CPA Practice Advisor

Accounting Firms

Directors signing audit reports for nonprofits are more often women, and partners are more often men, a new study found.

Aug. 22, 2022

Often instead of making partner, women in public accounting firms appear to be sidelined into less prestigious, less powerful director positions, a study has found.

Examining public audits from the seven largest firms, including Deloitte and KPMG, researchers found that directors signing audit reports for nonprofit entities were twice as likely to be women than men, despite the fact that there were fewer female

on the study published in the Journal of Accounting and Public Policy. "If we want equity in accounting, then both men and women need to be at the table making decisions."

Partners and directors can both lead audits of nonprofit entities, but there are considerable differences between the two groups. Partners are the top leaders of their firms. They buy into the firm, hold voting power, and help strategically plan how the firm goes forward. It is a high-risk, high-reward position, Harris said. Directors, while highly skilled and compensated, are salaried employees without voting power.

Both leadership levels lack gender equity with women making up 32% of directors but just 18% of partners, according to self-reports by large firms in 2016. This "vertical segregation," where men are clustered at higher levels than women, was also noted in earlier research in 2011 with the director-level dubbed a "pink-collar ghetto."

The current study shows that division is persisting. Harris and her co-authors, Elizabeth Almer of Portland State University as well as Julia Higgs and Joe Rakestraw of Florida Atlantic University, analyzed more than 1,500 audit engagements from 2017 Federal Audit Clearinghouse data for the seven largest public accounting firms. They found that among audit signers, directors were more often women, and partners more often men.

In addition, audit clients paid more for female partners who signed audits versus female directors or even male partners and directors. This study could not determine exactly why that was the case, but Harris said it is possible that some audit clients with goals for increasing diversity may be specifically asking for women partners to lead their audits, driving up demand for a limited supply.

It is also hard to pinpoint the reasons for the continued gender equity problems in

playing field. Advocacy and sponsorship are also key to helping women and other underrepresented employees advance into top leadership roles, and once more of them are there, it can help improve diversity overall.

“You can’t really hire diversity. You have to create an environment that attracts diversity,” Harris said. “For anybody going into accounting, if they can see themselves as a success story because they can see a partner that looks like them, then, it’s more attractive for them to enter that field.”

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