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Pedagogical Inquiry: Are Accounting Departments Committed to Auditing and Ethics Education—The Case of Texas Public Universities

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Over the past decades' disastrous business scandals, the Texas State Board of Public Accountancy (TSBPA) has been pressured to increase the focus on ethics education. Publicly embarrassed that the

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Enron scandal took place in Texas, with so many licensed Texas CPAs involved, the TSBPA became aggressive in its focus to increase the emphasis on ethical education for all CPAs licensed in Texas. First, it required a stand-alone three-hour course in ethics for those planning to sit for the exam. Second, it required a four-hour biennial update for established licensees.

This article examines the commitment to ethical and auditing education of accountants in Texas public universities and how that commitment has changed over the past ten years—specifically relating to what specialization areas accounting professors focus on and the compensation of accounting professors who are specializing in auditing versus all other sub-disciplines in accounting. The

sample is limited to public universities in Texas for two reasons. First, only salary data for accounting professors in public universities—not private—in Texas is available. Salary is assumed to be a discriminator for identifying market demands of educators. Second, in 2009, the Texas state government distinguished nine public universities in Texas as either research or emerging research universities. The sample seeks to identify the changes in those institutions between 1999 and 2010, as distinguished from the other 19 state public universities. The question here is, “Did these two groupings of universities react to the market needs presumably caused by the scandals of the early 2000s?”

Four questions are addressed:

1. Has the percentage of Texas public university accounting professors specializing in ethics increased over the past ten years?
2. What has been the change in the percentage of auditing professors relative to all other accounting professors?
3. Are the salaries of full-time accounting professors who specialize in auditing research and teaching at these universities more, less or the same as professors in other sub-disciplines of accounting in the 2010-2011 academic year?
4. What could be speculated as the underlying reasons behind these changes (or lack thereof)?

This article is outlined as follows:

- Historical background provides a brief overview of the changes in Texas laws regulating certified public accountants over the past ten years, as well as the state government's focus on increasing the reputation and number of research universities within Texas;
- Results from data analysis; and
- Discussion and conclusion of the reasons behind the results and offered

opportunities for future research in these areas.

Historical Background

The question of how to improve ethics education in accounting, and whether faculty and universities were motivated to do so, has been a question asked for decades, both before and after the Enron scandal of 2001 (Gunz & McCutcheon, 1998). The post-Enron era particularly emphasizes the "Enron Effect" (Earley & Kelly, 2004; Armitage 2008).

The Enron scandal created and accelerated many changes in accounting education, particularly in auditing and ethics. With this renewed focus on mandatory accounting education in ethical issues, the TSBPA extended earlier implemented ethics education requirements on existing licensees to similar provisions for all graduates applying to sit for the Uniform CPA Examination in Texas (Texas Administrative Code, Rule §511.58).

Texas has persisted in Rule §511.58 with a requirement for the equivalent of a stand-alone three-semester hour course in ethics that is designed to "provide a foundation for ethical reasoning and include the core values of integrity, objectivity, and independence" (Texas Administrative Code). The course must also be taught by an approved instructor who has not been disciplined under the rules of professional conduct and the content

reflected in the syllabus must be approved by the TSBPA.

Research suggests that a reduction in the rate of Texas CPA licensee ethics disciplinary actions has occurred over the past ten years, due in part to the impact of the three-hour ethics course equivalency requirement (Hurtt & Thomas, 2011). It has also been reported (Hurtt & Thomas, 2011) that Texas licensee respondents generally reported a more favorable impression of the initial three hour course than the continuing biennial requirement.

Concurrently, the Texas Higher Education Coordinating Board has focused on increasing its reputation as competitive among the best research universities in the United States. Currently, Texas A&M, Rice University and The University of Texas at Austin represent the three research universities in Texas considered to compete globally for educational talent. Of those, two, Texas A&M and The University of Texas, are publicly-funded universities. In 2009, Texas House Bill 51 (Texas Administrative Code, 2009) amended the Texas Education Code to provide funding for the support of seven emerging public universities to enhance the institutional reputation as nationally recognized research universities. The seven emerging universities are University of Houston, Texas Tech University, University of North Texas, University of

Texas at El Paso, University of Texas at Arlington, University of Texas at Dallas and University of Texas at San Antonio.

Using this distinction as defined by Texas House Bill 51, the researchers separated the nine public research and emerging public research universities in Texas (Big 9) from the other 19 public universities (Other 19) for which data were available. The Big 9 and Other 19 are listed in Table 1. The purpose of this distinction is to determine whether the Big 9 and/or Other 19 have, in fact, demonstrated a dedication to the growth of ethics and auditing education in accounting over the 2000 to 2010 time period, and whether that dedication differs depending on the overall mission and goal sets of the universities themselves.

Results

The article calculated the total number of accounting professors and identified their areas of research and teaching interest using the *Accounting Faculty Directory 1999-2000* (Hasselback, 2000) and *Accounting Faculty Directory 2009-2010* (Hasselback, 2010). These directories, commonly referred to as “The Hasselback,” have been published annually for more than thirty years and list every accounting professor at nearly every four year institution in the United States. The directory lists institutions by

university name and then shows each professor’s name, rank, telephone number, email address, start date at that school, the highest degree earned and the school and year in which it was earned, and the professor’s areas of teaching and research interests. “The Hasselback” has been used previously in answering other research questions, for instance with regards to research records and journal quality (Bonner et al., 2006; Barniv & Fetyko, 2006) and attributes of department and endowed chairs in accounting (Rezaee, Elmore, & Spiceland, 2006).

The researchers separated the Big 9 from the Other 19 (see Table 1). Not considered were deans who might also be accounting professors since this would not be consistent throughout all universities (some deans are not accounting professors). The authors also did not consider instructors or clinical professors since these instructors generally receive a shorter term length than tenured or tenure-track professors and may not be encouraged to pursue a teaching or research specialization in ethics or auditing.

Table 2 shows the total number of accounting professors at Texas public universities in the 1999-2000 and 2009-2010 academic years, separated between the Big 9 and Other 19 universities.

The first question examined is, “Was there a greater percentage of accounting professors indicating a research or teaching interest in ethics in 2010 than there was in 2000?”

Table 3 indicates that the answer is “no” for the Big 9 whose percentage, in fact, decreased by nearly half. Results indicate that the answer is “yes” for the Other 19 whose percentage increase, while still a small number in absolute terms, was 166.7 percent.

While it is possible that professors in the discipline of accounting ethics were not hired as tenure-track faculty in the prior decade, the number of professors in accounting courses which lend themselves to the secondary study of ethics may have increased. The auditing course is generally viewed as the basic accounting course in which ethics could be studied (see, for example, Gordon, 2011, who studied the coverage of ethics in auditing textbooks, and Misiewicz, 2007, who found the majority of ethics coverage in accounting courses took place in the auditing course).

The next question then is, “Did the number or percentage of auditing professors increase during the period between the 1999–2000 academic year and the 2009–2010 academic year?”

Table 4 provides evidence that the Big 9 increase in the

Table 1
List of “Big 9” and “Other 19” Public Universities in Texas (in alphabetical order)

Big 9 Research and Emerging Research Texas Universities

1. Texas A&M University	6. University of Texas at Arlington
2. Texas Tech University	7. University of Texas at Dallas
3. University of Houston	8. University of Texas at El Paso
4. University of North Texas	9. University of Texas at San Antonio
5. University of Texas	

Other 19 Texas Universities (Selected less Research Oriented Texas Public Universities)

1. Angelo State University	11. Texas A&M – Kingsville
2. Lamar University	12. Texas Southern University
3. Midwestern State University	13. Texas State University – San Marcos
4. Prairie View A&M University	14. Texas Women’s University
5. Sam Houston State University	15. University of Houston – Clear Lake
6. Stephen F. Austin State University	16. University of Houston – Downtown
7. Tarleton State University	17. University of Texas – Permian Basin
8. Texas A&M – Commerce	18. University of Texas – Tyler
9. Texas A&M – Corpus Christi	19. West Texas A&M University
10. Texas A&M – International	

Table 2
Total Accounting Professors at Texas Public Universities
1999-2000 and 2009-2010 Academic Years
(Big 9 and Other 19)

	Total Accounting Professors (1999-2000)	Total Accounting Professors (2009-2010)
Big 9	152	186
Other 19	110	123

Table 3
Number of Accounting Professors
at Texas Public Universities Interested in Ethics (Percentage in Parenthesis)

	Total Ethics Professors (1999-2000)	Total Ethics Professors (2009-2010)
Big 9	5 (3.2%)	3 (1.6%)
Other 19	3 (2.7%)	8 (6.5%)

Table 4
Number of Accounting Professors
at Texas Universities Interested in Auditing (Percentage in Parenthesis)

	Total Auditing Professors (1999-2000)	Total Auditing Professors (2009-2010)
Big 9	30 (19.7%)	31 (16.7%)
Other 19	22 (20.0%)	29 (23.6%)

number of auditing professors was negligible, while the Other 19 universities reflect a 31.8 percent increase in audit faculty (similar to the results relating to professors with a teaching or research interest in ethics).

Finally, the researchers address the question of whether the average compensation of professors who indicated a teaching or research interest in auditing or ethics was higher, similar or lower than professors in any other sub-discipline of accounting. The *Texas Tribune* published this data for the year 2010 for all of the Big 9 and most of the Other 19 universities. As adequate salary information for the Other 19 accounting faculty salaries was not available, the

researchers focused only on the Big 9.

Therefore, the question examined is, "In the Big 9, what was the average compensation level for those professors who indicated a research or teaching interest in auditing compared to those who did not list an interest in audit research or teaching in 2010?"

From data obtained from the *Texas Tribune's* (2011) web site, Table 5 illustrates that auditing professors earned about 13 percent less than professors in all other sub-disciplines of accounting.

Discussion and Conclusion

This research suggests that, although the TSBPA has been aggressive in its push to

integrate ethics education into accounting education, the state universities of Texas have fallen flat on providing faculty resources or incentives to accomplish the effort. While the research indicates a decline in ethics disciplinary action over the last ten years and support by current Texas CPAs in the university ethics education initiative, interest in auditing or ethics education or research amongst Texas public university faculties has not substantially increased using these self-reported measures

The next question is, "Why?"

First, it may be simply a matter of a measurement error. The researchers used "The Hasselback" as an indication of teaching and research areas of interest for

Table 5
Average Compensation of Tenure and Tenure-track Professors
at Texas Public Universities for 2010-2011 Academic Year

	Compensation Auditing Professors (2010-2011)	Compensation Non-auditing Professors (2010-2011)
Big 9	\$143,304	\$164,810

each accounting faculty member. The listing is updated yearly; however, it is possible that many professors began teaching ethics as a component of their other courses or began publishing papers that partially examined ethical consequences and simply did not update their listings. The listings allow for up to four areas of emphasis in accounting—and nearly every professor listed less than four.

Given this potential measurement problem, the researchers suggest that the emphasis on ethics in business and in accounting by both the TSBPA and the overwhelming press over the past ten years might have lead to a promotion by universities and professors of any expansion in emphasis on the ethics and auditing disciplines. These results suggest that this is clearly not the case.

It would appear that the research and publication opportunities in ethics (and even in auditing) are some what limited in the highest echelon journals. Specifically, the “Big 3” journals in accounting—*The Accounting Review*, *Journal of Accounting and Economics*, and *Journal of*

Accounting Research, focus almost exclusively on financial and managerial accounting. Little emphasis is placed on other areas of accounting such as auditing, taxation, information systems, or ethics. For example, a study of Canadian accounting faculty (Mathieu & McConomy, 2003) found nearly two-thirds of publications in top ten accounting journals in the 1990s were in managerial or financial accounting. Tenure-granting processes and the pressure on accounting faculty (particularly untenured faculty members) at the Big 9 universities to publish in one of the “Big 3” (or top 10) journals probably undermines interest that faculty would have in expanding into ethics or auditing research.

These results suggest that more research is required. Future research in this area could investigate this publication requirement constraint in other ways. First, are the Big 9 new hires that are also new graduates of PhD programs overly weighted with research interests in only financial and managerial accounting? Second, do faculty members broaden or restrict their areas of interest as noted

in “The Hasselback” over time? Finally, do Big 9 faculty expand their areas of interest differently than Other 19 faculty after receiving tenure? More evidence might shed light on the interaction between whether significant progress has occurred toward the TSBPA’s increased focus initiative, resources provided, and demands of the current tenure process.

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