Who Audits America’s Local Governments? Government Clients Move Downstream to Regional and Local Audit Firms

Starting in the late 1990s, auditor-client relationships were subjected to four shocks: Y2K fears; financial frauds, such as Enron, WorldCom, and Tyco; the Sarbanes-Oxley Act of 2002, especially Section 404; and the 2008 financial crisis. A major private sector trend has also played out in the public sector, namely, the move away from national, Big 4 or 5 audit firms to smaller regional and local firms. As federal grants to state and local governments continue to balloon in number and size, Congress has relied on audits to track their use. This article analyzes the numbers of audits of local governments between 1997 and 2012 and who conducted them. The types of opinions issued were also tracked, showing a decrease in “modified” audit opinions. According to the GAO, the audits have often been “haphazard,” uncoordinated, and ignored financial controls. The trend toward using regional or local audit firms is viewed as troubling.

Donald Deis and Kent Byus

Converging and Diverging Forces on Customer Satisfaction: Comparative Empirical Analysis of Hollywood Movies in the U.S. and China

Now that China is the largest single movie market outside the U.S., “Hollywood” needs to understand what pleases Chinese audiences. Working with a new universal conceptual framework involving marketing manipulation, social groups, and individual experience and values, the authors posit that “satisfaction” reflects standardized marketing strategies (convergence) and divergence reflects social, cultural, and individual differences among global audiences. Empirical tests largely support these hypotheses, showing that standardized marketing can achieve convergence of satisfaction globally; that individual differences drive divergence; but that social influences, such as Facebook, can mediate between these so they can co-exist— at least in China. These and related findings may apply to other, non-Hollywood, goods or services.

Fiona Sussan and Ravi Chinta
Covenants-Not-To-Compete: The Relationship of Training and Education Criteria to Enforceability

While it's understandable that employers who invest in specialized training or education for their employees prefer not to see that training or knowledge transferred to a competitor, the courts generally take a narrow view of legal contracts that seek to prevent this. Covenants-not-to-compete—often called "non-compete clauses" in the U.S.—are governed by state, not federal law, and differ from state to state. Employees should familiarize themselves with relevant law before signing a noncompete clause, and employers should know when such clauses are likely to be upheld—or not—in a court of law. As detailed here, non-compete clauses are generally enforceable only if the training and education is unique, specialized to a job, and are restricted in time and perhaps geography. Most courts seek a balance between employer and employee rights while also seeking to protect the public benefits of rising skills in a free labor market.

Frank J. Cavico, Bahaudin G. Mujtaba, and Stephen C. Muffler

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SAM Advanced Management Journal, ISSN 0749-7075 is published quarterly by the Society for Advancement of Management, Texas A&M University-Corpus Christi, College of Business, Corpus Christi, Texas 78412-5808, USA. Subscriptions: $84.00/one year, $160.00/two years, $230.00/three years. Single copies: $25.00 ($22.00 SAM members). Foreign: Add $20.00 per subscription for surface mail and $30.00 for Air Mail for each year to the above subscription rates.

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