In this paper we examine the association between firms hiring new chief executive (CEO) or chief financial (CFO) officers, and audit fees. This investigation is motivated by the interest shown by legislators and regulators in the role of individual executives in the financial reporting process and in the assurance of reliable financial reporting.

Following Enron’s failure, many in congress focused on the influence of top executives in fraudulent financial reporting. Given subsequent evidence, such concern was warranted (Geiger and Taylor 2003), and the result was a codification related to individual certification of the financial statements by the CEO and the CFO (SOX 2002). This congressional action was followed by the creation of the Corporate Fraud Task Force in the Justice Department (DOJ), which was tasked with identifying and prosecuting corporate executives in what the DOJ termed an effort to “restoring the integrity of the market” (DOJ 2002). In the five years that followed the task force’s creation, it obtained over 1,000 convictions or guilty pleas of corporate fraud, including cases against more than 200 CEOs, company presidents and chief financial officers (Searcey et al. 2007).

Prior research into the association between new CEOs and financial reporting has revealed an association between new executives and the levels of accruals. New CEOs, apparently, manage accruals so that earnings are lower in the year they are hired and higher in the subsequent years. Changes in discretionary expenses and capital expenditures are also evident when firms have exhibited poor financial performance immediately prior to hiring a new

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CEO (Strong and Meyer 1987; Healy et al 1992; Murhpy and Zimmerman 1993; Pourciau 1993; Denis and Denis 1995). Similarly, recent research into the association between a new CFO and financial reporting (Dowdell and Krishnan 2004; Geiger and North 2006) indicates that the hiring of a new CFO is associated with greater earnings management. Aier et al. (2005) find that the financial restatements are negatively correlated with years of experience as a CFO.

Thus the body of empirical evidence indicates that the appointment of a new CEO or CFO has an effect on the financial reporting process. New executives can also have different perceptions about the relative importance of processes and procedures, or the emphasis placed on achieving performance targets based on numbers included in financial statements.

Auditing standards have recognized for some time that the “tone at the top” matters. The Committee of Sponsoring Organizations (COSO 2006) specifically listed the “tone at the top” as an important item in the control environment. Since the control environment is a key determinant of the auditor’s effort (as well as the risk premium charged by the auditor), it is likely that changes in the auditor’s assessment of the client’s control environment will have an impact on the audit process.

Prior research shows that judgments about client executives constitute an important element in auditors’ risk assessments (Ayers and Kaplan 1998; Kizirian et al. 2005). Hiring new executive personnel introduces uncertainty into the auditors’ client-related assessments, making it likely that auditors will have to assess the risk of material misstatement higher; such higher risk assessments should, in turn, lead to auditors conducting more tests. Beaulieu (2001), for example, shows that auditor judgments about client executives are associated with the extent of audit evidence. Kizirian et al. (2005) show that auditors’ assessments of management integrity
are related to judgments about both the risk of material misstatements and plans related to audit evidence.

If the appointment of new executives leads auditors to increase the extent of testing, or change their audit procedures, then we can expect that there will be an audit fee premium associated with the hiring of a new CEO or CFO. More generally, as the uncertainty faced by auditors decreases with greater client familiarity with the executives of the client, we can expect that there will be a negative association between top executives’ tenure and audit fees.

In this research we examine if, indeed, there is an audit fee premium associated with a new CEO or CFO, as well as the magnitude of the fee premium. Our analysis of audit fees for 2004 indicates that the presence of a new CEO (CFO) is associated with an audit fee increase of 10.5 (9.4) percent. Given the recent controversies surrounding the role of CEOs and CFOs in the financial reporting process, our empirical results provide a different and interesting perspective – namely, auditors’ reactions to the hiring of new executives. The results suggest that audit fees reflect auditors’ beliefs about the financial reporting related risks associated with new executives of the client, and that familiarity with top executives of the client can lead to greater confidence in the financial reporting process which in turn leads to lower audit fees.

**HYPOTHESIS**

In this section we develop our hypothesis related to the association between executive tenure and audit fees. As in Kizirian et al. (2005), we rely on the standard audit risk model as well as on source credibility theory to develop our hypothesis.
Audit Risk Model

The standard audit risk model is defined as follows in Statement on Auditing Standards Nos. 47, 82, 98 and 99 (AICPA 1983, 1997, 2002a, 2002b):

Audit Risk = Inherent Risk \times Control Risk \times Detection Risk

The risk components are defined as follows (AICPA 1983):

Audit Risk \quad = \quad \text{Risk that the auditor may unknowingly fail to appropriately modify his or her opinion on financial statements that are materially misstated}

Inherent risk \quad = \quad \text{Susceptibility of an assertion to a material misstatement, assuming there are no related controls.}

Control risk \quad = \quad \text{Risk that a material misstatement that could occur in an assertion will not be prevented or detected on a timely basis by the entity’s internal control.}

Detection risk \quad = \quad \text{Risk that the auditor will not detect a material misstatement that exists in an assertion.}

The Risk of Material Misstatement (RMM) is the product of inherent risk and control risk, and auditing standards permit the auditor to make this joint assessment instead of making separate assessments of inherent risk and control risk.

Auditing standards note that in assessing inherent risk the auditor considers various client characteristics, including those related to client management. When the auditor believes that the management is of high integrity, inherent risk will be typically assessed lower than when the auditor cannot make such an assessment about management integrity (Kizirian et al. 2005). In our context, when client executives are new there is no track record on which the auditor can base an assessment about management integrity. It is likely, however, that inherent risk
assessments will be lower once the auditor has a track record on which to assess the executives of the client.¹

Auditing standards also specify factors that the auditor takes into account in evaluating control risk. For example, SAS No. 78 specifies that “Internal control is a process—effected by an entity's board of directors, management, and other personnel …” (emphasis added). In evaluating control risk, apart from a variety of other factors (such as, the training and competence of client personnel, type of oversight, etc.), the auditor considers management’s commitment to the internal control and financial reporting process. SAS No. 78 notes that in assessing control environment – one of the five components of internal control – the auditor should understand [management’s] “attitude, awareness, and actions concerning the control environment.” This is because the tone set at the top by the CEO and CFO can influence the “control consciousness” throughout the organization. In the context of our investigation, this means that an auditor who is unfamiliar with new executives would, ceteris paribus, be less likely to assess control risk as low.

Together, the above discussion suggests that the risk of material misstatement is likely to be assessed higher when a client firm has a new CEO or CFO. This in turn implies that the audit detection risk needs to be set lower. Detection risk can be lowered by the auditor changing the mix and/or extent of audit testing. [Amended] Paragraph #17 of SAS No. 47 states that

> “whenever the auditor has concluded that there is significant risk of material misstatement of the financial statements, the auditor should consider this conclusion in determining the nature, timing, or extent of procedures … Higher risk may cause the auditor to expand the extent of procedures applied, apply procedures closer to or as of year end, particularly in critical audit areas, or modify the nature of procedures to obtain more persuasive evidence.”

¹ In the context of our study, it is possible that the auditor may have known the executives of the client in other circumstances. For example, the same executives may have been with other clients of the auditor. To the extent the auditor already has familiarity with executives of the client there is a bias against rejecting our hypothesis.
Thus, when a client has a new CEO or CFO, it is likely that the auditor will change the mix and/or extent of audit testing. This in turn can be expected to result in higher audit fees.

**Source Credibility**

During the course of an audit, the auditor relies on numerous representations from the client in general, and top management in particular. Research in the judgment and decision making area suggests that the auditor should weight place less reliance on information that is less credible (Hirst 1994; Kizirian 2005).

When a client executive is new, the auditor is likely to have no prior experience with which to estimate the credibility of the executive. Hence, it is likely that the auditor will place less reliance on information obtained from the client in such instances. This in turn will lead to the auditor seeking more information to offset the reduced weighting given to information provided by the new executives. Such additional information may be demanded both from other evidentiary material within the organization and/or from sources outside the organization. In other words, the auditor will adjust the amount, timing, and extent of audit procedures due to increased professional skepticism towards the evidence provided by the new executives. This in turn should lead to increased audit fees.

**Hypothesis**

The above discussion suggests that audit fees would be associated with executive tenure. Specifically, audit fees should be higher when there is a new CFO or CEO, and should decline with increasing familiarity between the auditor and the client executives. Formally stated, our hypothesis is (in the alternative form):
Ha: Audit fees are higher when the tenure of the CEO or CFO is lower.

MODEL

We use the following model to examine the association between audit fees and the tenure of CEOs and CFOs:

\[
\text{Log(Fees)} = \beta_0 + \beta_1 \times \text{Log(TotalAssets)} + \beta_2 \times \text{RecInv} + \beta_3 \times \sqrt[2]{\text{Segments}} + \beta_4 \times \text{Foreign} + \\
\beta_5 \times \text{CurrentRatio} + \beta_6 \times \text{Leverage} + \beta_7 \times \text{ROA} + \beta_8 \times \text{GC} + \beta_9 \times \text{BIG4} + \beta_{10} \times \text{ICMW} + \\
\beta_{11} \times \text{CEOTenure} + \beta_{12} \times \text{CFOTenure} + \text{error}
\]

The variables are defined as follows:

- \(\text{Log(Fees)}\): Natural log of audit fees for fiscal 2004.
- \(\text{Log(TotalAssets)}\): Natural log of total assets as of the end of 2004.
- \(\text{RecInv}\): Proportion of total assets in receivables and inventory.
- \(\sqrt[2]{\text{Segments}}\): Square-root of the number of operating segments.
- \(\text{Foreign}\): 1 if the firm has foreign operations, else 0.
- \(\text{CurrentRatio}\): Ratio of current assets divided by current liabilities.
- \(\text{Leverage}\): Total debt divided by total assets.
- \(\text{ROA}\): Return-on-assets (net income divided by total assets).
- \(\text{GC}\): 1 if audit report modified for going-concern, else 0.
- \(\text{BIG4}\): 1 if auditor is Big 4, else 0.
- \(\text{ICMW}\): 1 if there is a material weakness disclosure in 404 filing for fiscal 2004, else 0.

Following Simunic (1980) researchers have modeled audit fees as a function of client size, complexity, risk and auditor type. \(\text{Log(TotalAssets)}\) is a proxy for client size.\(^2\) As in most

\(^2\) We obtain substantively similar results if we use \(\text{Log(Sales)}\) or \(\text{Log(MarketValue)}\) as our size measure.
prior auditing research, we use BIG4 as a proxy for auditor type. The other variables in the model are proxies for client complexity and risk.\textsuperscript{3}

We use two different measures for \textit{CEOTenure} and \textit{CFOTenure}. First, we include a dichotomous variable that takes the value of 1 if the CEO or CFO was hired in 2003 and thus had completed less than a year on the job before the start of 2004. Second, we use the square-root of the length of time (in years) that the CEO and CFO had spent with the firm (as reported in the Corporate Library database).

\textbf{DATA}

This investigation requires data about executive tenure. The \textit{Corporate Library} database covers more than 2,000 firms including all firms in the \textit{S&P 1500} and \textit{Russell 1000} indices and includes information about the tenure of the CEO and the CFO. Hence, we begin with all non-financial firms in the \textit{Corporate Library} database that have a December 31 fiscal year-end for 2004. We restrict the analysis to non-financial firms to be consistent with prior audit fee research and impose the second condition (December 31 fiscal year-end) because there was considerable uncertainty related to the initial implementation of SOX section 404 reporting. Section 404 related activities significantly changed the audit environment during 2004. Given the state of flux related to the implementation of Section 404 we restricted our analysis to firms with the same fiscal year end [December 31] so as not to bias the results.

Audit contracts are typically negotiated at the beginning of the year. If a new executive is hired after the audit contract has been negotiated, it is unlikely that the full effects of having a new executive will be felt during that year - particularly if the hiring takes place towards year

\textsuperscript{3} Prior papers examining audit fees have used models quite similar to our model. See, for example, Francis and Wang (2005) and Raghunandan and Rama (2006).
end. Hence, we delete 237 firms that hired either a new CEO or a new CFO during 2004. Further, prior research has documented initial year audit fee discounts (e.g., Simon and Francis 1988). Conversely, auditors have noted that the unique nature of Section 404 related work led to a “steep learning curve” effect. It is likely that such learning curve effects would be particularly strong for new clients. Hence, to ensure that the results are not confounded by initial year audit fee effects, we delete 24 firms that switched auditors in 2004. Finally, after excluding 106 firms with missing financial (Compustat) or executive tenure (Corporate Library) data, our sample includes 641 firms.

We obtain audit fee, internal control opinion (ICMW), audit opinion (GC) and auditor type (BIG4) data from Audit Analytics. All other financial data are obtained from Compustat.

RESULTS

Table 1 provides descriptive data about the sample firms. Our dependent variable, the natural log of audit fees, has a mean of 14.50 with an inter-quartile range of 13.80 to 15.10 and a standard deviation (SD) of 0.96. The mean of Log(TotalAssets) is 21.23 (SD = 1.46), and the average proportion of assets held in accounts receivable and inventory is 21 percent (SD = 0.15). The mean values of CurrentRatio (2.41), ROA (0.04) and Leverage (0.55) indicate that the firms are in general healthy; this is confirmed by the fact that only one percent of our sample firms received a going-concern modified audit opinion. The sample firms reported an average of 1.60 segments and fifty-two percent disclosed foreign operations. Thirteen percent of our sample firms disclosed a material weakness in internal control for fiscal year 2004. This is slightly lower

\footnote{Conversely, the effect of a new executive on audit fees is likely to be most acute in the initial year. Thus, we are introducing a bias against rejecting the null hypothesis by deleting observations that had an executive change in 2004.}
than the 16 percent reported by *Audit Analytics* for all firms in their initial year of being subject to the requirements of SOX 404.

The mean square root of $CFOTenure$ is similar to that of $CEOTenure$: 2.25 and 2.71 years respectively, with $CEOTenure$ displaying a slightly higher standard deviation (0.98 as compared to 0.69 for $CFOTenure$). Nineteen (9) percent reported the hiring of a new CFO (CEO) in the year prior to our examination.$^5$

Table 2 presents the results of the fee regressions. In both regressions, all the control variables except $CurrentRatio$, $ROA$ and $GC$ are significant at conventional levels. Considering the first regression, the indicator variables for both new CEO and new CFO are positively associated with audit fees ($p < 0.10$).

The magnitude of the coefficients indicates that the effect of a new CEO (CFO) is a 10.5 (9.4) percent increase in audit fees.$^6$ In the regression of audit fees on our control variables and on our (continuous) variables for CEO and CFO tenure, once again all the control variables except $CurrentRatio$, $ROA$ and $GC$ are significant at conventional levels. The significantly negative coefficients on $\sqrt{CEOTenure}$ and $\sqrt{CFOTenure}$ indicate that audit fees are higher during the initial years of a CEO or CFO’s tenure and decline with a CEO or CFO’s tenure.

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$^5$ We do not present a correlation matrix for the sake of brevity; none of the correlations between the independent variables exceeds 0.5. Considering the variables of interest (executive tenure), *Leverage* is the only independent variable that is consistently significant at conventional levels with the executive tenure variables with the highest correlation coefficient being -.19.

$^6$ This is obtained as follows. The coefficient for $NewCEO$ ($NewCFO$) is 0.10 (0.09) in the model. Thus, the presence of a new CEO (CFO) increases the dependent variable, $Log(Fees)$ by 0.10 (0.09). Since the dependent variable is logarithmic, the effect of a new CEO (CFO) is obtained by $e^{0.10}$ $(e^{0.09})$, which is 1.105 (1.094). This in turn indicates that the presence of a new CEO (CFO) leads to a 10.5 (9.4) percent increase in audit fees.
Additional Analyses

Abnormal Accruals

As noted earlier, prior research suggests that there is increased earnings management following the hiring of new CEOs or CFOs. One explanation for our observed results is, therefore, that auditors are aware that earnings management is likely to be greater following the hiring of new executives. If higher accruals are a reflection of higher information risk (e.g., Francis et al. 2005), then the higher audit fees may simply reflect the pricing of such risk. Hence, we also include abnormal accruals as a variable in our audit fee model.

We use the abnormal accrual models suggested by Ashbaugh et al. (2003). The abnormal accrual calculations require the use of industry portfolios. Following Ashbaugh et al. (2003), we require at least 20 firms in each two-digit industry group to create the portfolios. This additional data restriction results in the loss of an additional 42 firm-observations.

We find that abnormal accruals are positive and significant ($p < 0.10$) in our audit fee models. The significance levels of the other variables are similar to those reported in Table 2. The two dichotomous tenure measures are also significant at $p < 0.10$, while the two continuous tenure measures are significant at the $p < .05$ level.

Internal Control

Yet another explanation for our results is that material weaknesses in internal control may be associated with executive tenure. While we included a dummy indicator variable for the presence of material weaknesses in internal control in our fee model that approach may not fully capture the effects of poor internal control. Hence, as an alternative approach, we re-ran our fee model regressions after deleting all firms that reported a material weakness in internal controls.
Again, our results are similar to those reported in Table 2, with the primary inference – that audit fees are higher in the initial years of executives’ tenure – remaining unchanged.

**Audit Firm**

We performed two types of sensitivity tests related to the identity of the auditor. First, we deleted the observations of firms not audited by Big 4 firms. Next, to ensure that the results are not being driven by clients of any one firm, we deleted clients of each of the Big 4 and formed four separate sub-groups. In every instance, our regressions indicate that CEO (CFO) tenure is significant and the resulting inferences about the association between executive tenure and audit fees remain unchanged.

**SUMMARY AND CONCLUSIONS**

The role of CEOs and CFOs in the financial reporting process has come under heightened scrutiny in recent years. Reflecting such concerns, SOX requires individual executives to certify the accuracy of the financial reports as well as the quality of the internal controls.

In this research we examine the association between the appointment of new executives and audit fees. Our analyses show that the audit fees are higher, on average, by about 10.5 (9.4) percent following the appointment of a new CEO (CFO). Prior research shows that the appointment of a new CEO or CFO affects the financial reporting process. Our results suggest that auditors are cognizant of the impact of new executives on financial reporting and that the audit fee reflects auditors’ expectations regarding risks in the financial reporting process that are associated with the hiring of new executives.
Results from the regressions using continuous measures of executive tenure indicate that audit fees decrease with the tenure of the CEO or CFO. These findings suggest that auditors may have greater confidence in the financial reporting processes at companies that have had long executive tenures, in turn leading to lower risk assessments and, hence, lower audit fees.

Prior research (Beaulieu 2001; Kizirian et al. 2005) has shown that auditors’ assessments about management’s integrity have an impact on auditors’ judgments related to the risk of material misstatement and audit plans related to evidence collection. Our results support such findings from prior research. However, an alternative explanation for our results is that the fee premium is due to increased risk premium charged by the auditor when the client has new executives – that is, the auditor may be charging a higher fee (due to the increased risk associated with new executives) beyond that necessitated by additional audit testing. Finally, our results suggest that examining the effect of executive tenure on auditors’ actual risk assessments or audit program planning, as well as other audit judgments, may be worthwhile avenues for future research.
Table 1  
Descriptive Data

Panel A: Continuous Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D</th>
<th>25th percentile</th>
<th>Median</th>
<th>75th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log(Fees)</td>
<td>14.5</td>
<td>0.96</td>
<td>13.8</td>
<td>14.4</td>
<td>15.1</td>
</tr>
<tr>
<td>Log(TotalAssets)</td>
<td>21.23</td>
<td>1.46</td>
<td>20.1</td>
<td>21.1</td>
<td>22.2</td>
</tr>
<tr>
<td>RecInv</td>
<td>0.21</td>
<td>0.15</td>
<td>0.09</td>
<td>0.18</td>
<td>0.29</td>
</tr>
<tr>
<td>Sqrt(Segments)</td>
<td>1.6</td>
<td>0.55</td>
<td>1.00</td>
<td>1.73</td>
<td>2.00</td>
</tr>
<tr>
<td>CurrentRatio</td>
<td>2.41</td>
<td>1.99</td>
<td>1.23</td>
<td>1.78</td>
<td>2.79</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.55</td>
<td>0.24</td>
<td>0.38</td>
<td>0.55</td>
<td>0.71</td>
</tr>
<tr>
<td>ROA</td>
<td>0.04</td>
<td>0.09</td>
<td>0.02</td>
<td>0.05</td>
<td>0.09</td>
</tr>
<tr>
<td>Sqrt(CFOTenure)</td>
<td>2.25</td>
<td>0.69</td>
<td>1.73</td>
<td>2.24</td>
<td>2.65</td>
</tr>
<tr>
<td>Sqrt(CEOTenure)</td>
<td>2.71</td>
<td>0.98</td>
<td>2.00</td>
<td>2.45</td>
<td>3.32</td>
</tr>
</tbody>
</table>

Panel B: Dichotomous Variables

| Variable | Number (proportion) of observations with value of  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Foreign</td>
<td>333 (52%)</td>
</tr>
<tr>
<td>GC</td>
<td>7 (1%)</td>
</tr>
<tr>
<td>ICMW</td>
<td>83 (13%)</td>
</tr>
<tr>
<td>BIG4</td>
<td>622 (97%)</td>
</tr>
<tr>
<td>NewCFO</td>
<td>122 (19%)</td>
</tr>
<tr>
<td>NewCEO</td>
<td>58 (9%)</td>
</tr>
</tbody>
</table>

Notes:
1. The sample includes all non-financial firms from the Corporate Library database that have (1) a December 31 fiscal year end, (2) executive tenure data available from Corporate Library, (3) SOX Section 404 report for fiscal 2004 available on Audit Analytics, (4) audit fee data available on Audit Analytics, and (5) other financial data required for the model in Compustat.
2. The variables are defined as follows:
   Log(Fees) = Natural log of audit fees for fiscal 2004.
   Log(TotalAssets) = Natural log of total assets as of the end of 2004.
   RecInv = Proportion of total assets in accounts receivable and inventory.
   Sqrt(Segments) = Square root of the number of operating segments.
   Foreign = 1 if the firm has foreign operations, else 0.
   CurrentRatio = Ratio of current assets divided by current liabilities.
   Leverage = Total debt divided by total assets.
   ROA = Return on assets (net income divided by total assets).
   Sqrt(CFOTenure) = Square root of the tenure of the CFO (in years)
   Sqrt(CEOTenure) = Square root of the tenure of the CEO (in years)
$GC = 1$ if audit opinion modified for going-concern, else 0.

$BIG4 = 1$ if Big 4 auditor, else 0.

$ICMW = 1$ if there is a material weakness disclosure in 404 filing for fiscal 2004, else 0.

$NewCFO = 1$ if a new CFO was hired in 2003, else 0.

$NewCEO = 1$ if a new CEO was hired in 2003, else 0.
### Table 2
Regression Results

<table>
<thead>
<tr>
<th>Predicted sign</th>
<th>Coeff.</th>
<th>T-stat.</th>
<th>p-value</th>
<th>Coeff.</th>
<th>T-stat.</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>3.21</td>
<td>8.11</td>
<td>&lt; .01</td>
<td>3.81</td>
<td>8.78</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>Log(TotalAssets)</td>
<td>+</td>
<td>0.48</td>
<td>25.39</td>
<td>&lt; .01</td>
<td>0.48</td>
<td>25.30</td>
</tr>
<tr>
<td>RecInv</td>
<td>+</td>
<td>0.97</td>
<td>6.45</td>
<td>&lt; .01</td>
<td>0.98</td>
<td>6.45</td>
</tr>
<tr>
<td>Sqrt(Segments)</td>
<td>+</td>
<td>0.20</td>
<td>4.81</td>
<td>&lt; .01</td>
<td>0.20</td>
<td>4.77</td>
</tr>
<tr>
<td>Foreign</td>
<td>+</td>
<td>0.27</td>
<td>6.17</td>
<td>&lt; .01</td>
<td>0.27</td>
<td>6.12</td>
</tr>
<tr>
<td>CurrentRatio</td>
<td>-</td>
<td>-0.01</td>
<td>-0.76</td>
<td>.19</td>
<td>-0.01</td>
<td>-0.66</td>
</tr>
<tr>
<td>Leverage</td>
<td>+</td>
<td>0.15</td>
<td>1.46</td>
<td>.07</td>
<td>0.15</td>
<td>1.29</td>
</tr>
<tr>
<td>ROA</td>
<td>-</td>
<td>-0.20</td>
<td>-0.77</td>
<td>.22</td>
<td>-0.16</td>
<td>-0.49</td>
</tr>
<tr>
<td>GC</td>
<td>+</td>
<td>0.20</td>
<td>0.91</td>
<td>.19</td>
<td>0.23</td>
<td>1.03</td>
</tr>
<tr>
<td>BIG4</td>
<td>+</td>
<td>0.39</td>
<td>3.01</td>
<td>&lt; .01</td>
<td>0.37</td>
<td>2.86</td>
</tr>
<tr>
<td>ICMW</td>
<td>+</td>
<td>0.38</td>
<td>5.81</td>
<td>&lt; .01</td>
<td>0.38</td>
<td>5.80</td>
</tr>
<tr>
<td>NewCEO</td>
<td>+</td>
<td>0.10</td>
<td>1.35</td>
<td>.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NewCFO</td>
<td>+</td>
<td>0.09</td>
<td>1.68</td>
<td>.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sqrt(CEOTenure)</td>
<td>-</td>
<td></td>
<td></td>
<td>-0.03</td>
<td>-1.45</td>
<td>.08</td>
</tr>
<tr>
<td>Sqrt(CFOTenure)</td>
<td>-</td>
<td></td>
<td></td>
<td>-0.09</td>
<td>-2.74</td>
<td>.01</td>
</tr>
</tbody>
</table>

F-stat = 114.7, p < .001
F-stat = 117.0, p < .001

Adjusted R-square = .70

Note: This table presents the results from a regression with Log(Fees) (natural log of audit fees) as the dependent variable. Variables are defined as in Table 1. p-values are one-tailed.
REFERENCES


