



Audit Fees and Auditor Changes After the Sarbanes-Oxley Act of 2002



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Abstract

This exploratory study takes a first step in examining whether changes have occurred in the auditing industry since the passage of the Sarbanes-Oxley Act of 2002 (S-O). We discuss prior research on determinants of audit fees and auditor changes, and the changes in the nature and dollar amount of fees earned by public accounting firms is examined. Auditor changes that have occurred since 2002 are summarized, and evidence of a shift from large audit firms to smaller, regional firms is sought.

Research prior to the passage of the S-O suggests that factors such as loss exposure, loss sharing ratios, and the auditor's production function are important in determining audit fees. The sweeping changes implemented by S-O, including mandated limitations on the services that audit firms can offer to audit clients and closer scrutiny of internal controls, have potentially changed these historical relationships. S-O also has the potential to influence auditor changes through increased regulations that

may give rise to more disputes between clients and auditors. The need for more specialized audit services and the desire to minimize audit fees may make client firms more or less likely to change auditors than previously observed.

The findings of this study suggest that average audit fees have increased markedly since 2001, while mean non-audit consulting fees earned from audit clients have dropped. A review of data included in the Audit Analytics™ database also suggests that the percentage of audits being conducted by the largest four public accounting firms is dropping, at least among some categories of clients.

Introduction

The determinants of audit fees and auditor changes have been a subject of much research since the early 1980s. The passage of the Sarbanes-Oxley Act of 2002 has transformed the nature and scope of audit and non-audit services provided by public accountants.

The Sarbanes Oxley Act of 2002 (S-O) is the most sweeping securities legislation since the 1933 and 1934 Securities Acts. While impacting a wide range of firm activities from corporate governance to internal control, the impact of S-O is particularly notable on audit and non-audit activities and fees. Under the S-O act, audit firms are barred from providing nine categories of consulting services to the firm's publicly held audit clients. These services include bookkeeping and other accounting services; financial information systems design and implementation; appraisal or valuation services; actuarial services; internal audit outsourcing; management or human resources functions; broker or dealer or investment adviser or investment banker services; legal and expert services unrelated to an audit; and any other service determined by regulation to be impermissible. Additionally, audit partners may not receive compensation for selling any of these nine services to audit, review, or attest clients. Presently, providing tax services is not a prohibited activity (1). As a result of S-O, the auditor is required to report on the effectiveness of internal controls over financial reporting in addition to expressing an opinion on the audited financial statements.

S-O's change in the nature of the audit services provided to audit clients could potentially result in increased audit fees. Prior to the passage of S-O, most audit firms conducted limited internal control assessment and detailed testing; instead, the bulk of audit activities focused on risk areas. This focus on risk areas helped to minimize audit fees. Further, prior to S-O many audit firms considered the audit to be a "loss leader" in services performed, so audit fees were often generated under fixed fee contracts. Rather than being a significant profit generator for public accounting firms, the audit was seen as a commodity good which could be used to generate more lucrative non-audit engagements (DeAngelo 1981).

S-O has changed this traditional focus by requiring increased internal control assessments and detailed testing. The increased assessments and testing, in turn, puts pressure on audit fees to increase. It is not known whether these increases in audit fees have, in fact, occurred, nor is it clear whether any increases observed will be enough to offset any losses in consulting fees sustained by the audit firms.

The likelihood and nature of auditor changes may also be influenced by S-O provisions. The closer scrutiny brought about by S-O may lead to increased disputes between the auditor and client firm, a factor which may make a firm more likely to seek out a more amenable auditor. In addition, any upward increase on audit fees due S-O requirements may cause firms to seek out more affordable audit services. The attempt to find more reasonably priced audits could cause firms to seek out smaller auditors with less highly-priced audit fees. Little is known, however, about whether firms are increasingly likely to have disagreements with auditors leading to auditor change post S-O, nor whether firms are changing to smaller audit firms.

The changes in the nature and scope of audit services mandated by S-O may mean that traditional determinants of audit fees and auditor changes may no longer hold. This exploratory study identifies factors which have in the past been associated with changes in audit fees and auditor, and examines changes in audit fees and auditors pre-and post-S-O to discern whether changes to these traditional relationships have occurred.

Prior Research

Audit Fee Determinants

Research prior to the passage of the Sarbanes-Oxley Act of 2002 suggests that factors such as loss exposure, loss sharing ratios, and the auditor's production function may be important in determining audit fees (Simunic 1980). Variables related to liability loss exposure for the auditor include size, complexity, audit problems, industry, and whether the audited firm was publicly or closely-held. Loss-sharing ratio variables related to the auditee's financial difficulty include the accounting rate of return, whether the auditee has a loss in the last three years or a qualified audit report. Variables related to the auditor production function are Big vs. Non-Big auditors (economies of scale), years on the audit (learning effect), and auditor industry specialization.

In general, several of the variables related to liability loss exposure were found to be significantly related to audit fees. Studies by Simunic (1980), Francis (1984), Firth (1985), Palmrose (1986b), Francis & Stokes (1986) and Simon and Francis (1988) found support for these relationships, and further found size and complexity (measured by segments and/or foreign operations) to be significantly related to audit fees. The existence of audit problems was a significant variable for all of the aforementioned except Palmrose (1986b). Issuance of a qualified opinion was identified as related to audit fees by Simunic (1980), Palmrose (1986b), Francis and Stokes (86) and Simon and Francis (1988).

Production function information is evidenced by industry specialization and auditor size. The evidence regarding industry specialization is somewhat mixed, however. Studies by Palmrose (1986) and Craswell et al. (1995) found industry specialization to be significantly related to audit fees. Menon and Williams (2001), however, did not find support for this relationship. Audit firm size tends to be a significant determinant in explaining audit fees [Francis (1984), Palmrose (1986b),

Francis and Stokes (1986) and Simon and Francis (1988), Craswell et al. (1995)]. Generally the findings support a premium for larger firms.

Explaining audit fees is complicated by the interplay of audit and non-audit fees. Studies by Simunic (1984), Palmrose (1986), Davis et al. (1993), Bell et al. (2001), Whisenant et al. (2003) have found a significant association between audit and non-audit fees. Often this association was explained by knowledge spillovers.

The environment for non-audit fees has changed dramatically in recent years, however. In 2001, the Securities and Exchange Commission (SEC) began to require registrants to disclose audit fees, financial information system design and implementation (FISDI) fees, and other non-audit fees in proxy statements. Shortly thereafter, S-O banned the provision of FISDI, internal audit and a variety of other services by the independent auditor. These regulatory disclosures and limitations would appear to interrupt the relationship between audit and non-audit fees observed historically.

In summary, prior research demonstrates that historically, size, complexity, industry and existence of audit problems impacts the fees paid for an independent audit. A qualified opinion is also a factor in determining audit fees. Additionally, auditors that are large generally garner larger fees. Traditionally, audit fees and non-audit fees have been related. The change brought about through S-O's increased emphasis on internal control assurances and on testing, when combined with its restrictions on non-audit services, suggests that any previous relationships between audit and non-audit fees may no longer hold, and that the determination of fees in general may be dramatically changed.

The Nature of Auditor Changes

Another indicator of a transformation in the audit industry brought about by S-O may be auditor changes. Research prior to the passage of S-O found that client firms are more likely to change auditors when negative events impact the firm, when the firm is undergoing change, or when the firm needs more specialized or affordable audit services.

The negative events that can cause a firm to change auditors can take a variety of forms. For example, studies by Chow and Rice (1982), DeAngelo (1982), Vanstraelen (2003), Kluger and Shields (1989) and others found that that firms are more likely to change auditors when the firm has had a disagreement with the auditor or when the firm received a going concern or qualified opinion. S-O may also contribute to auditor turnover indirectly by its identification and disclosure of shortcomings in internal controls and financial statements. Williams (1988) found that firms which received negative publicity are more likely to change auditors. The increased scrutiny brought about by S-O, combined with heightened sensitivity of the media to corporate scandals in the wake of Enron, WorldCom, and others, may, in turn, increase the amount of negative publicity available about client firms.

Studies have also shown that firms are more likely to change auditors when the firm is undergoing change. Works by Woo and Koh (2001) and Haskins and Williams

(1990) find that firms experiencing rapid growth are more likely to change auditors. Other changes, such as a change in the client firm's management composition (Woo and Koh (2001), DeFond (1992)) or ownership composition (Woo and Koh (2001)) may also lead to auditor change.

The desire for more specialized or affordable audit services can lead a client firm to change auditors. Studies by Healy and Lys (1986), Williams (1988) and Haskins and Williams (1990) observe that firms are more likely to change to auditors which specialize in the client firm's industry. Haskins and Williams (1990) also note that smaller firms are more likely to be concerned with auditor expense.

Further evidence of changes to the audit industry may be found by examining the type of audit firms being hired to conduct the audit. While the increased scrutiny of the firm required by S-O might tend to suggest a shift to larger audit firms, an attempt to minimize audit fees, or a desire to shift to an auditor with expertise in a client company's industry provide an incentive for firms to shift to smaller, regional firms. Prior to the passage of S-O, auditor changes generally benefited the larger auditing firms. For example, Woo and Koh (2001) examined the nature of auditor changes over the 10 year period ending in 1995, and found that relatively few (<10%) of the firms that switched auditors changed from a Big-6 auditing firm to a non-Big-6 firm. Instead, more than 80 percent of the firms changing auditors either switched between Big-6 firms or switched from a smaller non-Big-6 firm to a Big-6 firm.

If traditional factors leading to auditor changes are still viable, the number of firms changing auditors should increase post S-O. The Act's provisions have the potential to increase disputes over accounting-related issues between the auditor and the client firm; such disputes have been shown in the past to be associated with an increased likelihood of auditor change. In addition, S-O's changes in the nature of the audit services performed may lead to higher audit fees. This increase in fees may cause client firms to seek more affordable services from smaller, more specialized audit firms.

Exploratory Findings

To gain insight into potential changes in the audit industry post S-O, information related to fees and auditor changes was extracted from Audit Analytics™ (2005), an on-line market intelligence service. Audit Analytics™ allows the researcher to search on factors such as audit opinions, internal controls, audit fees, and auditor changes. The database, with its focus on auditor-related issues, is uniquely suited for extraction of audit-related information for publicly-traded companies.

Audit Fees

Table 1 presents data on the changes in average audit fees by different levels of client company revenue from 2001 to 2004. Audit Analytics™ allows data to be extracted by either market capitalization or total revenue. Revenue was chosen because it was a company driven rather than market driven number. These two years were selected because 2001 captures audit fee information prior to S-O, and 2004 was the last full

year for which information is currently available. Information on fees is categorized according to the level of client company revenue. To focus on changes in fees occurring because of S-O, firms which ceased business, changed categories, or which merged during the 3 year period were eliminated from the sample. This table reflects information included in the Audit Analytics™ database as of April 2006.

Table 1 (below) shows that while audit fees increased dramatically from 2001 to 2004 for all categories, the amount of the increase varied dramatically across the ten categories of revenue, from 46 to 228 percent. The range of revenues included in each of the company revenue categories is quite broad, but some observations can be made. The companies with the highest revenues (>\$50 billion) and the highest overall average fees had more moderate increases (128.35 percent and 131.91 percent) than the five categories (153.5 percent to 227.92 percent) directly below them. While many factors beyond the level of revenue determine audit fees, one possible explanation for this more moderate increase is that these fifteen extremely large companies have some ability to negotiate fees; the loss of audit fees from these clients, with average audit fees in excess of \$31 million, would be very detrimental to any auditor. Another possible explanation is that the largest companies already had in place more of the necessary controls than the smaller companies, resulting in a smaller increment in the additional audit services required.

As Table 1 demonstrates, revenue categories four through seven experienced the most growth, with fee increases with increases ranging from 195.01 percent to 227.92 percent. These increases are likely due to the implementation of S-O. Although further research is needed into the underlying cause of the explosive fee growth among firms of this size, one possibility is that these firms are large enough to have complex operations, yet have historically lacked the extensive set of documented internal controls present in the very largest firms. Developing and documenting internal controls for larger firms is quite costly, especially during the initial phases when the initial documentation and testing is underway. This suggestion of a size/complexity effect is further bolstered by the changes observed for companies in the three smallest revenue categories, which experienced the smallest percentage increase in audit fees.

**TABLE 1
2001-2004 Fees**

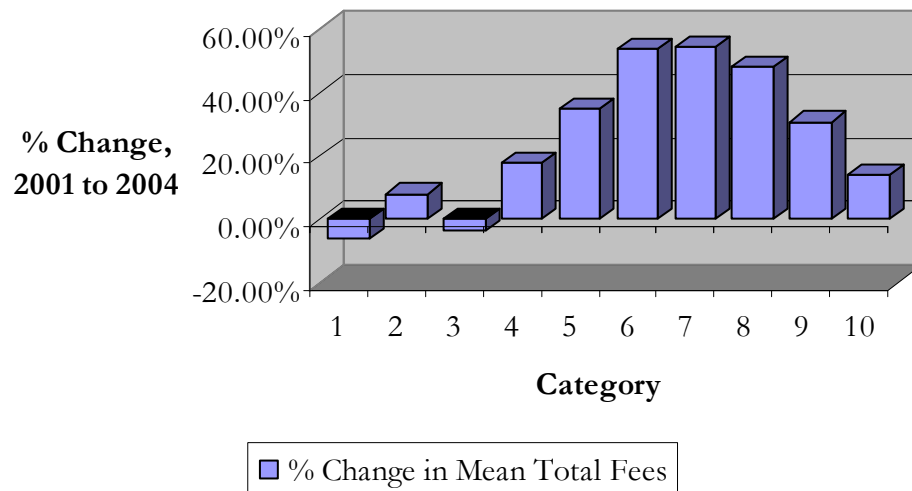
Category/ Revenues (\$ in millions	n	2001 Avg Revenues (\$ in millions)	2004 Avg Revenues (\$ in millions)	% chg	2001 Avg Audit Fees (\$ in thousand s)	2004 Avg Audit Fees (\$ in thousand s)	% Chg	2001 Avg Non-Audit Fees (\$ in thousands)	2004 Avg Non-Audit Fees (\$ in thousand s)	% Chg	Total Avg Fees 2001 (\$ in thousand s)	Total Avg Fees 2004 (\$ in thousands)	% Chg
1 >100,000	8	158,253.00	202,860.37	28.19	18,094.27	41,319.13	128.35	46,040.64	18,888.00	-58.98	64,134.91	60,207.13	-6.12
2 50,000- 100,000	7	66,293.28	75,412.14	13.76	13,705.92	31,786.71	131.91	35,824.17	21,757.14	-39.27	49,530.10	53,542.86	8.10
3 10,000- 50,000	147	20,285.43	22,837.81	12.58	4,391.97	11,133.49	153.50	11,791.49	4,452.47	-62.24	16,183.46	15,585.96	-3.69
4 5,000- 10,000	91	6,995.54	7,523.98	7.55	2,116.40	6,619.71	212.78	5,415.50	2,268.25	-58.12	7,531.90	8,887.97	18.00
5 1,000- 5,000	537	2,068.93	2,464.22	19.11	830.85	2,472.07	197.54	1,577.18	772.23	-51.04	2,408.03	3,244.31	34.73
6 500-1,000	250	679.24	753.81	10.98	378.79	1,242.13	227.92	663.50	361.01	-45.59	1,042.28	1,603.15	53.81
7 100-500	968	232.90	264.36	13.51	259.98	766.98	195.01	382.29	223.82	-41.45	642.27	990.80	54.27
8 10-100	1534	38.72	41.04	6.00	104.36	222.56	113.26	86.38	59.93	-30.62	190.74	282.49	48.10
9 1-10	332	5.21	5.16	-1.04	60.81	98.53	62.04	31.52	22.14	-29.76	92.33	120.67	30.70
10 Less than 1	75	.35	.31	10.66	62.67	91.71	46.34	40.09	25.44	-36.54	102.76	117.15	14.00

Non-Audit and Total Fees

S-O restricted the type of non-audit services that could be provided by a company's auditor. As might be expected, non-audit fees provided to audit clients dropped dramatically between 2001 and 2004. The average drop by revenue category ranged from 29.7 percent to 62.24 percent. As Table 1 depicts, the largest percentage drops were experienced in the five highest revenue categories, with decreases ranging as high as 62.24 percent. These decreases are seemingly driven by a reduction in information design and implementation and in outsourced internal control services.

The dramatic decrease in the mean non-audit fees was offset by the large increase in average audit fees for all but the largest firms. Interestingly, the pattern of change appears to be curvilinear in nature, with the largest and smallest firms displaying little growth or even reductions in average total fees (See Figure 1 below).

Figure 1
Percentage Change in Mean Total Fees
by Revenue Category



The non-audit services that were provided by the auditor prior to S-O are likely being provided by other accounting/financial services firms. It is not possible to determine the amount of non-audit fees paid by companies to other accounting/financial services firms that were not their auditors using Audit Analytics™ (2005). Still, the findings suggest that total fees collected by accounting/financial services firms have dramatically increased from 2001 to

2004 for the majority of client firms, and that the fees environment may currently bear little resemblance to the past.

Auditor Change

Table 2 (below) presents the auditor changes during 2001 to 2004. To generate this table, the reported auditor for each firm with a fiscal year ending in the given year was compared to the firm's auditor for the previous year. Firms reporting a different auditor from the previous year were considered to have changed auditors. The results suggest variation in the proportion of firms changing auditors across the four year period, with the largest proportion of firms changing auditors for FYE 2002.

TABLE 2
Auditor Changes – All Firms

<u>FYE</u>	<u>Changed Auditors</u>	<u>Total Firms</u>	<u>% Changing Auditors</u>
2001	322	4960	6.49%
2002	1379	7403	18.63%
2003	1101	11439	9.62%
2004	1531	12868	11.90%

The results for 2002-2003 are overstated, however, as those years include the time period during which Arthur Andersen client firms switched to other audit firms. Table 3 (below) shows auditor changes during the same four year period, but excludes firms which changed to or from Andersen. Once these Andersen-related changes are removed, the results show a steady increase in the percentage of firms changing auditors post S-O.

TABLE 3
Auditor Changes
Excluding Andersen Clients

	Auditor Changes: # of firms	Total Firms	%
			Change
2001	244	3446	7.08%
2002	435	6287	6.92%
2003	1013	11349	8.93%
2004	1530	12867	11.89%

The information in Table 3 suggests that client firms are increasingly likely to change auditors, but the underlying causes of the changes are not clear. Historically, firms have been more likely to change auditors when the auditor issues a going concern or qualified opinion, or when the auditor and the client firm disagree on reporting-related issues. Conceivably S-O's new restrictions and requirements could lead to more changes. Some changes may be due to client firms interpreting S-O's requirement for partner rotation as a reason, requirement, or excuse to change audit firms. Further, S-O restrictions and regulations could lead to more disagreements between auditor and client firms. S-O's requirements for additional testing and analysis of internal controls may also contribute to increased auditor turnover as firms search for auditors with expertise in the client firm's industry or with lower fee structures.

To look at whether disputes, going concern issues, or fees underlie the increasing rate of auditor changes, a review of Audit Analytics'™ auditor change portion of the database was conducted. The detailed auditor change data collected by Audit Analytics™ documents a number of change-related factors for each firm, including whether the auditor was dismissed or resigned and the nature of any underlying issues noted as the reason for the resignation or dismissal (2). Table 4 (below) summarizes the proportion of firms citing one or more issues as the reason(s) for the auditor change and also presents information regarding different issues cited. Of the total number of reasons cited as related to auditor change in 2001, for example, having a previous audit qualified with a going concern was cited 52.52 percent of the time as a reason for auditor change. Going concern issues as a reason for auditor dismissal/resignation declined over the period. For the same period, internal controls have assumed greater importance in the auditor change decision. Other accounting-related issues such as a reportable condition or accounting issue showed similar increases in frequency.

TABLE 4
Auditor Change Issues
Excluding Andersen Clients

% of Firms Citing Issue(s)	2001	2002	2003	2004
Issue(s) Cited				
Going Concern	44.34%	60.74%	63.60%	58.52%
Internal Controls	52.52%	47.19%	39.78%	31.59%
Reportable Condition	7.91%	5.00%	8.24%	12.86%
Audit Opinion	4.32%	3.75%	3.41%	5.71%
Accounting Issue	2.16%	3.75%	2.51%	1.27%
Fee Dispute	5.76%	4.38%	4.30%	3.02%
Reduce Fees	2.16%	3.13%	0.00%	0.32%
Other	5.04%	0.63%	0.00%	2.38%
Total	100.00%	100.00%	100.00%	100.00%

Key:

Going Concern: Indicates whether the registrant (in the auditor change filing) disclosed that any previous audit opinion was qualified with a going concern.

Internal Controls: Indicates the registrant specifically identifies an internal control issue. This does not mean that a lack of these controls, whether corrected or not, was the cause of the auditor change. Rather, it indicates simply that they were mentioned.

Reportable Condition: Indicates that the registrant disclosed a reportable condition exists either as referenced to SEC regulations or professional standards (GAAS/GAAP).

Audit Opinion: Indicates that the registrant disclosed that there are questions regarding the veracity or applicability of previous or upcoming audit opinions. The field covers such areas as companies issuing unauthorized opinions to concerns being raised about the veracity of opinions that have been issued.

Accounting Issue: Indicates issues related to accounting treatments and/or disagreements about accounting principles were disclosed.

Reduce Fees: Indicates that the registrant has identified the desire to reduce audit fees as a reason for changing auditors.

Fee Dispute: Indicates that the registrant disclosed that there was a fee dispute between the registrant and the departing auditor.

Other: Categories of issues not identified above. These include (but are not limited to) illegal acts under the Foreign Corrupt practices act, lack of auditor independence, and SEC inquiries into the company or the auditor.

Note: Information shown in italics above is directly quoted from Audit Analytics Data Dictionary found at www.auditanalytics.com.

The notable exception to the trend observed in the categories mentioned previously is audit fees. In spite of the higher audit fees documented in Table 1, fee disputes and the desire to reduce audit fees dropped from more than seven

percent of the issues raised in 2001 to less than three percent of the issues in 2004.

The observed reduction in audit fees as a stated reason for auditor change suggests that firms should be less likely to seek out smaller audit firms in an effort to save fees. To examine this question of whether firms are changing to a different type of audit firm, firms which changed auditors are categorized by whether the firm changed from a Big 4 firm to another Big 4 firm, a Big 4 firm to a smaller firm, a smaller firm to a Big 4 firm, or between smaller firms. The results of this analysis are presented in Table 5 (below). The results for the earliest years support the findings of previous studies, in which the majority of the firms changing auditors switched in favor of the largest auditors. In 2001, for example, 51.56 percent of firms changing auditors selected one of the largest 5 firms as the new auditor. This pattern shifts sharply over time, however. By 2004, only 18.75 percent of firms changing auditors selected one of the Big 4 firms.

TABLE 5
Nature of Auditor Changes – All Firms

	Between Big	Big to Smaller	Smaller to Big	Between Smaller	Total
2001	42.86%	22.67%	8.70%	25.78%	100%
2002	68.89%	15.16%	2.03%	13.92%	100%
2003	25.52%	19.53%	3.54%	51.41%	100%
2004	15.61%	23.91%	3.14%	57.35%	100%

The results for 2002 and 2003 may be skewed, however, if clients changing from Arthur Andersen had a different pattern of change than did clients changing from other auditing firms. To remove this potential bias, firms changing to and from Arthur Andersen during the four year period were removed from the data, and the results are presented in Table 6 (below).

TABLE 6
Nature of Auditor Changes
(Excludes Changes to/from Andersen)

	Between Big	Big to Smaller	Smaller to Big	Between Smaller	Total
2001	37.30%	20.49%	8.20%	34.02%	100%
2002	23.45%	26.21%	6.21%	44.14%	100%
2003	19.94%	20.34%	3.85%	55.87%	100%
2004	15.56%	23.92%	3.14%	57.39%	100%

Once Andersen-related changes are excluded, the trend in favor of changing to a non-Big 4 firm is even more pronounced over time. In 2001, for example, 54.51 percent of firms changing auditors either changed from one of the largest four firms to a smaller firm or changed between smaller firms; by 2004, the proportion of firms changing either from a Big 4 firm to a smaller firm or between smaller firms increased to 81.31 percent.

Conclusion

This study reviews prior research on audit fee and auditor change determinants, and it includes an exploratory examination of the change in audit fees and auditor changes after the passage of Sarbanes Oxley in 2002. Audit fees increased from 46 percent to 227 percent after the adoption of S-O. This increase may be explained by the increased demand for internal control and detailed testing from S-O and the post-Enron business environment. Non-audit fees earned from audit clients decreased from 29 percent to 62 percent, during the 2001 to 2004 time frame. This drop in fees reflects S-O's restrictions on many consulting services by the auditor. The net effect on total audit and non-audit fees ranged from a decrease of 6 percent to an increase of 54 percent. The relationship between fees increases and firm size was curvilinear, with the largest and smallest firms experiencing the smallest increase in fees.

Since 2001, there have been a large number of auditor changes. Many of these changes were due to the need for Arthur Andersen clients to find different auditors. Excluding these Andersen-related changes, the proportion of client firms choosing one of the largest four auditing firms appears to be dropping.

As with any study, a number of limitations should be noted. This study represents an initial, exploratory look at audit fees and auditor changes post

Sarbanes-Oxley. As such, vital variables that underlie these important issues may have been omitted. The data in this study are drawn from a single, recently-developed database. While this database provides a wealth of information to auditing researchers, no attempt has been made to verify the accuracy of the data, nor the completeness of the information reported.

The data included in this study suggest that not only the audit process itself, but very nature of the audit environment has undergone a change since the passage of the Sarbanes-Oxley Act of 2002. Future research is needed to more completely understand fees and auditor changes in a post S-O world. It is vitally important to examine more completely whether past fee determinants are still valid in a post S-O world. Additional work is also needed to increase our understanding of auditor changes post S-O, and the determinants that underlie these changes.

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Footnotes

- (1) It is important to note that auditors are not prohibited from performing these restricted services for private companies and for public companies that are not audit clients. Because of this exception, it is not clear whether S-O's prohibitions on certain types of services for audit clients should lead to decreased non-audit fees overall. It is also unknown whether any decreases in non-audit fees are significant enough to cause total audit firm revenues to decrease.
- (2) Detailed audit change information is not available for all auditor changes as of May 2006. As a result, the total numbers of firms reported as changing auditors is smaller than the totals reported in Tables 3 or 4 above.

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