Staff auditor reporting decisions under time deadline pressure

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Abstract

Purpose – The objective of this study is to examine the effects of superior preference and information source on staff auditor reporting decisions in the presence of time deadline pressure (TDP).

Design/methodology/approach – A total of 67 graduate and upper-level undergraduate accounting students, serving as proxies for staff auditors, participated in a between-subjects experiment.

Findings – The majority of participants reported information concerning a subjective materiality issue regardless of senior preference, information source, and TDP. The results suggest that staff auditors are motivated both by desires to avoid responsibility for decisions concerning subjective audit issues and by concerns about audit quality.

Originality/value – This study extends prior research that has examined senior and manager reactions to manager and partner preferences by investigating staff auditor reactions to senior preferences.

Keywords Information facilities, Reports, Time-based management

Paper type Research paper

Introduction

This study reports the results of an experiment that investigates the joint effects of superior preference and information source on the likelihood that staff auditors will report audit information related to a subjective issue in the presence of time deadline pressure (hereafter, "TDP"). TDP arises in the presence of imposed, specific points in time by which audits or audit stages must be completed (DeZoort and Lord, 1997). TDP generally cannot be eliminated by those working under the deadline because deadlines arise from factors both internal and external to the firm (Kelley *et al.*, 1999).

Recent concurrent changes in the regulatory environment likely have intensified the extent of TDP. The Sarbanes-Oxley Act (hereafter, "SOX") increases auditor responsibilities (Sarbanes and Oxley, 2002) while the SEC gradually is accelerating the deadline for filing annual reports (SEC, 2005)[1]. Whether increased TDP, an unintended consequence of these events, will have positive or negative effects on audits and auditor behavior is uncertain, as prior accounting and psychology research indicates that TDP can impair or improve judgment processes (Johnson *et al.*, 1993; Zakay, 1993; DeZoort and Lord, 1997).

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Audit seniors are responsible for ensuring that audit tasks are completed in a timely manner and in accordance with professional standards (Dirsmith and Covaleski, 1985). McNair (1991) suggests that balancing these responsibilities can result in a difficult compromise between audit quality and profitability goals. The current environment exacerbates the potential for compromise because of tighter filing deadlines and increased public scrutiny on the profession following several recent high-profile accounting scandals (e.g. Enron, WorldCom). When this compromise causes seniors to emphasize meeting deadlines, staff auditors have incentives to exhibit undesirable behaviors such as premature sign-offs and omitting audit procedures (Willett and Page, 1996). Such undesirable behaviors could cause an overall audit failure because the work performed by staff auditors provides the foundation for audit opinions (Willett and Page, 1996; Kaplan, 2004).

Seniors communicate to staff auditors the often conflicting preferences that arise from pursuing quality and profitability goals through directives, performance evaluations, and informal communications (Dirsmith and Covaleski, 1985). Prior accounting and psychology research suggests that subordinates have incentives to align decisions with superior preferences (Tetlock, 1985; Wilks, 2002). While prior accounting research examines the effect of superior preference on manager and senior behavior (Otley and Pierce, 1996; Cohen and Trompeter, 1998; Gramling, 1999; Wilks, 2002), prior research does not address the extent of staff auditor susceptibility to senior preferences.

The source of audit information represents another potential influence on staff auditor decision making because staff auditors could have incentives to externalize the responsibility for providing information that would cause the senior to have to extend fieldwork beyond the deadline. The presence of an external information source (e.g. a client employee) allows staff auditors to externalize this responsibility. Accordingly, staff auditors are expected to be more willing to report information concerning subjective audit issues brought to their attention by client personnel than self-discovered information near the end of fieldwork.

In this study, graduate and upper-level accounting students who had recently completed internships served as proxies for staff auditors, based on their similar educational and professional backgrounds. The independent variables provide differing incentives for staff auditors to suppress information. The preference of the senior is manipulated as an emphasis on either audit quality or meeting the deadline; the source of information is manipulated as either self-discovered or client-provided. TDP is held constant at a high level in all conditions except a control group. The primary dependent variable is the decision concerning whether to report audit evidence that has the potential to prolong the audit discovered in proximity to the deadline for completing fieldwork to the supervising senior. The participants answered additional questions designed to better understand the rationale underlying their reporting decisions.

The experimental materials asked participants to assume the role of a staff auditor for a public accounting firm who is currently on an audit team conducting fieldwork onsite at the headquarters of a hypothetical client. The experimental task features a subjective materiality issue concerning whether R&M expenses should be capitalized. A previously completed direct test of R&M would not have detected items below the capitalization threshold. However, a sampling procedure performed for an audit objective not directly related to R&M revealed two R&M expenses from the same project. While the amount of these R&M expenses was slightly below the capitalization threshold, the original R&M sample would not have detected additional expenses related to this project, the presence of which would have required capitalization. Accordingly, participants could not determine whether additional costs related to this project had been incurred and whether the accounting treatment should be changed from expensing to capitalization.

In such a situation, professional standards do not provide clear guidance on how to proceed and leave the matter to the auditor's judgment (AICPA, 2001). If the auditor decides that the original sample is not representative of the population, standards require additional substantive testing or increasing the sample size. The subjective nature, and potential repercussions, of the decision increase the likelihood that environmental cues such as senior preference and information source will influence staff auditors' decisions about whether to report the information.

The results indicate that staff auditors are not influenced by senior preferences, information source, or TDP when making reporting decisions concerning subjective materiality issues. Participants in this study chose to report information to the senior although they assessed the materiality of the audit issue as low. This result may be driven by staff auditors' inexperience with audit judgment and decision making and uneasiness created by the provisions of SOX.

Theoretical background

Compromises

Because audit firms face conflicting goals of audit quality and engagement management goals (McNair, 1991), situations arise in which individual auditors must balance quality and profitability objectives (e.g. meeting deadlines; Trompeter, 1994; Cohen and Trompeter, 1998). Within the firm, audit seniors experience the greatest pressure to balance quality goals and meeting deadlines because seniors have the responsibility to ensure that fieldwork will ensure quality audits in a cost-effective manner (i.e. meeting firm profitability goals; McNair, 1991). Senior preferences that arise from pursuing the conflicting goals of quality and profitability are communicated to staff auditors through formal and informal communications (Dirsmith and Covaleski, 1985). Staff auditors' lack of tacit managerial knowledge (an understanding of both the economics of auditing and relationships with clients) may prevent them from realizing that seniors who emphasize meeting deadlines likely do not intend to sacrifice quality to meet deadlines (Tan and Libby, 1997). Therefore, senior preferences can undermine audit quality goals if staff auditors treat quality and profitability goals as mutually exclusive.

Senior preferences

According to the acceptability heuristic, a coping pattern used to manage accountability (Tetlock, 1985, 1992), decision-makers make decisions that are preferable to parties to whom the decision-maker is accountable. The acceptability heuristic offers two primary benefits:

(1) the decision-maker minimizes cognitive effort by avoiding the need to develop counterarguments; and/or

(2) the decision-maker can manage performance evaluations by making decisions perceived as acceptable to superiors.

Prior audit research indicates that audit managers' decisions are consistent with partner preferences (Wilks, 2002; Gramling, 1999; Cohen and Trompeter, 1998) and audit seniors' decisions are consistent with manager preferences (Otley and Pierce, 1996). However, it remains unclear whether staff auditors use the acceptability heuristic to bias their judgments and decisions toward senior preferences.

Accountability impacts auditor decision making because auditors have incentives to develop and sustain positive images with superiors, clients, and third party evaluators (Messier and Quilliam, 1992; Gibbins and Newton, 1994). Within the firm, staff auditors work closest with the senior who supervises the audit team and compiles initial performance evaluations for staff (Hirst and Koonce, 1996). The relative inexperience of staff auditors compared to seniors and managers hinders the development of significant relationships with both clients and third parties (Dirsmith and Covaleski, 1985). Therefore, staff auditors are assumed to feel a larger degree of accountability to seniors relative to managers, partners, and clients, and are more likely to use the acceptability heuristic when interacting with seniors than with other potential evaluators. The senior preference manipulation in this study is designed to investigate the extent of staff auditors' use of the acceptability heuristic in response to the implicit accountability in the senior-staff relationship.

Gibbins and Newton (1994) describe several coping behaviors that auditors utilize in response to accountability, including delayed decision making, compliance with the preference of the evaluator, and defensive avoidance. The presence of TDP precludes the ability of decision-makers to adopt delaying tactics. Therefore, compliance with superior preferences, i.e. utilizing the acceptability heuristic, and defensive avoidance are of interest to this study. This study defines defensive avoidance as allowing others to take responsibility for decisions, consistent with Janis and Mann (1977).

In a TDP setting, staff auditors presented with audit evidence concerning a potential misstatement that is ambiguous with respect to whether it is material essentially have two options concerning whether to report the information to their supervising senior. First, staff auditors can utilize the acceptability heuristic and only report the information if the senior preference focuses on audit quality, and not whether the audit team finishes before the deadline (i.e. not report the information if the senior's preference emphasizes meeting the deadline).

Alternatively, staff auditors can report the information to the senior regardless of the senior's preference concerning the deadline, i.e. engage in defensive avoidance. The presence of the firm hierarchy facilitates defensive avoidance because responsibility for decisions can be moved up or down the hierarchy. The use of defensive avoidance is possible for staff auditors who realize that they have *de facto* power to not extend fieldwork beyond the deadline by not reporting the information – reporting the information to the senior allows staff auditors to avoid responsibility for potential subsequent outcomes of not investigating the information.

This study examines a situation in which there may be negative consequences regardless of the staff auditor's reporting decision. If the staff auditor does not report the information to the senior, the nature of the audit issue leaves open the possibility that the audit will fail to detect a material misstatement, impairing audit quality. In such a situation, the staff auditor will likely be held accountable and suffer negative consequences. Alternatively, if staff auditors report the information and further audit procedures are performed, the audit team will miss the time deadline, perhaps impairing performance evaluations.

While prior accounting research suggests that seniors and managers rely on the acceptability heuristic, the use of this heuristic is questionable both at the staff level and in the presence of TDP because of the potential influence TDP has on cognitive processes and coping patterns (DeZoort and Lord, 1997). Furthermore, the discovery of audit evidence which may or may not be material in proximity to time deadlines presents alternative decision-making paths: the acceptability heuristic and defensive avoidance. Accordingly, the following research question is proposed:

RQ1. In the presence of TDP, will staff auditors base reporting decisions on senior preferences?

Shifting responsibility to client personnel

Responsibility is a distinct, but related, construct from accountability. The development of *RQ1* referred to the availability of the acceptability heuristic to cope with the implicit accountability inherent in superior-subordinate relationships and the *de facto* ability of staff auditors to shift responsibility to the senior for the decision to not investigate information concerning subjective audit issues. The development of the following hypothesis focuses on the source of the information that could force the senior to extend fieldwork beyond the deadline.

The presence of an external information source (e.g. a client employee) provides the opportunity for staff auditors to shift responsibility for providing information near deadlines. Staff auditors likely will have increasing opportunities to shift responsibility to client personnel in the current environment. Section 302 of SOX requires that the client CEO and CFO provide certification of financial statements (Sarbanes and Oxley, 2002), which likely will set tones of increased cooperation with auditors throughout all levels of client hierarchies.

Psychology research indicates that four situational factors increase the likelihood that decision-makers will externalize responsibility:

(1) the presence of another person;

(2) the expertise of the other person;

(3) outcome severity; and

(4) familiarity with the other person (Tennen and Affleck, 1990).

The first and second conditions are present in staff-employee interactions when staff auditors receive information from client employees in proximity to deadlines because the client employee has knowledge of, and possibly authority over, the audit area in question. The third condition is likely present in such a situation because, if staff auditors report subjective information near the deadline, the senior may have to extend fieldwork beyond the deadline. Furthermore, missing the deadline can have negative consequences for both firm profitability and the staff and senior's performance evaluations, especially if the staff auditor withholds the information and the client employee presents it to the senior. The fourth condition is present in such a situation only if the auditor has had prior contact with the client employee presenting the information.

The presence of three of the four situational factors under which decision-makers externalize responsibility and the possibility that the client employee will tell another member of the audit team is expected to increase the likelihood that staff auditors will report client-provided information relative to self-discovered information. In addition, Kaplan (2004) notes that presenting information in proximity to deadlines can lead to unfavorable scrutiny on the diligence and competence of a staff auditor, and possibly a poor evaluation from the senior. However, staff auditors can attempt to shift attention and the responsibility for providing the information that causes the senior to extend fieldwork beyond the deadline when client personnel provide the information. Consequently, the following hypothesis is proposed:

H1. In proximity to deadlines, staff auditors are more (less) likely to report subjective information that is presented by client personnel (self-discovered).

Method

Participants

The participants used for research question and hypothesis testing consisted of 67 graduate and upper-level undergraduate accounting students obtained from two accounting courses at a large university in the Southeastern USA. All undergraduate students had recently returned from internships. The participants did not receive financial compensation.

The students are assumed to be proxies for staff auditors for two reasons. First, the participants have similar educational backgrounds as staff auditors. Second, the vast majority of participants have professional experience as interns with public accounting firms, increasing their similarity to staff auditors. Table I presents demographic

		Percent
Participant age		
21-24		96
25-29		2
Greater than 30		2
Gender		
Female		51
Male		49
Public accounting experience		
Yes		88
No		12
Public accounting field		
Audit		54
Tax		36
Both		10
Firm type		
Big 4		46
Non Big 4		52
Both		2
Public accounting duration (months)		
Mean	5.1	
Median	2.5	
Mode	3.0	

Table I. Demographics ($n = 67$)

information on the final sample of the 67 participants who passed the manipulation checks and were used for hypothesis testing. Most participants were between 21 and 24 years old (96 percent) and possessed public accounting experience (88 percent). Of those with public accounting experience, 48 percent worked with a Big 4 firm, the majority (64 percent) had audit experience, and the mean public accounting experience was five months.

Experimental task

The case materials asked participants to assume the role of staff auditor for a public accounting firm who are currently on an audit team conducting fieldwork onsite at the headquarters of a hypothetical client. The experimental task features a subjective materiality issue concerning whether R&M expenses should be capitalized. A previously completed direct test of R&M would not have detected items below the capitalization threshold. A sampling procedure performed for an unrelated audit objective revealed two R&M expenses for the same project. While the amount of these R&M expenses was slightly below the capitalization threshold, the original R&M sample would not have detected additional expenses related to this project. Accordingly, participants could not determine whether additional costs related to this project, which in aggregate would have been material, had been incurred.

Audit standards do not provide clear guidance in such a situation. Auditors should consider whether the original sample is representative of the population and whether additional procedures (e.g. increasing the sample size or performing additional substantive tests concerning the audit area in question) should be performed (AICPA, 2001). Performing additional audit procedures related to the audit issue described in the experimental materials, while reducing detection risk, would have caused the audit team to miss the time deadline and delay the next engagement. After reading the details of the case, participants decided whether to report the information to the supervising senior.

Experimental design

A 2×2 between-subjects design was used to test the research question and hypotheses. Senior preference (PREF) was manipulated as a preference for audit quality or meeting the deadline for completion of field work. Information source (SOURCE), was manipulated as either self-discovered or client-provided. In the self-discovered condition, the staff auditor discovers the two R&M expenses pertaining to the same project while completing an unrelated audit test. In the client-provided condition, while the staff auditor is performing sample analysis, a client employee explains that the two R&M items in the test sample pertain to the same project. TDP was present in all four conditions.

The research instrument consisted of three parts. The first part contained client background information, manipulations concerning the preference of the supervising senior and the information source, and questions concerning the primary dependent variable and the rationale behind the reporting decision. The second part contained manipulation checks and related questions. The third part included additional questions designed to obtain demographic information.

Dependent variable

Binary data concerning the primary dependent variable of interest was obtained through a question concerning whether participants would report to the senior the information concerning the R&M expenses. Responses to additional questions intended to elicit information concerning participants' decision-making processes were measured using Likert-type eleven-point scales. The participants also provided information on their age, gender, and work experience[2].

Control group

A control group, intended to examine the effect of TDP, was included in addition to the four groups used for hypothesis testing. In this condition, TDP is absent, the senior emphasizes meeting deadlines, and the information is self-discovered. The senior preference and information source conditions for the control group were selected because they represent the conditions in which staff auditors have the strongest incentives to not report the information. The demographic characteristics of the participants in the control group were qualitatively similar to the demographic characteristics of the participants used for primary analyses.

Results

Manipulation checks and preliminary analyses

The original sample space consisted of 124 participants. The participants passed the manipulation check questions as follows: PREF (71 percent) and SOURCE (89 percent). For conservatism, participants who failed at least one manipulation check were eliminated, leaving 67 participants for primary analyses and 13 participants in the control group (i.e. 80 total participants)[3].

Overall, participants agreed that it was equally as important to the supervising senior to complete fieldwork before the deadline ($M = 8.97$, SD $= 1.57$ with "1" – not at all important and "11" – extremely important) as to produce fairly stated financial statements ($M = 8.87$, SD $= 1.65$) ($t = 0.36$, $p = 0.72$)[4]. However, there were some differences across conditions, indicating that the senior preferences were communicated to the participants. Participants whose senior emphasized meeting the deadline believed that it was more important to the senior to meet the deadline ($M = 9.97$, SD $= 0.88$) than to produce fairly stated financial statements ($M = 7.82$, SD $= 1.45$; $t = 7.29$, $p < 0.01$). Participants whose senior emphasized audit quality believed that it was more important to the senior to produce fairly stated financial statements ($M = 9.88$, SD $= 1.12$) than to meet the deadline ($M = 8.00$, SD $= 1.48$; $t = 5.91$, $p < 0.01$).

The participants found the case to be both realistic ($M = 8.42$, SD $= 1.65$ on an eleven-point scale with "1" – not at all realistic and "11" – extremely realistic) and understandable ($M = 7.87$, SD $= 1.96$ on an eleven-point scale with "1" – not at all understandable and "11" – extremely understandable). The participants did not find it difficult to reach their reporting decisions ($M = 3.78$, SD $= 2.15$ on an eleven-point scale with "1" – not at all difficult and "11" – extremely difficult) or to justify their decisions if required by the senior ($M = 3.94$, SD $= 2.01$ with "1" – not at all difficult and "11" – extremely difficult). The participants also were confident that their reporting decisions were consistent with audit standards ($M = 8.37$, SD $= 1.70$ with "1" – not at all confident and "11" – extremely confident).

Primary analyses

The majority of participants (88 percent) chose to report the information to the senior. *RQ1* considers whether staff auditors will rely on the acceptability heuristic and base reporting decisions on senior preferences or report information regardless of senior preferences. Results relevant to *RQ1* are shown in Table II. The analysis reveals no significant main effect of PREF ($\chi^2[1] < 0.01$, $p = 0.96$), as 88 percent of participants reported the subjective information to seniors emphasizing meeting the deadline (quality).

The hypothesis (*H1*) predicts that staff auditors will be more (less) willing to report information received in proximity to deadlines from client personnel compared to self-discovered information. Results relevant to *H1* are shown in Table II. The analysis reveals no significant main effect of SOURCE ($\chi^2[1] = 0.002$, $p = 0.964$) as 88 percent of participants reported self-discovered (client-provided) audit information.

Control group

The majority of participants in the control group also chose to report the information to the senior (12 of 13; 92 percent), consistent with participants in the TDP conditions. Along with the results of the primary analyses, this result suggests that TDP had a negligible effect on the actual reporting decision. There are no other results of note regarding the control group.

Explanations for reporting decisions

The results of the analyses indicate that staff auditors tend to report audit information to seniors regardless of senior preference, information source, and TDP. To gain insight into the rationale underlying the reporting decisions, an open-ended question asked the participants to briefly explain the rationale for their reporting decisions. These explanations are classified into five categories, consistent with relevant theory and the independent variables, and are presented in Table III. The researcher and an independent research assistant separately coded the explanations.

The coding system used to categorize explanations was developed based on relevant psychology theory and audit concepts discussed in the theoretical background section.

Preference		Information source	
		Self	*Client*
Time deadline	Ratio reporting	14/16	15/17
	Percent reporting	88	88
Quality	Ratio reporting	16/18	14/16
	Percent reporting	89	88
RQ1	*Report*		
Preference (p = *0.964)*	*Yes*	*No*	*Total*
Time deadline	29 (88)	4 (12)	33
Quality	*30 (88)*	*4 (12)*	*34*
Total	59 (88)	8 (12)	67
H1			
Information source (p = *0.964)*			
Self	30 (88)	4 (12)	34
Client	*29 (88)*	*4 (12)*	*33*
Total	59 (88)	8 (12)	67

Note: Figures in parentheses are percentages

Table II.
Results of statistical tests for *RQ1* and *H1* ($n = 67$)

Defensive avoidance refers to a coping pattern in which decision-makers allow others to take responsibility for decisions (Janis and Mann, 1977). Staff auditors have the ability to engage in defensive avoidance when making reporting decisions because they have *de facto* power to not extend fieldwork beyond the deadline by not reporting the information. Alternatively, reporting the information to the senior allows staff auditors to avoid responsibility for potential subsequent outcomes of not investigating the information. Accordingly, explanations were coded as "defensive avoidance" when the participants explicitly stated a desire to shift responsibility or implied such a desire by wanting to voice their concerns to someone with more authority.

The acceptability heuristic is a coping technique whereby individuals make decisions that are preferable to parties to whom they are held accountable (Tetlock, 1985, 1992). Explanations were coded as "acceptability heuristic" when participants stated that they would report the audit issue because of the senior's desire to perform the audit in accordance with professional and firm standards.

Explanations were coded as "audit quality" when the participants indicated that additional analysis was required or believed that it was their duty as a staff auditor to report the information to the senior. The "audit quality" categorization is consistent with the requirements of professional standards concerning projecting sample items to a population (AICPA, 2001). Explanations were coded as "immaterial" when the participants believed the items were immaterial (i.e. less than the amount required for capitalization). Finally, explanations were coded as "no explanation" when participants did not provide an explanation.

The most common justifications among the 67 participants used for hypothesis testing were defensive avoidance (28) and audit quality (27). However, in the absence of TDP (i.e. the control group), the majority of explanations were coded as audit quality (9 of 13) compared to defensive avoidance (2), immaterial (1) and no explanation (1). These results suggest that, although TDP did not affect reporting decisions, participants were more likely to express a desire to perform additional analysis than to be motivated by defensive avoidance in the absence of TDP. Perhaps TDP did not change reporting decisions because staff auditors view themselves primarily as information providers, have little concern for engagement management issues, and want to comply with audit standards. Furthermore, these results suggest that, while defensive avoidance was a common coping pattern to the implicit accountability inherent in the senior-staff relationship, consistent with Gibbins and Newton (1994), audit quality concerns were just as common a motivation as defensive avoidance.

		Preference		Information source	
Rationale	Total	TD	Quality	Self	Client
Defensive avoidance	28 (42)	12	16	15	13
Audit quality	27 (40)	15	12	14	13
Immaterial[a]	8 (12)	4	4	4	4
Acceptability heuristic	2 (3)	0	2	1	1
No explanation	2 (3)	2	0	0	2

Notes: [a]Participants who cited immateriality as the rationale for their decision were the only participants who did not report the information; and figures in parentheses are percentages

Table III. Rationale for reporting decision ($n = 67$)

The results of the questions that followed the primary dependent variable provide supplemental evidence concerning the extent to which participants were motivated by defensive avoidance or quality concerns. The participants assessed the risk of material misstatement as low ($M = 4.39$, SD $= 1.86$ with "1" – very low and "11" – very high) and appear unconvinced that the senior would follow-up on the information ($M = 6.46$, SD $= 2.46$ with "1" – not at all likely and "11" – extremely likely). However, the participants wanted the senior to be aware of the information. This phenomenon may be attributable to the SOX-dominated environment in which staff auditors may be overly cautious and unwittingly increase the workload of colleagues by reporting matters that they assess as immaterial. Interestingly, the participants were not especially inclined to report the information to a manager if the senior did not follow-up on the information ($M = 5.31$, SD $= 2.63$ with "1" – not at all likely and "11" – extremely likely).

Exploratory analyses

The primary dependent variable of interest was the reporting decision of the participants concerning the audit information. However, supplemental analyses were performed on several continuous variables to further investigate staff auditor decision making. The importance of the proximity to the time deadline on decision making (PROXTD) yielded marginally significant results. When the senior emphasizes quality, participants who self-discovered the information were more sensitive to the deadline ($M = 5.44$, SD $= 2.94$ with "1" – not at all important and "11" – very important) than those who received the information from client personnel ($M = 3.31$, SD $= 1.49$; $t = 2.62$, $p < 0.01$). This result provides further evidence that psychology theory concerning information source, which suggests that the above result should have been more prevalent when the senior emphasizes meeting deadlines rather than quality, does not apply in this context.

Discussion

Recent regulatory developments have likely increased the extent of TDP experienced by auditors of all levels. This study examines the effects of both internal (firm) and external (client) interactions that may influence staff auditor decision making under TDP. Specifically, this study examines the effects of senior preference and information source on staff auditor decision making regarding subjective audit issues in the context of TDP.

A unifying theme of prior audit and psychology research concerning superior preferences and information source is that information can be withheld both when subordinates act according to superior preferences to manage performance evaluations or avoid responsibility for self-discovered information. Although the participants assessed the risk of material misstatement as low, they tended to report the information regardless of senior preference, information source, and TDP because they believed it was the appropriate decision (audit quality) or to avoid responsibility for decisions regarding the information (defensive avoidance). This result is perhaps attributable to SOX and the environment that led to its passage.

The results of this study suggest that staff auditors may not be influenced by senior preferences. The relative inexperience of staff auditors compared to seniors, managers, and partners likely precludes a full awareness of the economic incentives facing the firm, limiting the negative influences of pressures driven by economic incentives on staff auditor decision making. Furthermore, the training staff auditors receive in the academic and professional settings emphasize quality while pressures in the audit environment increasingly emphasize profitability goals (e.g. meeting deadlines) as auditors progress within firm hierarchies.

Future research should further investigate the influence of senior preferences on staff auditors in other settings. Perhaps a task-specific factor unique to this study decreased the likelihood that staff auditors in this study did not seem influenced by senior preferences. A number of limitations should be considered when interpreting this study's findings. First, this study uses students as proxies for staff auditors. While the majority of participants have public accounting experience, it is unclear whether the experience of an intern provides a close approximation of the experience of staff auditors. However, the increased responsibilities placed upon the auditing profession by SOX increase the probability that the experiences of interns will more closely parallel those of staff auditors. Second, the motivation underlying decisions can only be estimated and not precisely determined by the researcher. In this study, motivations were estimated by matching justifications for decisions provided by the participants with appropriate psychology theory. Finally, the research instrument presented details of fieldwork for a fictitious client in narrative format. In practice, staff auditors ascertain such details through interaction with other auditors, client personnel, and client data.

Notes

1. Release Nos 33-8644 and 34-52989 require public companies to file annual reports within 60 days of the end of their fiscal years instead of the historical 90-day requirement beginning December 15, 2006. The current filing requirement, as of August 2006, is 75 days. Small filers will remain under the 90 day rule.
2. Age, gender, and public accounting experience did not affect the results when included as control variables in a logistic regression analysis and did not differ across conditions for the participants used in the statistical analyses.
3. The loss of 35 percent of the sample is consistent with prior experimental studies. Payne and Ramsay (2005) report the loss of 37 percent of a sample of audit seniors and staff. Inclusion of participants who failed manipulation checks did not qualitatively alter the results of research question and hypothesis testing.
4. All cited means exclude the control group because TDP was not imposed in this condition and the control group was not used for hypothesis testing.

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