Do PCAOB Inspections Improve the Accuracy of Accounting Estimates?

Sarah B. Stuber
Texas A&M University

Chris E. Hogan
Michigan State University

In compliance with the *JAR* Data Policy, we provide the following information regarding the empirical data used in the *JAR* publication entitled "Do PCAOB Inspections Improve the Accuracy of Accounting Estimates?

1. A description of which author(s) handled the data and conducted the analyses.

Data was initially accessed, collected, and handled by Sarah Stuber. Sarah Stuber performed the analyses, with significant review of data, output and results by Chris Hogan. Chris Hogan vouches for the sources of the raw data as described below.

2. A detailed description of how the raw data were obtained or generated, including data sources, the specific date(s) on which data were downloaded or obtained, and the instrument used to generate the data (e.g., for surveys or experiments). We recommend that more than one author is able to vouch for the stated source of the raw data.

Bank level data (Call reports) were obtained from the FDIC's Summary of Depository Institution data (https://www5.fdic.gov/sdi/download_large_list_outside.asp) on September 27, 2017 for the years 2005-2016 and on June 25, 2019, for years 2017-2018.

Holding company level data (FR Y-9C) were obtained from the Wharton Research Data Services' (WRDS) Bank Regulatory Bank Holding Company database on July 24, 2017 for the years 2005-2016 and on May 22, 2018 for year 2017. The names of the bank auditors were manually cleaned and assigned unique identifiers to allow for analysis. Public bank-years were identified from the holding company data based on field rssd9056. The year-end FR Y-9C was merged to appropriate bank call reports as of year-end in order to obtain the bank auditor identification.

PCAOB inspection reports for the sample auditors were obtained from the Firm Inspection Reports page on the PCAOB's website (https://pcaobus.org/Inspections/Reports/Pages/default.aspx) on various dates in 2017, 2018 and 2019. These reports were manually reviewed by Sarah Stuber to identify the total number of findings and the total number of findings related to the allowance for loan losses, as well as the dates of inspection fieldwork and final inspection report date. Chris Hogan manually reviewed a sample of the coded reports for accuracy of classifications. The manually collected information from the PCAOB inspection reports was then merged into the bank and auditor dataset to create a final dataset for analysis.

3. If the data are obtained from an organization on a proprietary basis, the authors should privately provide the editors with contact information for a representative of the organization who can confirm data were obtained by the authors. The editors would not make this information publicly available. The authors should also provide information to the editors about the data sharing agreement with the organization (e.g., non-disclosure agreements, any restrictions imposed by the organization on the authors, such as restrictions to publish certain results).

Not applicable as we do not use data from an organization on a proprietary basis.

4. A complete description of the steps necessary to collect and process the data used in the final analyses reported in the paper. For experimental and survey papers, we require information about the instructions and instruments used to generate the data, subject eligibility and/or selection, as well as any exclusion criteria. The full set of instructions and instruments can be provided in the online appendix.

The steps necessary to collect and process the data used in the final analyses reported in the paper are described in Internet Appendix A. For further details see #2 above and the detailed code file (Stuber Hogan.do).

5. The computer programs or code used to convert the raw data into the final dataset used in the analysis plus a brief description that enables other researchers to use this program. The purpose of this requirement is to facilitate replication and to help other researchers understand in detail how the raw data were processed, the final sample was formed, variables were defined, outliers were treated, etc. This code or programming is in most circumstances not proprietary. However, we recognize that some parts of the code or data generation process may be proprietary, including from the authors' perspective. Therefore, instead of the code or program, researchers can provide a detailed step-by-step description of the code or the relevant parts of the code such that it enables other researchers to arrive at the same final dataset used in the analysis. In such cases, the authors should inform the editors upon initial submission, so that the editors can consider an exemption from the code sharing requirement. Whenever feasible, authors should also provide the identifiers (e.g., CIK, CUSIP) for their final sample. Authors should consult our FAQ Sheet on the JAR website for further details.

We use Stata to convert the raw data into the final data sets and to perform all statistical analyses. The Stata do-file (Stuber Hogan.do) uses the files listed in Section 2 as inputs and produces the sample used in the main analyses as the output. The RSSDID and YEAR identifying the banks used in our final sample of annually inspected and triennially inspected firms are reported in "rssdBANKS.xlsx."

6. An assurance that the data and programs will be maintained by at least one author (usually the corresponding author) for at least six years, consistent with National Science Foundation guidelines.

The authors will maintain all data and programs for at least six years.