

## The Perceived Occurrence and Acceptance of Dysfunctional Audit Behavior

David P. Donnelly<sup>1</sup>, David O'Bryan<sup>2</sup> and Jeffrey J. Quirin\*<sup>3</sup>

<sup>1</sup>University of Las Vegas-Las Vegas, Las Vegas USA

<sup>2</sup>Pittsburg State University, Pittsburg KS USA

<sup>3</sup>Wichita State University, Wichita KS USA

---

Recent, high-profile audit failures, most notably Enron, have created intense public pressure for improvements in the auditing process and profession. The Public Oversight Board has noted that dysfunctional audit behaviors contribute to reduced audit quality. This study seeks to explore the incidence and effects of three dysfunctional behaviors as a preliminary step in understanding the nature and extent of the problem. A total of 205 auditors from a cross-section of 10 public accounting firms were surveyed. Auditors were asked to report their perceived level of occurrence of premature sign-offs, altering/replacing audit procedures, and underreporting of time in their firms. We also asked auditors about their acceptance of these behaviors because acceptance of a behavior by members in the firm is a reflection of the firm's culture and is likely to result in a greater propensity by firm members to engage in the behavior. Finally, we asked the auditors in our sample to assess the likelihood that these behaviors would be detected by the control systems in their firms. The results of our survey are generally encouraging. We do note several findings that, if addressed, could further improve audit quality. Overall, our findings suggest that recent audit failures and criticisms of the auditing profession may not be attributable to the micro-level behaviors examined in this study but rather to macro-level issues such as the underlying audit approach, the overall design of audit programs, the regulatory structure of the audit process, and the interaction between auditing and consulting.

---

### INTRODUCTION

In the wake of recent audit failures, most notably Enron, a vast number of major CPA firms are finding it necessary to redevelop their business strategies and audit processes in response to a market of intense competition, litigation, and scrutiny by regulators. At a time when firms see little opportunity for increased audit fees they must rely on the management of audit personnel to create an efficient, effective, and profitable audit. To this end, CPA firms have relied extensively on highly structured audit programs and time budgets. When used effectively, the audit program ensures that the auditors have complied with generally accepted auditing standards and gathered sufficient evidence to meet their established audit risk.