50 employees to work 40-hour weeks during the busy season. **Clarify client expectations.** Melody Feniks, CPA, CGMA, owner of the five-person Feniks & Company, LLC, in Fairbanks, Alaska, underscores the value of communicating the client's responsibilities in the firm's expectations for timeliness, especially for meeting deadlines. **Harness technology.** Sherrin's firm eagerly embraces new technologies. It was an early adopter of the paperless office and other opportunities to digitize information, making data easier to find and manage. It uses SurePrep tax automation software to populate individual tax forms and Firm Flow to manage its lean process workflow, for example. **Stop stress before it starts.** At Feniks's firm, preseason planning includes a discussion of team members' ideas for reducing stress, such as working out, meditating, eating well, and taking lunch every day. All team members who have worked at least six hours must take a half-hour break, including Feniks. **Adapt and evolve.** Feniks encourages a cooperative approach when it comes to scheduling; she and her staff work together to determine the best working hours during the busy season. She understands that some staff will have time conflicts or boundaries, but she asks them to take care that other team members are not adversely affected and that the firm does not suffer for a lack of coverage.”

These are some of the strategies that smaller accounting firms are implementing to make the busy season more bearable for their employees. By taking these actions they are effectively making the workload easier to get through and promoting engagement, helping the issue of retention. Bigger accounting firms such as the Big 4 can take steps to implement these actions into their strategies around the busy season. As mentioned earlier, the busy season is not too different between smaller and larger firms. So, for bigger firms to assimilate into a healthier schedule during the busy season should be a reasonable expectation.

More sites and accounting resources such as Becker and the AICPA are also posting what firms and individual accountants can do to make their busy season survivable. Wayne Winston of Becker says this:

- 1. Inform your non-accounting family and friends.**

Your loved ones who aren't a part of the accounting world may wonder why you're so busy. Remind them that you'll be out of touch and working longer hours to avoid social expectations that you can't meet.

- 2. Try to maintain a healthy lifestyle.**

Despite the early mornings and late evenings, be sure to take care of your physical and mental health. Drink water (when you're not having coffee), go to the gym, and eat healthy snacks. Many accountants risk burn-out by sacrificing sleep for their to-do list. Studies show that poor sleep puts you at risk of serious medical conditions and can even shorten your life expectancy. Be sure to get enough sleep each night – even during the busy season!

3. Take breaks when you can.

Whenever you get the chance, take a break and go for a walk as a refresher. Claire N., an accountant from our Facebook community, goes outside to get the mail as a break. Sarah T. says, “or gladly do the snacks run!”

4. Stay motivated!

A positive outlook can make or break your time at work – and can even affect your coworkers. We’re all dreading the busy season, but keep your eyes on the horizon! Sarah T. offers her busy season suggestion, “Work 11-13 hours, sleep 8 hours, the remaining 3-5 hours must include a 30-minute walk and of course showering and eating. Attitude: this misery will end in a couple of months!” This leads us to tip five...

5. You did it! Now, time to celebrate.

Plan a celebration for once the busy season is over. Having something fun planned for the end of the busy season may help you stay motivated! Plan a vacation, a fun night out, or even a weekend with nothing but your favorite TV shows – you deserve it.

As we noted in section 2.4, burnout is almost inevitable by the end of the busy season.

The tips above are some of the ways some CPAs are to lighten burnout. For this many resources to be out there supports the claim that the busy season is indeed difficult and does have an impact on audit employees. This needs to be emphasized to prevent further burnout and turnover as the busy seasons will only become harder down the line.

CHAPTER 4: AN ASIDE TO THE STUDENTS

4.1 Busy Season as a Factor in Considering Employment

As we reach the end of the paper, I would like to talk about the busy season being a factor in considering employment. As mentioned earlier in the paper, the busy season is a time of year that is very rigorous and stress-inducing. Not many come into their full-time employment with knowledge about the busy season and it comes to them as a surprise when they are met with it. This paper serves as a way for an accounting student to become informed about the audit busy season.

I would like to reiterate the importance of knowing that the busy season does not differ between smaller and larger firms that much. So if the busy season does become a factor in considering employment it is important to note that it can't be avoided but it can be a pivot for the type of path one might want to take with one career. Working in the Big 4 and transferring over to smaller firms is an example of this pivot. One may decide to do so to achieve more flexible work hours and possibly more pay.

There are many websites where employees come to voice their concerns and opinion on the busy season and their current employer. Such a website is Fishbowl App. This is how Loren Appin, the co-founder, and COO of Fishbowl, "Fishbowl is a social network that connects professionals within the same industry or company, enabling them to have candid and relevant conversations about workplace topics. The platform helps break down organizational barriers by allowing employees to interact directly with senior leadership at their company and peers in their industry. Every day, professionals come to Fishbowl to discuss industry news and get career advice from colleagues in an open, positive, and supportive environment" ("Revitalizing Trust In

The Workplace: How Fishbowl Is Transforming How We Connect”). Another website is Reddit, which has become popular in the way it was able to buy up Gamestop.

Looking at various resources and getting informed about the audit busy season and the compensation and benefits a firm offers is the best approach to figuring out the best career path one may want to take.

4.2 Informing My Peers

The main purpose of the thesis was to show that the audit busy season does have a negative impact on the employee perspective of their employer. However, this paper also serves as a way to inform my peers about what the audit busy season is and if they would be willing to triumph over it to reach new heights in their careers. As the years progress and one becomes more senior, we have already seen through the study mentioned in **Chapter 3** that one becomes more engaged and therefore more satisfied with their job. I think it is important to note this as a motivation for my accounting peers looking to the audit profession to persevere over the busy season in any possible future employment with any accounting firm. Also, to look forward to a more senior position where they will be paid more and will receive more benefits.

Most of the studies show that the level of the auditor that suffers the most is the staff. It is important to note that promotion to senior staff comes after 2 years of being with the firm (The Bean Counter), 2-3 years from senior to manager, 2-5 years from manager to senior manager, and 2-X years (can be a wide range) from senior manager to partner (Wall Street Oasis). So, while the road to a partner seems to be long, it will be worth it to make it.

4.3 The Reality of the Profession That I was Exposed to

I would like to take the chance to talk about my own experience working during the busy season at one of the Big 4 accounting firms. I had the honor of interning at KPMG, I was a

financial service auditing intern in the practice of banking. This means that the clients I had to work with were all publicly traded banks (I am not allowed to name the clients). The firm also allowed me to work in the asset management practice. As an intern, I was given different tasks to perform which required me to look at different financial statements and documents to make sure that the numbers on the company's financial statements matched the proof they gave us.

I was allowed to look and check over Manual Control Work Papers (MCWP). MCWPs described the type of controls that would be in place to make sure the company was accurately keeping track of its financials. A control is a specific method, or way, the company was going to specifically record changes in their financial statements that could easily be traced by the firm. To see if the control indeed worked we had to perform a Test of Operating Effectiveness (TOE). A TOE involved using excel workbooks that needed to be checked, updated, and matched to the financial statements and recording the effectiveness of the control in a formal document.

There was also smaller stuff for me to do as an intern. I had to fold and envelope confirmation letters. Confirmation letters were letters that were asking the customers or clients of the company that was being audited to confirm that the money they had borrowed and paid back was accurate to the company's records. Along with that, they were asked to confirm interest rates and the length of the term of borrowing. Another item I had to work with was Information Produced by the Entity (IPE). IPE was used as a secondary form of proof for the financial statements. I was also able to sit in during meetings with the client. During these meetings, the associates would speak with the clients to discuss where the audit was at in terms of progress and to get more documents from the clients for the audit.

More important paperwork was Risk Assessment and Audit Response (RAAR) forms and Risk Identification Aid (RIA) forms. RAARs and RIAs are used to identify risks within the

controls of a company's method of updating and maintaining the financials and how the audit team is going to respond to these risks. All of these forms were kept inside of the company's auditing system, eAudit. Different sections of eAudit were specific to each phase of the Audit, the tests that were being performed, and the supporting documentation that the firm had that was given to them by the client.

There was a certain client that taught me how to be more in-depth in my analysis of the supporting documentation and the different sections of eAudit. This is due to the lack of personnel working on the engagement. Before I joined the engagement there was an Associate, a Senior Associate, a Manager, and a Partner. The Associate left and I had to take his place, meaning instead of doing intern level work I had to do first-year associate work. Doing more in-depth analysis meant I had to start paperwork such as MCWPs, RIAs, and RAARs from scratch and reference prior-year documents for formatting. I also had to use the Technical Topic Audit Program (TTAPG). TTAPGs entailed evaluating Economic Valuation Services (EVS), Management Review Control (MRC), Process Level Controls (PLC), and Other Real Estate Owned (OREO). I also had to use the client's system to find supporting documentation for the audit.

I also learned how to use Microsoft Excel and Adobe PDFs more extensively. I was taught how to use the KPMG Sampling Plan (KSP) and the Monetary Sampling Unit (MUS). These testing programs used a PDF and an excel workbook, respectively, to sample populations. KSP uses PDF and wants to test random samples, MUS uses excel and wants to test specific samples. These samples were tested for any possible audit misstatement. To measure this an Audit Misstatement Posting Threshold (AMPT) was used. If a sample contained any value over the AMPT, then there was a possibility for a misstatement.

I also had to do a lot of ticking and tying. Ticking and tying was a method KPMG used to match testwork to supporting documentation, which was then matched to the financial statements. After performing testwork from scratch I then ticked and tied every supporting documentation I had to the 10-K. A Form 10-K is an annual report required by the U.S. Securities and Exchange Commission (SEC), that gives a comprehensive summary of a company's financial performance. I worked on reconciliations as well along with more TOEs and substantive audit sampling.

A highlight of my experience was getting to learn how to use the Bloomberg terminal. I had to do a lot of data entry in the terminal filling out amortization schedules for as long as ten years. I had the opportunity to work with portfolios. One of the example notes I had to use, “Reperformed management’s tie-out by tracing and agreeing to number mapping from the portfolio report to the safe keeper statements.”

Overall, I had to do first-year associate work which was a level higher than was expected of me during this internship. It taught me a lot about real-world auditing and what the work entails and just how rigorous it is. Even then, this was not as much as what was expected in the practice of asset management.

Working with a certain client taught me the difference in rigor between the different practices in auditing. As I mentioned, I got to work both in Asset Management and Banking, I did not get to work in advisory. Asset Management, in my opinion, is much more demanding than the banking practice. The hours were much longer and the work even harder since I was the only intern on a small engagement team auditing a large company. The work given to me was a combination of everything I had done for Columbia Bank and Lakeland Bancorp. I had to tie out the 10-K to most of the supporting documentation that was given to me for the client. It was

during the last two weeks of the audit too. This meant that the associates on the engagement didn't have much time to coach me. However, I did not let that deter me from doing my best. I learned how to use the vlookup function in Microsoft excel to facilitate a lot of the ticking and tying work that I was doing for the client

In conclusion, the internship at KPMG taught me a lot about auditing practice and what it entails. Thanks to the variety of clientele that I had to work with I was able to learn how to work with different engagement teams and what each practice required in terms of work. Knowing the difference in work required for each practice prepares me more for when I start full-time at KPMG. I look forward to going back as a full-time employee despite all the research that I have done that says it will be a miserable experience. I believe there is a lot to learn and experience and I will have to do that by going through the busy season again myself.

CONCLUSION

The purpose of this paper is to shed light on the negative impact the busy season has on auditors. Along with the main purpose, there was the purpose of informing my audience about what the audit busy season is and to my accounting peers, what to expect from the audit busy season. The audit busy season workload is getting heavier and the expectations are getting higher. I am confident to conclude that the audit busy season does have a negative impact on audit employees. We examined the many reasons why the audit busy season is dreaded every year.

In Chapter 2, first, it was examined that the historical salary of an auditor has remained relatively unchanged, when adjusted for inflation, and in some cases declined. Within the same source it was demonstrated that salary is positively related to audit quality, meaning that if an auditor is satisfied with their monetary compensation then they are more likely to produce better quality work.

Then, the differing roles of managers and associates in an audit were examined in order to give insight into the type of expectations certain firms are looking for in their employees. Employers are encouraged to compensate their employees in accordance with the expectations they have. Having a lot of responsibility without the proper compensation and benefits may deter an employee from staying with an organization. These responsibilities are only amplified during the busy season.

Next, the actual impact of the busy season on employees was examined. In Summary, the study mentioned in **Chapter 2.3** found that despite accounting firms' efforts to improve work-life balance, the demands placed on auditors are still high, with workloads significantly exceeding what respondents perceive to be the point at which audit quality begins to deteriorate.

They also find that auditors at all levels and all types of audit firms currently feel much more negative about working in the auditing profession than they remember feeling at the beginning of their careers, largely due to the presence of excessive workloads. On the positive side, auditors are significantly less negative when they believe that their firm supports taking a strong stance on audit issues and rewards audit effectiveness rather than audit efficiency. Thus, auditors seem to value being able to deliver high-quality audits.

Then, the perspectives of salaries viewed through a wage-per-hour lens was examined. With the additional hours of the busy, an auditor's perceived hourly wage decreases. This may prompt a viewpoint of an auditor losing money during the busy season. As mentioned previously in the paper, the perceivment of payment is a very important factor in the audit quality and essentially, one's job satisfaction. If an auditor were to think of their salary on a per-hour basis, they would perceive themselves to be making less an hour during the busy season on top of the increased workload. This can attribute further to the attrition rates and why auditors are unsatisfied with their employment.

Next, employee burnout from the busy season was examined. It was found that the increase in hours during the busy season caused job burnout to "escalate to alarmingly high levels." Their study demonstrates that excessive hours worked during the busy season lead to burnout.

In chapter 3 the employer perspective was examined. Overall, we examined that CPA firms are becoming more aware of the need to retain their employees and that the turnover rate is high. They realize how expensive it is to replace an employee. The CPA Journal is one of the many resources that provide suggestions on how to motivate employees to stay with an employer. In this case, through their study, they found that employee engagement is one of the

most important factors in an employee's decision to stay or leave an employer. In terms of the busy season, firms need to find a way to keep employees engaged without overworking them or ignoring their successes, values, and expected responsibilities.

Then, strategies around the busy season were examined. The strategies are some of the ways some CPAs and CPA firms can lighten burnout. There are many resources out there that support the claim that the busy season is indeed difficult and does have an impact on audit employees. This needs to be emphasized to prevent further burnout and turnover as the busy seasons will only become harder down the line.

Overall, we see that the audit busy season does have a negative impact on audit employees and this impact has an effect even on the firms themselves. For the future, firms need to find ways to keep employees of all levels engaged in the audit process as well as to compensate them at a reasonable level to the firm and employees. This can be achieved through firms accepting the feedback from their employees and taking it to implement more rules and regulations to make the audit busy season more bearable for everyone.

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