



Highlights of [GAO-03-1158](#), a report to Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Services

Why GAO Did This Study

The largest accounting firms, known as the “Big 4,” currently audit over 78 percent of U.S. public companies and 99 percent of public company annual sales. To address concerns raised by this concentration and as mandated by the Sarbanes-Oxley Act of 2002, on July 30, 2003, GAO issued a report entitled *Public Accounting Firms: Mandated Study on Consolidation and Competition*, GAO-03-864. As part of that study, GAO surveyed a random sample of 250 public companies from the Fortune 1000 list; preliminary findings were included in the July report. This supplemental report details more comprehensively the 159 responses we received through August 11, 2003, focusing on (1) the relationship of their company with their auditor of record in terms of satisfaction, tenure relationship, and services provided; (2) the effects of consolidation on audit fees, quality, and independence; and (3) the potential implications of consolidation for competition and auditor choice.

www.gao.gov/cgi-bin/getrpt?GAO-03-1158.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Davi M. D’Agostino at (202) 512-8678 or d'agostinod@gao.gov.

ACCOUNTING FIRM CONSOLIDATION

Views of Surveyed Large Public Companies on Audit Fees, Quality, Independence, and Choice

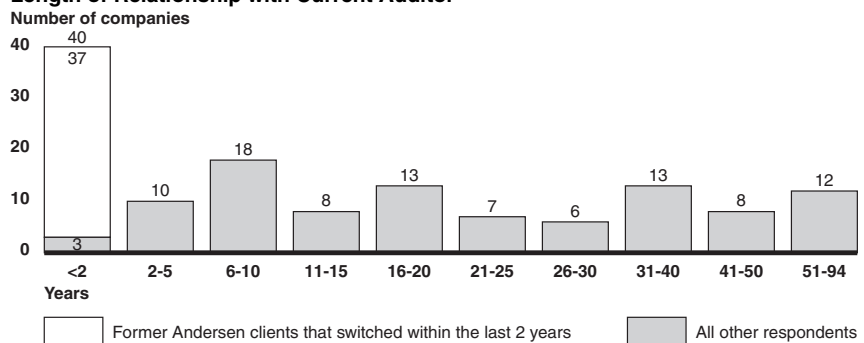
What GAO Found

Most of the 159 respondents said that they were satisfied with the current auditor, and half had used their current auditor for 10 years or more (see figure below). Generally, the longer a respondent had been with an auditor, the higher the overall level of satisfaction. Consistent with high levels of satisfaction, GAO found that, aside from former clients of Arthur Andersen, few respondents had switched auditors in the past decade. When they did, they switched because of reputation, concerns about audit fees, and corporate mergers or management changes. In looking for a new auditor, the most commonly cited factors the respondents gave were quality of service, industry specialization, and “chemistry” with the audit team. Finally, almost all respondents used their auditor of record for a variety of nonaudit services, including tax-related services and assistance with company debt and equity offerings.

Respondents had differing views about whether past consolidation had some influence on audit fees, but most believed that consolidation had little or no influence on audit quality or independence. Respondents commented that other factors—such as new regulations deriving from the Sarbanes–Oxley Act and changing auditing standards—have had a greater impact on audit price, quality, and independence.

While half of the respondents said that past consolidation had little or no influence on competition and just over half said they had a sufficient number of auditor choices, 84 percent also indicated a preference for more firms from which to choose as most would not consider using a non-Big 4 firm. Reasons most frequently cited included (1) the need for auditors with technical skills or industry-specific knowledge, (2) the reputation of the firm, and (3) the capacity of the firm. Finally, some expressed concerns about further consolidation in the industry and the limited number of alternatives were they to change auditors under existing independence rules.

Length of Relationship with Current Auditor



Source: GAO.