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AUDITORS ARE KNOWN BY THE COMPANIES THAT KEEP THEM:
THE EFFECT OF MEDIA SENSATIONALISM AND AUDIT FIRM RESPONSES ON
AUDITOR RATIFICATION

A Dissertation
Presented in partial fulfillment of requirements for
Doctor of Philosophy degree in the
Patterson School of Accountancy
The University of Mississippi

LaToya Louise Flint

May 2022

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ABSTRACT

This study examines media influence on auditor relationships with client shareholders. Audit firms are concerned about client loss due to reputational damage. Sensationalized media reports of corporate accounting frauds can be misleading in their description of the auditor's responsibility for fraud detection. Although audit firms do not control media sensationalism, they can respond to it. I conduct an experiment to examine the impact of media sensationalism and audit firm responses on shareholders' likelihood to support auditor ratification. I predict and find that high media sensationalism leads shareholders to perceive a higher level of audit firm control over adverse fraud outcomes. In turn, this high perception of audit firm control decreases the shareholders' support for auditor ratification. I also find that firms who shift the blame to clients are more effective at securing ratification than those who apologize or do not respond. The results are informative to audit firm client retention strategies and research on auditor-shareholder relationships.

DEDICATION

This dissertation is dedicated to my parents. Without the endless love and support of my mother and my late father, this would not have been possible.

LIST OF ABBREVIATIONS AND SYMBOLS

ANOVA	Analysis of Variance
CCM	Culpable Control Model
DF	Degrees of Freedom
HIT	Human Intelligence Task
IAASB	International Auditing and Assurance Standards Board
ISA	International Standards on Auditing
M	Mean
PCAOB	Public Company Accounting Oversight Board
SD	Standard Deviation
SE	Standard Error
SS	Sum of Squares

ACKNOWLEDGMENTS

I would like to acknowledge the many individuals who were instrumental in the completion of this dissertation. I am deeply grateful to my dissertation committee for their support, guidance, and feedback: Dr. Kendall Bowlin (chair), Dr. Jeremy Griffin, Dr. Robert Magee, and Dr. Rachna Prakash. I would also like to express my sincere gratitude to Dean Mark Wilder, the faculty, and staff of the Patterson School of Accountancy for their invaluable support throughout my doctoral journey and beyond. I also gratefully acknowledge Dr. Dale Flesher for his influential role in my decision to join the doctoral program at the University of Mississippi. I am truly grateful for the generous financial support provided by the AICPA, Dr. Carolyn Callahan, the Patterson School of Accountancy, The Ph.D. Project, the Southern Regional Education Board, and the University of Mississippi Graduate School over the course of my doctoral studies.

My dissertation has benefited from insightful comments and suggestions from Dr. Dereck Barr-Pulliam, Dr. Helen Brown-Liburd, Dr. Brian Goodson, Dr. Emily Hornok, Dr. Michael Mowchan, Dr. Christy Nielson, Dr. Jeff Pickerd, Dr. Jesse Robertson, Dr. Andrea Scheetz, Shea Stewart, Dr. Debora Wenger, and Jim Zook, in addition to workshop participants at Baylor University, Georgia Southern University, The University of North Texas, The University of Mississippi, the 2021 AAA Diversity Section Midyear Meeting, and the 2021 Ph.D. Project – AFAA Workshop.

I am truly thankful for the support and friendship of my fellow doctoral students. Finally, I would like to thank my family and friends for their unwavering support and encouragement.

TABLE OF CONTENTS

ABSTRACT	ii
DEDICATION.....	iii
LIST OF ABBREVIATIONS AND SYMBOLS	iv
ACKNOWLEDGMENTS.....	v
LIST OF TABLES.....	viii
LIST OF FIGURES	ix
CHAPTER I: INTRODUCTION.....	1
CHAPTER II: THEORY AND HYPOTHESES DEVELOPMENT.....	8
Media Sensationalism of Accounting Frauds.....	8
Culpable Control Model.....	12
Audit Firm Responses to Media Coverage.....	15
<i>Apology</i>	16
<i>Blame-Shifting</i>	17
Shareholder Ratification of Audit Firm	20
CHAPTER III: EXPERIMENTAL DESIGN AND METHOD.....	22
Participants	22
Materials and Experimental Procedures.....	24
Independent Variables.....	26
Dependent Variables	27
CHAPTER IV: RESULTS	29
Manipulation Checks	29
Tests of Hypotheses	33
Supplemental Analyses	38
CHAPTER V: CONCLUSION	52

LIST OF REFERENCES	55
APPENDIX	64
Appendix A: Experimental Materials	65
Appendix B: Pilot Study Demographics	85
VITA	87

LIST OF TABLES

TABLE 1: PARTICIPANT DEMOGRAPHICS	24
TABLE 2: SENSATIONALISM MANIPULATION CHECK RESULTS.....	29
TABLE 3: DESCRIPTIVE STATISTICS	31
TABLE 4: CORRELATIONS AMONG VARIABLES.....	33
TABLE 5: THE EFFECTS OF MEDIA SENSATIONALISM AND AUDIT FIRM RESPONSE ON AUDIT FIRM CONTROL	35
TABLE 6: REPUTATIONAL IMPLICATIONS OF MEDIA SENSATIONALISM AND AUDIT FIRM RESPONSES.....	42
TABLE 7: ANALYSIS OF AUDITOR BLAME.....	45
TABLE 8: ANALYSIS OF FAVORABILITY TOWARDS THE AUDIT FIRM	47
TABLE 9: AUDIT QUALITY IMPLICATIONS	49
TABLE 10: EXPECTATIONS GAP IMPLICATIONS.....	51

LIST OF FIGURES

FIGURE 1: PREDICTED MODEL OF DETERMINANTS OF AUDIT FIRM CONTROL BASED ON THE CCM	14
FIGURE 2: EXPERIMENTAL FLOW	26
FIGURE 3: THE EFFECTS OF MEDIA SENSATIONALISM AND AUDIT FIRM RESPONSES ON AUDIT FIRM CONTROL	37
FIGURE 4: MODERATED MEDIATION ANALYSIS OF THE EFFECT OF MEDIA SENSATIONALISM AND AUDIT FIRM RESPONSES ON SHAREHOLDER SUPPORT FOR AUDITOR RATIFICATION.....	40
FIGURE 5: REPUTATIONAL ASSESSMENTS BY MEDIA SENSATIONALISM CONDITIONS	42
FIGURE 6: REPUTATIONAL ASSESSMENTS BY AUDIT FIRM RESPONSE CONDITIONS	43
FIGURE 7: AUDIT FIRM FAVORABILITY ASSESSMENTS BY MEDIA SENSATIONALISM CONDITIONS.....	47
FIGURE 8: AUDIT FIRM FAVORABILITY ASSESSMENTS BY AUDIT FIRM RESPONSE CONDITIONS	48
FIGURE 9: PERCEIVED AUDIT QUALITY BY EXPERIMENTAL CONDITION....	50

CHAPTER I

INTRODUCTION

“As long as investors suffer losses from a sudden and drastic drop in earnings or the bankruptcy of a corporation which was widely regarded as a good investment, our profession is going to be criticized in the news media.”

Wallace E. Olson, former Executive Vice-President of the AICPA (Olson 1973, 9)

Audit firm reputation is impacted by sensationalized publicity of accounting scandals (Van Peursem and Hauriasi 1999; Ege, Wang, and Xu 2021). Audit firms that are the subject of this media coverage lose clients (Van Peursem and Hauriasi 1999; Ege et al. 2021). Big 4 audit firms’ perceived complicity in a series of recent accounting crises presents a major reputational risk due to the potential loss of their indirectly impacted clients (Coombs 2007; Kinder 2020).¹ Prior research finds that audit firms experience reputational benefits by issuing effective responses after deficient audits (Cornell, Warne, and Eining 2009; Rasso 2014), but audit firm responses to negative media coverage and shareholders’ behaviors surrounding these responses have not yet been explored in academic research. My study addresses this void by examining the impact of media sensationalism and audit firm responses on auditor ratification.

¹ “Indirectly impacted” is used in this study to refer to the audit firm’s clients who are not directly involved in the accounting fraud of interest. For example, Delta Airlines, FedEx, and International Paper were some of Arthur Andersen’s “indirectly impacted” clients after the 2001 Enron scandal.

Recent research on audit firm reputation suggests that “auditors are known by the companies they keep” as it relates to client acceptance and continuance decisions (Cook, Kowaleski, Minnis, Sutherland, and Zehms 2020, 4), but my current study argues that audit firm reputation also depends on the clients that decide to *keep* the audit firm. “Accounting firms don’t make the decision to quit their clients lightly”, therefore, it is important to examine client-initiated auditor dismissals (Phillips 2022, para. 19). Client-initiated audit firm dismissals account for 83% of audit firm switches between 2000-2013 and the reasons behind these dismissals are largely ambiguous in 8-K disclosures (Burks and Susteric 2022).

In this study, I examine how (1) media sensationalism and (2) audit firm responses affect auditor-shareholder relationships. Shareholders serve an important role in determining whether auditors are dismissed by voting in the annual audit firm ratification process (Dao, Raghunandan, and Rama 2012). A recent, high-profile illustration of the importance of shareholders is General Electric’s 2020 decision to terminate its 110-year relationship with its audit firm, KPMG, after a minority of shareholders began to vote against ratification in 2018 (Egan 2018; Minaya 2020).

Media are perhaps the “broadest and most widely disseminated of all potential information intermediaries, reaching both sophisticated and unsophisticated investors, as well as managers, regulators, and other market participants” (Bushee, Core, Guay, and Hamm 2010, 2). The financial press serves as shareholders’ primary knowledge source about the audit profession (Runhke and Schmidt 2014) and shareholders depend on news media to learn about corporate reputation dimensions that are challenging to observe (Einwiller, Carroll, and Korn 2010). Media sensationalism of the auditor’s responsibility for fraud detection may be particularly informative in shaping shareholders’ reputational assessments of their audit firm because audit quality is

difficult to evaluate (Causholli and Knechel 2012) and non-professional investors are largely unaware of the auditing standards (Cohen, Ding, Lesage, and Stolowy 2017).

The business press is incentivized to use attention-grabbing sensationalism as “click-bait” to attract readers and increase ad revenue (Ahern and Sosyura 2015; Cohen et al. 2017; Marwick and Lewis 2017). In an accounting crisis, the press can choose to publish sensationalized accounts to describe the auditor’s responsibility for fraud detection *or* it can take a more “just-the-facts”, objective approach. Sensationalism not only refers to the topics of media coverage, but also, and importantly for my study, the way the news is packaged. High sensationalism emphasizes elements of a story intended to elicit an emotional response (Molek-Kozakowska 2013) and takes on a “reality-journalism tone” due to the media trend towards “infotainment” (Cohen et al. 2017, 640). The audit expectation gap is “the divergence between the public’s and the profession’s conceptions of auditor’s duties” (Cohen et al. 2017, 637). Highly sensationalized media coverage of accounting fraud may exacerbate this gap by conveying unrealistically high expectations of the audit firm’s responsibility to detect fraud. Highly sensationalized reports use phrases such as, “failing in its most fundamental duty” (Milligan and Miller 2020, para. 8). Less sensationalized news coverage omits emotionally arousing language. This style of media coverage uses fact-based phrases such as, “the primary responsibility for prevention and detection of fraud is with the management” (Kowsmann and Eaglesham 2020, para. 2).

Since audit firms who are the subject of negative publicity lose clients, the firms have incentives to proactively respond to this news coverage by issuing formal statements (Cowle, Rawson, and Rowe 2021; Ege et al. 2021). My study examines three commonly used audit firm response strategies: issuing an apology, blame-shifting (playing the victim), or providing no response. The comparison of apology to blame-shifting is appropriate because crisis

communication research has identified these responses as effective opposite response types (Coombs 2015). Research on corporate apologies consistently finds that audiences react positively towards apologetic parties (Hargie et al. 2010; Alicke and Zell 2009; Goei, Roberto, Meyer, and Carlyle 2007). Prior audit research finds that safe apologies, (e.g., “we are sorry”), are effective at reducing audiences’ need to blame or punish auditors (Cornell et al. 2009; Rasso 2014). Audit firms may also opt to blame their clients for the negative consequences of a fraud instead of apologizing for their non-detection of the fraud. Research on blame-shifting finds that it is difficult for audiences to conjure sympathy towards powerful corporations who blame other parties (Rai and Diermeier 2015). Lastly, audit firms may opt to remain silent and not issue a formal response to media coverage.

My study builds on prior research in four important ways. First, I investigate how media sensationalism leads to differences in perceived audit firm control over the adverse fraud outcomes caused by a deficient audit. Second, because extant literature finds that appropriate audit firm responses affect public perception of audit firm behavior (Cornell et al. 2009; Eutsler, Holderness, Robertson, and Curtis 2019; Rasso 2014), I explore the moderating effect of audit firm response type on the relationship between media sensationalism and perceived audit firm control. Third, I examine the effect of the relationship between audit firm response and perceived audit firm control over the adverse outcomes. Finally, I investigate the impact of perceived audit firm control on the likelihood that shareholders support auditor ratification.

I apply a 2 x 3 between-participants experimental design to test my hypotheses.²

Participants are recruited from CloudResearch to serve as proxies for non-professional investors.

² An experimental setting is appropriate to investigate the causal mechanisms underlying the effects of media sensationalism and audit firm responses on shareholder behavior.

Media sensationalism is varied across two levels (high vs. low) and audit firm response is varied across three levels (apology, blame-shifting, or no response). To capture audit firm reputation rather than direct harm, participants assume the role of indirectly impacted shareholders whose audit firm has been implicated in a failure to detect another client's fraudulent activities. All participants read a news article related to a financial accounting fraud involving their audit firm. Participants in the high media sensationalism condition read a news article containing emotionally loaded words to describe the audit firm's responsibility for fraud detection. Participants in the low media sensationalism condition read the same article, absent the emotionally loaded words. Participants in the apology condition are presented with a sympathetic apology from the audit firm, adapted from Cornell et al. (2009) and Rasso (2014), while participants in the blame-shifting conditions read a response from the audit firm in which the firm casts itself as a victim who was deceived by its client (adapted from Antonetti and Baghi 2019). Participants in the no response conditions read an article that does not contain an audit firm response. The primary dependent variable is the shareholders' support for auditor ratification. I collect additional measures, including shareholders' perceptions of audit firm control over the adverse outcomes, audit firm reputation, affective reactions, and attribution of blame to examine the processes by which the manipulated variables affect shareholders' support for auditor ratification.

I utilize the Culpable Control Model of blame attribution (henceforth, "CCM"; Alicke 2000) to inform my predictions about how differences in media sensationalism and audit firm responses affect shareholders' support for auditor ratification. The CCM defines "personal control" as the ability to avoid harmful outcomes (Alicke 2000). For purposes of this study, I will hereafter refer to the audit firm's personal control over the adverse outcomes as "audit firm

control”. I rely on the CCM to inform my prediction that shareholders exposed to high media sensationalism will perceive greater audit firm control than shareholders exposed to low media sensationalism because of its heightened reputational and emotional implications. I also predict that the effect of media sensationalism on perceived audit firm control is moderated by the audit firm’s response because each response type leads shareholders to experience varying emotional reactions to their audit firm. Specifically, I predict that an apology decreases shareholders’ perceived audit firm control over the harmful outcomes more than blame-shifting or no response because apologies increase firm likeability and decrease the desire to blame. Lastly, I expect that shareholders who perceive higher levels of audit firm control are less likely to support auditor ratification because of heightened blame attributions and a desire for punishment.

Consistent with my expectations, I find that shareholders exposed to the highly sensationalized news article perceive greater audit firm control over the adverse outcomes of the fraud than shareholders exposed to the less sensationalized article. The results also support my prediction that shareholders’ assessments of audit firm control significantly predict their intent to support auditor ratification. Specifically, I find that as shareholders perceive that the audit firm had more control over the adverse outcomes, they become less likely to support auditor ratification. Contrary to my predictions, I do not find support for the moderating effect of audit firm response, such that an apology is more effective at diminishing perceived audit firm control than blame-shifting or no response. In fact, my results indicate that shareholders perceive a lower level of audit firm control and have a higher likelihood to ratify the auditor with blame-shifting responses than with an apology or no response because they deem the firm less blameworthy.

My study contributes to both research and practice. First, it answers the call of Andon and Free (2014) to “consider how the public face of accounting is mediated by the print media”

(39) by providing critical insights into the mechanisms underlying shareholders' behavioral responses to media coverage of their audit firm. Second, this study addresses the dearth of research related to factors that affect auditor-shareholder relationships. This research also contributes to current audit literature by extending the CCM for usage in audit contexts outside of legal settings. My study also contributes to extant literature in media effects, corporate governance, organizational crisis communications, marketing, reputational management, and public relations, particularly by addressing the paucity of research related to multi-brand crises.

The International Auditing and Assurance Standards Board (IAASB) is actively seeking ways to address the audit expectation gap³, therefore, the results of this study are informative to practice (IAASB 2020). Moreover, the results provide empirical evidence to audit firms seeking effective ways to develop reputational capital and foster client retention. Lastly, my research is useful to accounting practice because it highlights the media as important areas of negative reputational influence and suggests response strategies that may ameliorate its effects.

³ The IAASB hosted a live streaming roundtable discussion on September 28, 2020, via YouTube with a panel of governance experts, corporate directors, audit leaders, and leaders from the private sector to discuss ways to address the expectation gap.

CHAPTER II

THEORY AND HYPOTHESES DEVELOPMENT

Media Sensationalism of Accounting Frauds

Popular press has an important role in the dissemination of accounting information to the public (Ahern and Sosyura 2015; Bushee et al. 2010; Joe, Louis, and Robinson 2009). The financial press serves as an information intermediary which reduces the information asymmetry between firms and investors (Bushee et al. 2010; Miller 2006). Media impact has been studied in a variety of disciplines, but the study of media effects is limited in accounting research (Andon and Free 2014). Much of the research in this space focuses on audit firm responses to media coverage of its clients (Burke, R. Hoitash, U. Hoitash 2019; Cahan, Chen, and Wang 2020; Gates, Reckers, and Robinson 2009; Gong, Gul, and Shan 2018; Joe 2003). Outside of a couple of concurrent working papers, research is *especially* limited when it comes to understanding the role that the media play in auditor-shareholder relationships.

A recent archival working paper finds that audit firms respond to negative media coverage by charging higher fees and taking longer to issue the audit opinion (Cowle et al. 2021). Another concurrent working paper examines 41 Big 4 audit firm-related negative news events from 2008 to 2017 and finds that the firms experience negative consequences because of

this media coverage (Ege et al. 2021).⁴ Specifically, they find that Big 4 audit firms experience client loss and fail to add new clients after negative news events (Ege et al. 2021). To my knowledge, there is no research that specifically explores how media coverage of audit firms affects shareholder behavior. My study addresses this gap by examining shareholders' causal attributions and behavioral intentions as an outcome of media consumption.

Highly sensationalized media coverage engages audiences emotionally, while low media sensationalism engages audiences intellectually (Grabe, Zhou, and Barnett 2001). Grabe et al. (2001) refer to this as “infotainment versus edutainment” (637). Highly sensationalized news uses “emotionally charged words that, while relevant to a sentence’s affective tone, could be removed without changing its substantive content” (Dahlstrom et al. 2012, 156). Prior research finds that language used in financial disclosures affects investor decision-making (Hales, Kuang, and Venkataraman 2011; Rennekamp 2012; Tan, Wang, and Zhou 2014) and emotionally charged messages are especially influential, so there is reason to believe that highly sensationalized news coverage influences shareholders’ decision-making (Kipp, Zhang, and Tadesse 2019).

A survey of 462 prominent financial journalists finds that they gravitate towards covering controversial subjects and companies (Call, Emmett, Maksymov, and Sharp 2021). These journalists reveal that the topic that they believe their readership is most interested in is corporate fraud (Call et al. 2021). As such, corporate fraud is heavily covered by the financial press and shapes public perception of the accounting profession (Andon and Free 2014; Runhke and Schmidt 2014). As evidence of this impact, *The Wall Street Journal* won a Pulitzer Prize for its

⁴ My current study differs from Ege et al. 2021 because they exclusively focus on archival examination of 41 news articles in which a Big 4 audit firm is the *primary* topic. My study focuses on examining the broader construct of media sensationalism in news coverage in which the audit firm is *not* the primary topic of the article.

coverage of accounting scandals (Joe et al. 2009). Research finds that in New Zealand, 30% of articles containing mentions of audit firms, portrayed auditors as unethical and/or incompetent (Van Peurem and Hauriase 1999). Further, Andon and Free (2014) find evidence of media coverage and statement bias during an Australian National Rugby League fraud and its subsequent audits. Media criticism of audit firm conduct even comes from the academic sector (Lawrence, Low, and Sharma 2010).⁵

Although the business press is more likely to publish original reporting on alleged accounting misdeeds than non-business press outlets (Miller 2006), both types of press outlets use sensationalism (Cohen et al. 2017). Media sensationalism in coverage of accounting frauds is described as the “preferences of news consumers for greater auditor responsibility to detect fraud above and beyond the responsibilities stated in the auditing standards” (Cohen et al. 2017, 638).

The role of the business press as a “watchdog for accounting fraud” includes analyzing and framing issues (Miller 2006, 1006). Media play an especially informative role in shaping shareholders’ causal attributions for the consequences of fraud because unsophisticated investors have difficulty understanding auditors’ responsibilities (Ruhnke and Schmidt 2014). Media reporting informs public opinion and has the potential to exacerbate or mitigate the audit expectation gap (Cohen et al. 2017). The audit expectation gap is “the expectation of the users of financial information that audits provide an unrealistic level of assurance against fraud or material error, especially when evaluated in hindsight after a material misstatement has been revealed” (Knechel, Thomas, and Driskill 2020, 12). Auditing standards merely require that auditors “plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud” (ISA 700 ¶11).

⁵ An example of criticism from the academy is commentary from Professor Prem Sikka, an accounting academic who uses the media to give his, often blistering, reviews of audit firm conduct.

“Reasonable assurance”, as defined by auditing standards, does not require *absolute* assurance, so even a properly conducted audit might fail to identify a material misstatement due to fraud (ISA 700 ¶37b).

The press faces “few constraints to using frames to influence and manipulate citizens’ opinions” (Druckman 2001, 1041). Therefore, the journalistic styles selected by news outlets do not have to be fully accurate to be published (Druckman 2001; Ahern and Sosyura 2015). Cohen et al. (2017) suggests that the “media have an opportunity to exploit this ignorance by sensationalizing the coverage of corporate frauds, thereby increasing the public’s unreasonable expectations of auditor responsibility for fraud detection and widening the expectation gap” (642). Media sensationalism of audit firm responsibility for fraud detection can take on a wide variety of styles. These styles exist on a continuum which can range from emotionally blaming the audit firm for failing to meet unrealistic expectations (high sensationalism) to objectively explaining the audit firm’s responsibility for fraud detection by referencing the auditing standards (low sensationalism).

A review of the financial press’ reporting on the recent, highly publicized \$2 billion fraud at German electronic payments company, Wirecard, offers a window into both journalistic styles of interest. The company was audited by Big 4 audit firm, Ernst & Young (EY). *Bloomberg Business* invokes high sensationalism to describe EY’s responsibility for fraud detection at Wirecard by reporting that EY “stands accused of failing in its most fundamental duty” (Miller and Jennen 2020). *The Wall Street Journal* provides an example of low sensationalism by including a quote from Carmine Di Sibio, EY’s Chairman and Chief Executive, in which he objectively explains that “the primary responsibility for the prevention and detection of fraud is with the management” (Kowsmann and Eaglesham 2020).

Culpable Control Model

I rely on the Culpable Control Model (“CCM”; Alicke 2000) to form predictions about shareholders’ behavioral reactions to media sensationalism and audit firm responses. Although the CCM has been widely used in auditing research around juror behavior (Backof 2015; Brasel, Doxey, Grenier and Reffett 2016; Gimbar, Hansen, and Ozlanski 2016; Vinson, Robertson, and Cockrell 2019), the model is not limited to usage only in legal contexts (Alicke 2000). The CCM suggests that individuals utilize blame-validation processing when seeking explanations for harmful events by reviewing evidence in a biased manner and “exaggerating the actor's volitional or causal control, by lowering their evidential standards for blame, or by seeking information to support their blame attribution” (Alicke 2000, 558).

According to the CCM, in an audit context, an audience is likely to attribute blame for adverse outcomes to audit firms they perceive to have control over the outcomes (Backof 2015). The audience’s perception of the audit firm’s control in avoiding an adverse outcome is comprised of causation, intentions, and foresight (Alicke 2000). Causation relates to the audience’s perception of the audit firm’s unique impact on the harmful outcomes of the fraud. Intentionality refers to perceptions about the audit firm’s intentions to conduct a quality audit and foreseeability relates to the perceived degree to which the audience believes that the auditors should have foreseen the harmful outcomes of their actions (Alicke 2000). Accordingly, the CCM suggests that the sufficiency of the audit firm’s behavior contributes to perceived control the firm has over the outcomes (Alicke 2000; Backof 2015).

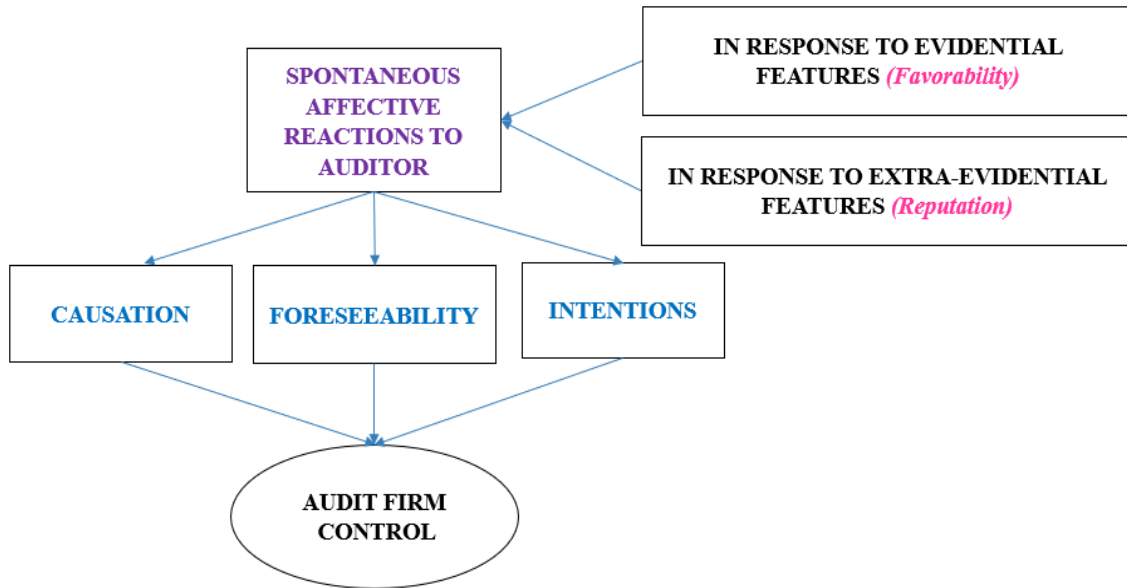
I argue that highly sensationalized media reporting of an accounting fraud will negatively influence the audience’s perceptions about the audit firm’s causation, intentions, and foresight. Individuals make spontaneous (automatic) causal inferences while reading, even if they are only

presented with limited amounts of information (Hassin, Bargh, and Uleman 2002). The CCM strongly relies on audiences' spontaneous affective evaluations of the accused party in formation of control and blame assessments (Alicke, Rose, and Bloom 2011). Auditing literature finds that audiences' affective reactions to auditors influence evaluations of audit firm behavior (Backof 2015; Kadous 2001). These affective reactions are responses to both evidential and extra-evidential factors (Alicke 2000).

The CCM identifies reputation as an extra-evidential factor that elicits affective evaluations (Alicke 2000). Audit firms are justifiably concerned about reputational threats because of the consequences associated with diminished reputation. Audit firm reputation is consistently reported as the most important client selection attribute over audit fees, industry expertise, and personnel characteristics (Hermanson, Plunkett, and Turner 1994). Further, reputational loss following audit failures leads to significant loss of clients and revenues for audit firms (Skinner and Srinivasan 2012). Organizational reputation can be negatively affected by crisis framing (Dean 2004; Mason 2014). The CCM suggests that audit firm reputation has implications for shareholder affective reactions which, in turn, affects perceived audit firm control (Alicke 2000). See Figure 1 for model of determinants of audit firm control.

FIGURE 1

Predicted Model of Determinants of Audit Firm Control Based on the CCM



I posit that high media sensationalism leads shareholders to attribute greater control to the audit firm than low media sensationalism because shareholders will have greater negative evaluations of the audit firm due to the heightened negative emotional and reputational implications. This intensified negative affective evaluation of the audit firm, in turn, will lead shareholders to deem the audit firm as blameworthy.

Extant literature finds that individuals who violate professional norms are considered more blameworthy (Alicke et al. 2011). Alicke et al. (2011) finds that participants who were told that a physician violated hospital policy found the physician to be more blameworthy, even when patients experienced *positive* health outcomes. Prior auditing research finds that jurors perceive less causal influence by auditors when the auditors' defense argues that accounting standards were followed (Backof 2015; Gimbar et al. 2016; Kadous and Mercer 2012). Consistent with this reasoning, because low media sensationalism of audit firm's responsibility for fraud detection

non-emotionally clarifies the audit firm's role per the auditing standards, I argue that shareholders exposed to low media sensationalism will perceive that the auditors had less control over the adverse outcomes of the fraud.

Based on the above reasoning, this leads to my first formal hypothesis:

H1: High (*low*) media sensationalism leads to greater (*lesser*) perceived audit firm control over adverse fraud outcomes.

Audit Firm Responses to Media Coverage

Financial journalists often contact firms to obtain their responses to articles prior to their release (Call et al. 2021). Audit firms may choose to respond to media coverage of a client fraud scandal by issuing a public response. Crisis communication in audit firms has the potential to impact the firms' full set of clients due to reputational spillover.⁶ The audit firm is not *fully* responsible for its clients' illegal acts and one audience of interest to the firm (its set of clients and shareholders) is only *indirectly* affected by the fraud. Audit firm responses to sources of oversight have been studied in the context of PCAOB inspection reports (Robertson, Stefaniak, and Houston 2014)⁷, but to my knowledge, there has not yet been any research examining the effect of audit firm responses in the context of media sensationalism. Since media sensationalism impacts the public's perception of audit firms, it is important to examine interventions that may lessen the impact of negative media influence. Therefore, I examine the relative effectiveness of three common crisis communication strategies: apology, blame-shifting, and no response.

⁶ Saito & Takeda (2014) find evidence of reputational spillover for Big 4 audit firms and their affiliates while examining the audit failure of ChuoAoyama, a Japanese affiliate of PricewaterhouseCoopers.

⁷ The authors experimentally examine corporate executives' assessments of audit quality and likelihood to switch auditors as a response to PCAOB report findings and audit firm responses included in the reports.

Apology

Corporate apologies are effective reputation builders for companies facing crises (Benoit 1995; Coombs and Holladay 2008) and have become widely expected by the public in recent years (Hargie, Stapleton, and Tourish 2010). Organizations employ apologies as a method to accept responsibility and build reputational capital (Coombs 2007). Recently enacted apology laws even *encourage* physicians to express sympathy for medical mistakes without constituting an admission of liability (Hodge 2020). In the case of medical errors, physicians who offer sympathetic apologies face fewer malpractice lawsuits (Hodge 2020).

Audit firms have incentives to apologize even in cases of low media sensationalism because as Rasso (2014) finds, “the firm can theoretically benefit from offering an apology that is not prompted by an accusation” (165). Recently, Carmine Di Sibio, EY Global Chairman, “expressed regret that a fraud at collapsed German fintech Wirecard was not uncovered sooner by his firm’s auditors” (Kinder 2020). Accounting research finds that safe apologies which offer expressions of sympathy, but do not explicitly accept responsibility (e.g., “I am sorry”), are effective for auditors (Cornell et al. 2009; Rasso 2014). Cornell et al. (2009) finds that jurors are less likely to assign blame to apologetic auditors, which leads to fewer negligence verdicts. Research also finds that audit firms’ apologies that contain multiple components (e.g., an expression of sympathy, acceptance of responsibility, and a promise to refrain) decrease reputational damage and reduce audiences’ need to punish (Rasso 2014). My current study aims to contribute to the sparse research on audit firm apologies by specifically examining an apology as a response technique in the wake of negative and potentially sensationalized media coverage.

Prior research finds that apologies reduce negative evaluations of the accused party (Hargie et al. 2010). Furthermore, extant literature finds that apologies contribute to audiences’

positive affective evaluations by increasing the likeability of the apologizer (Alicke and Zell 2009; Goei, Roberto, Meyer, and Carlyle 2007) and diminishing audiences' negative emotions towards the apologizer (Ohbuchi, Kameda, and Agarie 1989). Based on the CCM, audiences' affective evaluations of an accused party can simply be "goodness-badness judgments" (Alicke et al. 2011, 691) that are strongly influenced by their perceptions of the accused's character and social attractiveness (Alicke 2000; Alicke and Zell 2009). Therefore, I argue that apologetic audit firms elicit positive affective reactions which, in turn, lead to diminished shareholder perception of audit firm control over harmful outcomes.

Although research generally finds evidence that apologies generate positive responses from audiences, some research suggests the opposite. For example, Ferrin, Kim, Cooper, and Dirks (2007) find that an apology signals a lack of integrity in integrity-based violations and a recent study by Eustler et al. (2020) finds that audit firm apologies to its clients prior to making information requests are not effective at decreasing client ill will.

Blame-shifting

Blame-shifting responses (also known as scapegoating or blame-giving) transfer blame and responsibility to other actors connected to a crisis and are often viewed as a manipulative tactic by audiences (Antonetti and Baghi 2019; Coombs 2015). An example of corporate blame-shifting gone awry is when stakeholders reacted negatively to Mattel, Inc. who blamed its toy supplier when its toys were found to be contaminated with lead paint (Coombs 2015).⁸

Due to the nature of an auditor-client relationship, there is an implicit breach of trust involved in a client's fraudulent behavior. A blame-shifting communication strategy used by

⁸ Mattel, Inc. faced public backlash after they inaccurately blamed their Chinese supplier when it was found that their recalled toys had a design flaw related to its magnets rather than supplier issues. The company issued an apology to the Chinese government when the facts of the case were revealed (Carvalho, Muralidharan, and Bapuji 2015).

audit firms during a client fraud takes on a tone of self-victimization or “playing the victim” in which firms align themselves with others who are negatively affected by their client’s deception. EY utilized blame-shifting in response to its involvement in the Wirecard scandal by stating that, “there was a group of criminals that managed to deceive everyone -- including us at EY” (Matussek 2021, para. 3). In June 2020, *The Washington Post* published an opinion column which criticized the overall EY response as “an alarming exercise in blame-shifting” and described the firm as being “quick to cast itself as a victim” (Bryant 2020, para. 2). Arthur Anderson also utilized blame-shifting when the firm revealed that they were misled by Enron (Frammolino and Leeds 2002).

Consumers have a propensity to “victim-blame” organizations that use blame-shifting strategies in accordance with Lerner’s “just-world hypothesis” in which people perceive that the world is fair, and individuals get what they deserve (Furnham 2003). This is consistent with research that finds that companies can “elicit anger as villains, but not sympathy as victims” (Rai and Diermeier 2015, 18). In my study, the CCM suggests that shareholders will have unfavorable affective reactions to audit firms who utilize blame-shifting responses because of the shareholders’ need to preserve justice. I argue that negative reactions to blame-shifting will lower the evidential threshold necessary to attribute control to the audit firm because high sensationalism creates a negative emotional lens through which the blame-shifting is interpreted. Therefore, especially under high media sensationalism, a blame-shifting response serves to exacerbate the shareholders’ negative affective responses.

Despite the preponderance of evidence suggesting that blame-shifting is a suboptimal crisis response strategy, there are instances when it can be effective. Antonetti and Baghi (2019) find that blame-shifting is more effective than an apology or no response when the company uses

detailed information to describe the blame target and a credible independent party also identifies the responsible party. Prior research also finds blame-shifting is a more effective strategy than an apology for reducing a firm's attribution of responsibility and controllability when another large corporation is blamed for the adverse outcomes (Moisio, Capelli, and Sabadie 2021). Further, in the setting of my current study, the CCM suggests that shareholders exposed to blame-shifting responses may discount the audit firm's control because there is another plausible offender, the client, being heavily implicated in the scandal. The potential for diffusion of perceived responsibility may be particularly effective in a dual brand crisis like an accounting fraud.

Affective reactions are important components of causal judgments that are susceptible to pervasive biases (Alicke et al. 2011). Due to the negativity effect, consumers place more weight on negative information than positive when forming evaluations of companies (Ahluwalia, Burnkrant, and Unnava 2000). The CCM suggests that audiences with especially favorable impressions of the audit firm due to its apology will deemphasize highly sensationalized media coverage of a client's accounting fraud. Based on the preceding discussion, I predict that an apology elicits greater positive affective evaluations of the audit firm than the potentially deleterious blame-shifting response or no response at all.

Therefore, I formulate the following formal hypotheses:

H2: An apology leads to less perceived audit firm control over adverse fraud outcomes than blame-shifting or no response.

H3: With high (*low*) media sensationalism, shareholders perceive more (*less*) audit firm control over adverse fraud outcomes when the audit firm uses a blame-shifting response when compared with an apology or no response.

Shareholder Ratification of Audit Firm

Audit firms experience client loss in the wake of negative publicity (Ege et al. 2021). Shareholders may be leery of continuing the relationship with an audit firm who is involved in negatively publicized frauds because of the potential for reputational spillover. EY lost several high-profile clients, including Deutsche Telekom and Commerzbank, after the collapse of Wirecard (Storbeck 2021). In the aftermath of Arthur Andersen's failed audit of Enron, Barton (2005) finds that firms who are highly visible in the capital markets are the first to defect from the audit firm, presumably for purposes of reputational preservation. Concurrent working papers find evidence that audit clients' concerns about their reputations when their auditor is the subject of negative publicity is justified. Specifically, clients experience lower earnings response coefficients and have an increasing likelihood that they file late following negative news coverage of their auditor (Cowle et al. 2021; Ege et al. 2021).

Shareholders play an important role in determining whether auditors are retained (Barua, Raghunandan, and Rama 2017; Brown and Popova 2019; Tanyi and Roland 2017). The U.S. Department of the Treasury's Advisory Committee on the Auditing Profession recommends that all public companies have shareholder ratification of audit firm selection (Dao et al. 2012). Although public companies are not currently required to offer their shareholders an opportunity to ratify their audit firm, there have been recent calls for mandatory shareholder ratification (Mayhew 2017). Despite not being legally required, in a sample of Russell 3000 companies from 2009-2012, Cunningham (2017) finds that over 90 percent of firms voluntarily include auditor ratification on the ballot. There are meaningful consequences when even small amounts of shareholders vote against auditor ratification. In one of the largest votes against audit firm ratification in recent years, 35 percent of GE shareholders voted against ratification of KPMG

which ultimately led to its dismissal after serving a 110-year tenure (Rapoport 2018; Minaya 2020).

The CCM suggests that shareholders' negative affective evaluations of their audit firm due to the negative publicity surrounding them will strengthen their blame attributions (Alicke 2000). Attributions of blame strongly correlate with subsequent judgments of appropriate punishment or responses to the blameworthy behavior (Mantler, Schellenberg, and Page 2003). In an auditing context, Kadous (2001) finds that jurors utilize affective reactions as a signal of audit firm blameworthiness. Additionally, Backof (2015) finds that jurors' perceptions of audit firm control influence verdict decisions. This suggests that shareholders will have a desire to punish the audit firm's perceived blameworthiness by defecting from their auditor.

Moreover, I argue that media sensationalism serves as an audit quality indicator, particularly for non-professional shareholders who depend on the media for information about their audit firm. Consequently, I posit that high media sensationalism leads shareholders to view the audit quality provided by their audit firm as lower than shareholders who are exposed to low media sensationalism. Since as previously hypothesized, high media sensationalism leads to higher perception of audit firm control over the unfavorable outcomes, this informs my final formal hypothesis:

H4: Shareholders are less (*more*) likely to support auditor ratification when they perceive higher (*lower*) audit firm control over adverse fraud outcomes.

CHAPTER III

EXPERIMENTAL DESIGN AND METHOD

Participants

Participants were recruited to complete the online experiment in Qualtrics via recruitment platform, CloudResearch. CloudResearch, formerly TurkPrime, is the leading participant-sourcing platform used for online research. CloudResearch has been used for participant recruitment for studies published in several highly regarded academic journals, including the *Journal of Consumer Behaviour*, the *Journal of Experimental Social Psychology*, and the *European Journal of Marketing*. Research finds that CloudResearch participants value their scientific contributions and provide high-quality data comparable to community and student samples (Litman, Moss, Rosenzweig, and Robinson 2021).

Consistent with prior literature using online participants (Chmielewski and Kucker 2020), participants had to have an approval rate of greater than 90 percent. Additionally, participants were required to have completed greater than 100, but less than 50,000 Human Intelligence Tasks (HITs). After meeting preliminary requirements, participants answered a set of a priori screening questions. They were required to indicate that they were English-speaking⁹, located in the United States, and had personal investment experience to ensure they are appropriate proxies for interested, non-professional investors. A total of 319 participants met the preliminary screening criteria and completed the online experiment. The average time participants spent in

⁹ As part of the selected CloudResearch panel options, participants were required to select that either English is their first language or if it is not, that they learned it before the age of seven.

the experiment was approximately nine minutes. Participants were paid \$2.25 to participate in the study.¹⁰

The participants were primarily white (73 percent) males (56 percent) with an average age of 41 years. Study participants had an average of 20 years of professional work experience and 11 years of personal investment experience. See Table 1 for participant demographics. In a survey of financial journalists, they reveal that their targeted audience of interest includes informed non-professional investors (Call et al. 2021). Based upon the screening criteria and participant demographics, my study's participants are appropriate to complete the experimental task as proxies for non-professional investors.

¹⁰ 300 participants were paid \$2.25 each for participation. 19 participants completed the experiment for \$0.00 due to an error with the participation code at the end of the survey.

TABLE 1
Participant Demographics

Total Participants (n):	319
Average Age (years):	41.47
Average Years of Professional Experience:	19.77
Average Years of Investment Experience:	11.14

Gender	%	n
Female	42.95%	137
Male	56.43%	180
Non-binary / third gender	0.31%	1
Prefer not to say	0.31%	1
Total	100.00%	319

Ethnicity	%	n
Asian or Pacific Islander	7.21%	23
Black or African American	9.72%	31
Hispanic or Latino	4.39%	14
Middle Eastern or North African	0.94%	3
Multiracial or Biracial	3.13%	10
Native American or Alaskan Native	0.63%	2
Prefer not to disclose	0.94%	3
White or Caucasian	73.04%	233
Total	100.00%	319

Materials and Experimental Procedures

My hypotheses are tested utilizing a 2 x 3 full-factorial, between-participants experimental design using online participants.¹¹ Media sensationalism is manipulated on two levels (high vs. low) and audit firm response is manipulated on three levels (apology, blame-shifting, or no response). Participants were randomly assigned to experimental conditions. My experimental case is largely modified from Rasso (2014). See full experimental materials in Appendix A. The experiment begins by instructing participants that they are to regard themselves

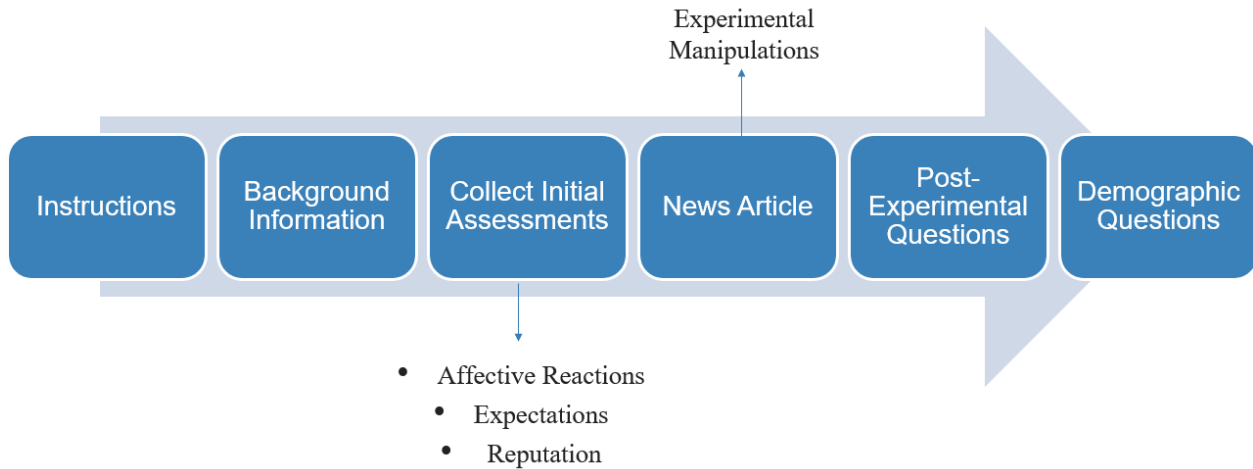
¹¹ I received approval from the University's Institutional Review Board prior to running the experiment.

as shareholders of Oliver, Inc., a corporation that is audited by a large, international audit firm, Abbott & Bailey. There are costs associated with switching audit firms, so to enhance external validity, participants are informed that the management of Oliver, Inc. has expressed concerns about potentially switching audit firms in the future because they have a strong working relationship with Abbott & Bailey. Participants then receive background information about Abbott & Bailey, including statements that the audit firm has never been involved in any accounting scandals and has never received negative publicity.

Participants then answer questions to assess their initial spontaneous affective reactions to the audit firm, including their perceptions of audit firm reputation and favorability. They also answer a question to assess their initial beliefs about external auditors' responsibility for fraud detection. Next, participants are presented with a news article that describes a fictitious fraud committed by LHF Enterprises, another client of Abbott & Bailey. The news article is presented in the format of a media print article which is consistent with the format of media examined by prior archival research on media coverage of audit firms (Cowle et al. 2021; Ege et al. 2021). This news article contains my manipulations of the independent variables. The experiment concludes with post-experimental and demographic questions. See Figure 2 for graphical depiction of the experimental flow.

FIGURE 2

Experimental Flow



Independent Variables

All participants receive the same instructions and general background information¹² before the study’s two independent variables are manipulated in the fictitious news article. I manipulate media sensationalism across two levels: high and low. Consistent with prior research (Dahlstrom et al. 2012; Gorney 1992), I operationalize media sensationalism by manipulating the presence of emotionally loaded words in the news article, as illustrated in Appendix A. In the high media sensationalism condition, the body of the article contains emotionally loaded words. The selected words all fall within the top 50% of the emotional arousal dimension in the Warriner, Kuperman, and Brysbaert (2013) database of approximately 14,000 words. Examples of emotionally loaded words used in my manipulation are “disastrous”, “negligent”, and “horrendously failed”. In the low media sensationalism condition, the news article omits the emotionally loaded words used in the high media sensationalism condition.

¹² Since the severity of a negative news article influences subsequent behavior (Ege et al. 2021; Kadous 2001), I chose to keep the news article’s description of the negative consequences of the fraud consistent across conditions to control for potential outcome effects.

The audit firm's response, which is provided in the same news article, is manipulated across three levels: apology, blame-shifting, or no response as illustrated in Appendix A. Participants in the apology conditions are presented with a sympathetic apology by an audit firm spokesperson. A sympathetic apology from an audit firm significantly reduces evaluators' assessments of punishment (Cornell et al. 2009; Rasso 2014); therefore, I selected this apology type to maximize the strength of the manipulation. Although the apology wording is adapted from Rasso (2014), whose audit firm apology is included in a posting on the firm's website, my experiment includes the apology in the body and sub-header of the news article for enhanced external generalizability.

In the blame-shifting condition, the news article includes an audit firm response partially adapted from Antonetti and Baghi (2019), which reads, "we condemn the irresponsible behavior of LHF who is entirely to blame for the losses experienced by everyone – including us." Lastly, in the no response condition the news article contains no response from the audit firm.¹³

Dependent Variables

The study's primary dependent variable is the shareholders' assessment of their support for auditor ratification. Support for auditor ratification is measured as the participants' responses to the post-experimental question, "As a stockholder of Oliver, Inc. who is also audited by Abbott & Bailey, please drag the slider to reflect how likely would you be to vote against or for ratifying Abbott & Bailey as the company's auditors for the upcoming fiscal year? (0 = Vote strongly against retention; 6 = Vote strongly for retention)". Next, shareholders answer a series of questions designed to capture process measures. These questions include the second measure

¹³ The "no response" simply does not include a response from the audit firm. There is no mention that the audit firm did *not* provide a response.

of the shareholders' spontaneous affective reactions to the auditors and the second measure of their beliefs about external auditors' responsibility for fraud detection.

Consistent with prior research utilizing the CCM (e.g., Backof 2015; Gimbar et al. 2016), I measure the shareholders' views on perceived audit firm control, i.e., the extent to which the audit firm's behavior caused the fraud, the foreseeability of the fraud, and whether the audit firm intended to conduct a quality audit. I create a composite variable to represent the shareholders' perceptions of audit firm control. This variable is equal to the sum of the shareholders' assessments of the audit firm's causation (participants' responses to the post experimental question, "To what extent do you believe that Abbott & Bailey's (the audit firm) behavior caused the negative consequences of the fraud (loss of jobs, money, retirement accounts, etc.)?") (0 = Not at all the cause; 6 = Completely the cause), foreseeability (participants' responses to the post experimental question, "In your opinion, to what degree do you believe that Abbott & Bailey (the audit firm) foresaw the harmful outcomes of the LHF fraud?") (0 = No foresight at all; 6 = Full foresight), and intentions to conduct a quality audit (participants' responses to the post experimental question, "In your opinion, did Abbott & Bailey intend to conduct a quality audit?") (0 = Did not intend at all; 6 = Fully intended). The participants' assessments of the auditor's intentions to conduct a quality audit were reverse coded prior to creating the composite variable for audit firm control. Higher mean values of audit firm control indicate that shareholders attribute a higher level of audit firm control over the adverse outcomes of the fraud. The Cronbach's Alpha for the three-item audit firm control composite variable was $\alpha = 0.70$ which indicates adequate internal consistency. Participants are also asked to indicate their feelings towards both the audit firm and the client and the extent to which they believe each party is to blame.

CHAPTER IV

RESULTS

Manipulation Checks

Participants answered manipulation check questions at the end of the experiment to verify that the media sensationalism and audit firm response manipulations had their intended effects.¹⁴ Participants indicated the degree to which they believed the news article used sensationalism to report on the audit firm's responsibility to detect the fraud using a 7-point Likert scale from 0 (low sensationalism) to 6 (high sensationalism). Participants in the high sensationalism condition indicated that the article employed sensationalism to a greater extent than those in the low sensationalism condition (mean = 4.17 vs. 2.72, $p < 0.01$) suggesting my manipulation was effective. See Table 2 for results of the sensationalism manipulation check.

TABLE 2
Sensationalism Manipulation Check Results

	HIGH SENSATIONALISM		LOW SENSATIONALISM		
	M	SD	M	SD	t-stat
Perceived Sensationalism	4.17	1.36	2.72	1.49	9.08**

** Denotes statistical significance equivalent to $p < 0.01$.

Variable Definition:

Perceived Sensationalism = participants' responses to the post experimental question, "In your opinion, to what extent did the news article use sensationalism to report on Abbott & Bailey audit firm's responsibility to detect the fraud?" (0 = Low Sensationalism; 6 = High Sensationalism).

¹⁴ The manipulations were tested in an online pilot study in June 2021 with student participants to ensure the adequacy of the research instrument prior to running the main study with different participants. See Appendix B for pilot study demographics.

To verify that the audit firm response manipulation was successful, participants were asked if the audit firm spokesperson apologized for its deficient audit, blamed LHF Enterprises, or neither. Approximately 84% of participants correctly answered the question, therefore, the manipulation was successful. All 319 participants are included in the analysis because their exclusion does not substantively change the results.

Descriptive Statistics

Table 3 provides descriptive statistics for variables of interest by experimental condition. Additionally, Table 4 provides correlational information for selected variables.

TABLE 3

Descriptive Statistics

Means of Variables of Interest (Std Error) by Experimental Condition

	HIGH SENSATIONALISM			LOW SENSATIONALISM		
	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>
<i>Support for Auditor Ratification</i>	2.06 (0.23) n=55	2.35 (0.24) n=51	2.08 (0.23) n=52	2.65 (0.23) n=54	3.26 (0.24) n=51	2.46 (0.23) n=56
<i>Audit Firm Control</i>	8.15 (0.49) n=55	6.39 (0.51) n=51	8.08 (0.51) n=52	5.78 (0.50) n=54	4.67 (0.51) n=51	6.34 (0.49) n=56
<i>Causation</i>	3.09 (0.21) n=55	2.57 (0.22) n=51	2.77 (0.22) n=52	2.59 (0.21) n=54	2.08 (0.22) n=51	2.41 (0.21) n=56
<i>Foreseeability</i>	2.53 (0.21) n=55	1.84 (0.21) n=51	2.56 (0.21) n=52	1.83 (0.21) n=54	1.55 (0.21) n=51	2.27 (0.20) n=56
<i>Intentions</i>	2.53 (0.21) n=55	1.98 (0.23) n=51	2.80 (0.22) n=52	1.35 (0.22) n=54	1.04 (0.23) n=51	1.67 (0.22) n=56
<i>Reputation (Measure #1)</i>	5.02 (0.13) n=55	5.31 (0.13) n=51	5.14 (0.13) n=52	5.00 (0.13) n=54	5.24 (0.13) n=51	5.16 (0.13) n=56
<i>Reputation (Measure #2)</i>	1.93 (0.20) n=55	2.55 (0.20) n=51	2.00 (0.20) n=52	2.74 (0.20) n=54	3.55 (0.20) n=51	2.73 (0.20) n=56
<i>Auditor Blame</i>	3.36 (0.20) n=55	2.49 (0.21) n=51	2.58 (0.20) n=52	2.80 (0.20) n=54	2.04 (0.21) n=51	2.54 (0.20) n=56

TABLE 3 (continued)

<i>Auditor Favorability (Measure #1)</i>	4.95 (0.14) n=55	5.06 (0.15) n=51	4.92 (0.15) n=52	4.91 (0.14) n=54	5.02 (0.15) n=51	4.95 (0.14) n=56
<i>Auditor Favorability (Measure #2)</i>	1.71 (0.20) n=55	2.57 (0.20) n=51	1.85 (0.20) n=52	2.67 (0.20) n=54	3.55 (0.20) n=51	2.57 (0.20) n=56
<i>Audit Quality</i>	1.60 (0.20) n=55	2.45 (0.21) n=51	1.81 (0.21) n=52	2.26 (0.20) n=54	3.22 (0.21) n=51	2.48 (0.20) n=56
<i>Expectations (Measure #1)</i>	5.22 (0.14) n=55	5.22 (0.14) n=51	5.08 (0.14) n=52	5.07 (0.14) n=54	4.9 (0.14) n=51	4.95 (0.14) n=56
<i>Expectations (Measure #2)</i>	4.58 (0.19) n=55	4.78 (0.19) n=51	4.35 (0.19) n=52	4.52 (0.19) n=54	4.18 (0.19) n=51	3.79 (0.18) n=56

Variable Definitions:

Auditor Ratification = participants' responses to the post experimental question, "As a stockholder of Oliver, Inc. who is also audited by Abbott & Bailey, please drag the slider to reflect how likely would you be to vote against or for ratifying Abbott & Bailey as the company's auditors for the upcoming fiscal year? (0 = Vote Strongly AGAINST retention; 6 = Vote Strongly FOR retention).

Audit Firm Control = composite variable calculated as the sum of the participants' responses to the post experimental questions related to causation, foreseeability and intentions (definitions below). A higher score indicates a higher perceived level of audit firm control of the adverse outcomes of the fraud.

Causation = participants' responses to the post experimental question, "To what extent do you believe that Abbott & Bailey's (the audit firm) behavior caused the negative consequences of the fraud (loss of jobs, money, retirement accounts, etc.)?" (0 = Not at all the case; 6 = Completely the cause).

Foreseeability = participants' responses to the post experimental question, "In your opinion, to what degree do you believe that Abbott & Bailey (the audit firm) foresaw the harmful outcomes of the LHF fraud?" (0 = No foresight at all; 6 = Full foresight).

Intentions = participants' responses to the post experimental question, "In your opinion, did Abbott & Bailey intend to conduct a quality audit??" (0 = Did not intend at all; 6 = Fully intended).

Reputation = participants' responses to the statement, "Please rate your perception of Abbott & Bailey's reputation as an audit firm." (0 = Extremely bad reputation; 6 = Extremely good reputation).

Auditor Blame = participants' responses to the post experimental question, "In your opinion, on a range from NONE to ALL, how much blame does Abbott & Bailey deserve for the negative consequences of the fraud (loss of jobs, money, retirement accounts, etc.)" (0 = None of the blame; 6 = All of the blame).

TABLE 3 (continued)

Auditor Favorability = participants' responses to the post-experimental question, "Given what you know about Abbott & Bailey (the audit firm), do you have a favorable or unfavorable impression of the audit firm?". (0 = Very unfavorable; 6 = Very favorable).

Audit Quality = participants' responses to the post-experimental question, "How would you rate the quality of the audit work performed by Abbott & Bailey (the audit firm)?" (0 = Extremely Low Quality; 6 = Extremely High Quality).

Expectations = participants' answers to the question, "In general, to what extent do you agree that external auditors are responsible for detecting fraud present in the financial statements they audit" on a Likert scale (0 = completely disagree; 6 = completely agree).

TABLE 4

Correlations Among Variables

Variable	1	2	3	4	5	6	7	8	9	10	Mean	Std. Dev.
1. Auditor Ratification											2.47	1.72
2. Final Auditor Reputation Assessment	.71**										2.58	1.54
3. Final Auditor Favorability Assessment	.71**	.89**									2.48	1.57
4. Final Expectations Assessment	-.25**	-.24**	-.22**								4.36	1.40
5. Causation	-.29**	-.40**	-.43**	.28**							2.59	1.58
6. Foreseeability	-.15**	-.29**	-.30**	.12*	.50**						2.10	1.56
7. Intentions	-.36**	-.44**	-.42**	0.10	.38**	.43**					1.89	1.71
8. Audit Firm Control	-.35**	-.48**	-.49**	.21**	.79**	.80**	.78**				6.58	3.82
9. Audit Quality	.59**	.73**	.76**	-.23**	-.35**	-.15**	-.37**	-.37**			2.29	1.56
10. Auditor Blame	-.45**	-.54**	-.54**	.22**	.62**	.46**	.42**	.63**	-.44**		2.64	1.51

** p < 0.01 (two-tailed); * p < 0.05; N = 319

Tests of Hypotheses

The Effect of Media Sensationalism and Audit Firm Response on Audit Firm Control (H1-H3)

I examine the effects of media sensationalism, audit firm response, and their interaction on perceived audit firm control by utilizing a 2 X 3 analysis of variance (ANOVA) with audit firm control as the dependent variable.

H1 predicts that shareholders exposed to high media sensationalism perceive higher audit firm control over the outcomes of the fraud, compared with those exposed to low media

sensationalism. Consistent with prior audit research using the CCM (Gimbar et al. 2016), audit firm control is calculated as the sum of participants' responses to the post-experimental questions capturing their assessments of audit firm causation, foreseeability, and intentions.¹⁵ Higher mean values of audit firm control indicate that shareholders attribute a higher level of audit firm control over the adverse outcomes of the fraud.

As expected, I find that shareholders exposed to the highly sensationalized news article perceived a higher level of audit firm control than those exposed to the lower sensationalized news article (mean = 7.54 vs. 5.60, $p < 0.01$, one-tailed). Therefore, H1 is supported. Results are reported in Table 5 and plotted in Figure 3.

¹⁵ Participants' assessments of the auditor's intentions to conduct a quality audit were reverse coded prior to creating the composite variable for audit firm control.

TABLE 5

The Effects of Media Sensationalism and Audit Firm Response on Audit Firm Control

Panel A: Assessment of Audit Firm Control by Condition (SE)[n]

		MEDIA SENSATIONALISM		
		High	Low	Overall
AUDIT FIRM RESPONSE	Apology	8.15 (0.49) [55]	5.78 (0.50) [54]	6.96 (0.35) [109]
	Blame	6.39 (0.51) [51]	4.67 (0.51) [51]	5.53 (0.36) [102]
	No Response	8.08 (0.51) [52]	6.34 (0.49) [56]	7.21 (0.35) [108]
	Overall	7.54 (0.29) [158]	5.60 (0.29) [161]	

Panel B: ANOVA Table

Source of Variation	SS	df	MS	F	p
Sensationalism (<i>H1</i>)	300.86	1	300.86	22.59	< 0.01*
Audit Firm Response (<i>H2</i>)	170.99	2	85.49	6.42	< 0.01*
Sensationalism x Audit Firm Response (<i>H3</i>)	7.26	2	3.63	0.27	0.38
Error	4167.91	313	13.32		

*Significant at the 0.05 level. One-tailed *p*-value for directional predictions.

TABLE 5 (CONTINUED)

Panel C: H2-Tukey Post Hoc Analysis (Firm Response)	Mean difference	p-value
Apology > Blame	1.44	< 0.01*
Blame < No Response	-1.65	< 0.01*
Apology = No Response	-0.20	0.46

*Significant at the 0.05 level. The mean square (error) for the Tukey post hoc analysis = 13.32. One-tailed p-values.

Variable Definitions:

Audit Firm Control = Composite variable calculated as the sum of the participants' responses to the post experimental questions related to causation, foreseeability, and intentions (definitions below). A higher score indicates a higher perceived level of audit firm control of the adverse outcomes of the fraud.

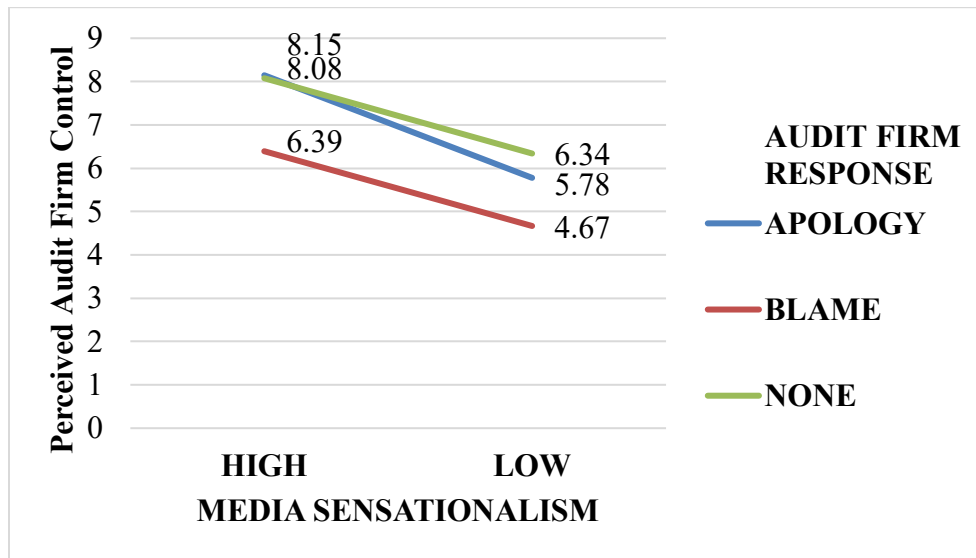
Causation = participants' responses to the post experimental question, "To what extent do you believe that Abbott & Bailey's (the audit firm) behavior caused the negative consequences of the fraud (loss of jobs, money, retirement accounts, etc.)?" (0 = Not at all the cause; 6 = Completely the cause).

Foreseeability = participants' responses to the post experimental question, "In your opinion, to what degree do you believe that Abbott & Bailey (the audit firm) foresaw the harmful outcomes of the LHF fraud?" (0 = No foresight at all; 6 = Full foresight).

Intentions = participants' responses to the post experimental question, "In your opinion, did Abbott & Bailey intend to conduct a quality audit??" (0 = Did not intend at all; 6 = Fully intended). Reverse coded for purposes of calculations.

FIGURE 3

The Effects of Media Sensationalism and Audit Firm Response on Audit Firm Control



H2 predicts that an audit firm apology leads to less perceived audit firm control than blame-shifting or no response. Although there is a significant main effect for audit firm response ($p < 0.01$, one-tailed), Tukey post hoc analysis (Table 5, Panel C) reveals that, contrary to my expectations, shareholders who read news articles with an audit firm apology perceive a *higher* level of audit firm control than those who read the audit firm's blame-shifting response (mean = 6.96 vs. 5.53, $p < 0.01$). Furthermore, shareholders who read a blame-shifting response perceived less audit firm control than those who did not receive an audit firm response (mean = 5.53 vs. 7.21, $p < 0.01$). Lastly, there are no differences between shareholders' perception of audit firm control between the no response condition and the apology condition (mean = 7.21 vs. 6.96, $p = 0.46$).

In H3, I predict that the effect of media sensationalism on perceived audit firm control is moderated by audit firm response, such that, with high media sensationalism, shareholders will perceive more auditor personal control when the audit firm uses a blame-shifting response when

compared with an apology and no response. However, contrary to my expectation, I find that there is no interaction between media sensationalism and audit firm response ($p = 0.38$).

Therefore, H3 is unsupported.

The Impact of Shareholders' Perception of Audit Firm Control on Auditor Ratification (H4)

H4 predicts that shareholders are more likely to support auditor ratification when they perceive lower audit firm control. Support for auditor ratification was measured as participants' responses to the post experimental question, "As a stockholder of Oliver, Inc. who is also audited by Abbott & Bailey, please drag the slider to reflect how likely would you be to vote against or for ratifying Abbott & Bailey as the company's auditors for the upcoming fiscal year? (0 = Vote Strongly AGAINST retention; 6 = Vote Strongly FOR retention). I test H4 by conducting a simple linear regression analysis of support for audit firm ratification on perceived audit firm control. The overall regression is statistically significant ($R^2 = 0.12$, $F_{(1,317)} = 42.70$, $p < 0.01$). Results indicate that perceived audit firm control significantly predicts shareholder support for auditor ratification ($\beta = -0.16$, $t = -6.53$, $p < 0.01$). Therefore, H4 is supported by these results.

Supplemental Analyses

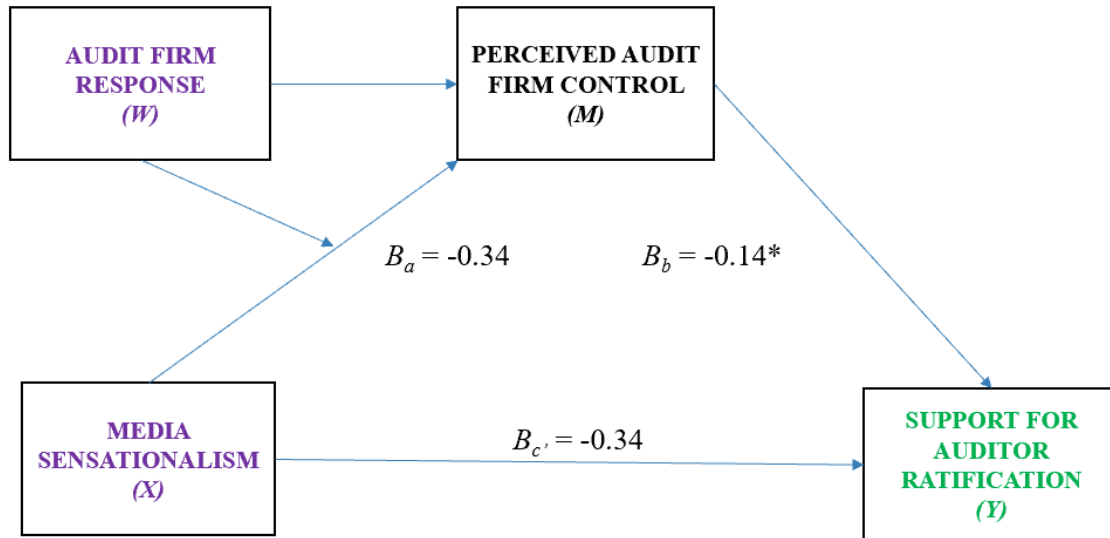
Test of Proposed Theoretical Model

I conduct a moderated mediation analysis to test my proposed theoretical model (see Figure 2) using the Hayes (2017) SPSS PROCESS Macro version 4.0 (Model 7). I test the interaction effect of audit firm response (moderator) on media sensationalism (independent variable), perceived audit firm control (mediator), and support for auditor ratification (dependent variable). This model examines whether the effect of media sensationalism on support for audit firm ratification operates through a moderated relationship between audit firm response and audit firm control. Results indicate that there is not a significant moderating effect of audit firm

response on the relationship between media sensationalism and audit firm control in the model, nor is there a significant direct effect of media sensationalism on support for auditor ratification. However, the analysis indicates that perceived audit firm control does significantly affect support for auditor ratification in the model (95 percent confidence interval of -0.19 to -0.09; $p < 0.01$). This indicates that although media sensationalism and audit firm responses do not interact to impact shareholders' perceptions of audit firm control over adverse fraud outcomes, together, they do indirectly impact shareholders' support for auditor ratification through perceived audit firm control. See Figure 4 for results of moderated mediation analysis.

FIGURE 4

MODERATED MEDIATION ANALYSIS OF THE EFFECT OF MEDIA SENSATIONALISM AND AUDIT FIRM RESPONSES ON SHAREHOLDER SUPPORT FOR AUDITOR RATIFICATION



Note: This figure depicts the predicted moderated-mediation relationship between variables. I used the SPSS PROCESS Macro (Model 7) (Hayes 2017) to test the model. This model reports two-tailed p -values and 5,000 bootstrapped samples to estimate confidence intervals.

* Denotes statistical significance equivalent to $p < 0.05$.

Media Sensationalism is manipulated as high versus low. Participants exposed to high media sensationalism were presented with a news article that contained emotionally loaded words. The news article for participants in the low media sensationalism conditions excluded those words.

Audit Firm Response is manipulated as either an apology (adapted from Cornell et al. 2009 and Rasso 2014), a blame-shifting response (adapted from Antonetti and Baghi 2019), or no response.

Audit Firm Control is equal to the sum of the shareholders' assessments of the audit firm's causation (participants' responses to the post experimental question, "To what extent do you believe that Abbott & Bailey's (the audit firm) behavior caused the negative consequences of the fraud (loss of jobs, money, retirement accounts, etc.)?" (0 = Not at all the case; 6 = Completely the cause), foreseeability (participants' responses to the post experimental question, "In your opinion, to what degree do you believe that Abbott & Bailey (the audit firm) foresaw the harmful outcomes of the LHF fraud?" (0 = No foresight at all; 6 = Full foresight), and intentions¹⁶ to conduct a quality audit (participants' responses to the post experimental question, "In your opinion, did Abbott & Bailey intend to conduct a quality audit?" (0 = Did not intend at all; 6 = Fully intended).

Support for Auditor Ratification is the participants' responses to the post-experimental question, "As a stockholder of Oliver, Inc. who is also audited by Abbott & Bailey, please drag the slider to reflect how likely would you be to vote against or for ratifying Abbott & Bailey as the company's auditors for the upcoming fiscal year? (0 = Vote strongly against retention; 6 = Vote strongly for retention).

¹⁶ Participants' assessments of the auditor's intentions to conduct a quality audit were reverse coded prior to creating the composite variable for audit firm control.

Reputational Implications

Reputation is considered an extra-evidential feature of the Culpable Control Model which influences perceived blameworthiness (Alicke 2000). I collect measures of the participants' perception of the audit firm's reputation both before and after reading the news article to isolate the effect of media influence on audit firm reputation. Reputational assessments were collected on a 7-point Likert scale with higher values representing higher reputational assessments. Reputation was measured as participants' responses to the statement, "Please rate your perception of Abbott & Bailey's reputation as an audit firm." (0 = Extremely bad reputation; 6 = Extremely good reputation). See Table 6 for descriptive statistics by experimental condition. Additionally, a three-way mixed analysis of variance (ANOVA) with a within-subjects factor of Time (pre-article and post-article) and between-subjects factors of media sensationalism (high or low) and audit firm response (apology, blame, or none) yielded a significant main effect of Time, $F_{(1, 313)} = 816.45, p < 0.01$. The overall mean difference between the pre-article and post-article reputational assessments was -2.56 (mean 5.14 vs. 2.58) indicating that the informational content in negative publicity adversely impacts auditor reputation. The ANOVA also yielded a significant interaction between Time and Media Sensationalism, $F_{(1, 313)} = 23.67, p < 0.01$. Additionally, there is a significant interaction between Time and Audit Firm Response, $F_{(2, 313)} = 3.54, p = 0.03$. See Figure 5 and Figure 6 for graphical depictions of the impact of media sensationalism and audit firm responses on reputational assessments. Shareholder perception of auditor reputation decreased after reading the article in all conditions.

TABLE 6

Reputational Implications of Media Sensationalism and Audit Firm Responses

Means (Std Error) by Experimental Condition

	<u>HIGH SENSATIONALISM</u>			<u>LOW SENSATIONALISM</u>			<u>Overall</u>
	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	
<i>Reputation (Measure #1)</i>	5.02 (0.13) n=55	5.31 (0.13) n=51	5.14 (0.13) n=52	5.00 (0.13) n=54	5.24 (0.13) n=51	5.16 (0.13) n=56	5.14 (0.05) n=319
<i>Reputation (Measure #2)</i>	1.93 (0.20) n=55	2.55 (0.20) n=51	2.00 (0.20) n=52	2.74 (0.20) n=54	3.55 (0.20) n=51	2.73 (0.20) n=56	2.58 (0.08) n=319

FIGURE 5

Reputational Assessments by Media Sensationalism Conditions

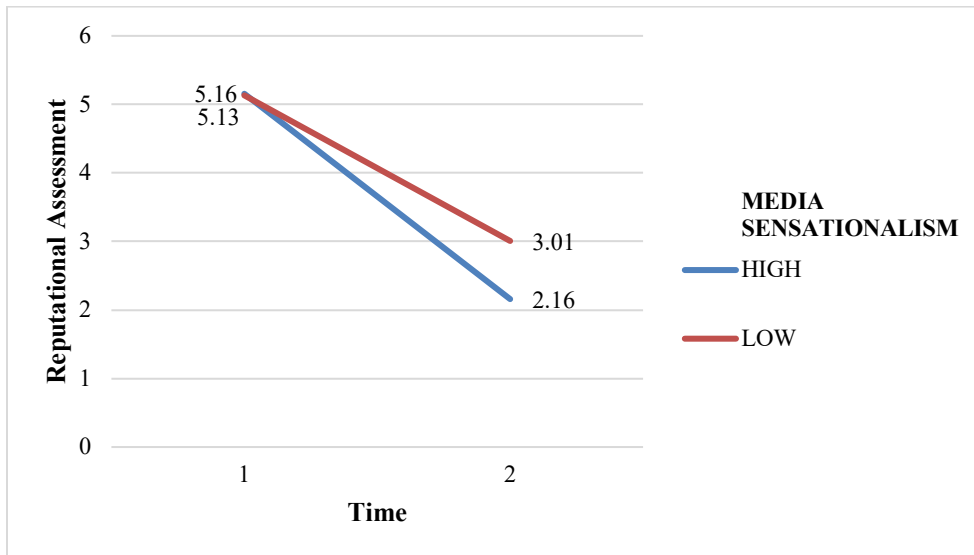
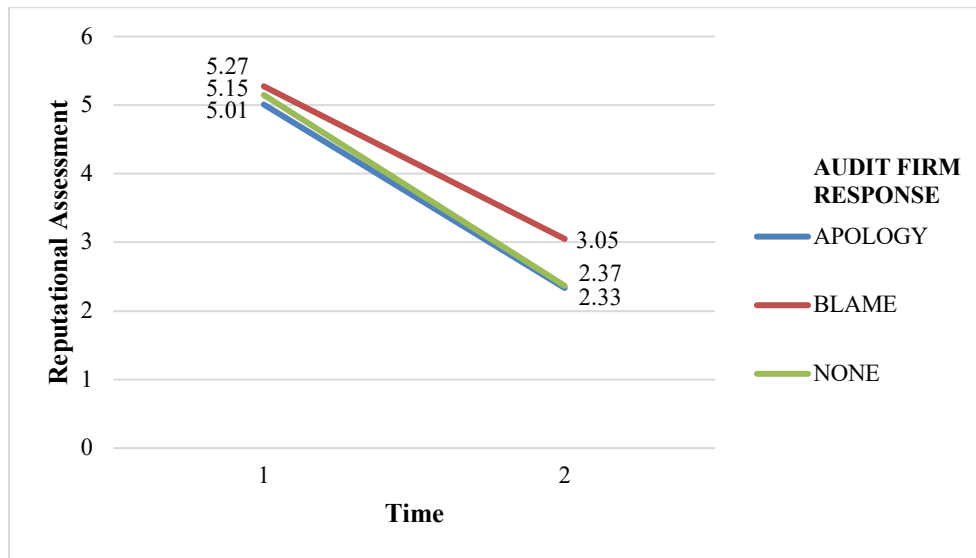


FIGURE 6

Reputational Assessments by Audit Firm Response Conditions



I also perform a simple linear regression analysis to test whether the shareholders' final assessment of auditor reputation significantly predicts their support for auditor ratification. The overall regression is statistically significant ($R^2 = 0.51$, $F_{(1,317)} = 328.43$, $p < 0.01$). These results not only suggest that the media play an important role in public perception of audit firm reputation, but also that reputation impacts client retention.

Analysis of Blame

Since the Culpable Control Model is a theory of blame-attribution, it was important to collect a direct measure of participants' attributions of blame for the adverse fraud outcomes. Blame was assessed for both the client and the audit firm and measured as participants' responses to the post-experimental question, "In your opinion, on a range from NONE to ALL, how much blame does each party deserve for the negative consequences of the fraud (loss of jobs, money, retirement accounts, etc.)?" on a 7-point Likert-type scale where 0 = none of the blame and 6 = all of the blame. Results of an untabulated ANOVA revealed that there were no differences between perceived *client* blame by condition. Contrarily, media sensationalism and

audit firm responses *did* have an impact on the assessments of perceived *auditor* blameworthiness. See Table 7, Panel A for descriptive statistics by experimental condition. Specifically, a factorial ANOVA revealed that there was a significant main of effect of both media sensationalism ($F_{(1,313)} = 4.58, p = 0.03$, two-tailed) and audit firm responses ($F_{(2,313)} = 8.35, p < 0.01$, two-tailed) on shareholder assessments of audit firm blame for the adverse fraud outcomes. There was not a statistically significant interaction between media sensationalism and audit firm responses. See Table 7, Panel B for ANOVA results. Shareholders exposed to high media sensationalism perceived that the audit firm deserved more blame for the negative consequences of the fraud than those exposed to low sensationalism (mean 2.82 vs. 2.47). A Tukey post hoc analysis was conducted on audit firm responses. Shareholders exposed to an audit firm apology perceived that the auditor deserved more blame than those exposed to a blame-shifting response or no response. This perceived blameworthiness for apologetic auditors mirrors the results for shareholders' assessments of audit firm control over the adverse outcomes. This indicates that shareholders may view the auditor's apology as an admission of guilt. See Table 7, Panel C for comparison results.

TABLE 7

Analysis of Auditor Blame

Panel A: Descriptives

	HIGH SENSATIONALISM			LOW SENSATIONALISM		
	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>
Auditor	3.36	2.49	2.58	2.80	2.04	2.54
Blame	(0.20)	(0.21)	(0.20)	(0.20)	(0.21)	(0.20)
	n=55	n=51	n=52	n=54	n=51	n=56

Panel B: ANOVA Table

Source of Variation	df	MS	F	<i>p</i>
<i>Media Sensationalism</i>	1	9.93	4.58	0.03*
<i>Audit Firm Response</i>	2	18.11	8.35	< 0.01*
<i>Media Sensationalism x Audit Firm Response</i>	2	2.06	0.95	0.39
<i>Error</i>	313	2.17		

Panel C: Tukey Post Hoc Analysis (Audit Firm Response)

	Mean difference	<i>p</i> -value
Apology > Blame	0.82	< 0.01*
Apology > No Response	0.53	0.02*
Blame = No Response	-0.29	0.33

*Significant at the 0.05 level.

Analysis of Favorability (Affective Reactions Towards the Audit Firm)

The Culpable Control Model largely relies upon audiences’ spontaneous affective reactions in the formation of perceived blameworthiness. As such, I collect measures of the participants’ perception of the audit firm’s favorability both before and after reading the news article to isolate the effect of media influence on audit firm favorability. Favorability is considered an evidential factor in the CCM and was assessed as participants’ responses to the post-experimental question, “Given what you know about Abbott & Bailey (the audit firm), do

you have a favorable or unfavorable impression of the audit firm?”. Favorability assessments were collected on a 7-point Likert scale with higher values indicating more favorable reactions towards the audit firm with a range from 0 (very unfavorable) to 6 (very favorable). See Table 8 for descriptive statistics. Additionally, a three-way mixed analysis of variance (ANOVA) with a within-subjects factor of Time (pre-article and post-article) and between-subjects factors of media sensationalism (high or low) and audit firm response (apology, blame, or none) yielded a significant main effect of Time, $F_{(1, 313)} = 725.81, p < 0.01$. The overall mean difference between the pre-article and post-article reputational assessments was -2.48 (mean 4.97 vs. 2.49) indicating that the informational content in negative publicity adversely impacts perceptions of auditor favorability. The ANOVA also yielded a significant interaction between Time and Media Sensationalism, $F_{(1, 313)} = 24.17, p < 0.01$. Additionally, there is a significant interaction between Time and Audit Firm Response, $F_{(2, 313)} = 7.26, p < 0.01$. See Figure 7 and Figure 8 for graphical depictions of the impact of media sensationalism and audit firm responses on assessments of auditor favorability.

TABLE 8

Analysis of Favorability Towards the Audit Firm

Means (Std Error) by Experimental Condition

	<u>HIGH SENSATIONALISM</u>			<u>LOW SENSATIONALISM</u>			<i>Overall</i>
	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	
<i>Auditor Favorability (Measure #1)</i>	4.95 (0.14) n=55	5.06 (0.15) n=51	4.92 (0.15) n=52	4.91 (0.14) n=54	5.02 (0.15) n=51	4.95 (0.14) n=56	4.97 (0.06) n=319
<i>Auditor Favorability (Measure #2)</i>	1.71 (0.20) n=55	2.57 (0.20) n=51	1.85 (0.20) n=52	2.67 (0.20) n=54	3.55 (0.20) n=51	2.57 (0.20) n=56	2.49 (0.09) n=319

FIGURE 7

Audit Firm Favorability Assessments by Media Sensationalism Conditions

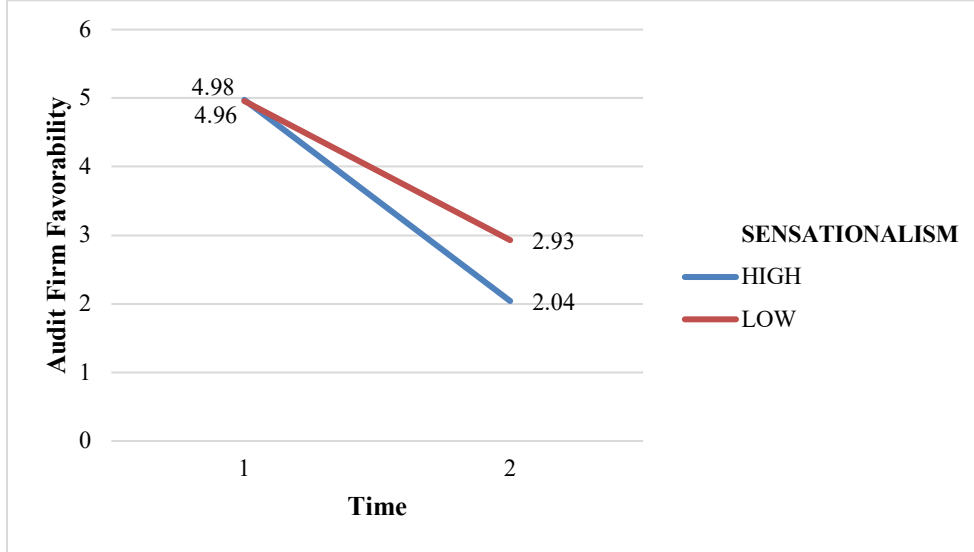
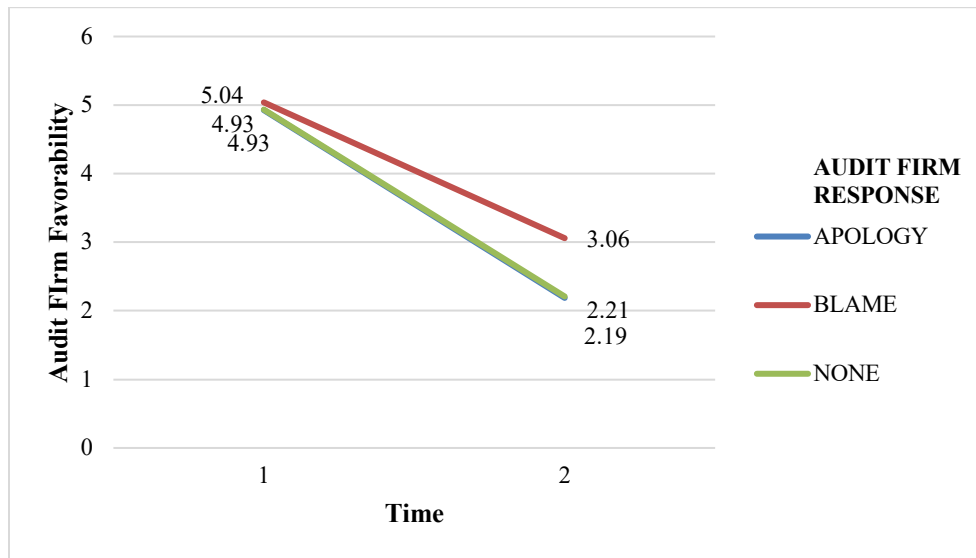


FIGURE 8

Audit Firm Favorability Assessments by Audit Firm Response Conditions



Audit Quality Implications

The financial press may serve as an audit quality indicator for investors. To test this assertion, a measure of audit quality was collected as participants' responses to the post-experimental question, "How would you rate the quality of the audit work performed by Abbott & Bailey (the audit firm)?" on a 7-point Likert-type scale from 0 (Extremely Low Quality) to 6 (Extremely High Quality). See Table 9, Panel A for descriptive statistics by experimental condition. A factorial ANOVA revealed that there was a significant main effect of both media sensationalism ($F_{(1,313)} = 17.65, p < 0.01$, two-tailed) and audit firm responses ($F_{(2,313)} = 10.54, p < 0.01$, two-tailed) on shareholders' perception of audit quality. There was not a statistically significant interaction between media sensationalism and audit firm responses. See Table 9, Panel B for ANOVA results. Figure 9 graphically represents this relationship. Shareholders exposed to high media sensationalism perceived that the audit firm performed a lower quality audit than those exposed to low sensationalism (mean 1.95 vs. 2.65). A Tukey post hoc analysis was conducted on audit firm responses. Shareholders exposed to a blame-shifting response

perceived that the audit firm performed a higher quality audit than those exposed to an apology or no response. See Table 9, Panel C for comparison results. My findings are consistent with Ege et al. 2020's assertion that the business press influences investor perception of audit quality.

TABLE 9

Audit Quality Implications

Panel A: Means (Std Error) by Experimental Condition

	<u>HIGH SENSATIONALISM</u>			<u>LOW SENSATIONALISM</u>			<u>Overall</u>
	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	
<i>Audit Quality</i>	1.60 (0.20) n=55	2.45 (0.21) n=51	1.81 (0.21) n=52	2.26 (0.20) n=54	3.22 (0.21) n=51	2.48 (0.20) n=56	2.29 (0.08) n=319

Panel B: ANOVA Table

Source of Variation	df	MS	F	two-tailed <i>p</i>-value
<i>Media Sensationalism</i>	1	38.97	17.65	< 0.01*
<i>Audit Firm Response</i>	2	23.27	10.54	< 0.01*
<i>Media Sensationalism x Audit Firm Response</i>	2	0.085	0.04	0.96
<i>Error</i>	313	2.21		

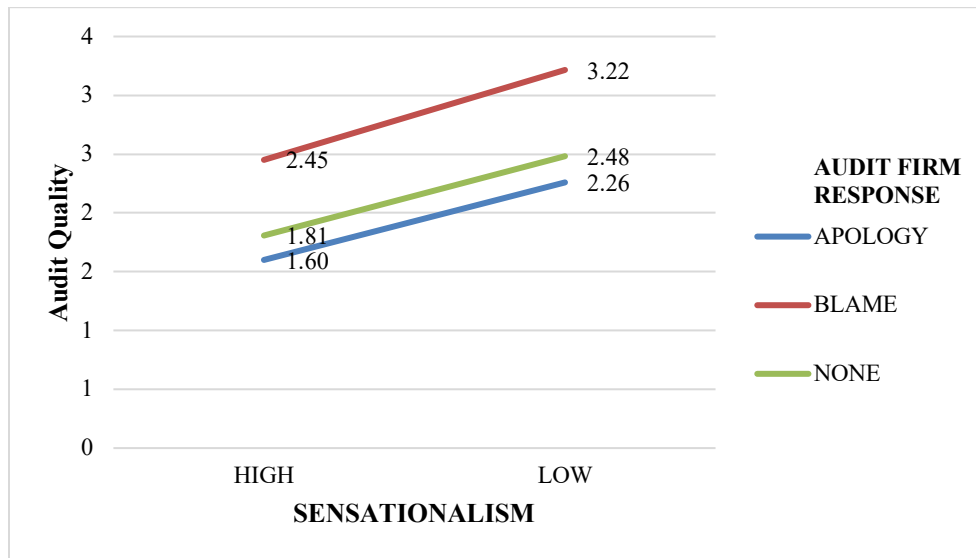
Panel C: Tukey Post Hoc Analysis (Firm Response)

	Mean difference	<i>p</i>-value
Apology < Blame	-0.91	< 0.01*
Blame > No Response	0.68	< 0.01*
Apology = No Response	0.23	0.49

*Significant at the 0.05 level.

FIGURE 9

Perceived Audit Quality by Experimental Condition



Expectations Gap Implications

Media influence on the audit expectations gap is measured as participants’ answers to the question, “In general, to what extent do you agree that external auditors are responsible for detecting fraud present in the financial statements they audit” on a Likert scale (0 = completely disagree; 6 = completely agree). This question was asked both before and after participants read the news article. See Table 10 for descriptive statistics by experimental condition. Additionally, a three-way mixed analysis of variance (ANOVA) with a within-subjects factor of Time (pre-article and post-article) and between-subjects factors of media sensationalism (high or low) and audit firm response (apology, blame, or none) yielded a significant main effect of Time, mean (5.07 vs. 4.37), $F_{(1, 313)} = 83.21, p < 0.01$. This result confirms Cohen et al. (2017)’s assertion that the media’s unreasonable expectations perpetuate the audit expectations gap. There were no significant differences in any of the remainder of the interactions.

TABLE 10

Expectations Gap Implications

Means (Std Error) by Experimental Condition

	<u>HIGH SENSATIONALISM</u>			<u>LOW SENSATIONALISM</u>			<u>Overall</u>
	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	<i>Apology</i>	<i>Blame</i>	<i>No Response</i>	
<i>Expectations (Measure #1)</i>	5.22 (0.14) n=55	5.22 (0.14) n=51	5.08 (0.14) n=52	5.07 (0.14) n=54	4.90 (0.14) n=51	4.95 (0.14) n=56	5.07 (0.06) n=319
<i>Expectations (Measure #2)</i>	4.58 (0.19) n=55	4.78 (0.19) n=51	4.35 (0.19) n=52	4.52 (0.19) n=54	4.18 (0.19) n=51	3.79 (0.18) n=56	4.36 (0.08) n=319

CHAPTER V

CONCLUSION

In this study, I examine media influence on the auditor-client shareholder relationship. Specifically, I explore the effectiveness of audit firm response strategies in mitigating the risk of client loss in the wake of negative media coverage. I utilize the Culpable Control Model and draw on research in crisis communication and public relations to examine the effect of media sensationalism of the auditor's responsibility for fraud detection and the audit firm's response on shareholders' support for auditor ratification.

Consistent with my predictions, I find that high media sensationalism leads shareholders to perceive higher audit firm control over the adverse outcomes caused by the fraud. Contrary to expectations, I find that blame-shifting is more effective than an apology or providing no response at reducing shareholders' perception of their audit firm's control over harmful outcomes. This result may be attributable to shareholders' perception that an apologetic firm is more blameworthy. Lastly, I predict and find that shareholders' perception of audit firm's control influences their decision to support auditor ratification.

My findings are important because audit firms are concerned about reputational risks associated with negative media coverage.¹⁷ The IAASB recognizes the importance of closing the expectation gap and has a current initiative to understand stakeholder perspectives on the audit

¹⁷ As evidence of this concern, leaders from the Big 4 firms, BDO, and Grant Thornton in the UK all met in April 2020 to discuss potential further risks to their reputations after a series of corporate scandals have "bruised their brands" (Kinder 2020). <https://www.ft.com/content/65d8e851-5e33-4a2d-a814-a4c27f949dd3>

firm's role in fraud detection (IAASB 2020).¹⁸ This study is also important because of the strong influence that the media have on influencing the audit expectation gap.

Cohen et al. (2017), 639 conclude that “unreasonable expectations” as a result of media sensationalism is “nearly impossible for the auditor to manage”. Although auditors are not able to control how the media decide to sensationalize their role in an accounting scandal, my study demonstrates that it *is* within audit firms' sphere of influence to decide whether to issue a response that could potentially mitigate reputational damage. These results are informative to audit firms' crisis response and client retention strategies. The findings highlight the need for audit firms to “control the narrative” in the media to combat the effects of a negative news cycle.

My study contributes to several streams of literature, including the audit expectations gap, corporate governance, and research in reputation management. The results also contribute to crisis communications literature by highlighting instances in which apologies are less effective at reputation management than blame-shifting. Prior audit research on the media focuses on auditor reactions to media coverage of its clients (e.g., Joe 2003). I extend this by examining shareholder behavior in response to media coverage of their audit firm. My findings also contribute to the sparse literature across all disciplines examining the impact of the media on customer behavioral intentions in collective responsibility crises. Finally, this study extends research relying on the Culpable Control Model by demonstrating the theory's applicability in audit settings outside of juror and legal studies.

This study is subject to certain limitations. The experiment may not be generalizable because the participants are limited to a short, single-exposure news article about the accounting

¹⁸ IAASB Chair Tom Seidenstein states, “Issues related to fraud and going concern are consistently raised as areas requiring attention and potential improvement in order to enhance confidence in audits. These two topics are priorities in our recently issued strategy and work plan” (IAASB 2020).

fraud before making their assessments. The study is also limited because it only explores three audit firm crisis communication strategies: apology, blame-shifting, and no response. There is the opportunity for future research to examine the effectiveness of additional audit firm responses. In addition, future research could archivally examine stock price reactions to audit firm responses. Lastly, future research could investigate associations between negative media coverage of audit firms and client-initiated audit firm dismissals.

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APPENDIX

APPENDIX A

EXPERIMENTAL MATERIALS

Tuesday, March 22, 2021

NEWS TODAY

Issue #10

LHF Enterprises Slumps After Fictitious Sales Disclosed

Audit Firm Response Sub-Header

TAMPA, FL - LHF Enterprises, a once-respected major retailer in the United States, has been charged with several counts of fraud related to its 2019 consolidated financial statements. The corporation has reported sales of over \$500 million each year for the past ten years which, along with several other strong financial indicators, has led to a steady increase in the retailer's stock price.

Allegations first surfaced last month that a sizable percentage of the sales reported in 2019 are fictitious. LHF's stock price has plummeted over the last several weeks since the initial fraud allegations with many investors reporting the loss of millions of dollars in their portfolio accounts. Thousands of LHF employees have been laid off and their pension accounts have been frozen. Many of these employees have been forced to watch their life savings and retirement accounts wither away to nothing. LHF is expected to file for bankruptcy within the next week which will make it the largest U.S. corporation to file for bankruptcy this year.

“Pull Quote”

- Audit Firm Response

(Media Sensationalism Manipulation)

Many investors, creditors, and other stakeholders rely on these opinions when making decisions. No employee of Abbott & Bailey is believed to have been involved in the perpetration of the fraud committed by members of LHF Enterprises' management.

A spokesperson from the audit firm released the following statement: “Abbott & Bailey has a long history of performing high-quality audits. We work hard to protect the integrity of our company and the auditing profession...”

(Audit Firm Response Manipulation)

MEDIA SENSATIONALISM MANIPULATIONS

HIGH SENSATIONALISM*

Abbott & Bailey, a large international audit firm, has served as the **extremely neglectful** external auditor for **troubled** LHF Enterprises since 1998. **Incompetent** Abbott & Bailey **horrendously failed** to detect the **disastrous** fraud present in the LHF Enterprises' 2019 consolidated financial statements.

The **negligent** audit firm **embarrassingly** issued what is known as an "unqualified opinion," meaning that, in Abbott & Bailey's **ridiculous** opinion, LHF's **highly deceptive** 2019 consolidated financial statements conform with accounting rules and are reasonably free of material misstatements.

Although the International Standards on Auditing place the responsibility for the detection of fraud on a company's management, the auditors **miserably failed in their most fundamental** duty of care.

LOW SENSATIONALISM

Abbott & Bailey, a large international audit firm, has served as the external auditor for LHF Enterprises since 1998. Abbott & Bailey did not detect the fraud present in the LHF Enterprises' 2019 consolidated financial statements.

The audit firm issued what is known as an "unqualified opinion," meaning that, in Abbott & Bailey's opinion, LHF's 2019 consolidated financial statements conform with accounting rules and are reasonably free of material misstatements.

Although the International Standards on Auditing place the responsibility for the detection of fraud on a company's management, the auditors have a duty of care.

**Bolded words in the article represent the emotionally loaded words present in the high sensationalism condition but omitted from the low sensationalism condition.*

AUDIT FIRM RESPONSE MANIPULATIONS

	<u>APOLOGY</u>	<u>BLAME-SHIFTING</u>	<u>NONE</u>
RESPONSE IN ARTICLE	<p>“We conducted an internal investigation and uncovered a deficiency that occurred during the LHF Enterprises audit.</p> <p>We apologize for this deficiency and are sorry to everyone that experienced a loss due to the LHF fraud.”</p>	<p>“We conducted an internal investigation and discovered that we were deceived during the LHF Enterprises audit.</p> <p>We condemn the irresponsible behavior of LHF who is entirely to blame for the losses experienced by everyone – including us.”</p>	<p><i>No audit firm response is included.</i></p>
SUBHEADER	Auditor apologizes for deficient audit of LHF Enterprises.	Auditor condemns LHF Enterprises for irresponsible behavior.	Audited by Abbott & Bailey Accounting Firm.
PULL QUOTE	“We apologize for this deficiency and are sorry to everyone that experienced a loss due to the LHF fraud.”	“We condemn the irresponsible behavior of LHF who is entirely to blame for the losses experienced by everyone – including us.”	LHF Enterprises charged with several counts of fraud related to its 2019 financial statements.

Online Experiment by Screen

Instructions:

You will be presented with information regarding a fictional audit firm **Abbott & Bailey**. You will be asked to provide your opinions based on a series of events involving this firm.

There are no right or wrong answers to the questions asked. The information provided in this set of materials is not intended to be fully representative of the level of information which may be available to you if you were asked to provide your opinions on similar topics.

While completing the case, please base your opinions **only** on the information provided. Please read **all** information provided. Your responses will be kept confidential. No information about your identity will be collected.

Thank you in advance for your participation!

LET'S BEGIN...

****NEXT SCREEN****

General Background Information

Abbott & Bailey is a large, international **audit firm** founded in 1937. The firm serves as the external auditor for many corporations both large and small. The firm also offers other traditional services such as tax and consultation services. **Abbott & Bailey** has never been involved in any accounting scandals and has never received any negative publicity.

For the purposes of this study, you are to assume that you are a stockholder of **Oliver, Inc.**, a large corporation that is audited by **Abbott & Bailey**.

Management at **Oliver, Inc.** has a strong working relationship with **Abbott & Bailey**, so they have expressed their concerns about potentially switching to another audit firm in the future.

****NEXT SCREEN****

Please answer the following questions:

(The following three questions are the first measure of the variables that are also collected after reading the news article.)

1. Please rate your **perception** of Abbott & Bailey's **reputation** as an audit firm.

Extremely [_____ | _____ | _____ | _____ | _____ | _____] Extremely
Bad Reputation 0 1 2 3 4 5 6 Good Reputation

2. Given what you know about Abbott & Bailey (the audit firm), do you have a **favorable** or **unfavorable** impression of the audit firm?

Very [_____ | _____ | _____ | _____ | _____ | _____] Very
Unfavorable 0 1 2 3 4 5 6 Favorable

3. In general, to what extent do you agree that **external auditors** are **responsible for detecting fraud** present in the financial statements they audit?

Completely [_____ | _____ | _____ | _____ | _____ | _____] Completely
Disagree 0 1 2 3 4 5 6 Agree

****NEXT SCREEN****

Assume that you read the news article presented on the following screen about **Abbott & Bailey (audit firm)** while scrolling through the business section of your favorite news website.

Please carefully read the article on the following screen as you will not be able to return to the article after selecting the "Next" button.

****NEXT SCREEN****

Each participant was only presented with one of the following six news articles.

LHF Enterprises Slumps After Fictitious Sales Disclosed

Auditor apologizes for deficient audit of LHF Enterprises.

TAMPA, FL - LHF Enterprises, a once-respected major retailer in the United States, has been charged with several counts of fraud related to its 2019 consolidated financial statements. The corporation has reported sales of over \$500 million each year for the past ten years which, along with several other strong financial indicators, has led to a steady increase in the retailer's stock price.

Allegations first surfaced last month that a sizable percentage of the sales reported in 2019 are fictitious. LHF's stock price has plummeted over the last several weeks since the initial fraud allegations with many investors reporting the loss of millions of dollars in their portfolio accounts. Thousands of LHF employees have been laid off and their pension accounts have been frozen. Many of these employees have been forced to watch their life savings and retirement accounts wither away to nothing. LHF is expected to file for bankruptcy within the next week which will make it the largest U.S. corporation to file for bankruptcy this year.

Abbott & Bailey, a large international audit firm, has served as the extremely neglectful external auditor for troubled LHF Enterprises since 1998. Incompetent Abbott & Bailey horrendously failed to detect the disastrous fraud present in the LHF Enterprises' 2019 consolidated financial statements.

The negligent audit firm embarrassingly issued what is known as an "unqualified opinion," meaning that, in Abbott & Bailey's ridiculous opinion, LHF's highly deceptive 2019 consolidated financial statements conform with accounting rules and are reasonably free of material misstatements.

"We apologize for this deficiency and are sorry to everyone that experienced a loss due to the LHF fraud."

- Abbott & Bailey Spokesperson

Although the International Standards on Auditing place the responsibility for the detection of fraud on a company's management, the auditors miserably failed in their most fundamental duty of care.

Many investors, creditors, and other stakeholders rely on these opinions when making decisions. No employee of Abbott & Bailey is believed to have been involved in the perpetration of the fraud committed by members of LHF Enterprises' management.

A spokesperson from the audit firm released the following statement:

"Abbott & Bailey has a long history of performing high-quality audits. We work hard to protect the integrity of our company and the auditing profession. We conducted an internal investigation and uncovered a deficiency that occurred during the LHF Enterprises audit.

We apologize for this deficiency and are sorry to everyone that experienced a loss due to the LHF fraud."

LHF Enterprises Slumps After Fictitious Sales Disclosed

Auditor condemns LHF Enterprises for irresponsible behavior.

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Allegations first surfaced last month that a sizable percentage of the sales reported in 2019 are fictitious. LHF's stock price has plummeted over the last several weeks since the initial fraud allegations with many investors reporting the loss of millions of dollars in their portfolio accounts. Thousands of LHF employees have been laid off and their pension accounts have been frozen. Many of these employees have been forced to watch their life savings and retirement accounts wither away to nothing. LHF is expected to file for bankruptcy within the next week which will make it the largest U.S. corporation to file for bankruptcy this year.

Abbott & Bailey, a large international audit firm, has served as the external auditor for LHF Enterprises since 1998. Abbott & Bailey did not detect the fraud present in the LHF Enterprises' 2019 consolidated financial statements.

The audit firm issued what is known as an "unqualified opinion," meaning that, in Abbott & Bailey's opinion, LHF's 2019 consolidated financial statements conform with accounting rules and are reasonably free of material misstatements.

"We apologize for this deficiency and are sorry to everyone that experienced a loss due to the LHF fraud."

- Abbott & Bailey Spokesperson

Although the International Standards on Auditing place the responsibility for the detection of fraud on a company's management, the auditors have a duty of care.

Many investors, creditors, and other stakeholders rely on these opinions when making decisions. No employee of Abbott & Bailey is believed to have been involved in the perpetration of the fraud committed by members of LHF Enterprises' management.

A spokesperson from the audit firm released the following statement:

"Abbott & Bailey has a long history of performing high-quality audits. We work hard to protect the integrity of our company and the auditing profession. We conducted an internal investigation and uncovered a deficiency that occurred during the LHF Enterprises audit.

We apologize for this deficiency and are sorry to everyone that experienced a loss due to the LHF fraud."

LHF Enterprises Slumps After Fictitious Sales Disclosed

Auditor condemns LHF Enterprises for irresponsible behavior.

TAMPA, FL - LHF Enterprises, a once-respected major retailer in the United States, has been charged with several counts of fraud related to its 2019 consolidated financial statements. The corporation has reported sales of over \$500 million each year for the past ten years which, along with several other strong financial indicators, has led to a steady increase in the retailer's stock price.

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"We condemn the irresponsible behavior of LHF who is entirely to blame for the losses experienced by everyone - including us."

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A spokesperson from the audit firm released the following statement:

"Abbott & Bailey has a long history of performing high-quality audits. We work hard to protect the integrity of our company and the auditing profession. We conducted an internal investigation and discovered that we were deceived during the LHF Enterprises audit.

We condemn the irresponsible behavior of LHF who is entirely to blame for the losses experienced by everyone - including us."

LHF Enterprises Slumps After Fictitious Sales Disclosed

Audited by Abbott & Bailey Accounting Firm.

TAMPA, FL - LHF Enterprises, a once-respected major retailer in the United States, has been charged with several counts of fraud related to its 2019 consolidated financial statements. The corporation has reported sales of over \$500 million each year for the past ten years which, along with several other strong financial indicators, has led to a steady increase in the retailer's stock price.

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Post-Experimental Questions

Free response (recall of messages): Please take two minutes to **list anything that you recall** from the news article (*including just words or short phrases*). You **do not** have to complete each box. (*10 spaces*)

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

****NEXT SCREEN****

As a stockholder of **Oliver, Inc.** who is also audited by Abbott & Bailey, please drag the slider to reflect how likely would you be to **vote against or for** ratifying **Abbott & Bailey** as the company's auditors for the upcoming fiscal year?

Vote Strongly [_____] Vote Strongly
AGAINST 0 1 2 3 4 5 6 **FOR**
retention **retention**

****NEXT SCREEN****

(The following three questions are the second measure of the variables that were first collected prior to reading the news article.)

1. Since you have now read the article, please rate your perception of Abbott & Bailey's **reputation** as an audit firm.

Extremely [_____] Extremely
 Bad Reputation 0 1 2 3 4 5 6 Good Reputation

2. Given what you know about Abbott & Bailey (the audit firm) now, do you have a **favorable** or **unfavorable** impression of the audit firm?

Very [_____] Very
 Unfavorable 0 1 2 3 4 5 6 Favorable

3. In general, to what extent do you agree that **external auditors** are **responsible for detecting fraud** present in the financial statements they audit?

Completely [_____] Completely
 Disagree 0 1 2 3 4 5 6 Agree

4. To what extent do you believe that **Abbott & Bailey's** (the audit firm) behavior **caused** the negative consequences of the fraud (loss of jobs, money, retirement accounts, etc.)?

Not at all the [_____] Completely the
 Cause 0 1 2 3 4 5 6 Cause

5. In your opinion, to what degree do you believe that **Abbott & Bailey** (the audit firm) **foresaw** the harmful outcomes of the LHF fraud?

No foresight [_____] Full foresight
 At all 0 1 2 3 4 5 6

6. In your opinion, did **Abbott & Bailey intend** to conduct a quality audit?

Did NOT intend [_____] Fully
 At all 0 1 2 3 4 5 6 Intended

7. How would you rate the **quality** of the audit work performed by **Abbott & Bailey** (the audit firm)?

Extremely Low [_____] Extremely High
 Quality 0 1 2 3 4 5 6 Quality

8. In your opinion, on a range from NONE to ALL, how much **blame** does each party **deserve for the negative consequences of the fraud** (loss of jobs, money, retirement accounts, etc.)?

Abbott & Bailey (the audit firm)

None of the Blame [_____ | _____ | _____ | _____ | _____ | _____] All of the Blame
0 1 2 3 4 5 6

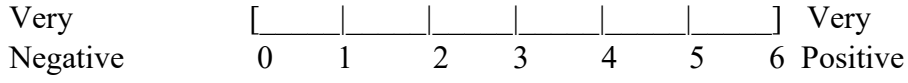
LHF Enterprises (the company)

None of the Blame [_____ | _____ | _____ | _____ | _____ | _____] All of the Blame
0 1 2 3 4 5 6

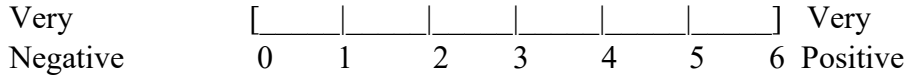
****NEXT SCREEN****

9. Please drag the slider to reflect what your **feelings** were towards each of the following while reading the news article.

Feelings towards Abbott & Bailey (audit firm)



Feelings towards LHF Enterprises (the company)



****NEXT SCREEN****

10. SENSATIONALISM MANIPULATION CHECK: In your opinion, to what extent did the news article use **sensationalism** to report on **Abbott & Bailey** audit firm's responsibility to detect the fraud?

LOW [_____ | _____ | _____ | _____ | _____ | _____] HIGH
Sensationalism 0 1 2 3 4 5 6 Sensationalism

11. RESPONSE MANIPULATION CHECK: Which statement did the spokesperson for **Abbott & Bailey (the audit firm)** provide in the news article?

- a. Apologized for their deficient audit
- b. Blame LHF Enterprises (the company) for the fraud
- c. Neither

****NEXT SCREEN****

Demographic Questions

1. What is your gender identity?
 - A. Female
 - B. Male
 - C. Non-binary / third gender
 - E. Prefer not to say

2. What is your age?

3. How many years of professional work experience do you have?

4. How many years of experience do you have of making personal investments in the stock market?

5. Which of the following best describes you?
 - A. Asian or Pacific Islander
 - B. Black or African American
 - C. Hispanic or Latino
 - D. Middle Eastern or North African
 - E. Native American or Alaskan Native
 - F. White or Caucasian
 - G. Multiracial or Biracial
 - H. A race/ethnicity not listed here
 - I. Prefer not to disclose

6. What is your highest education level?

<i>Some High School</i>	<i>Some College</i>
<i>Completed High School (or Equivalent)</i>	<i>Graduated College</i>
<i>Completed Trade or Professional School</i>	<i>Some Graduate School</i>
	<i>Completed Graduate School</i>

7. Are you now or have you ever been employed in the accounting profession? (Yes/No)

8. Are you now or have you ever been employed in the law enforcement or legal profession? (Yes/No)

9. Do you speak English as the primary language at home? (Yes/No)

APPENDIX B

Pilot Study Demographics

Total Participants (n): 61
Average Age (years): 22

Gender	%	n
Female	42.62%	26
Male	57.38%	35
Total	100.00%	61

Ethnicity	%	n
Black or African American	3.28%	2
Hispanic or Latino	1.64%	1
Multiracial or Biracial	1.64%	1
Prefer not to disclose	1.64%	1
White or Caucasian	91.80%	56
Total	100.00%	61

Ethnicity	%	n
Black or African American	3.28%	2
Hispanic or Latino	1.64%	1
Multiracial or Biracial	1.64%	1
Prefer not to disclose	1.64%	1
White or Caucasian	91.80%	56
Total	100.00%	61

Classification	%	n
Graduate Student	57.38%	35
Junior	13.11%	8
Senior	29.51%	18
Total	100.00%	61

Pilot Study Demographics (continued)

Major	%	n
Accounting	91.80%	56
Finance	1.64%	1
Management	1.64%	1
Marketing	3.28%	2
Other	1.64%	1
Total	100.00%	61

Note: This study’s manipulations of media sensationalism and audit firm responses were tested in an online pilot study in June 2021 with student participants to ensure the adequacy of the research instrument prior to running the main study with different participants. The demographic data above represent the background of the pilot study participants.

VITA

LaToya Flint, CPA (*Inactive*), CIA

200 Conner Hall ♦ P.O. Box 1848 ♦ University, MS 38677 ♦ lflint@olemiss.edu

EDUCATION AND PROFESSIONAL CERTIFICATIONS

Ph.D. in Accountancy (*Minor: Psychology*) Anticipated May 2022
University of Mississippi

Master of Science in Accountancy August 2007
University of Notre Dame

Bachelor of Science in Commerce and Business Administration - Accounting May 2006
University of Alabama

Certified Public Accountant, Alabama (Certificate #12240) - *Inactive*

Certified Internal Auditor (Certificate #130304)

PROFESSIONAL EXPERIENCE

BBVA Compass 2012 - 2017
Audit Talent Management and Training Specialist

O'Neal Industries, Inc. 2008 - 2012
Senior Internal Auditor

Ernst & Young LLP 2006 - 2008
Assurance & Advisory Business Services

RESEARCH

Primary Method: *Experimental (JDM and Experimental Economics)*
Interests: Auditor Reputation, Auditor Judgment and Decision Making, Auditor Training and Development, Internal Audit, Diversity in Accounting

Working Papers and Works in Progress

Dissertation:

“Auditors Are Known by the Companies That Keep Them: The Effect of Media Sensationalism and Audit Firm Responses on Audit Firm Reputation”

Committee: Dr. Kendall Bowlin (*chair*), Dr. Jeremy Griffin, Dr. Robert Magee, Dr. Rachna Prakash

“A Client by Any Other Name: The Effects of Audited Company Nomenclature on Audit Quality” (second summer paper, advisors Dr. Kendall Bowlin and Dr. Jeremy Griffin)

“A Content Analysis of the Portrayal of Underrepresented Minorities in Introductory Accounting Textbooks” with Dr. Sydnee Manley and Dr. Chevonne Alston

“The ‘Golden’ Rule: A Memorial to Dr. Larzette Golden Hale-Wilson (1920-2015)”

INVITED PRESENTATIONS

“Auditors Are Known by the Companies That Keep Them: The Effect of Media Sensationalism and Audit Firm Responses on Audit Firm Reputation”

- University of North Texas *January 2022*
- Georgia Southern University *January 2022*
- University of Mississippi *January 2022*
- Baylor University *November 2021*
- The PhD Project – AFAA Workshop *June 2021*
- AAA Diversity Section Midyear Meeting *October 2021*

“A Client by Any Other Name: The Effects of Audited Company Nomenclature on Audit Quality”

- Ithaca College Diversity Scholars Program *March 2020*
(Cancelled due to COVID-19)
- East Carolina University Accounting Research Roundtable *February 2020*
(Unable to attend due to weather related flight cancellations)
- University of Mississippi, Workshop Presentation *December 2019*

“A Content Analysis of the Portrayal of Underrepresented Minorities in Introductory Accounting Textbooks”

- AAA Diversity Section Midyear Meeting *October 2021*
- AAA Accounting Education Workshop *July 2021*

“The ‘Golden’ Rule: A Memorial to Dr. Larzette Golden Hale-Wilson (1920-2015)”

- Academy of Accounting Historians Mid-Year Webinar *February 2022*

INVITED GUEST LECTURE

Course: ACCY 501 - Internal Auditing - University of Mississippi *June 2019*
Topic: Internal Auditing Career Discussion

TEACHING EXPERIENCE

University of Mississippi
Accounting Instructor
Average Rating: 3.9/5

Fall 2017–Present

Cost Control – ACCY 309
Fall 2019 – Fall 2021
6 sections (310 students)

Introduction to Accounting Principles I-ACCY 201
Fall 2017 - Summer 2019
6 sections (286 students)

AWARDS AND HONORS

University of Mississippi Graduate School Dissertation Fellowship	2022
University of Mississippi Graduate Achievement Award	2020
Patterson School of Accountancy Doctoral Teaching Award	2020
AICPA Minority Doctoral Fellowship	2017-2022
Southern Regional Education Board (SREB) Institutional Award	2017-2022
University of Mississippi Graduate School Honors Fellowship	2017-2022
University of Mississippi Excellence in Inclusivity Fellowship	2017-2022
2017 Carolyn Callahan New Doctoral Student Transition Grant	
2015 National Association of Black Accountants Southern Region Outstanding Member	
University of Alabama Business Honors Program Class of 2006	
University of Alabama Tier I - Drummond Company Scholarship	
University of Alabama Presidential Scholarship	
University of Alabama Student Alumni Association Scholarship	
Autherine Lucy Foster Scholarship	
National Merit Corporation [®] - National Achievement Finalist and Scholarship Recipient	
University of Alabama National Alumni Association Honors Scholarship	

PROGRAMMING SKILLS

z-Tree (experimental economics software)
NVivo (qualitative data analysis software)

CONFERENCE ACTIVITIES

AAA/Deloitte Foundation/J. Michael Cook Doctoral Consortium
2019 - Westlake, TX

AAA Annual Meeting

2017 - San Diego, CA
2018 - National Harbor, MD
2019 - San Francisco, CA (*Moderator*)
2020 - Virtual (*Discussant and Reviewer*)
2021 – Virtual
2022 – *Upcoming* - San Diego, CA (*Reviewer and Moderator*)

AAA Auditing Section Midyear Meeting

2018 - Portland, OR (*Doctoral Consortium*)
2019 - Nashville, TN (*Doctoral Consortium*)
2020 - Houston, TX (*Moderator and Doctoral Consortium*)
2021 - Virtual (*Doctoral Consortium, Discussant, and Reviewer*)
2022 - Las Vegas (*Reviewer/Did Not Attend*)

AAA Accounting, Behavior, and Organizations Section Midyear Meeting

2019 - Providence, RI (*Doctoral Consortium*)
2020 - Virtual (*Doctoral Consortium*)

AAA Diversity Section Midyear Meeting

2021 - Bethesda, MD (*Presenter*)

AAA Joint Midyear Meeting of the AIS and SET Sections Midyear Meeting

2022 - (*Reviewer/Did Not Attend*)

The PhD Project Accounting Doctoral Students Association Annual Meeting

2017 - San Diego, CA
2018 - National Harbor, MD
2019 - San Francisco, CA (*Discussant, Planning Committee Secretary-Elect*)
2020 - Virtual (*Planning Committee Secretary*)
2021 - Virtual

The PhD Project Conference

2016 - Chicago, IL

PROFESSIONAL SERVICE, AFFILIATIONS, AND COMMUNITY INVOLVEMENT

The PhD Project Accounting Doctoral Student Association - <i>Officer - Secretary/Secretary-Elect (2019-2020)</i>	<i>2017-Present</i>
American Institute of Certified Public Accountants	<i>2017-Present</i>
American Accounting Association (<i>Auditing, ABO, and Diversity Sections</i>)	<i>2017-Present</i>
NABA Birmingham Professional Chapter (<i>Past President</i>)	<i>2009 - 2017</i>
Better Basics, Inc. – <i>Birmingham Literacy Organization (Board of Directors)</i>	<i>2014 - 2017</i>
Institute of Internal Auditors – Birmingham Chapter	<i>2012 - 2017</i>
Autism Society of Alabama Junior Board (<i>Events and Communications Chair</i>)	<i>2009 - 2014</i>