CHARACTERISTICS OF DIRECTORS SERVING ON MULTIPLE AUDIT COMMITTEES

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ABSTRACT

In the wake of major accounting scandals of the early 2000s and the subsequent legislative requirements imposed by the Sarbanes-Oxley Act of 2002 ("SOX"), the role of the audit committee director in the financial reporting process is more important than ever. Recently, concerns have grown over the presence of "multi-audit committee" (or "multi-AC") directors, who sit on the audit committees of more than one corporation. In this paper, we study the characteristics of multi-AC directors during three periods (pre-SOX years of 2000-2001, SOX implementation years of 2002-2003, and post-SOX years of 2008-2010) based on a sample of S&P 500 companies (n=288). We explore the characteristics of firms with multi-AC directors, the characteristics of multi-AC directors and the backgrounds of multi-AC directors. We will also present arguments that demonstrate the positive and negative effects of "multi-audit committee directors."

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I. INTRODUCTION

A. Audit Committee Overload post Sarbanes Oxley Act (2002)

In recent years, regulators and industry analysts have become concerned that audit committees have become overloaded with duties and responsibilities, decreasing their overall effectiveness and putting the company at risk for misstatements on financial statements. In a keynote address at the 2015 AICPA National Conference, SEC Chair at the time, Mary Jo White, expressed the following:

> I have growing concerns about the amount of work required of some audit committees. The increasing workload may dilute an audit committee's ability to focus on its core responsibilities: selection and overseeing the independent auditors; internal controls and auditing; setting up an appropriate system for the receipt and treatment of complaints about accounting; and reporting to shareholders. And when directors serve on multiple boards, including multiple audit committees, we must question whether they can do the job effectively. (White, 2015a)

Further, the SEC Chair reminded companies and directors to select "only those who have the time, commitment, and experience to do the job well" for nomination to this integral committee. The SEC Chair reiterated that the primary role of the audit committee is to oversee the financial reporting process and supervise the work of the external auditor (White, 2015). Baker McKenzie, the international law firm, released an audit committee and auditor oversight update discussing audit committee directors taking on too many responsibilities (Goelzer, 2015). It further highlights the concerns of SEC Chair, Mary Jo White, and SEC Chief Accountant, James Schnurr. Academic research agrees. Sharma and Iselin's study on audit committee structure and misstatements argues that audit committee workload has "significantly increased in the Post-SOX environment" due to increased supervision requirements over management including "internal audit function, internal controls, financial reporting issues, auditor selection, determination of audit and nonaudit fees, evaluating auditor independence, and dealing with whistle-blowers" (2012). Additionally, they are under higher scrutiny from "regulators, analysts, institutional investors, and other capital market participants" (Sharma & Islein, 2012). On the other hand, besides the expansion of responsibilities through Sarbanes Oxley, Baker Mackenzie's report argues that large duties being given to audit committees not directly related to the core responsibilities are distracting and cumbersome: for example, issues like cybersecurity. Consequently, due to these increase in responsibilities, the audit committees can be unable to effectively perform their primary functions.

The labor market for directors is complex and is based on the reputation of a director in the market. Due to increase in scrutiny by regulators many qualified individuals are not willing to serve as audit committee directors because any blemish on their reputation can be severely damaging and can restrict their mobility from one board to another. In addition to the increase in duties required of audit committee members, there is the concern that they also have multiple directorships in which they serve as directors for more than one board. DiCarlo states that independent directors are being stretched too thin (DiCarlo, 2002). As a result, busy directors who serve on multiple different boards are unable to effectively fulfill their roles. For example, in the case of the Wells Fargo customer scandal in which 3.5 million unauthorized accounts were opened, three key Wells Fargo directors had particular responsibility for addressing the bank's sales

practices issues. As the firm's lead independent director, Stephen Sanger scheduled the board's meetings, approved the board's agenda, and coordinated coverage of governance issues among the board's committees (Kress, 2018). James Quigley chaired the audit committee, which oversaw legal and regulatory compliance. Meanwhile, Enrique Hernandez chaired the risk committee, which oversaw the firm's enterprise-wide risk management framework and became primarily responsible for addressing the sales practices problems (Kress, 2018). Each of these key directors was stretched too thin with outside professional commitments during the period of Wells Fargo's misconduct. Sanger and Quigley both served on the boards of two other multi-national, public companies along with Wells Fargo. Hernandez's commitments were even more substantial. Hernandez served on the boards of three other public companies including Chevron, McDonald's, and Nordstrom, Inc., of which he was the chairman of the board. Hernandez's four public company boards placed him in the top 5% of the most "over boarded" corporate directors in America. Additionally, Hernandez was the CEO of Inter-Con Security Systems, Inc., one of the largest private security services companies in the United States. The Wells Fargo board's missed opportunities to address the bank's sales practices issues was partially due to its busy directors not being fully present. Boards comprised of busy directors meet less frequently, and therefore, may have worse financial oversight. In Sharma and Iselin's paper they found that pre-SOX firms with misstatements had audit committees that met less frequently, but post-SOX firms with misstatements met more frequently (2012). It is debated whether or not committee meeting frequency is significantly related to financial oversight, but it does illustrate in this case that the Wells Fargo board members were not as engaged as their peers' members. From 2011-2015, the average yearly number of Wells Fargo audit committee meetings only amounted to 68.38% of its average peers' meetings, while the risk committee met only 60% of the peers' times (Kress, 2018). As a result, Wells Fargo's failed to respond to red flags regarding sales practice violations, and they permitted the bank to operate with a weaker risk management infrastructure. They did this, in part, because they were more overcommitted than the directors of any other bank. The three independent directors most responsible for addressing Wells Fargo's sales practice issues, Sanger, Quigley, and Hernandez, were especially busy, leading to insufficient time and attention spent on risk oversight (Kress, 2018).

II. BACKGROUND

A. Busy Directors on Boards

Rodger Raber, president of the National Association of Corporate Directors advises against hiring busy directors because "it is physically impossible to be on more than [a small handful] of boards if you really understand what's required today to be a director of a public company" (DiCarlo, 2002). Serving on an audit committee requires one to effectively assess the company's risks and clearly communicate with management, internal auditors, and independent auditors to gain the knowledge they need to provide appropriate oversight over the financial reporting process (Bunjo et al., 2018). Former SEC Chair White also strongly advised against committee members from overburdening themselves because the integrity of the committee's core responsibilities may be compromised (White, 2015).

Most relevant research has been done examining the effects of multi-board directors on the board as a whole, therefore the prior literature review below substantially consists of effects on the board in total. However, this paper will focus on the audit committee. Precisely, who the directors

are that serve on multiple audit committees and what has changed from pre-SOX to post-SOX implementation.

B. Who Tends to Have Multiple Directorships?

Examining the characteristics of busy directors, Pritchard, Ferris, and Jagannathan discovered that Forbes 500 firms are much more likely to have directors who are on multiple boards in comparison to smaller firms, suggesting multiple directorships is a "large firm phenomenon" (Pritchard et al., 2003). Looking at individual characteristics, they found that "over boarded" directors (serving on more boards than recommended by investor advocates like ISS) tend to be older and independent of the company and also serve or have served in roles as executives, bankers, and consultants. Fich and Shivdasani also found that when appointing outside directors, over boarded directors who currently serve on a large board are more likely to be selected over a busy director of a smaller firm (Fich & Shivdasani, 2006). Thus, the directors who serve on multiple boards (or "multi-board directors") are a large company phenomenon that could be fueled by reputation and the skills needed from executive and other supervisory careers.

C. Arguments for Multi-Board Directors

In examining directors who serve on multiple boards, some researchers have found positive benefits for firms with over boarded directors. Pritchard et al. 2003 found that firms with multiple over boarded directors have a higher market-to-book ratio and higher operating profit margins. This could be due to the experience and expertise multi-board directors bring to the table from their various corporate directorships. By sharing recommendations and solutions that worked for other companies, the multi-board director becomes more valuable, and the companies it serves can all mutually benefit. This perspective suggests that boards with busy directors can be as effective as non-busy boards in terms of productively bettering the firm. Harris and Shimizu also find that busy directors are able to govern effectively and efficiently because of their experience and accumulated knowledge from other boards (Harris & Shimizu, 2004). These directors serve as an important source of knowledge for a board and act as a complement to insiders and non-busy directors who lack outside board experience.

Multiple directorships may also have a positive reputational effect for the directors themselves. Fama and Jensen indicate that serving on other boards can help develop a director's reputation (Fama & Jensen, 1983). Pritchard et al. 2003 suggest that serving on large boards can help directors make connections and gain additional appointments on other boards. By serving on boards of firms with positive financial results, directors gain a reputational effect that leads to more board appointments.

D. Arguments against Multi-Board Directors

While the few studies described above show the positive effects of over boarded directors, various other studies have found negative effects resulting from boards with many over boarded directors. They find that directors who hold multiple directorships may be spread too thin, affecting their ability to be an effective board member and decreasing firm performance as a whole. While it may seem appropriate for the audit committee to take responsibility for reviewing the guidelines, processes, and policies management has in place to identify, assess, and manage risk, boards should take care not to overburden the audit committee with risk oversight responsibilities (Bujno et al., 2018). Researchers group these arguments into the "Busyness Hypothesis," which states that directors who serve on multiple boards are over-committed and not able to properly monitor the

firm and its management. These papers send a warning signal that board members with multiple directorships could be hurting the firm.

Contrary to the positive findings of Pritchard et al. (2003), Jiraporn et al. (2009) finds that directors with multiple seats on different boards are more likely to be absent from their meetings and have lower attendance records than board members who hold only one directorship. The authors emphasize that boards members' jobs are to exercise judgment on important issues and decisions during board meetings; if they don't attend these meetings, then they aren't fully performing their duties and are decreasing the effectiveness of the board overall.

Shareholders and investors also tend to have negative reactions to boards with over-committed directors. After examining market reactions to the appointment and resignation of board members with multiple directorships, Yermack (2006) found that shareholders reacted more positively to the resignation of a busy director than a non-busy director, suggesting investors discourage over-commitment of their directors. Similarly, Yermack observed negative market reactions when a director who already served on one or more boards was appointed to an additional board. Haniffa and Hudaib (2006) support this as well, suggesting that Malaysian shareholders view multiple directorships as unhealthy and detrimental to corporate governance. Shareholders take notice of busy directors and prefer to have directors with fewer directorships, believing those directors to have the proper time and energy to devote to the board.

The presence of multi-board directors has a negative impact on a company's financial performance due to ineffective monitoring. Fich and Shivdasani (2006) found that boards with directors who held three or more board positions had a detrimental impact on the financial measures of the company, finding results that show boards with busy directors yielded lower market-to-book ratios. To explain this decrease, they suggest that it is much harder to monitor and maintain effectiveness of the board when there are too many busy directors present. Because they are stretched too thin, many times these directors are not able to promote positive company performance. Companies who have more non-busy directors tend to be more financially notable in terms of performance, ROA, and cumulative abnormal returns. Sarkar et al., (2008) found that boards with busy directors were associated with higher levels of earnings management through absolute discretionary accruals. Jiraporn et al. (2008) find that overcommitted board members tend to diminish firm value, a finding they attribute to agency conflicts. Looking specifically at the audit committee, Dhaliwal et al. (2010) find that audit committee members who hold fewer directorships have a positive impact on the accruals quality of their firm.

A board with multi-board directors also increases the total risk of a firm. Cooper and Uzun (2012) examine the effect of multiple directorships on bank risk. They find that if all directors on the board of a bank take on one additional directorship, the idiosyncratic risk, a measure used to examine bank-specific risk, increases by 5.3%. They posit that busy directors, who have less time for each individual board, put their fiduciary duties aside and do not fully contribute their skills to the board, causing increases in bank risk.

While some research suggests that multi-board directors add value to a board through their expertise and experience, the majority of research suggests that multi-board directors harm board effectiveness due to their over-commitment. These directors are unable to give the necessary time and effort to provide effective monitoring of firm matters and issues. This paper will be focusing specifically on the issue of multi-board audit committee members. Where most prior research has focused on busybody directors on the board as a whole, given the rising importance of auditing due to the financial scandals of the early 2000s and 2008 and the passing of the Sarbanes-Oxley Act of 2002, examination of busyness within the audit committee is an important topic that needs

to be addressed. Using our sample set, we will examine the characteristics and frequency of multi-AC directors.

A relevant research to audit committee busyness is Sharma and Iselin's paper. Sharma and Iselin (2012) find that multi-board audit committee members post-SOX (July 2002-2007) are significantly positively related to financial misstatements, evidencing that these busy directors are not properly performing their monitoring responsibilities. Furthermore, "even if one audit committee member is too busy, then the quality of financial reporting may suffer" (Sharma & Iselin, 2012). This paper further supplements their research by extending the research period to 2008-2010 to examine multi-board audit committee member statistics and narrows the perspective to focus on directors serving on multiple audit committees ("multi-AC").

III. METHOD

A. Model

In this study, we examine the characteristics, frequency, and results of "multi-AC" directors within our sample of S&P 500 firms (n=288). We define a multi-AC director as a director who serves on more than one audit committee within the same year in our sample. For example, in 2002, Director A serves on the audit committees of company B and company C. This would qualify Director A as a multi-AC director for 2002. Director D who serves on only Company B in 2002 and only Company C in 2003 would not qualify as a multi-AC director even though he has served on more than one audit committee within our sample. We study the composition of audit committees and describe the characteristics of "multi-AC" members. We believe these members are important to study because serving on multiple audit committees adds experience, but can also pose risks of over-commitment that could lead to a decrease in audit committee effectiveness.

B. Data

Our data covers seven years, divided into three periods based on Sarbanes-Oxley (SOX) regulation: pre-SOX years of 2000-2001, SOX implementation years of 2002-2003, and post-SOX years of 2008-2010. We have hand-collected a large part of our data from proxy statements and annual reports via the SEC website. The limitation of this study is that we only have data for 2000-2003 and 2008-2010. We have a total of 2,473 unique audit committee directors for all years of which 212 are "multi-AC" directors (8.57%). These multi-AC members make up a small percentage of our sample.

Table 1A: Descriptive Data

Year	Number of Multi-AC Directors	Firms with Multi-AC Directors	Average number of Audit Committee Meetings
2000	85 (7.43%, n=1,144)	115 (39.93%, n=288)	4.50
2001	103 (7.86%, n=1,310)	135 (46.88%, n=288)	5.09
2002	118 (8.79%, n=1,343)	147 (51.04%, n=288)	7.36
2003	77 (6.67%, n=1,154)	116 (40.42%, n=287)	8.54
2008	70 (5.78%, n=1,211)	114 (39.58%, n=288)	8.72
2009	80 (5.98%, n=1,337)	124 (43.06%, n=288)	8.64
2010	68 (5.75%, n=1,182)	109 (38.25%, n=285)	8.45

Note. Multi-AC directors are counted only once, not counted for each seat.

IV. RESULTS

Table 1A provides descriptive data about the number of multi-AC directors, the number of firms with multi-AC directors, and the average number of audit committee meetings for each year. In 2000, there are 85 unique directors in our sample who are considered multi-AC members, serving 115 firms total and making up 7.43% of total audit committee directors. By the year 2002, the number of unique multi-AC directors increased by 35% to 118, or 8.79% of total audit committee directors. From 2000 to 2002 (the pre-SOX period), there is an increase both in numbers of unique multi-AC directors and in the proportion of total directors, suggesting that there was increased demand and acceptance for multi-AC directors. However, after the implementation of SOX in 2002, this trend shifts; by 2010, the number of unique multi-AC directors drops to 68, making up only 5.75% of the sample. These decreasing numbers show that, unlike pre-SOX, it was becoming more difficult and less desirable for AC members to serve on multiple audit committees. Sarbanes Oxley had a major effect on audit committee requirements and regulations, so the attitude towards multi-AC directors shifted. Due to SOX, the audit committee received wide leverage in overseeing the top management's accounting decisions. The audit committee members became independent of management, and they also gained new responsibilities such as: approving numerous audit and non-audit services, selecting and overseeing external auditors, and handling complaints regarding the management's accounting practices. The decreasing number of unique multi-AC directors indicate that the additional burdens of SOX regulations on audit committees affected director abilities to serve in multiple committees. In the post-SOX era, the number of audit committee meetings also increased significantly from pre-SOX period studied, creating a greater time commitment for audit committee directors. From an average of 4.5 meetings a year in 2000 to 8.72 meetings by 2008, the average number of AC meetings went up 93% pre to post-SOX implementation. Because of this elevated obligation, audit committee directors are not able to easily serve on multiple audit committees, decreasing the number of multi-AC directors. These

directors are unable to keep up with the high number of meetings and the increased time obligations, and they drop their extra committee commitment.

Table 1B: Overview of Multi-AC Directors

Year	Multi-AC directors	Number of AC Seats	Board Tenure	Age	% Male
2000	85	2.1	6.6	60.42	74.14
2001	103	2.1	7.2	61.16	75.12
2002	118	2.2	7.3	61.41	77.60
2003	77	2.1	6.5	61.28	79.50
2008	70	2.0	6.8	62.61	81.69
2009	80	2.0	7.6	63.84	81.48
2010	68	2.1	7.8	64.13	87.05

Table 1B examines multi-AC director characteristics for each year of our sample. 2001 and 2002 featured the highest number of unique multi-AC members, at 103 and 118, respectively. The number of unique multi-AC directors steadily decreased through our sample years, bottoming out at 68 unique multi-AC directors in 2010. An explanation for this decrease could be the increased workload required of audit committee directors due to SOX. Although the number of unique multi-AC directors dropped over the course of our sample years, the average number of audit committees served by the multi-AC director remained stable—at about two audit committees.

From 2000 to 2010, the average age of the multi-AC director in our sample rose from 60.42 years to 64.13 years, suggesting that these multi-AC directors are becoming increasingly older. They are also serving increasingly longer tenures, rising from an average of 6.6 years in 2000 to 7.8 years in 2010. The number of multi-AC directors in our sample is also predominantly male and becoming more so. While the percentage of male multi-AC directors was 74.14% in 2000, that figure increased more than 10% to 87.05% in 2010.

Table 1C: Multi-AC Director Backgrounds

Year	Accounting Experts	Finance Experts	Supervisory Experts	Other Background
2000 (n=85)	0	15	55	15
2001 (n=103)	0	18	68	17
2002 (n=118)	3	20	76	19
2003 (n=77)	4	10	49	14
2008 (n=70)	6	17	40	7
2009 (n=80)	6	20	47	7
2010 (n=68)	7	18	38	5

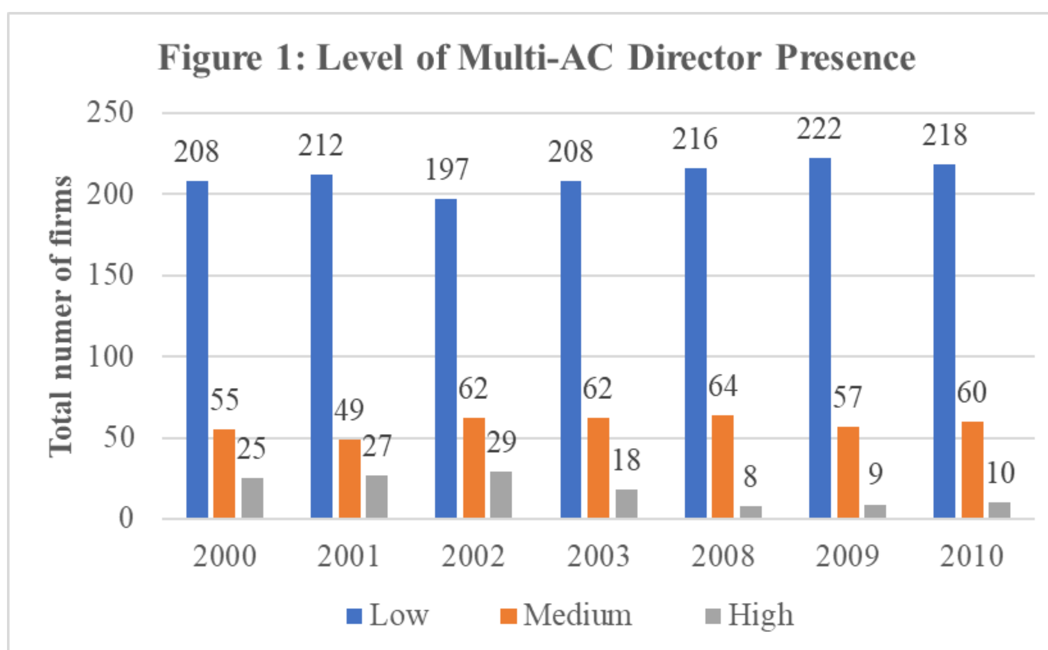
Note. Background categories defined according to Dhaliwal et al. (2010). Accounting experts are directors with work experience as CPAs, CFOs, VPs of finance, controllers, or any other major accounting position. Finance experts are directors with work experience as investment bankers, financial analysts, or any other financial management role. Supervisory experts are directors with work experience as CEOs, company presidents, or any other senior management role. If a director does not have experience in any of these three categories (e.g., academics, health, law, science, etc.), they fall under the "Other Background" category.

In examining the backgrounds of multi-AC directors in Table 1C, we find that they tend to be in supervisory positions, such as CEO. In 2000 and 2001, there were no multi-AC directors within our sample who had accounting backgrounds. After the implementation of SOX in 2002, the number of multi-AC directors with accounting backgrounds increased, but still remained a very small portion of the sample. The majority of multi-AC directors have backgrounds in high profile, supervisory positions (although the number with supervisory backgrounds is decreasing over the years). Throughout the sample years, the number of multi-AC directors with finance backgrounds stays consistent. The number of directors with other backgrounds, such as medicine, law, or education, decreases through our sample, going from 15 directors in 2000 to only 5 in 2010. Post-SOX, there is a trend away from multi-AC directors with backgrounds in supervisory or other non-financial areas towards directors who have experience in finance and accounting.

Table 2: Firm Characteristics Based on Multi-AC Director Presence Level

Multi-AC director Presence	Number of Firms	Total Assets
Low	225 (78.13%)	$42,586,197,617
Medium	53 (18.40%)	$58,692,246,061
High	10 (3.47%)	$54,772,189,436

Note. Multi-AC director presence level is based upon the percentage of multi-AC directors out of total audit committee members for that firm. Presence levels were then averaged over the seven-year period for each firm. Firms with low presence have 0-20% average multi-AC director presence. Medium firms fall between 21-40% multi-AC director presence, and high firms have a multi-AC director presence percentage of 41% or higher. Measures represent averages over the seven-year sample.



Note. Multi-AC director presence level is presented using three different categories (Low, Medium and High). The number of firms that had a high level of multi-AC director presence declines in the Post-SOX era as shown above in Figure 1.

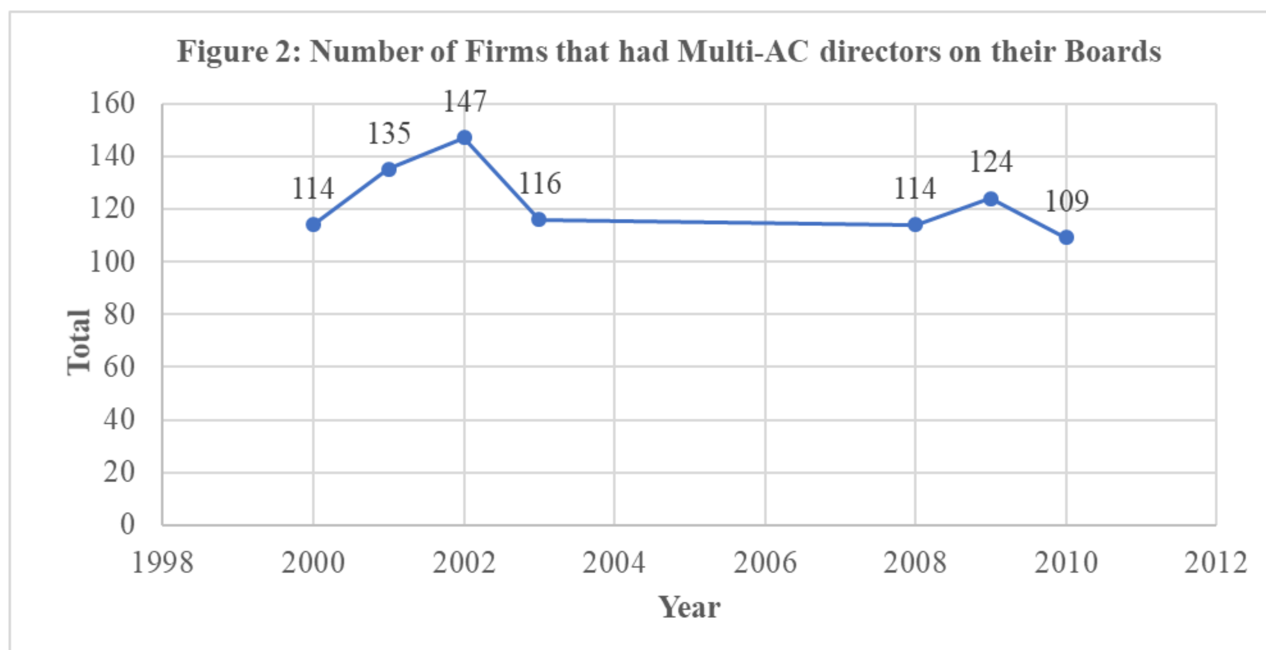
Table 2 provides firm characteristic data broken down by the level of multi-AC director presence. In our sample, the majority of firms' audit committees (78.13%) had a low multi-AC director presence level, where 20% or less of the audit committee members were multi-AC directors. 18.4% of firms had a medium level (21-40%) of multi-AC director presence on their audit committee, and only 3.47% of firms had a high level of multi-AC director presence (more than 40%). Moreover, we also note that the number of firms that had a high level of multi-AC director presence declines in the Post-SOX era due to the increased scrutiny by regulators on audit committees (Figure 1).

Firms at the lowest multi-AC director level had, on average, the lowest total assets, suggesting that smaller firms tend to have fewer multi-AC audit committee directors. This further contributes to the research that larger corporate bodies have busier directors discussed in the introduction (Pritchard et al., 2003).

Table 3: Audit Committee (AC) Characteristics Based on Multi-AC Director Presence Level

Multi-AC director Presence	Size of AC	% Multi-AC director	Age of AC Members	Tenure of AC Members	AC Meetings	%Male	%Female
Low	4.62	7.40	62.06	7.77	7.41	85.89	14.11
Medium	4.55	28.22	62.42	7.70	7.26	82.82	17.18
High	5.10	44.12	61.81	6.31	6.55	82.28	17.72

Note. Multi-AC director presence levels are defined in notes to Table 2. Measures represent averages over the seven-year sample.



Note. Multi-AC director presence level declines from the Pre-SOX era to the Post-SOX era as shown above in Figure 2.

Table 3 provides audit committee characteristics broken down by firm multi-AC presence level. Audit committees with a high multi-AC presence levels tended to have the largest audit committee size with an average of 5.1 members, suggesting that larger audit committees feature a higher proportion of multi-AC directors. Examining the age of audit committee directors, we found that audit committees with a high presence of multi-AC members tended to have a lower average member age and shorter average member tenure. This suggests that multi-AC audit committee directors tend to be younger and serve for shorter tenures than their non-busy counterparts. According to PwC's census of S&P 500 company directors age 50 and under, more than half of the younger directors have held their board seat for two years or less. Their average tenure is 2.8 years. In contrast, the average tenure of all independent directors in the S&P 500 is 8.2 years (PwC, 2018). Furthermore, about 90% of young independent directors sit on at least one board committee and half sit on two or more committees. These young committee members with low tenure may be making up some of the multi-AC directors seen in this research's data. Therefore, the census data further confirms some of the findings seen here. Audit committees with higher multi-AC presence also had fewer average meetings per year at 6.55 meetings compared to 7.41 meetings for firms with low multi-AC presence. If reduced audit committee meetings during the year demonstrates greater audit committee effectiveness (in that less meetings mean less complications), this may be an indicator that a higher presence of multi-AC members is better for corporate financial oversight. However, it is contested whether it can be assumed that more meetings would mean higher likelihood for financial misstatement. Finally, audit committees with a high presence of multi-AC members tended to feature more women with a female percentage of 17.72% compared to only 14.11% of boards with a lower multi-AC director presence. In this observation then, audit committees with more multi-AC directors have higher levels of gender diversity.

Table 4: Multi-AC Director Presence by Industry

Industry Code (12) Description	Firms	% Multi-AC director
Consumer Durables	6.0	20.63
Chemical and Allied Products	12.0	20.62
Telephone and Television	6.0	19.79
Consumer Nondurables	14.0	18.42
Manufacturing	36.0	14.34
Other	28.0	12.12
Finance	61.0	11.60
Wholesale, Retail, and Some Services	15.0	11.02
Business Equipment	34.0	10.65
Utilities	29.0	10.42
Healthcare	21.0	10.22
Energy	26.0	9.56

Table 4 examines multi-AC director presence levels by industry. The consumer durables industry features the highest percentage of multi-AC director presence at 20.63%, followed by chemicals and allied products at 20.62% and telephone and television at 19.79%. The industries with the lowest presence of multi-AC directors are energy 9.56%, healthcare 10.22% and utilities 10.42%. The amount of expertise required by industry for AC members could have effects on these numbers of directors serving on multiple audit committees.

V. SUMMARY

The main finding of our data collection and analysis is that both the number of individual multi-AC directors, and the number of firms that feature multi-AC directors, have steadily decreased in the post-SOX era—likely because of the increased workload required of audit committee directors in the wake of new regulations under SOX (Figure 2). Firms that have the most multi-AC directors tend to be medium to large size firms. Consistent with the findings of Pritchard et al. (2003), smaller companies in our sample tended to have fewer multi-AC directors, a trend that would be even more distinct when observing firms outside of the S&P 500. The presence of multi-AC directors varies greatly by industry; the energy industry had an average proportion of only 9.56%, while the consumer durables industry averaged 20.63%.

Examining the characteristics of audit committees related to multi-AC directors, we find that larger audit committees tend to have more multi-AC directors by proportion. Audit committees with more multi-AC directors tend to have a lower average age, shorter average tenure, have fewer meetings per year, and feature more women. In conjunction with the findings of Harris and Shimizu (2004), the trend of fewer meetings could be a sign of improved audit committee effectiveness due to the presence of multi-AC directors.

VI. CONCLUSIONS

From our sample and based on the most recent data we collected of 2010, we have determined that the average multi-AC member sits on the audit committee of two companies, has a tenure of 7.8 years, is 64.13 years old, and is mostly male. In regards to their background, they

most likely are supervisory experts, serving in positions such as CEO or company president, but are increasingly becoming more likely to be a finance or accounting expert.

Are these multi-AC directors detrimental to corporate oversight? According to prior research, yes. However, according to this study, their effect on corporations may be becoming less and less significant to the overall economy due to the decreasing number and percentage of multi-AC directors. This data demonstrates that Sarbanes Oxley had a profound effect on decreasing the number of directors that could serve on multiple audit committees. Seen in the decreasing numbers, directors have been letting go of audit committee memberships that are too much for them to handle. Yet more research can and should be done on whether the handful of multi-AC directors pose threats to the individual corporations they serve, based on past financial misstatements.

This research on multi-AC members is just one part of the overall question about whether audit committees are currently effective enough to monitor corporate management. The increase in responsibilities over the past twenty years may well affect those directors with only one AC membership.

Further research on this topic could aid in developing the full picture of who these multi-AC directors are, why they are appointed to multiple audit committees, and the effect that they have on audit committees, boards, and overall corporate performance. Meeting attendance data for multi-AC members could be gathered to see if the results fall in line with the findings of Jiraporn et al. (2009), who suggest that board members who sit on multiple boards have lower attendance records than their non-busy peers. Industry differences could be further explored to examine the role of multi-AC directors in different industries and determine why there is a large range of presence levels among industries. Statistical analysis of the relationship between multi-AC directors and audit fees could also be conducted to determine if there is a statistically significant relationship between the two variables, controlling for factors such as company size. Conducting a statistical analysis similar to Sharma and Iselin would be useful to see if multi-AC directors serving on audit committee memberships show different results than audit committee members merely serving on outside boards. To do this, further analysis could be done using financial misstatements as a proxy for ineffective oversight. Although a variety of research exists studying the busyness of board directors overall, accounting literature and research on SOX and audit committees could benefit from a closer examination of multi-AC directors. It is important to discuss the characteristics of audit committee directors who serve on multiple audit committees because it informs future shareholders and investors about the drawbacks and benefits of busy directors. Because shareholders elect the board of directors, they should recognize the risks associated with busyness and take those into consideration when electing future board members.

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