

AUDITING WITH DATA ANALYTICS (ACCT 456)
Spring 2026
UNIVERSITY OF SOUTHERN CALIFORNIA
Marshall School of Business
Leventhal School of Accounting

COURSE PROJECT

REQUIREMENTS:

- For the first part of the course, there is one major required assignment that involves an audit risk assessment of a real company of your choosing, developing and testing controls over team operations, and testing a fictitious company's controls surrounding accounts payable.
- The project is to be completed by "audit teams" of 6 individuals (instructor approval required for teams less than or greater than 6 students).

OBJECTIVES:

- *Familiarity with 10-K:* To acquaint students with the annual report and Form 10-K of a publicly held company audited by a CPA firm, which can be retrieved from:
 - SEC's EDGAR (<https://www.sec.gov/edgar/searchedgar/companysearch.html?>)
- *Practical Application:* To provide practical application of knowledge gained at USC to understanding a prospective audit client and performing audit tests.
- *Working with a Team:* To allow students to experience working on a team basis, as is done in actual auditing contexts, albeit the student teams are not organized in a hierarchical structure.

GRADING:

- *Overall:* The "weight" of the overall project on your final grade is noted in your syllabus.

Items	Points Possible	% of Total Points
Project Part 1	5	6.7%
Final Project - Budget, 10-K Research, & Final E-mail	25	33.3%
Final Project - Risk and Control Work Program	25	33.3%
Final Project - A/P Test Sheet	20	26.7%
TOTAL	75	100%

- The extent of writing required for each project part is up to the student/team's professional judgment. It should be noted, however, that business writing requires conciseness. Templates are provided for all deliverables, which provide the suggested length of text for each part of the project.

DETAILED INSTRUCTIONS:

Perform a risk assessment of a prospective audit client. Pretend that you're going to submit this client risk assessment to the prospective engagement partner for your public accounting firm office. Some items may not be appropriate for such a "real" situation, but they are relevant for this project.

Group Formation: Form a group and set up your group in Brightspace to notify the Instructor of the composition of your team. Choose an actual public company that you are interested in learning about that is actively traded on one of the following exchanges: NYSE, AMEX, or NASDAQ. Name your group in Brightspace the name of the company you selected (if this is possible, if not, no worries). **Please do not select a company you have examined in other courses.**

Project Part I

1. **Create a Time Budget, Record Your Actual Time Worked, and Create High-Level Policies and Procedures:** Document how the project team was organized and functioned on the project using the Budget and Policies and Procedures Template. You should document that each member contributed to all areas of the project, although you may have had a lead person in particular areas.

- a) *Budget:* Document *initial* estimates of time required for the project for **each member of the team**, and update for time **actually incurred** by **each member of the team** as of the first half of the project.

Example:

	Budget	Actual	Budget	Actual
	<u>Phase 1</u>	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 2</u>
Bobby	100	98	100	78
Roberto	100	99	100	81
Robert	100	103	100	76
Bob	100	99	100	81

- b) *Policies and Procedures:* Briefly document how your group will coordinate work (one paragraph or a series of bullet points). Importantly, document how **all** team members will learn from **all** of the parts of the project.
2. **Create a Rough Draft Risk and Control Work Program for your Group's Project:** Using the USC Audit Work Program Template, document four risks relating to your team's completion of a quality project. Please make sure you are documenting risks and not "failed controls." Next, document at least four controls to mitigate the project's risks. Please note that multiple controls may be necessary to mitigate a risk and one control may be able to mitigate multiple risks. Lastly, develop worksteps to test your controls and document the evidence that will be required for the tests. If you identified more than four controls, please only provide worksteps for the four controls you think are most important to the project's success. In the second half of the project you will be asked to complete the worksteps and conclude on the effectiveness of the design and operation of the

controls. It is ok to document that a control failed. If a control does fail, explain why and how the control could be redesigned to mitigate future failures.

We will go over the process to complete a risk and control work program in class, however, please also refer to the link below for a tutorial video on how to complete a risk and control work program.

Video on creating a work program (all students in the class should watch the video):
[Completing a Risk and Control Work Program](#) (14:46 minutes)

2.1 Meet with the Instructor to discuss the Rough Draft Risk and Control Work Program:

Schedule a 30-minute in-person office hour meeting with the instructor on a weekday during the time frame for In-Person Office Lab Appointments noted on the syllabus. Groups should schedule this meeting at the start of the project. Meeting times are accepted by the instructor on a first-come, first-served basis. **All project team members** are to meet **together** with the instructor to discuss their Rough Draft Risk and Control Work Program **before** turning in Part 1 of the project.

To prepare for the meeting, **all group members should watch the course project instruction video from 2.0 above on creating a risk and control work program.** Additionally, **all group members** should work together to complete a Rough Draft Risk and Control Work Program to provide to the instructor at the start of the meeting.

If a team member does not attend this meeting with the instructor, then their Final Risk and Control Work Program grade will be docked a minimum of 7.5 points (i.e., 10%).

3. 10-K Research and Analysis (PART I): Obtain a copy of your company's most recent 10-K. Using the 10-K Research and Analysis Template (PART I), answer the following questions:

- a) What is the company's industry?
- b) What are its primary products?
- c) How large is the company?
 - Sales - Current and Prior Year
 - Assets - Current and Prior Year
 - Market Value - Current Year (Refer to the front page of the 10-K)
 - Number of Employees - Current Year
- d) Where is the company headquartered? How many other locations are there that might be relevant for the audit (e.g., operating segment locations)?
- e) Who are the primary customers? Is the customer base broad or narrow?
- f) What are the key economic factors surrounding the company's industry? (e.g., is the industry especially sensitive to business cycles, inflation, international competition, international turmoil, and/or technological obsolescence?)

- g) Where is the company in its "life cycle" – pioneer (introduction), growth, mature, or decline? (Refer to the Industry Life Cycle Phases article in Brightspace to help guide your assessment).
 - h) What are the five or six most important factors for the success of this company? (Refer to the discussion of core capabilities or strengths in your company's 10-K as well as its Risk Factors).
 - i) What notable accounting considerations are there for companies in this industry? (Refer to the Critical Accounting Policies and Estimates section of your company's 10-K).
 - j) What particular legal or regulatory matters are of concern (Refer to the Risk Factors and litigation discussion sections of your company's 10-K)?
 - k) Who are their primary competitors (Refer to the discussion of competition in your company's 10-K)?
 - l) What is the turnover of key personnel (CEO and CFO only for this project – refer to the biographies of the executives in your company's 10-K)?
4. **Make Sample Selections for A/P Control Testing:** Obtain a copy of the disbursement ledger on Brightspace (ACCT 456 Disbursement Ledger FY25) and randomly select 10 check disbursements for A/P control testing using www.random.org. **Retain a screenshot to evidence that the sample selections were randomly chosen** - you will submit the screenshot with your A/P Test Sheet in Part II of the project.

Video on making sample selections (all students in the class should watch the video):
[AP Testing Sample Selection](#) (4:17 minutes)

5. **Send your Group's First Professional E-mail to the Instructor:** Send an e-mail to the instructor requesting the appropriate documents to test A/P controls AP-4 and AP-6 for your selected checks. Additionally, include the deliverables from steps 1-4 above. **One e-mail for each group – Due Tuesday, 2/17 at 11:59PM.** Please copy (CC:) all group members on the e-mail.
- a) The subject line is concise but descriptive of the contents of the e-mail and first letters of key words are properly capitalized.
 - b) A greeting exists, it is courteous, and the Instructor's name is properly spelled.
 - c) The body of the e-mail is clear and concise. Bullets are used to list the requested documents for A/P control testing. The list of 10 check disbursements is organized neatly in a table that is either embedded in the e-mail or included as an attachment.
 - d) The deliverables from steps 1-4 above are attached to the e-mail and referenced in the body of the e-mail.
 - Budget and Policies and Procedures Template (with actual hours worked to-date for **each member of the team**)

- **Rough Draft** ACCT 456 Audit Work Program Template
 - 10-K Research and Analysis Template (PART I)
- e) The project deliverables are attached to the e-mail, the attached files have concise and descriptive names, and first letters of key words in the file names are properly capitalized.
 - f) A salutation exists, it is courteous, and the sender names are properly spelled.

Watch this video before writing your e-mail (**all students in the class should watch the video**): [E-mail Communication as an Auditor](#) (8:51 minutes)

Project Part II

1. **Perform A/P Control Testing:** Test A/P controls AP-4 and AP-6 using the ACCT 456 Accounts Payable Control Test Sheet on Brightspace.
 - a) Complete the ACCT 456 Accounts Payable Control Test Sheet.
 - b) Document the evidence that you randomly sampled the 10 check disbursements by copying and pasting your random.org screenshot below your test sheet.
2. **10-K Research and Analysis (PART II):** Using the 10-K Research and Analysis Template (PART II), answer the following questions:
 - a) Is this a healthy company? Use no more than 5 ratios and use your judgment to tell the story of the company with the ratios you chose. The Suggested Project Financial Ratios file in the Course Project folder includes suggested ratios to use for this section of the project.
 - b) How does the company compare with the rest of its industry? If industry data is not available, compare the ratios for your company to the ratios of two of the company's closest competitors.
 - c) How has the capital marketplace responded to the company? Only provide stock market performance details for this project and consider performance over the following time windows: 1 month, 3 months, 6 months, 1 year, and 5 years. This information can be obtained from Yahoo Finance or similar stock research websites.
 - d) What is the company's filing status (i.e. large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company, or emerging growth company)? (Refer to the first page of your company's 10-k for this information)
 - e) Who was the auditor?
 - f) Did the company receive just a financial statement audit or both a financial statement audit and an internal control audit?

- g) What has been the nature of the audit reports during the last two years (i.e., what types of opinions have been issued for the financial statement audit and, if applicable, the internal control audit)?
3. **Complete the Risk and Control Work Program for your Group's Project:** Now is the time to execute the worksteps in your work plan. The results of your tests are to be documented in the work program. Include a discussion of the evidence you used to come to your conclusions. **Provide screenshots of all the evidence used to test the controls in the separate Excel tabs for each control tested. If no evidence is available, document why not and how it affected your assessment of the control's effectiveness (i.e., are the controls still effective?).**
4. **Send your Group's Final Professional E-mail to the Instructor:** Send an e-mail to the Instructor containing all project deliverables. **One e-mail for each group – Due Wednesday, 2/27 at 11:59PM.**

Note: Please copy (CC:) all group members on the e-mail.

- a) The subject line is concise but descriptive of the contents of the e-mail and first letters of key words are properly capitalized.
- b) A greeting exists, it is courteous, and the Instructor's name is properly spelled.
- c) The body of the e-mail is clear and concise (~ 2 paragraphs). Bullets are used to list the contents in the attachment.
- d) The deliverables from all project steps are attached to the e-mail and referenced in the body of the e-mail.
 - Budget and Policies and Procedures Template (with final actual hours worked for **each member of the team**)
 - 10-K Research and Analysis Template (PART I)
 - 10-K Research and Analysis Template (PART II)
 - ACCT 456 Accounts Payable Control Test Sheet
 - ACCT 456 Audit Work Program Template
- e) The project deliverables are attached to the e-mail, the attached files have concise and descriptive names, and first letters of key words in the file names are properly capitalized.
- f) A salutation exists, it is courteous, and the sender names are properly spelled.

Refer to the video "E-mail Communication as an Auditor" from Part I for tips on writing the final professional e-mail to the instructor.