

THE UNITED STATES MEDIA RESEARCH EXAMINATION PROCESS

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This paper provides a description of how the Media Rating Council, through its examination process, helps self-regulate and improve the quality of the media research industry.

Introduction

In the United States, the validity, reliability and effectiveness of media research is subject to self-regulation and monitoring through the functions of the Media Rating Council, Inc. (the Council or MRC). The Council was formed in 1964 as a result of hearings by the U.S. Congress reviewing the practices of media research. At that time and partially as a result of the hearings, broadcasters concluded that if audience measurements of their programming were to be dependable and accepted, the ratings process would not only have to be more accurate, but also accredited (i.e., verified) as accurate. This became the Council's first job—to provide assurance that rating services were doing what they said they were doing. An integral part of the verification process was an examination function, executed once a year on all regulated services, to prove disclosures and practices were equivalent.

Since 1964 the Council has expanded its scope to seek improvement in the quality of audience measurement by these services and to provide a better understanding of the applications (and limitations) of rating information. Although the process has not solved all the problems associated with measurement and accuracy in the complex U.S. measurement environment, in many cases it has succeeded in fostering methodological, quality control and disclosure changes which benefit users.

Ernst & Young LLP was among the original firms selected by the Council to perform the examination function and currently is the only firm performing examinations for the Council. The purpose of this paper is to discuss the methods Ernst & Young and the Council use to execute examinations of media research firms in the U.S. Although syndicated research from the fields of television, radio, print, internet and multi-media are accreditable by the Council, the primary focus of this paper is print research.

Improvements made by the independent, private rating services in the U.S. as a result of the examination process are generally not publicized as such, nor are specific examination results. Similarly, due to the confidential nature of such matters, this paper does not share any specific examination results.

Note that we have used the term "examination" throughout this paper as opposed to the commonly used term "audit." The reason for this is due to standards promulgated by the American Institute of Certified Public Accountants (AICPA), which governs communications made by Certified Public Accountants in the United States. The term "audit" has a very specific financial meaning, thus our use of the term "examination" in this paper.

The Media Rating Council

The MRC is a nonprofit association of broadcast television and radio networks, cable networks, publishers, advertising agencies and other organizations with an interest in quality ratings. The mission statement of the MRC is as follows:

1. To secure for the media industry and related users audience measurement services that are valid, reliable and effective.
2. To evolve and determine minimum disclosure and ethical criteria for media audience measurement services.
3. To provide and administer an examination system designed to inform users as to whether such audience measurements are conducted in conformance with the criteria and procedures developed.

The MRC relies on voluntary compliance and cooperation of individual rating services. All syndicated media (television, radio, multi-media, internet or print) audience measurement services in the United States and its territories are invited to apply for MRC accreditation. To be accredited, the service must:

- Supply complete information to the MRC;
- Comply substantially with the Minimum Standards for Media Rating Research (MRC Minimum Standards);
- Conduct its service as represented to subscribers and the MRC;
- Submit to annual examinations by the MRC's auditors; and
- Pay the examination costs.

The membership evaluates the annual examinations and grants MRC accreditation, if deemed warranted. Companies with at least one accredited product/service include Arbitron, International Demographics, Inc., Mediatrax, Inc., Mediamark Research, Inc., Nielsen Media Research, Snap Software and Statistical Research, Inc. Several other initial examinations are in process at this time.

The examinations are principally designed to determine compliance with MRC Minimum Standards, published by the Council. These standards are divided into three types:

1. Ethical and Operational Standards which govern the quality and integrity of the entire process by which ratings are produced.
2. Disclosure Standards which specify the detailed information about a rating service which must be made available to users, the MRC, and its audit agent, as well as the form in which the information should be made available.
3. Electronic Delivery and Third-Party Processor Supplementary Standards reflect additional requirements for ratings services that deliver audience data electronically and for third-party processors that apply for accreditation.

One of the benefits of the MRC Minimum Standards is their flexibility in that they can be effectively applied to many different types of research (e.g., people meter based television, diary based radio or television, print measurement, etc.).

The Ernst & Young Examination Team

All MRC examinations are conducted by the Ernst & Young media research services group (the Group). All members of the Group work full-time and exclusively on media research engagements. Group members have diverse backgrounds including Certified Public Accountants, Certified Information Systems Auditors, operational and compliance auditing specialists and extensive experience with auditing, survey and quality control sampling processes.

Initiation of the Examination Process

Research providers seeking to gain MRC accreditation must apply via written communication to the MRC. Ernst & Young then gets involved by communicating and meeting with the research provider to gain an understanding of the products and procedures to be examined.

Ernst & Young proposes an examination work plan based on the specific methodology of the research provider and the specific concerns of the Council (i.e., sample methodology, response rates, data adjustment procedures, etc.). The examination work plan, the estimated timing of the engagement, and the cost of the examination are included in a draft Coordination Document. The draft Coordination Document is circulated to the research provider and the MRC.

The MRC forms a subcommittee of members interested in the research provider seeking accreditation. The subcommittee meets with Ernst & Young to discuss the draft Coordination Document and provide suggested additions, deletions or changes. Input is also received from the research provider. Consensus is reached about the content of the Coordination Document before any actual examination work is initiated. The examination work plan must be sufficient to enable Ernst & Young's conclusion as to compliance with the four items described below.

Ernst & Young's examinations have been designed to determine if the procedures utilized by the research provider to compile audience estimates substantially comply with the following:

- *Minimum Standards for Media Rating Research.*

Compliance with this item demonstrates that the research provider is performing procedures in a quality manner dictated by a set of standards accepted by the technical commission on behalf of the industry.

- *Procedures described in the rating service's internal procedure manuals.*

Compliance with this item demonstrates that employees are performing procedures as management, and possibly consultants, designed.

- *Reference material provided to subscribers.*

Compliance with this item demonstrates that the research provider's actual methodology is as described in descriptive material provided to the subscribers.

- Procedures described in a detail methodological questionnaire completed by the research provider.

In some instances, a research provider's reference material provided to clients is not very detailed. This methodological questionnaire forces management of the rating service to communicate, in writing, the details of the process to the auditors, the commission and the MRC. Ernst & Young uses this document as a starting point to understanding the research provider's ratings process. Additionally, some research providers have adopted the answers to this questionnaire as their description of methodology.

Execution of the Examination

Ernst & Young uses a standardized examination approach which was developed over time based on experience and interaction with audit committees, technical commissions, the MRC, etc. The approach is adjusted for changes in technology and a research provider's specific procedures for collecting, editing and reporting the measured behavior—but the approach is always based on basic media research examination principles, derived by us, listed below.

- *The approach includes learning/understanding the processes and procedures actually in place at the research provider.*

The approach focuses on verifying the processes and procedures that impact audience estimates, disclosing our results to the Council in a meaningful manner and assessing the implications surrounding the results. For example, one of our examination procedures when a telephone-based data collection methodology is used is to ask the telephone center manager the following questions (additional questions would be dictated by the specific methodology):

1. What are the hiring practices for interviewers conducting the study?
2. How are interviewers trained?
3. Do interviewers use an interviewing manual?
4. What forms/documents are required to be completed by potential employees (e.g., job application, etc.)? What forms/documents are required to be completed by new employees (e.g., confidentiality, monitoring and falsification forms)?
5. What are the controls surrounding (e.g., monitoring) and how intensive is the placement effort?
6. What days and times are calls made?
7. Is a Computer-Assisted Telephone Interview (CATI) system used?
8. Is sample released in replicates? If so, what size?
9. How many attempts before a selected sample point is considered a "dead" disposition?
10. Which techniques are employed to convert reluctant respondents?
11. Are specialists used to attempt refusal conversions?
12. How are issues or problems communicated to the research provider's management?

Our examination report includes the answers to these questions and, additionally, through performance of examination procedures using real sample points and data, provides verification of the procedures being performed.

- *The examination follows the stream of production.*

The approach focuses on the production stream of the research company and covers all significant areas of the production process. This enables Ernst & Young to understand the big picture and have our auditing personnel constantly ask what could go wrong in each area of production and how it would impact reported audience estimates. The following chart provides some examples of this concept:

Area of Production	Big Picture Concern
Sample Design and Selection	<ul style="list-style-type: none"> • Do all members of the measured population have a known, nonzero probability of selection? • Do response rates reflect the methodology and recruitment procedures?
Design Weighting	<ul style="list-style-type: none"> • Do design weights adjust for known limitations in the sample design (e.g., multiple telephone lines in a random digit dialing sample methodology).

Area of Production	Big Picture Concern
Data Collection	<ul style="list-style-type: none"> Do interviewers introduce bias into the study by not following scripts, leading respondents, etc.? Are control procedures in place to ensure no questionnaires are lost or altered after completion?
Data Editing	<ul style="list-style-type: none"> Are editing procedures consistently applied between editing personnel and/or vendors? Are internal editing procedure manuals maintained and are procedures performed in accordance with these manuals?
Data Entry	<ul style="list-style-type: none"> Do the responses entered into the computer system accurately represent the responses in the questionnaire?
Data Adjustment	<ul style="list-style-type: none"> What are the applicable ascription rates (e.g., unanswered questions, nonreturned questionnaires, rotated questions)?
Computation of Audience Estimates	<ul style="list-style-type: none"> Which demographics are used for sample balancing? Are audience estimates calculated consistently and accurately?
Data Processing	<ul style="list-style-type: none"> Is physical and electronic security maintained over computer systems used to store respondent data and produce audience estimates? Are computer program changes properly documented and tested prior to being put into production?
Inspection	<ul style="list-style-type: none"> Is a checklist used to ensure that calculated results are reviewed for potential problems prior to publishing results?
Textual Disclosures	<ul style="list-style-type: none"> Are disclosures made to customers complete and accurate?

- The examination focuses on the areas of risks and client concerns.*

A goal of clients is to have a consistent, reliable advertising currency. Therefore, as previously mentioned, before we implement our standardized approach, we circulate a detailed description of our procedures to the Council and communicate with them during and after the examination to ensure that all concerns are addressed.

The distribution of audit costs and hours correlates with the focus on risk. In almost all of our examinations, the majority of hours are spent in data collection where we first gain an understanding of procedures through interviews with various personnel. After these interviews, we test procedures on a sample of interviewers/households through personal observation, monitoring, mailing interception or household visits (depending on the methodology). Additional data collection testing such as tracking response rates and matching of returns by area to population for reasonableness is also performed.

- The examination procedures are integrated between different areas of production of the research provider.*

Our experience has determined that an integrated examination approach is necessary in order to provide a thorough examination report. For example, we test the consistency between manual and automated editing/cleaning procedures. We also review disclosures made to the research company’s customers to determine consistency with our testing in areas such as sampling, data entry, data adjustment (i.e., ascription) and sample balancing.

- An important examination goal is to increase the research provider's focus on quality control.

Our experience has shown that neither the research provider nor the audience estimates are ever perfect, but an acceptable level of comfort in which the research company is constantly working to improve its service from a quality standpoint is achievable. For example, many of our clients have developed positions for an internal auditor whose procedures parallel those of our annual examination. We consistently uncover errors of research providers during the performance of our examinations; our goal is to minimize ongoing errors.

Interim Communication

Generally, there is little communication between Ernst & Young, the MRC, and the senior management of the research provider during performance of testing procedures. During this testing phase, Ernst & Young works primarily with the designated contact of the research provider (typically the Director of Research or equivalent). One exception to this general rule is a material weakness.

Ernst & Young's policy is that material weaknesses noted in the performance of the examination are to be communicated to the MRC and the senior management of the research provider on a timely basis. When these weaknesses come to our attention during interim stages of the examination, we communicate the findings during the interim stages as soon as the finding is completely known (hereinafter referred to as "official interim communication"). Timely written communication is intended to enable the Council to consider the findings and the senior management of the rating service to begin taking appropriate corrective actions.

Material weaknesses are defined as follows:

Significant deficiencies in the design or operation of the audience estimate production process of the rating service that, in our judgment, could adversely affect the rating service's ability to record, process, summarize and report audience estimate data consistent with the Minimum Standards for Media Rating Research or standard industry practice. These matters could come to the attention of Ernst & Young through the performance of examination procedures or any other reading or information review process.

The significance of examination findings and the categorization of findings as material weaknesses is determined by Ernst & Young for purposes of this communication. This decision will be based on the nature of the finding, not the political nature of the market or the composition of the Council.

A written notification of a material weakness is first reviewed by the rating service to ensure factual accuracy. Changes requested by the rating service are considered if they change facts or enhance the understanding or presentation of the issues.

The rating service will be allowed the opportunity to furnish a response timed concurrently with the issuance of the interim communication. A reasonable amount of time (approximately two weeks) will be afforded the rating service to prepare a response before the issuance of the official interim communication to the council. If necessary and requested by the Council, Ernst & Young will discuss the findings to ensure that they are thoroughly understood by all parties involved.

Developing and Providing Examination Reports to the MRC

The Ernst & Young examination report does not focus on whether the methodology and statistical concepts used by the research provider are the most appropriate available. For example, we do not comment whether we prefer a disproportionate stratified sample methodology or proportionate area probability technique. Rather, the focus is on the technical execution of the methodology, the accuracy of the audience estimate process, whether sampling and field implementation is as described by the research provider and the thoroughness of disclosures. The report sections are divided into the areas of production (e.g., sample design, data collection, editing, etc.). Each section is subdivided into two parts: (1) description of the research providers procedures and (2) Ernst & Young's testing procedures to determine compliance.

The examination report is initially distributed to the research provider and the MRC director. The research provider generally has two weeks to respond in writing to issues noted in the draft. The types of comments that accompany the response fall into two categories. The first type are changes related to typos and small misstatements of procedures (reports average more than 80 pages so the presence of some minor misstatements is not uncommon). The second is a response from the research provider related to an Ernst & Young finding or conclusion. The response will either address why the research provider disagrees with the conclusion or what changes are being implemented to address the finding.

The MRC director receives a copy of the first draft as a control (i.e., it enables the director to see what changes were made to the second draft as a result of the research provider's response). This procedure is sometimes used to ensure that the research provider does not inappropriately influence Ernst & Young findings. Any changes to the first draft are underlined and the research provider's response letter is included in the report as an appendix.

This second draft is distributed to the MRC subcommittee and a meeting is held after they have had an opportunity to review the report. At this meeting, Ernst & Young will answer report-oriented questions and the MRC will prioritize Ernst & Young's examination results and develop a list of research issues it would like to discuss with the research provider.

At the end of the meeting, the subcommittee members vote regarding accreditation of the product(s) under examination. Several outcomes can result from the voting process: (1) accreditation is granted, (2) accreditation is denied, or (3) accreditation is contingent upon the research provider’s plans to address significant deficiencies noted during the examination. These plans may or may not be subject to verification by Ernst & Young.

Examination reports (drafts or the final) are not public documents. Outside distribution is allowed only if Ernst & Young, the MRC and research provider agree in writing.

The entire examination process from beginning to end averages six months. An example of this time frame is provided below.

Time Frame	Description of Audit Process
Weeks 1-18:	Ernst & Young performs examination fieldwork and report writing.
Weeks 19-20:	Research provider reviews report and compiles comments.
Week 21:	Ernst & Young incorporates the research provider’s comments and mails the report to the MRC subcommittee.
Week 22:	MRC subcommittee reads report.
Week 23:	MRC subcommittee meeting is held.
Week 24:	Ernst & Young issues the final report.

Conclusion

Overall, we believe the examinations have brought significant benefits to the individual research companies and the industry as a whole. Ernst & Young and the MRC have developed a rigorous, transportable examination approach, which allows the application of many consistent procedures across various media and research providers. Our experience has been that the following benefits have been gained in the process:

- *Rating service improvements are made.*

Many of the issues surfaced as a result of our examinations result in changes in processes which improve the overall quality of the research.

- *Client concerns are centralized.*

MRC subcommittees are typically populated by the research provider’s significant customers. The MRC examination process provides the research provider with one place to learn, prioritize, and address customer’s issues, questions and concerns, rather than having to deal with them individually.

- *The comfort of an independent opinion.*

The industry and the research provider alike benefit from the independent opinion of Ernst & Young. Not all news is bad. Research providers can gain comfort from receiving positive results from someone outside their organization. The industry (through the MRC) can take comfort in knowing it is receiving an unbiased assessment of a research provider’s product.

- *Results do not get “stale.”*

Examinations are performed on an annual basis. This provides an incentive to the research provider to improve or maintain its processes and lets the industry know an independent party continues to test those processes.

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