

Beasley, M.S., Carcello, J.V., Hermanson, D.R., and Neal, T.L. (forthcoming). **The Audit Committee Oversight Process**. *Contemporary Accounting Research*.

ABSTRACT

Relatively few studies have examined the audit committee oversight *process* – the activities that link audit committee inputs and financial reporting outcomes. To study this process, we conducted extensive interviews of 42 U.S. public company audit committee members. We explore six audit committee process areas, offer insights into the state of audit committee processes in the post-Sarbanes-Oxley (SOX) environment, and consider our results in light of agency theory and institutional theory. We find that many audit committee members strive to provide effective monitoring of financial reporting and seek to avoid serving on ceremonial audit committees, but within each of the six process areas we find evidence of both substantive monitoring and ceremonial action, such that neither agency theory nor institutional theory fully explains our results. We also find that many responses vary with personal and company characteristics, with particularly notable differences related to audit committee members' accounting expertise and time of appointment to the audit committee (pre-SOX versus post-SOX). We discuss implications and directions for future research and theory development.

Keywords: Audit Committee; Oversight; Process; Effectiveness