

Do Audit Partner and Audit Committee Member Ideologies Influence Engagement Partner Selection and Financial Reporting Oversight Effectiveness?

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Abstract

This study examines whether the ideological orientation of the audit partner and audit committee members—defined as their personal belief systems and inclinations, including their attitude toward risk, ambiguity, and novelty—has an impact on engagement partner selection and the effectiveness of oversight in the financial reporting process. Drawing on prior evidence that the two main U.S. political parties reflect different ideologies, we hand-collect political donation data to construct ideological scores for audit partners and audit committee members. Our findings highlight several intriguing relationships. First, audit committees are more likely to select an ideologically dissimilar partner. Second, greater ideological dissimilarity between these two key monitors is associated with higher financial reporting quality. The effects of financial reporting quality are most pronounced among more effective audit committees and when audit partners have longer tenure with the client. These effects are incremental to both social connections between the audit partner and audit committee and to ideological differences between these parties and the CEO and CFO. Overall, the results support the notion that ideological dissimilarity between audit partners and audit committees can foster effective oversight of the financial reporting process. Moreover, ideological dissimilarity appears to be a useful and rational cue in audit partner selection decisions.

Keywords: political ideology, audit committee, audit partner, engagement partner, financial reporting quality

JEL Classifications: M40, M41

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1. INTRODUCTION

Auditors and audit committees play an integral role in monitoring the financial reporting process. Audit committees, comprising independent board members, help establish and oversee policies, procedures, and internal controls necessary to produce quality financial reports in a timely manner. This oversight extends to the external audit process, in which an independent auditor gathers evidence and evaluates management’s assumptions, judgments, and application of accounting principles. Although audit committee members often rely on the external auditor, and in particular the engagement partner, to be a counterweight to management (Beasley et al. 2009), an effective audit committee should be willing to challenge the assumptions and judgments not only of management, but also of the auditor.¹ Several studies highlight the collaborative and interdependent nature of the relationship between these two monitors and how one can influence the judgments and performance of the other (Brazel et al. 2024; Contessotto and Moroney 2014; Hansen et al. 2021). Since these monitors do not operate in isolation, less effective monitoring by either the auditor or audit committee could result in lapses in oversight, potentially leading to lower financial reporting quality.

In this study, we examine whether an audit partner’s ideological dissimilarity from the audit committee factors into partner selection and whether differences in audit partner and audit committee ideologies influence financial reporting oversight effectiveness. Our use of the term “ideology” refers to an individual’s system of beliefs and views, including preferences for risk, ambiguity, and novelty.² Research in political science documents that conservatives have a higher preference for certainty and stability and are typically cautious, while liberals tend to be more

¹ For instance, some auditors may be overly conservative when the perceived risk of litigation is high (DeFond and Subramanyam 1998). Others may be incentivized to over- or under-audit in certain circumstances (Hansen et al. 2021).

² We focus on ideologies reflected by political affiliation rather than personality in general, which tends to be much broader and encompasses other factors such as extraversion, competitiveness, and neuroticism among others.

tolerant of uncertainty, ambiguity, and risk (Wilson 1973; Jost et al. 2003; Van Prooijen et al. 2015; Jost 2017). Although managers' ideologies have been linked to corporate policies and strategies (Hutton et al. 2014; Christensen et al. 2015; Zhang 2015), evidence regarding the influence of auditor ideologies on financial reporting quality is limited to more narrow or extreme proxies of risk-taking behavior (Amir et al. 2014; Pittman et al. 2023) and largely ignores the interplay between the auditor and the audit committee, despite the audit committee's oversight of both management and the auditor.

Consistent with arguments motivated by agency theory that heterogeneous boards enhance oversight through increased objectivity and diverse perspectives (Adams and Ferreira 2009; Anderson et al. 2011), we recognize that audit committees may value the perspectives and views of an audit partner that is ideologically different from themselves to the extent ideological dissimilarity fosters a more effective oversight process. Different perspectives can potentially remove an artificial layer of trust that could cause both sides to be more alert and careful. For instance, ideological dissimilarity between the audit partner and the audit committee could reduce susceptibility to groupthink and conformity, reduce the risk of confirmation bias (Swigart et al. 2020; Downar et al. 2021), and curb overreliance on the judgments of the other monitor (Ertug et al. 2022). This can lead audit committees to scrutinize the information they review more rigorously and ask probing questions of the auditor. Likewise, auditors may be less reliant on audit committee oversight and more careful in executing audit procedures. Although the conservative leanings of an audit partner and audit committee could potentially constrain aggressive reporting choices given prior findings that more conservative ideologies exhibit less risk-taking behavior (Hutton et al. 2014), over-conservatism can bias toward under-estimation, which is not necessarily aligned with accounting standards or with investor and corporate boards' preferences. Furthermore, preference

for conservative application of accounting principles does not necessarily rule out errors in application of accounting principles and may even lead to large accrual reversals that do not accurately reflect the underlying economic performance during a period (Chen et al. 2007; Kim and Pevzner 2010).

We begin by examining whether audit committees are more likely to select engagement partners ideologically dissimilar to themselves by constructing a pair-wise sample for each client and partner in the sample by year following the methodology in Baugh et al. (2022). We then examine whether ideologically dissimilar audit partners and audit committees are associated with commonly used proxies for financial reporting quality, namely misstatements revealed through subsequent restatements and abnormal accruals.

Grounded in prior work suggesting that political affiliations capture individuals' beliefs and views, including preferences for risk and novelty, we use engagement partners' and audit committee members' political donations reported to the U.S. Federal Election Commission (FEC) as proxies for audit committee member and audit partner ideologies (Ansolabehere et al. 2003; Chin et al. 2013; Jiang et al. 2016; Gupta and Wowak 2017). We identify engagement partners using Public Company Accounting Oversight Board (PCAOB) Form AP data and we identify audit committee members using data from Institutional Shareholder Services (ISS). We construct an ideology score for each engagement partner and each audit committee member based on their donations to the Democratic and Republican parties, candidates, and partisan political action committees (PACs). We compute ideological dissimilarity as the Euclidian distance between the engagement partner ideology score and the average audit committee score.

Regarding partner selection, we find evidence that audit committees are more likely to select engagement partners that are ideologically dissimilar to themselves. This result is robust to

various fixed effects and controls for partner locality, availability, experience, education, social ties, and expertise, as well as to limiting the sample to years with an audit partner change. These results suggest that audit committees, on average, exhibit a preference for an ideologically dissimilar audit partner. However, given evidence in prior work that at least some audit committees rely on peripheral cues in partner selection (Baugh et al. 2022), it is not clear whether selecting an audit partner with differing ideological leanings is a rational choice.

To provide further insight into the rationality of selecting an ideologically dissimilar audit partner, we examine the association between ideologically dissimilar audit partners and audit committees and financial reporting quality. Using a propensity score-matched (PSM) sample to reduce functional form misspecification, we find that greater dissimilarity in these parties' ideologies is associated with financial reports that are less likely to contain misstatements and reported earnings that exhibit lower abnormal levels of accounting accruals. We find consistent results using analyses that exploit partner and/or audit committee member changes. Overall, the results provide support for the argument that greater ideological dissimilarity between these two monitors can foster effective oversight of the financial reporting process, and that ideological dissimilarity appears to be a useful and rational cue in audit partner selection decisions.

We also conduct cross-sectional analyses where we expect ideological dissimilarity to play a larger role in effective oversight of the financial reporting process. We expect the effects to be stronger among more effective audit committee members that have experience in auditing, accounting, and audit committee service. These audit committees may recognize the value of a partner's diverse perspective, particularly given the need to exercise skepticism and challenge predominant views. We also expect these effects to be stronger when the length of the client-partner relationship is longer. Longer client-partner relationships allow the ideologies of both the

partner and the audit committee to become more visible. The results are generally consistent with these expectations in that the association between these parties' ideological dissimilarity and financial reporting quality is only manifest among more effective audit committees and when the client-partner tenure is longer. However, we caution against drawing strong conclusions from these cross-sectional tests because we do not observe statistical differences between the partitioned samples.

In additional analyses, we examine whether audit partner's and audit committee's shared conservative ideologies are beneficial in the context of financial reporting. However, we find no evidence to suggest such is the case. Additionally, we examine whether the financial reporting quality results concentrate in particular pairings of differing ideologies. However, we find no conclusive evidence that any specific pairing of differing ideologies drives the result, suggesting that ideological differences matter, but not necessarily that one group is conservative relative to the other. To determine whether our results are unique and incremental to differences in ideologies between either party (audit committee or audit partner) and management, which is the focus of other work (Burke et al. 2025; Felix et al. 2024), we examine the robustness of the results to controls for differences in ideology between the partner and CEO/CFO and between the audit committee and the CEO/CFO. We find that the negative associations we observe are incremental and distinct from the effects of ideological dissimilarity between the partner and the CEO/CFO or the audit committee and the CEO/CFO.

We perform a battery of robustness tests related to the financial reporting quality findings. We find that the results are robust to the exclusion of PAC donation data in the construction of ideology scores, controlling for the political ideology of the top five executives of the client firm and the average ideology of the other audit partners in an audit office, controlling for audit

committee co-option, controlling for years with a presidential election and years where the presidential party changes, and the exclusion of observations with a moderate partner and audit committee. We also find that the abnormal accruals results are robust to alternative abnormal accrual specifications.

To address an alternative explanation that our findings related to financial reporting quality reflect the outcome of social connections (He et al. 2017), we conduct additional analyses using manually collected data that directly control for social ties through audit partners' and audit committee members' alma mater connections, and audit committee member employment ties with the audit firm. We find that the positive impact of ideological dissimilarity between partners and audit committee members on financial reporting quality is incremental and distinct from social ties.

This study makes several important contributions. Although prior research suggests that audit partners that exhibit more risk-taking behaviors are associated with lower-quality financial reporting outcomes (Pittman et al. 2023), our study broadens the focus to ideological views that encompass ambiguity and novelty as well as risk, and by highlighting the importance of considering the ideologies of both the audit partner and the audit committee. Furthermore, while the ideologies of either of these monitors (auditor or audit committee) with management is important and the focus of other studies (Burke et al. 2025; Felix et al. 2024), we find that the ideological dissimilarity of the audit partner and audit committee has a distinct and important association with effective financial reporting oversight. This evidence is important considering our results suggesting that audit committees, on average, exhibit a preference for an ideologically dissimilar audit partner. Given the collective evidence, ideological dissimilarity appears to be a useful and rational cue in audit partner selection decisions, which contributes to our understanding

of the antecedents of audit partner selection (Baugh et al. 2022; Berglund and Eshelman 2019; Bhaskar et al. 2022; Dodgson et al. 2020; Lee et al. 2019) and has practical implications for audit committees. These findings also respond to the call for more research investigating partner- and CFO-specific traits and the role of the audit committee in the audit process (Maksymov et al. 2024).

Additionally, research examining the influence of connections between audit committees and audit partners on financial reporting outcomes has focused on employer affiliations and social ties (Naiker and Sharma 2009; Naiker et al. 2013; He et al. 2017; Christensen et al. 2019). While former partners on the audit committee affiliated with the current audit firm can have a positive influence on financial reporting quality, monitoring of internal controls, and audit efficiency (Naiker and Sharma 2009; Christensen et al. 2019), close interpersonal relations between audit committee members and the audit partner (e.g., alma mater connections) can undermine auditors' monitoring of the financial reporting process (He et al. 2017). We extend this line of research by examining how differences in personal preferences for risk and novelty between audit partners and audit committee members, which can occur outside or within social networks, are associated with improved monitoring of the financial reporting process.

2. PRIOR LITERATURE AND HYPOTHESIS DEVELOPMENT

A large stream of research highlights how the audit committee can directly or indirectly influence financial reporting outcomes. Various characteristics have been shown to influence an audit committee's monitoring effectiveness including financial and accounting expertise (Abbott et al. 2004; Krishnan 2005; Hoitash et al. 2009), committee size (Anderson et al. 2004; Karamanou and Vafeas 2005), independence (Carcello and Neal 2000, 2003; Klein 2002; Cassell et al. 2018), meeting frequency (Anderson et al. 2004; Chen and Zhou 2007), legal expertise (Krishnan et al.

2011), and social ties with external auditors (He et al. 2017). A large stream of research also highlights the role that auditors play in the production of high-quality financial reports (DeFond and Zhang 2014 for a literature review). Audit firm size (Becker et al. 1998), industry specialization (Reichelt and Wang 2010), and tenure (Myers et al. 2003) have all been shown to influence financial reporting quality. Audit partner characteristics have also been shown to play a role (Chi et al. 2017; Guo et al. 2022; Lisic et al. 2022) including risk-taking behavior (Pittman et al. 2023).

Although prior research has examined the influence of certain audit committee and audit partner characteristics on financial reporting quality, these monitors do not operate in isolation. The audit partner interacts with the audit committee in formal audit committee meetings (ten a year on average) and in informal settings, particularly with the audit committee chair (Spira 2002; Turley and Zaman 2007; Beasley et al. 2009). Audit committee members highlight the importance of unfiltered, open dialogue with the audit partner, beyond the required auditor communications, to understand any uneasiness or concerns as a result of the audit process (Beasley et al. 2009). Furthermore, evidence suggests that in the case of auditors and the audit committee, perceptions of the other party influence perceived risk and effort. Brazel et al. (2024) document survey and experimental evidence that the audit committee's perceived support of the auditors has a positive effect on the professional skepticism of the whole audit team. Contessotto and Moroney (2014) find that audit committee effectiveness, based on attributes identified by surveyed auditors, is negatively associated with auditors' perceived risk of material misstatement, which directly affects the auditors' evidence-gathering procedures. Hansen et al. (2021) find that audit committees that are better able to perceive strategic auditor behaviors, such as over- or under-auditing, mitigate such behaviors. As such, we focus on the interplay of these parties' beliefs and perspectives,

including their preferences for risk, ambiguity, and novelty in both partner selection and the monitoring of the financial reporting process.

While audit committees are responsible for audit firm selection, audit committee members note the important role of the audit partner in the selection decision.³ Additionally, given audit partner rotation following the Sarbanes–Oxley Act of 2002, audit committees of public companies are constantly evaluating and selecting new audit partners. Based on interviews with audit partners (see Dodgson et al. 2020), relationship partners engage in conversation with the client (primarily the audit committee) to assess the desired characteristics and qualities of the next audit partner. The audit firm then identifies potential partners that could serve the client and sends information to the client or sets up meetings (a.k.a. a beauty contest). While management is sometimes involved in this process, most partners agreed that the ultimate decision for partner selection is left to the audit committee. Interview evidence in Dodgson et al. (2020) reveals that, in addition to industry expertise, personality and “chemistry” are the most frequently cited factors in partner selection. Yet, little is known about how personality, which is shaped by an individual’s system of beliefs and preferences, including attitudes toward risk, ambiguity, and novelty, influences engagement partner decisions and the implications for the audit committee–partner relationship. Baugh et al. (2022) show that less experienced audit committee members are more likely to select more facially attractive engagement partner candidates, which suggests that at least some audit committees rely on peripheral cues in partner selection.

Two mutually opposing considerations could influence audit committees’ choice of audit partner based on ideology. On the one hand, audit committees that prefer to avoid disagreement

³ For example, one audit committee chair stated that “I am not sure how much difference there is between firms, but there can be big differences between partners”. Another stated that “the audit committee is dealing with a commodity, when talking about the Big 4. The variation among the partners within the firms is more important than the variation across the firms” (Beasley et al. 2009, p. 103).

may prefer an audit partner that exhibits similar views or preferences for risk and ambiguity to their own to avoid “rocking the boat”. There is “evidence that people choose to enter and spend time in situations that will foster, promote, and encourage the behavioral manifestations of their own traits and dispositions” (Ickes et al. 1997, p. 177) and that people are prone to favor views consistent with their own over those offered by people with different convictions, even if less optimal or effective (Marks et al. 2019). On the other hand, audit committees that understand the importance of auditor objectivity and skepticism may recognize the value of an audit partner’s diverse perspective. For example, audit committees that are more attuned to the complex issues where groupthink and confirmation bias are particularly detrimental (Swigart et al. 2020; Downar et al. 2021) may recognize the value of an engagement partner with a mindset that differs from their own.

Finally, it is also plausible that audit committees pay little attention to audit partners’ ideological similarities or differences, but rather focus predominantly on partner availability, experience, and expertise. This leads us to the following hypothesis stated in null form:

Hypothesis 1: Dissimilarity in engagement partners’ and audit committee members’ ideologies has no impact on engagement partner selection.

We next focus on whether differences in audit partner and audit committee ideologies influence financial reporting oversight effectiveness. For audit committees to effectively oversee the financial reporting process, they should be able to challenge auditors on important financial reporting and auditing matters (Beasley et al. 2009; Kang et al. 2015). Greater similarity in views and preferences for risk, ambiguity, and novelty between audit committees and audit partners could undermine effective monitoring if it leads to a greater willingness to trust those with a shared ideology (Marks et al. 2019). Similar ideologies between these two monitors can foster homophily, which may leave the partner or the audit committee more vulnerable to becoming overly

sympathetic toward the other party or more vulnerable to motivated reasoning or confirmation bias (Moore et al. 2006; He et al. 2017; Swigart et al. 2020). This may result in greater reluctance by either party to challenge the other’s viewpoint or exercise sufficient appropriate skepticism when they assess risk similarly.

The dangers of similar ideologies can be gleaned from research findings on other dimensions of homophily. Relevant to our context, He et al. (2017) find in a sample of Chinese companies that social ties between engagement auditors and audit committee members measured by alma mater connections, teacher-student bonding, or employer affiliation, reduce the auditors’ propensity to issue modified audit opinions.⁴ The implications for our study are that ideological similarity between the two parties can lead to “lax” attitudes or insufficient skepticism by either party, allowing for reporting issues to go either unnoticed or insufficiently resolved. In contrast, ideological dissimilarity could cause both sides to be more cautious, exercise greater scrutiny, and be more skeptical, leading to better oversight of the reporting function and audit process.

Analogizing the monitoring roles of the auditor and audit committee to those of individual board members, board-level research suggests that heterogeneity among monitors can provide oversight benefits. These studies argue that “heterogeneity brings a variety of backgrounds, experiences, and skills to the boardroom that improves managerial monitoring” (Anderson et al. 2011, p. 6). They also argue, consistent with agency theory (Jensen and Meckling 1976), that directors with different viewpoints “more closely correspond to the concept of the independent

⁴ Although the literature has studied social ties, ideologies can vary within or align outside social networks (e.g., alma mater, employer). Furthermore, social ties studies are based on the notion that friendship ties drive behavior (Westphal et al. 2006), leaving out the important question of what drives friendship ties to begin with. This is important because ideology may actually influence individuals to be friendlier and thus have more social ties, making ideology the primary driving factor of the observed relationships (Settle et al. 2010). Thus, prior findings in the social ties literature, while potentially overlapping with the effects of ideology, likely do not capture the same psychological phenomena, hence necessitating a separate examination of the role of ideological heterogeneity between audit committees and engagement partners, incremental to that of social ties. We empirically address this issue in additional analyses, detailed in Section 5.3, *Alternative Explanations*.

director” (Adams and Ferreira 2009, p. 292). Consistent with these arguments, some studies find evidence of enhanced oversight effectiveness among more diverse boards (Adams and Ferreira 2009; Ararat et al. 2015; Vafaei et al. 2015).

However, we also acknowledge that stark ideological differences in beliefs and preferences, particularly regarding risk, ambiguity, and novelty between audit committee members and audit partners could hamper effective communication and coordination. Research suggests that individuals’ beliefs and views not only affect behavior in a communication situation but also influence which communication situations to have or avoid (Buss 1987; Emmons et al. 1986; Frederickx and Hofmans 2014). This suggests that people are more comfortable working with, and being influenced by, others who are ideologically similar.

In sum, ideological dissimilarity between the audit partner and the audit committee may enhance oversight of the financial reporting process through increased skepticism and the benefit of diverse perspectives or may impede interaction and communication. Given these competing predictions, we state our second hypothesis in null form as follows:

Hypothesis 2: Ideological dissimilarity between audit partners and audit committee members has no impact on financial reporting quality.

3. VARIABLE MEASUREMENT AND DESIGN, DATA, AND DESCRIPTIVE STATISTICS

3.1 Variable measurement and design

3.1.1 Ideology

Prior research shows that political leanings largely reflect preferences for and attitudes towards risk, uncertainty, and novelty (Jost et al. 2003; Fatke 2017). In particular, studies in political psychology find evidence that political conservatives tend to be more risk-averse and change-resistant, while liberals tend to be more risk-taking and novelty-seeking (i.e., more likely

to seek and embrace change in their lives).⁵ Hence, observing one’s political orientation through, say, a tendency to donate to a particular political party, allows one to backward-induce an economic agent’s risk and novelty-seeking preferences and to delve into the “black box” of ideology (Dodd et al. 2012).

Our first step is to impute the ideology of each audit partner and audit committee member. Following prior literature, we use political donations as a proxy for the ideology of each audit partner and audit committee member (Chin et al. 2013; Christensen et al. 2015; Gupta and Wowak 2017). Because there are legal limits to individual political contributions, an individual’s relatively small donation is unlikely to garner any particular private benefit but instead reveals his/her ideological preference (Ensley 2009). Accordingly, we infer ideology of each individual in our sample from their political contributions (Hutton et al. 2014). We retrieve political donation data for the period starting 1990 through the start of our sample period. This allows us to more accurately gauge the ideology of each individual (Chin et al. 2013). We employ a computer algorithm that requires strict matches of audit partner names from the Form AP data and political contributions data based on the partner’s full name and the disclosed employer. A similar process is used to match audit committee members with their donations. Using this technique, we are able to match political contribution information to 3,362 unique audit partners out of a total of 5,915 available partners (57%). Likewise, out of a total of 12,223 audit committee members available in ISS, we match political contributions to 6,221 audit committee members (51%).

For each individual matched with political contribution data, we construct an ideology

⁵ For example, Jost (2017, 169) summarizes these differences as follows: “there is a fairly natural correspondence...an ‘elective affinity’—between psychological needs to manage uncertainty and threat, on one hand, and core philosophical values of political conservatism, namely respect for tradition and hierarchy (or inequality), on the other. That is, heightened epistemic motives to reduce uncertainty and ambiguity and attain a sense of order, structure, and closure should favor the adoption of conservative, rightist attitudes that serve to preserve the status quo...”

score based on their political donation history. We follow Christensen et al. (2015) and compute *Partner Ideology* for each partner as the total value of contributions made to the Republican Party minus contributions made to the Democratic Party divided by the total value of all contributions.⁶ This variable ranges from -1 to +1, with higher values indicating a strong conservative preference and lower values suggesting a strong liberal preference.

Similarly, we compute an ideology score for each audit committee member that ranges from -1 to +1 with higher values signifying more conservative leanings and lower values indicating liberal inclinations. We consider non-donating partners (audit committee members) in our sample to be politically moderate and assign them an ideology score of zero (Christensen et al. 2015; Jiang et al. 2016). Chin et al. (2013) verify the assumption that non-donating individuals are politically moderate by documenting a positive correlation between their donation-based ideology score and a self-reported ideology of executives solicited through a comprehensive survey. Individuals contributing equal amounts to both parties would also be considered moderate (by design). Additionally, we assume that ideology is time invariant because it tends to be stable over an individual's adult life (Green et al. 2002). This approach has the benefit of allowing sufficient time to accurately observe the ideological expression of each individual over an extended period of time.

To create our measure of interest, *Partner-AC Dissimilarity*, we take the absolute value of the normalized Euclidean distance between the engagement partner's ideology and the average ideology score of the audit committee members, divided by two. That is

$$Partner-AC\ Dissimilarity = \frac{1}{2} * |Partner\ Ideology - AC\ Ideology| \quad (1)$$

⁶ We also include donations to partisan political action committees (PACs). We manually check that each PAC included is affiliated with a political party or candidate. Our results are similar if we exclude PAC donations.

3.1.2 Audit partner selection

Our first hypothesis focuses on whether dissimilarity in audit partners' and audit committee members' ideologies influence partner selection. To test this, we follow the empirical design in Baugh et al. (2022) and create a dataset that simulates each company's audit partner selection decision. For each company in our sample, we construct a pseudo-sample of partners who plausibly could have been selected. Specifically, we construct paired observations between each company and all available audit partners in our sample for a given year. We then limit the sample to years in which an audit partner change occurs, resulting in 1,123,738 paired observations. *Partner Selected* is set equal to one if the audit partner in a given client-partner pairing for the year is the one selected to perform the audit. We then estimate the following linear probability model for the pooled sample:

$$(Partner\ Selected = 1) = \beta_0 + \beta_1\ Partner-AC\ Dissimilarity_{t-1} + \Sigma\beta\ Controls + \Sigma\beta\ FE + \varepsilon_{i,t} \quad (2)$$

Control variables follow Baugh et al. (2022) and include partner experience (*Partner Experience*), gender (*Partner Gender*), workload (*Workload*), and whether the partner graduated from a top university (*Top School*) or holds a leadership role within the audit firm (*Partner Leader*). We also include controls for whether the partner's office is in the same city as the company's headquarters (*City Link*), whether the partner audits another client in the company's industry (*Industry Link*), whether the partner attended the same university as any of the audit committee members (*Education Link*), and whether the partner is from the incumbent audit firm (*Incumbent*). All variables are defined in the Appendix. We estimate equation (2) using two different specifications. In one specification, we include client firm, year, and audit firm fixed effects. In a separate specification, we replace client firm and year fixed effects with client firm-year fixed effects. In both specifications, we cluster standard errors by audit partner and year and

winsorize all continuous variables at the 1/99% levels of their respective distributions to mitigate the influence of outliers.

3.1.3 Financial reporting quality

Our second hypothesis focuses on the influence of ideological dissimilarity on oversight of the financial reporting process. We use two common financial reporting quality proxies that have been shown to exhibit a high correlation with measures of audit process quality based on external PCAOB and internal audit firm quality control inspections (Aobdia 2019): *Misstate* and *Abnormal Accruals*. First, using the Audit Analytics restatement database, we identify misstatements of annual financial statements as revealed by subsequent restatements (*Misstate*). Because we are interested in effective oversight of the financial reporting process, we capture all misstated annual financial statements regardless of the source or intent of the misstatement.⁷ Specifically, *Misstate* is a binary variable set to one if the current year’s annual financial statements are later restated.

Second, we capture a company’s earnings quality based on deviations from expected accounting accruals. Abnormal accruals are a common proxy for earnings quality that facilitates the detection of earnings manipulation within or outside the confines of accounting principles (DeFond and Zhang 2014). We measure abnormal accruals using the Jones (1991) Model as described below:

$$Total\ Accruals_{i,t} = \mu_0 + \mu_1 \Delta Revenue_{i,t} + \mu_2 PPE_{i,t} + \varepsilon_{i,t} \quad (3)$$

⁷ Although non-reliance restatements tend to be more material, they are infrequent in our sample period—only 0.8% of client-year observations have misstated annual financial statements that are eventually restated. Therefore, we include all misstated annual financial statements identified through restatements. We acknowledge that “little r” restatements may not reflect egregious financial reporting problems such as fraud or reporting irregularities that typically trigger litigation (Christensen et al. 2022). Instead, these restatements occur when individually immaterial errors accumulate into a material misstatement in a given year (Tan and Young 2015). However, audit research often incorporates misstatements revealed through “little r” restatements (e.g., Lisic et al. 2022; Condie et al. 2023; Pittman et al. 2023). Moreover, even though these prior period misstatements are generally less severe, Christensen et al. (2022) suggest that auditor incentives may lead to assessing misstatements as less material in order to avoid more prominent disclosure (i.e., classifying them as a little r rather than a Big R restatement).

where *Total Accruals* is defined as net income minus cash flows from operations, $\Delta Revenue$ is the change in total revenue relative to the previous year and *PPE* is the total of property, plant, and equipment. The model is estimated by industry (SIC two-digit code) and year. The residual from equation (3) is the measure of abnormal accruals because it is indicative of the potential discretion managers exert on the financial reports (*Abnormal Accruals*). Accordingly, financial reporting quality is decreasing with higher abnormal accruals.⁸

We then estimate the following ordinary least squares model:

$$Financial\ Reporting\ Quality_{i,t} = \alpha_0 + \alpha_1 Partner-AC\ Dissimilarity_{i,t} + \sum \alpha Controls + \sum \alpha FE + \varepsilon_{i,t}$$

(4)

where *Financial Reporting Quality* is one of two measures: *Misstate* or *Abnormal Accruals*. If *Partner-AC Dissimilarity* is associated with higher (lower) financial reporting quality, we would expect α_1 to be negative (positive).

We include controls for the conservative leanings of both the partner and the audit committee (*Conservative Partner* and *Conservative AC*) to ensure the results are not driven by absolute differences in financial reporting quality across the political parties. Additionally, we include controls for the conservative leanings of the key executives responsible for financial reporting (*Conservative CEO*; *Conservative CFO*) given evidence suggesting that executives with more conservative ideologies exhibit less risk-taking behavior (Hutton et al. 2014). We also include controls for several company-specific characteristics that have been shown to influence financial reporting quality. *Firm Size*, a proxy for economies of scale, is measured as the natural log of total assets. *Firm Age*, a proxy for life cycle and maturity, is measured as the natural log of the age of the firm in years plus one. *Segments*, a proxy for company complexity, is computed as

⁸ Our main findings are qualitatively similar when we use performance-adjusted discretionary accruals following Kothari et al. (2005) or when we measure discretionary accruals using the modified Jones model (Dechow et al. 1995).

the number of business and geographic segments in which the company operates. *Leverage*, a proxy for financial health, is measured as the ratio of long-term debt to total capital. *Sales Growth* is a company's annual growth in revenue. *Loss* is an indicator variable set equal to one if income before extraordinary items in year t or $t-1$ is negative. *Performance* is a firm's operating cash flow divided by total assets. We also include auditor-specific control variables. *Auditor Change* is a binary variable set equal to one if there is an audit firm change in the current year. *Office Size* is the natural log of the total number of audits the auditor's office conducts in the current year. *Big 4* is a binary variable set equal to one if the current auditor is a Big 4 auditing firm. We include a control for the company's relative importance to the audit office (*Client Importance*), using the ratio of the company's audit fees to the total audit fees of the audit firm office responsible for the audit. We also control for the presence of a material weakness in internal controls (*MW*) and *Restatement* as both affect reporting quality.

Additionally, we include controls for engagement partner and audit committee characteristics that could influence financial reporting quality (Ittonen et al. 2013; Cahan and Sun 2015; Li et al. 2017). *Partner Gender* is a binary variable set to one if the partner is female. *Partner Workload* is the number of public audit clients in the sample the partner serves during the year. *Partner Experience* is the number of years since the partner graduated. *Partner Specialist* is a binary variable set to one if at least half of the engagement partner's audit clients are in the same (SIC two-digit) industry. We also include controls for average audit committee tenure (*AC Tenure*), audit committee size (*AC Size*), and proportion of financial experts on the audit committee (*AC Financial Experts*). Moreover, we include controls for potential links between the partner and audit committee. *City Link* is coded one if the partner's audit office is in the same city as the firm's headquarters while *Industry Link* is coded one if the partner has another client in the same industry

(SIC 1-digit) as the current client. When the dependent variable is *Abnormal Accruals*, we include a control for *Total Accruals*.

Finally, we include client firm fixed effects to control for unobserved client heterogeneity, and year and industry (Fama–French 48 classification) fixed effects to control for the fact that our financial reporting quality variables are sensitive to both time and industry effects. Further, we include auditor and client metro fixed effects to capture potential regional factors that may impact the ideological views of the auditor or client.⁹ We winsorize all continuous variables at the 1/99% levels of their respective distributions to mitigate the influence of outliers.

3.1.4 Data sources

Our tests are based on the intersection of five data sources: PCAOB Form AP, Audit Analytics, Institutional Shareholder Services (ISS), Compustat, and the FEC political donations database. We gather audit partner data from Form AP for audits of issuers' financial statements from 2016 to 2019.¹⁰ We obtain the names of audit committee members for each client firm-year from ISS for the same period. To capture audit partner and audit committee member ideologies, we use political donation data from the FEC's website (www.fec.gov) which lists all political contributions over \$200 made to federal campaigns, political committees, or political action committees (PACs). Table 1 outlines our sample selection process. After merging the datasets and eliminating observations with insufficient data, the sample consists of 3,484 client-year observations for the period 2016–2019. We lose an additional 13 observations for tests using *Abnormal Accruals* as the dependent variable.

⁹ We use the regional variable from Audit Analytics to identify the metropolitan area of the client and auditor.

¹⁰ Audit firms must file Form AP with the PCAOB within 35 days of the date the audit report is submitted to the Securities and Exchange Commission (SEC). The requirement was in effect as of January 31, 2017.

3.1.5 Descriptive statistics

Table 2, Panel A, presents descriptive statistics at the audit partner level. We find that the average audit partner in our sample has 25 years of experience (untransformed from the natural log) and that 19.9% are female. We find that 43.8% of the partners in our sample hold leadership roles in their firm and that the average partner serves approximately two public audit clients. Further, 8.5% of partners in our sample attended a top university.¹¹

Table 2, Panel B, presents descriptive statistics at the client firm-year level. We find that the mean value of *Partner-AC Dissimilarity* is 0.135. In terms of reporting outcomes, approximately 4.4% of company's annual reports are misstated (*Misstate*) and average *Abnormal Accruals* are 1.4% of lagged total assets. Average total assets for companies in the sample is \$13.2 billion. On average, companies in the sample are 31 years old and have leverage ratios of 30.4%, which implies that a large portion of the sample contains mature companies that have significant liabilities in their capital structure. For the average sample company, the audit committee has 3.8 members, of which 2.5 are designated as financial experts.¹² Panel C provides descriptive statistics for audit partner and audit committee ideologies separately (*Partner Ideology* and *AC Ideology*) for the full sample. For both audit partners and audit committee members, mean *Partner Ideology* and mean *AC Ideology* are positive, suggesting a higher frequency of conservative ideologies. From untabulated descriptives, we note that 42.4% of audit committees are classified as republican, whereas 30.8% are classified as democrat, with 26.8% classified as moderate. Although only 36.6% (42%) of individual audit committee members (audit partners) donate politically, only 25% of the client firm-year observations in the sample have both a moderate audit

¹¹ Descriptive statistics for Panel A are computed based on the sample of 3,484 client-year observations.

¹² The average of *Firm Size*, *Firm Age*, *AC Size*, and *AC Financial Experts* is reported before exponentiating the respective variables.

partner and a moderate audit committee, reducing the concern that the results are driven by a small subset of partner-audit committee pairings.

4. MULTIVARIATE RESULTS

4.1 Selection of an ideologically dissimilar audit partner

Table 3 provides the results of our tests of our first hypothesis. We focus on observations in which the client firm experienced an audit partner change during the year, employing different fixed effects structures across the two columns. In both columns, we find a positive association between *Partner-AC Dissimilarity* and the likelihood of partner selection. In economic terms, a one standard deviation increase in *Partner-AC Dissimilarity* increases the probability of partner selection by about 0.44% (the coefficient of *Partner-AC Dissimilarity* of 0.031 * the standard deviation of *Partner-AC Dissimilarity* of 0.143). In an untabulated analysis, we further limit the sample to pairings where the partner is located in the same metropolitan statistical area as the client headquarters to capture a more plausible pool of partner candidates. We continue to find that the coefficient on *Partner-AC Dissimilarity* is positive and significant using either specification of the model based on different fixed effects. These results indicate that audit committees are more likely to select partners whose ideologies differ from their own and suggest that they perceive value in having an audit partner with differential views on risk, uncertainty, and novelty.

4.2 AC-partner ideological dissimilarity and financial reporting quality

Table 4 provides the results of our tests of the second hypothesis examining the association between audit partner and audit committee ideological dissimilarity and financial reporting quality. To address the possibility of functional form misspecification and the prospect that clients match with partners based on ideology, we employ PSM to form the samples for our tests. In the first stage, we use a probit model where the dependent variable is an indicator variable capturing client

firm-years where *Partner-AC Dissimilarity* is high, defined as a value above the sample median, and the independent variables are the control variables from equation (4) excluding the fixed effects. We estimate propensity scores and then match treatment and control observations on a one-to-one basis without replacement.¹³ Table 4, Panel A reports the means-difference tests between the two groups before and after matching, allowing us to assess how well the procedure reduces differences in covariates. The PSM procedure achieves covariate balance (i.e., no significant mean differences) for sixteen of the twenty-six model covariates, and for the remaining covariates, the mean differences are notably smaller after matching. In addition, the inclusion of client firm fixed effects in the second-stage model controls for unobservable, time-invariant client heterogeneity.

Table 4, Panel B presents the tests of our second hypothesis. We find negative and significant associations between *Partner-AC Dissimilarity* and both financial reporting quality proxies indicating that ideological dissimilarities between the audit partner and audit committee are associated with higher financial reporting quality outcomes.¹⁴ In terms of economic magnitude, the coefficient on *Partner-AC Dissimilarity* in column 1 is -0.122, which suggests that for the average firm, a one-standard-deviation increase in *Partner-AC Dissimilarity* is associated with a decrease in the probability of misstatement of 1.7 percentage points (-0.122×0.143). This reduced likelihood of misstatement is meaningful given the average misstatement rate of approximately 4.4% in the sample. For abnormal accruals, we find that a one-standard-deviation increase in

¹³ We acknowledge that PSM has tradeoffs. As the caliper distance between matched observations is tightened, we experience severe sample attrition, which reduces the statistical power of our tests—particularly in subsequent analyses that involve further sample partitioning. Nevertheless, our main results remain unchanged when using a narrow caliper distance of 0.01. Additionally, we find consistent results in our main tests even without employing PSM. These findings suggest that our results are not driven by the use of PSM or by specific implementation choices.

¹⁴ Although the results include year fixed effects, we conduct an untabulated robustness test in which we instead control for time by including indicators for presidential election years and years in which the presidential party changes. We find consistent results, further alleviating concerns that the observed associations are merely driven by shifts in the political landscape.

Partner-AC Dissimilarity results in a decrease in abnormal accruals of 0.010 (-0.072×0.143). This decrease is meaningful as it represents approximately 9.2% ($0.010/0.112$) of the standard deviation.¹⁵ These results provide support for the argument that greater ideological dissimilarity between these two monitors can foster effective oversight of the financial reporting process.^{16,17} When considered with the tests of the first hypothesis, these results suggest that ideological dissimilarity appears to be a useful and rational cue in audit partner selection decisions.

5. ADDITIONAL ANALYSIS

5.1 Alternative model specifications for financial reporting quality tests

To the extent that the PSM procedures do not fully remove functional form bias in our analysis, we employ two alternate specifications other to strengthen our inferences that *Partner-AC Dissimilarity* is associated with higher reporting quality. First, we employ a change specification for both tests in Table 5, wherein we first-difference the dependent and independent variables. For these tests, we use the original pooled samples. This leads to reduced sample sizes, as first-differencing requires data from consecutive periods to calculate year-over-year changes,

¹⁵ In an untabulated analysis, we examine whether our results are robust to the exclusion of observations that have a moderate partner and audit committee. In this limited sample, we find that ideological dissimilarity between the partner and audit committee is associated with a lower likelihood of misstatement ($p=0.036$) and lower abnormal accruals ($p=0.018$).

¹⁶ In untabulated analyses, we examine two alternative measures. The first measure follows the methodology of Gupta and Wowak (2017) and is the average of the percentage of donations given to a given party, the percentage of dollars donated to a given party, the percentage of years donating to a given party, and the percentage of recipients for a given political party. We only find results for the abnormal accruals proxy using this measure. The second measure is an indicator variable for mismatched audit partners and audit committees. We do not find significant associations with this alternative measure. However, we recognize that this may be an artifact of the dichotomous nature of these alternative variables in that mismatched pairings may only exhibit trivial differences. Our measure avoids this issue by capturing relative differences based on a continuous scale.

¹⁷ In an untabulated analysis, we separately examine income-increasing and income-decreasing abnormal accruals. When partitioning the sample based on the signed value of abnormal accruals, we employ a truncated regression approach, as OLS estimates are generally biased toward zero in truncated samples (Myers et al. 2003). We find a negative and statistically significant association with income-increasing abnormal accruals ($p=0.034$), consistent with auditor preferences for less aggressive accounting choices or assumptions (DeFond and Subramanyam 1998). These results are robust to the use of discretionary accruals estimated via the modified Jones model. While our main results are statistically insignificant when using unsigned (i.e., absolute value) discretionary accruals based on the modified Jones model, the partitioned analysis reveal that greater ideological dissimilarity between the audit partner and the audit committee is associated with lower income-increasing abnormal accruals.

and audit partner disclosures are not available prior to companies' fiscal year 2016. We find in columns 1-2 that the coefficients on Δ *Partner-AC Dissimilarity* are negatively associated with Δ *Misstate* and Δ *Abnormal Accruals* suggesting that changes in audit partners or audit committee members that drive an increase in ideological dissimilarity between the two are associated with a reduced frequency of misstatement and lower abnormal accruals. Second, using the original pooled samples, we employ entropy balancing on the first two moments of the covariate distributions (means and variances). We use the same first-stage model used in the PSM procedure to re-weight the covariates of each sample. After balancing, the means and variances of the model covariates between company years with high *Partner-AC Dissimilarity* and company-years with low *Partner-AC Dissimilarity* are nearly identical. In columns 3-4 of Table 5, we find that *Partner-AC Dissimilarity* is significantly negatively associated with *Misstate* and *Abnormal Accruals*. These collective results provide additional support for the inference that greater ideological dissimilarity between these two monitors can foster effective oversight of the financial reporting process.¹⁸

However, we recognize that our empirical models cannot fully address all sources of potential endogeneity. Because the audit firm can decide on the pool of audit partners available for the client to choose from, it is possible that the firm puts forward ideologically dissimilar partners (intentionally or coincidentally) as a way of maintaining independence or objectivity. This could potentially occur endogenously in that bigger auditing firms with more degrees of freedom that offer dissimilar partners also tend to provide higher audit quality.

5.2 Cross-sectional analyses

We next examine situations where we expect ideological dissimilarity to play a larger role

¹⁸ In an untabulated analysis, we split the sample into subsamples audited by Big 4 auditors or not. We generally fail to find evidence that the effect of ideological dissimilarity on financial reporting quality is driven by Big 4 accounting firms. Other than finding a negative association between ideological dissimilarity and abnormal accruals in the Big 4 subsample, all other subsamples show an insignificant association.

in effective oversight of the financial reporting process. Given the multi-faceted nature of audit committee effectiveness, we employ principal component analysis to derive a factor that captures the common variance across key aspects of effectiveness, specifically, audit committee members' prior experience in auditing, accounting, and audit committee service (measured by the number of years since their first committee assignment). We extract the first principal component from these three measures, which we label *AC Effectiveness*, and split the sample at the median value of this factor.¹⁹

Additionally, we expect the effects on financial reporting quality to be more pronounced when the client-partner relationship is longer in duration. Over time, ideologically similar auditors and audit committees may increasingly reinforce each other's views and risk preferences, potentially weakening their willingness to engage in critical oversight. In contrast, as both parties become more familiar with each other's ideological perspectives, they may come to appreciate the value of constructive challenge and rigor, fostering mutual respect and encouraging greater effort from both sides to uphold high-quality financial reporting. As such, we consider the partner's tenure with the client. Specifically, we code *Partner Length* equal to one if the partner is new on the engagement (i.e., in the first year), and zero if the partner's assignment is recurring (i.e., served the client in the previous year). Because partner data are only available beginning with 2016 audits, *Partner Length* is only coded for client firm-year observations starting in 2017. We then partition

¹⁹ Because principal component analysis extracts the common variance shared among a set of variables, it may yield less meaningful results when the variables are highly uncorrelated (Bloomer and Rehm 2014). In our case, we find statistically significant correlations between the three original variables. The factor loadings on *Audit Expertise*, *Accounting Expertise*, and *Audit Committee Service*, are 0.136, 0.125, and -0.155, respectively. The negative loading for *Audit Committee Service* suggests that relative to the other variables (i.e., accounting and auditing expertise), committee members with greater general audit committee experience are associated with lower overall values on the extracted component. Several possible explanations exist for this pattern. One possibility is that audit committee members become less engaged, less effective, or more entrenched over time. Another is that general audit committee experience may not align closely with the specific dimensions of expertise captured by the other two variables. For our analysis, we retain only the first principal component, which has an eigenvalue greater than one.

the sample based on whether the partner is new to the client or has an ongoing assignment.

Table 6 presents the results of these tests. To ensure each subsample maintains a 1:1 correspondence of treated and control observations in the PSM, we re-compute our PSM procedures for each of the four cross-sectional subsamples. Panel A presents the results of the sample partitions of *AC Effectiveness*. We find that the negative and significant associations between *Partner-AC Dissimilarity* and the two financial reporting quality measures (*Misstate* and *Abnormal Accruals*) are only observed among audit committees in the “High” *AC Effectiveness* sample partition. Panel B presents the results of the sample partitions of *Partner Length*. We find that the negative associations between *Partner-AC Dissimilarity* and the two financial reporting quality measures (*Misstate* and *Abnormal Accruals*) are only observed among audit partners with ongoing client tenure (i.e., not in the initial year of partner-client tenure). However, we note that the subsample differences are not statistically significant, possibly the result of low statistical power from the smaller subsample sizes, so we caution against drawing strong conclusions from these cross-sectional tests. Still, the results are suggestive of when the effect of *Partner-AC Dissimilarity* could be most prevalent.

5.3 Alternative explanations

5.3.1 Shared conservative ideologies

Given evidence suggesting that managers with more conservative ideologies exhibit less risk-taking behavior (Hutton et al. 2014), it is possible that conservative ideologies of audit partners and audit committees could elevate risk aversion in the financial reporting process, which could lead to higher financial reporting quality through greater constraint of managers’ aggressive or uncertain reporting choices. We examine this possibility by setting *Conservative Partner_AC* to one if *Partner Ideology* is greater than zero and the average audit committee ideology is greater

than zero. In untabulated analysis, we find insignificant associations between *Conservative Partner_AC* and both financial reporting quality proxies providing no evidence that shared conservative leanings of the audit partner and audit committee influence financial reporting quality.²⁰

5.3.2 Partner and audit committee ideological dissimilarities with the CFO

Although we focus on the audit partner and audit committee, two primary monitors of the financial reporting process, we recognize that the ideology of the CFO (and possibly other executives) as well as similarities or differences with those of the audit partner or audit committee can also affect working relationships and influence the financial reporting process. Burke et al. (2025) find that conservative audit partners paired with liberal CFOs are associated with higher financial reporting quality, reflected in a lower likelihood of misstatement. However, they do not find significant results for liberal audit partner-conservative CFO pairings. Felix et al. (2024) find that audit committee–CFO political dissimilarity is associated with a lower likelihood of financial misstatements and abnormal accruals. While the audit committee typically acts as an arbiter between the engagement partner and management, prior research suggests that the relationship between the audit committee and CFO can affect reporting outcomes (e.g., Cassell et al. 2018). To ensure that our results are unique and incremental to previously documented differences in ideology between the CFO and either the audit committee or the audit partner, we examine the robustness of our findings by controlling for these ideological differences. We measure them in a manner analogous to *Partner-AC Dissimilarity* to maintain consistency.

In Table 7, we find a negative association between *Partner-AC Dissimilarity* and *Misstate*

²⁰ Because a failure to reject the null hypothesis could occur when no association exists or when tests lack sufficient power, we perform additional analyses to assess these insignificant relations (Chung and Kallapur 2003; Cunningham et al. 2019). The results of these analyses suggest that even at the upper and lower ends of the 95% confidence interval, the presence of a conservative partner and audit committee on these financial reporting proxies appears small.

when including controls for ideological dissimilarity between the partner and CFO and between the audit committee and the CFO (column 3). Similarly, in the abnormal accruals test, we find that *Partner-AC Dissimilarity* is negatively significant when including controls for those two other dissimilarity variables (column 6). We note that audit committee and CFO dissimilarity is also negative and significant in this specification. Nonetheless, these findings collectively suggest that *Partner-AC Dissimilarity* has an incremental impact on reporting quality relative to partner-CFO dissimilarity and audit committee-CFO dissimilarity, respectively. Although the correlations among the three dissimilarity variables range between 0.33 to 0.55, the variance inflation factors in both models do not exceed 4.28, suggesting that multicollinearity is unlikely to be a serious concern. As such, the influence of ideological dissimilarity between the audit partner and the audit committee does not appear to be influenced by ideological dissimilarities between the partner or the audit committee and the CFO.

Additionally, we attempt to replicate the findings of Burke et al. (2025) and Felix et al. (2024) using our sample period and financial reporting quality models. Several differences in sample composition and model design distinguish our study from Burke et al. (2025). Their sample spans two additional years and includes approximately 3,500 more observations, is limited to firms audited by Big 6 auditors with ExecuComp coverage (i.e., S&P 1500), and appears to include firms in regulated industries such as financial, insurance, and utilities. Moreover, whereas they examine both quarterly and annual misstatements, our analysis focuses exclusively on annual misstatements. We also incorporate multiple fixed effects to account for unobservable firm-, area-, industry-, and time-related factors. Despite these differences, we find that partner-CFO dissimilarity is negatively associated with the likelihood of misstatement and with abnormal accruals using our sample and model variables (see columns 2 and 5 of Table 7), suggesting that

differences in model design and sample composition do not fully explain the divergent results. However, as shown in columns 3 and 6 of Table 7, when we introduce *Partner-AC Dissimilarity* and *AC-CFO Dissimilarity* into the model, the results become statistically insignificant, which may indicate that omitted variables in their model contribute to the discrepancy.²¹

Because Felix et al. (2024) do not rely on audit partner data, which have only been publicly available since 2016, their sample spans 2001-2017, whereas our sample covers 2016-2019. Beyond sample composition, our model includes several additional control variables and fixed effects. Using our model and sample period, we are able to replicate their findings with respect to abnormal accruals, although the result is statistically insignificant in the misstatement model. When we instead adopt their model specification with our sample—applying the same controls, fixed effects, and clustering—we find that the coefficient on *AC-CFO Dissimilarity* is negative and statistically significant. Taken together, these results suggest that the observed differences are likely driven by variations in sample composition or model design.

5.3.3 Control for social ties

Our results indicate that audit partner–audit committee ideological dissimilarity is an influential factor in the quality of financial reports. As previously discussed, He et al. (2017) find evidence that educational ties between the audit partner and audit committee can negatively impact audit quality. We also recognize that individuals can be socially linked in a multitude of ways that

²¹ On a broad level, Burke et al. (2025) examine ideological differences between the partner and CFO. In our tabulated analyses, we use a relative measure of partner-CFO dissimilarity to ensure consistency with our relative measure of partner-AC dissimilarity and the relative dissimilarity between audit committees and CFOs used in Felix et al. (2024). However, we also examine the results using a binary measure that captures pairings of conservative partners and liberal CFOs. We find that the mean of this binary measure is 0.48%, compared to 1.1% reported in Burket et al. (2025). When we include this measure alone in the misstatement model, we find a negative but insignificant coefficient (-.0048; p -value = 0.874). In the accruals model, the coefficient again is insignificant (-.0565; p -value = 0.117). When we include our variable of partner-AC dissimilarity and the Felix et al. (2024) variable of AC-CFO dissimilarity alongside this measure, the results remain consistent with columns 3 and 6 of Table 7—that is, our variable continues to be significant.

can affect reporting quality (e.g., Bruynseels and Cardinaels 2014). Therefore, to distinguish our findings from research focused on social ties between auditors and audit committees, and to minimize concerns about correlated omitted variables, we directly control for partner–AC social ties. We consider two sources of social ties. The first is created through alma mater connections and the second through an employment affiliation.²² We hand-collect the undergraduate and graduate university affiliations of audit partners from professional networking profiles (e.g., LinkedIn). We obtain audit committee undergraduate and graduate university affiliations as well as employment data from BoardEx.

For each firm-year observation, *Partner-AC Social Tie* is coded one if the partner and an audit committee member attended the same university or if an audit committee member previously worked at the accounting firm engaged to perform the company’s audit. The impact of social ties is not entirely clear. Although He et al. (2017) find that social ties between the audit committee and audit partner impair audit quality, Kwon and Yi (2018) find that school ties are associated with higher audit quality. Further, Christensen et al. (2019) find that affiliated former partners on audit committees are associated with higher audit quality. Despite the mixed findings in prior research, we recognize the importance of including controls for social ties that can exist between audit partners and audit committees. We create and include the variable *Partner-AC Social Tie* in our model, which has a mean of 0.036 in our sample.²³ In Table 8, we find that the effect of *Partner-AC Dissimilarity* on financial reporting quality is robust to controlling for the influence of social

²² He et al. (2017) also uses professor-student bonding and employment affiliation to proxy for social ties. However, given limited publicly available data and the fact that most U.S. audit partners spend their entire career in public accounting (Lisic et al. 2022), these proxies are inefficacious in our setting.

²³ We set *Partner-AC Social Tie* equal to zero when social tie data were unavailable. However, to control for potential bias due to missing data, we follow prior literature (Biddle et al. 2009; Koh and Reeb 2015) and code a new variable, *Missing*, that is coded one if the social tie data are unavailable. We note that our main findings are similar if we run the analysis on the subsample where social tie data are available. We also note that our main findings are robust to separately controlling for each component of social ties (education and employment).

ties between the audit partner and the audit committee members for both financial reporting quality proxies. Thus, the effect of ideological dissimilarity between audit partners and audit committees on financial reporting quality appears to be incremental to, and distinct from, social ties.

5.3.4 Controlling for top management team and audit office ideologies

We assume that ideology captures individuals' innate beliefs or views. However, to the extent the audit partner or the audit committee is influenced by the culture of their office or company, their donations may not reflect their personal beliefs. Although our models include client and audit office metro fixed effects, we attempt to further address this issue by including controls for the political ideology of the top five executives of the client firm as reported in ExecuComp and the average ideology of the other audit partners in an audit office. We contend that these top managers (audit partners) have a sizable effect on the company's (audit office's) culture and thus by controlling for their ideology, we can reasonably control for the potential that the audit committee members' (audit partner's) donations reflect the prevailing company (audit office) culture. In untabulated analysis, we find that the results are robust to the inclusion of these extra controls, which suggests that the donations of the audit partner and audit committee members are not simply a reflection of the prevailing political ideology at the company and the audit office but rather are capturing these individuals' ideologies.

5.3.5 Controlling for audit committee co-option

Interview evidence in Beasley et al. (2009) suggests that audit committees sometimes play a more ceremonial than monitoring role. Evidence in Cassell et al. (2018) suggests that an audit committee comprising members appointed after the CEO are more likely to acquiesce to CEO preferences and fulfill a ceremonial role as evidenced by lower reporting quality. Although we considered the effect of the CEO's ideological dissimilarities to the partner and audit committee,

we now explicitly consider the impact of audit committee co-option. We define *Co-Option* as the percentage of audit committee members that joined the firm after the current CEO and include it as an additional control in our analysis. In untabulated analysis, we find that *Partner-AC Dissimilarity* has a negative and significant coefficient in both financial reporting outcomes, indicating that the impact of *Partner-AC Dissimilarity* on reporting quality is incremental to audit committee co-option. We also note that *Co-Option* is not associated with the likelihood of misstatement but is negatively associated with abnormal accruals.

5.3.6 Ideological dissimilarity between the partner and audit committee chair

Although our interest is in the relationship between the audit partner and the entire audit committee, prior literature suggests that the audit committee chair plays an important role in shaping the audit committee agenda and deliberations (e.g., Schmidt and Wilkins 2013). Accordingly, we control for the ideological dissimilarity between the audit partner and audit committee chair (*Partner-AC Chair Dissimilarity*). In untabulated analyses, we find that the coefficient on *Partner-AC Dissimilarity* remains negative and significantly associated with both reporting quality measures, while the coefficient on *Partner-AC Chair Dissimilarity* is insignificant. This result highlights the importance of ideological differences between the engagement partner and the entire audit committee.

5.3.7 Audit committee ideological variation

We consider the possibility that our results are impacted by the ideological variation in the audit committee. To assess whether this variation impacts the results, we compute a variable, *Unitary AC*, that equals one if the entire committee has the same ideology and control for it in our model. In untabulated analyses, we find that *Unitary AC* is insignificant in both reporting quality models (*Misstate* and *Abnormal Accruals*) while the coefficients on *Partner-AC Dissimilarity*

remain negative and significant in both models. This suggests that the effect of dissimilar ideologies does not appear to be affected by companies with an audit committee comprising just one particular ideology.

6. CONCLUSION

Auditors and audit committees play an integral role in monitoring the financial reporting process. However, these monitors do not operate in isolation and less effective monitoring by either could render lapses in oversight, potentially leading to lower financial reporting quality. In this paper, we empirically investigate whether differences in beliefs and preferences, including attitudes toward risk, ambiguity, and novelty between an audit partner and audit committees influence partner selection and affect the effectiveness of financial reporting oversight.

We find evidence that audit committees are more likely to select audit partners who are ideologically dissimilar to themselves. In other words, audit committees exhibit a slight preference for audit partners whose beliefs and preferences, particularly regarding risk, ambiguity, and novelty differ from their own. Additionally, greater dissimilarity between audit committees and audit partners is associated with financial reports that are less likely to contain misstatements and reported earnings that exhibit lower abnormal levels of accounting accruals. In cross-sectional tests, we find that these improvements in financial reporting quality are concentrated among more effective audit committees and when the audit partner has longer client tenure. Collectively, these findings provide support for the argument that greater ideological dissimilarity between these two monitors can foster effective oversight of the financial reporting process, and that ideological dissimilarity appears to be a useful and rational cue in audit partner selection decisions.

This study highlights the importance of differences in innate beliefs and preferences, including attitudes toward risk, ambiguity, and novelty between audit committees and auditors in

promoting effective oversight. Research examining the influence of important monitors' ideologies on financial reporting quality is limited and does not examine the interplay between the auditor and the audit committee, despite the audit committee's oversight of both management and the auditor. This study highlights the importance of not only considering the ideology of the audit partner, but also that of the audit committee in financial reporting oversight. Further, the study answers the call to extend research examining the influence of connections between audit committees and audit partners on financial reporting outcomes (Maksymov et al. 2024). To date, much of this work has focused on employer affiliations and social ties. We extend this work by highlighting that ideological differences between audit partners and audit committee members, which can occur regardless of former employer affiliation and outside or within social networks, are associated with improved monitoring of the financial reporting process. The findings also contribute to our understanding of the antecedents of audit partner selection (e.g., Baugh et al. 2022; Berglund and Eshelman 2019; Bhaskar et al. 2022; Dodgson et al. 2020; Lee et al. 2019).

The study also offers practical implications. While audit firms may be inclined to identify audit partner candidates who are more ideologically aligned with the audit committee (see, e.g., Dodgson et al. 2020), our findings suggest that it is important to consider how such alignment may affect audit quality. From a risk management perspective, audit firms should carefully evaluate whether to accommodate client preferences, for ideologically similar audit partners. Likewise, audit committees may enhance their oversight effectiveness by considering not only the qualifications of audit partners, but also how their ideological perspectives differ from their own.

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Table 1
Sample Statistics

	Observations
Firm-years with available Compustat data between 2016 and 2019:	43,880
Less: Observations without ISS data	(38,037)
Less: Observations without Audit Analytics data	(60)
Less: Observations without partner data	(282)
Less: Observations in financial industry (SIC 6000–6999)	(1,294)
Less: Observations without ExecuComp data	(102)
Less: Missing data for control variables	(621)
Initial Sample	3,484
Less: Observations without relevant information for abnormal accruals	(13)
Abnormal Accrual Sample	3,471

Note: This table provides the final number of sample observations used in the analysis.

Table 2
Summary Statistics

Panel A: Partner-level statistics

Variable	Mean	Median	Standard Deviation	P25	P75
<i>Partner Experience</i>	3.195	3.218	0.265	3.044	3.367
<i>Partner Gender</i>	0.199	0.000	0.399	0.000	0.000
<i>Partner Leadership</i>	0.438	0.000	0.496	0.000	0.000
<i>Workload</i>	1.990	2.000	1.074	1.000	2.000
<i>Top School</i>	0.085	0.000	0.279	0.000	0.000

Panel B: Company-level statistics

Variable	Mean	Median	Standard Deviation	P25	P75
<i>Partner-AC Dissimilarity</i>	0.135	0.116	0.143	0.001	0.171
<i>Misstate</i>	0.044	0.000	0.205	0.000	0.000
<i>Abnormal Accruals</i>	0.014	0.001	0.112	-0.039	0.050
<i>Conservative CEO</i>	0.268	0.000	0.443	0.000	1.000
<i>Conservative CEO</i>	0.097	0.000	0.296	0.000	1.000
<i>Conservative Partner</i>	0.066	0.000	0.248	0.000	0.000
<i>Conservative AC</i>	0.424	0.000	0.494	0.000	1.000
<i>Firm Size</i>	8.214	8.044	1.545	7.105	9.227
<i>Firm Age</i>	3.199	3.258	0.798	2.833	3.829
<i>Segments</i>	2.068	2.079	0.613	1.609	2.398
<i>Leverage</i>	0.304	0.290	0.238	0.153	0.410
<i>Sales Growth</i>	0.075	0.051	0.245	-0.008	0.126
<i>Loss Dummy</i>	0.165	0.000	0.371	0.000	0.000
<i>Performance</i>	0.113	0.103	0.086	0.066	0.152
<i>Auditor Change</i>	0.022	0.000	0.147	0.000	0.000
<i>Office Size</i>	2.634	2.639	0.989	1.946	3.466
<i>Client Importance</i>	0.149	0.073	0.199	0.027	0.182
<i>Partner Specialist</i>	0.114	0.000	0.317	0.000	0.000
<i>Auditor Tenure</i>	2.105	2.140	0.473	1.833	2.442
<i>AC Size</i>	1.562	1.609	0.207	1.386	1.609
<i>AC Financial Experts</i>	1.203	1.099	0.354	1.099	1.386
<i>Big 4 Auditor</i>	0.903	1.000	0.296	1.000	1.000
<i>MW</i>	0.027	0.000	0.163	0.000	0.000
<i>Restatement</i>	0.031	0.000	0.174	0.000	0.000
<i>Industry Link</i>	0.603	1.000	0.489	0.000	1.000
<i>City Link</i>	0.364	0.000	0.481	0.000	1.000

Panel C: Ideology statistics

Variable	Mean	Median	Standard Deviation	P25	P75
<i>Partner Ideology</i>	0.044	0.000	0.284	0.000	0.000
<i>AC Ideology</i>	0.037	0.000	0.285	-0.123	0.250

Note: Variable definitions are provided in the Appendix. Panel A provides descriptive statistics for our partner-related variables and Panel B provides statistics for client-related variables. Panel C provides statistics for partner and audit committee ideologies for the full sample. The notations *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table 3
Tests of Hypothesis 1: Partner Selection

VARIABLES	(1) <i>Partner Selected</i>	(2) <i>Partner Selected</i>
<i>Partner-AC Dissimilarity</i>	0.031** (4.844)	0.031** (5.345)
<i>Partner Experience</i>	0.034** (4.815)	0.034** (4.814)
<i>Partner Gender</i>	-0.009 (-1.825)	-0.009 (-1.825)
<i>Partner Leader</i>	0.001 (0.465)	0.001 (0.467)
<i>Workload</i>	-0.006 (-1.013)	-0.006 (-1.012)
<i>Top School</i>	0.009 (1.824)	0.009 (1.823)
<i>City Link</i>	0.937*** (35.603)	0.937*** (35.604)
<i>Industry Link</i>	2.306*** (39.138)	2.305*** (39.145)
<i>Education Link</i>	0.015** (6.741)	0.015** (7.395)
<i>Incumbent</i>	0.480*** (81.255)	0.480*** (82.812)
<i>Firm FE</i>	Yes	No
<i>Year FE</i>	Yes	No
<i>Auditor FE</i>	Yes	Yes
<i>Firm-Year FE</i>	No	Yes
Observations	1,123,738	1,123,738
R-squared	0.017	0.017

Note: Variable definitions are provided in the Appendix. This table presents regression results of the tests of the first hypothesis on the relation between *Partner-AC Dissimilarity* and a particular partner being selected. This analysis creates a dataset based on each potential pair of firms and partners for each year available in our sample after 2016 for the subset of firm-years where there was an actual auditor change. Standard errors are calculated by clustering at the partner and year level. The notations *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Significance is based on two-tailed tests.

Table 4
Tests of Hypothesis 2: Financial Reporting Quality

Panel A: Test of Differences in Mean Values

Variable	Pre-Match			Post-Match		
	High Partner- AC Dissimilarity	Low Partner-AC Dissimilarity	Difference	High Partner- AC Dissimilarity	Low Partner- AC Dissimilarity	Difference
	Mean	Mean		Mean	Mean	
<i>Firm Size</i>	8.314	8.111	0.203***	8.291	8.111	0.180***
<i>Firm Age</i>	3.216	3.181	0.035	3.181	3.214	-0.033
<i>Segments</i>	2.077	2.058	0.019	2.077	2.057	0.020
<i>Leverage</i>	0.307	0.301	0.007	0.306	0.301	0.006
<i>Sales Growth</i>	0.068	0.082	-0.014	0.069	0.082	-0.013
<i>Loss</i>	0.159	0.171	-0.012	0.157	0.171	-0.013
<i>Performance</i>	0.116	0.109	0.007**	0.116	0.111	0.005**
<i>Auditor Change</i>	0.028	0.023	0.006	0.028	0.023	0.005
<i>Office Size</i>	2.625	2.643	-0.018	2.631	2.643	-0.012
<i>Client Importance</i>	0.154	0.143	0.011	0.152	0.143	0.009
<i>Partner Gender</i>	0.202	0.197	0.005	0.200	0.197	0.003
<i>Partner Workload</i>	1.944	2.051	-0.107***	1.954	2.051	-0.097***
<i>Partner Experience</i>	3.211	3.180	0.031***	3.205	3.180	0.025***
<i>Partner Specialist</i>	0.105	0.122	-0.017	0.1083	0.122	-0.014
<i>AC Tenure</i>	2.136	2.072	0.064***	2.133	2.073	0.060***
<i>AC Size</i>	1.546	1.578	-0.032***	1.547	1.578	-0.031***
<i>AC Financial Experts</i>	1.195	1.211	-0.016	1.194	1.211	-0.017
<i>Big 4</i>	0.909	0.896	0.013	0.906	0.896	0.010
<i>MW</i>	0.028	0.027	0.001	0.028	0.027	0.001
<i>Restatement</i>	0.030	0.033	-0.003	0.031	0.033	-0.002
<i>Conservative Partner</i>	0.128	0.002	0.126***	0.103	0.002	0.101***
<i>Conservative AC</i>	0.564	0.280	0.284***	0.552	0.280	0.272***
<i>Industry Link</i>	0.580	0.625	-0.045***	0.588	0.625	-0.037**

<i>City Link</i>	0.371	0.356	0.015	0.367	0.356	0.011
<i>Conservative CEO</i>	0.284	0.250	0.034**	0.279	0.251	0.028*
<i>Conservative CFO</i>	0.093	0.100	-0.007	0.100	0.096	0.004

Panel B: Analysis

VARIABLES	(1) <i>Misstate</i>	(2) <i>Abnormal Accruals</i>
<i>Partner-AC Dissimilarity</i>	-0.122** (-2.297)	-0.073*** (-2.759)
<i>Conservative Partner</i>	0.035 (1.257)	0.040*** (3.189)
<i>Conservative AC</i>	0.011 (0.708)	0.008 (1.192)
<i>Conservative CEO</i>	0.009 (0.311)	0.010 (0.842)
<i>Conservative CFO</i>	-0.066** (-2.198)	-0.023** (-2.098)
<i>Firm Size</i>	0.012 (0.579)	0.025** (2.018)
<i>Firm Age</i>	-0.126* (-1.854)	-0.012 (-0.500)
<i>Segments</i>	0.030 (1.496)	-0.006 (-0.571)
<i>Leverage</i>	0.059* (1.651)	0.058** (2.480)
<i>Sales Growth</i>	0.021 (0.986)	0.020 (1.577)
<i>Loss</i>	0.002 (0.151)	0.010 (1.433)
<i>Performance</i>	-0.006 (-0.072)	0.147** (2.252)
<i>Auditor Change</i>	-0.073*** (-3.221)	0.002 (0.239)
<i>Office Size</i>	-0.031 (-1.431)	-0.002 (-0.175)
<i>Client Importance</i>	-0.056 (-0.859)	-0.028 (-0.686)
<i>Partner Gender</i>	-0.001 (-0.045)	0.012** (2.456)
<i>Partner Workload</i>	0.006 (1.149)	0.001 (0.575)
<i>Partner Experience</i>	-0.065** (-2.307)	-0.004 (-0.472)
<i>Partner Specialist</i>	0.027	0.002

	(1.347)	(0.308)
<i>AC Tenure</i>	-0.004	-0.001
	(-0.252)	(-0.129)
<i>AC Size</i>	0.017	-0.005
	(0.516)	(-0.366)
<i>AC Financial Expert</i>	-0.008	-0.016
	(-0.346)	(-1.443)
<i>Big 4</i>	0.042	-0.012
	(0.652)	(-0.790)
<i>Restatement</i>	-0.078**	0.004
	(-2.409)	(0.512)
<i>MW</i>	-0.076**	-0.003
	(-2.093)	(-0.276)
<i>Industry Link</i>	-0.002	0.001
	(-0.185)	(0.211)
<i>City Link</i>	-0.004	0.008
	(-0.125)	(0.835)
<i>Total Accruals</i>		0.973***
		(20.522)
<i>Firm FE</i>	Yes	Yes
<i>Auditor Metro FE</i>	Yes	Yes
<i>Firm Metro FE</i>	Yes	Yes
<i>Industry FE</i>	Yes	Yes
<i>Year FE</i>	Yes	Yes
<i>Observations</i>	3,436	3,420
<i>R-squared</i>	0.547	0.656

Note: Variable definitions are provided in the Appendix. Panel A presents tests of differences in mean values between the subsample of High and Low *Partner-AC Dissimilarity*. Panel B presents regression results of the tests of the second hypothesis on the influence of ideological dissimilarity between the audit partner and audit committee on financial reporting quality. Column 1 provides results using *Misstate* as the dependent variable and column 2 provides the results where *Abnormal Accruals* is the dependent variable. We estimate both models using ordinary least squares to accommodate the large number of fixed effects. Standard errors are calculated using robust standard errors. The notations *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Significance is based on two-tailed tests.

Table 5
 Alternate Specifications for the Financial Reporting Quality Tests

VARIABLES	(1)	(2)	(3)	(4)
	Change Analysis		Entropy Balancing	
	Δ Misstate	Δ Abnormal Accruals	Misstate	Abnormal Accruals
<i>ΔPartner-AC Dissimilarity</i>	-0.191*** (-2.789)	-0.116** (-2.062)		
<i>Partner-AC Dissimilarity</i>			-0.187*** (-2.693)	-0.048* (-1.737)
<i>ΔControls Included</i>	Yes	Yes	No	No
<i>Controls Included</i>	No	No	Yes	Yes
<i>Firm FE</i>	Yes	Yes	Yes	Yes
<i>Auditor Metro FE</i>	Yes	Yes	Yes	Yes
<i>Firm Metro FE</i>	Yes	Yes	Yes	Yes
<i>Industry FE</i>	Yes	Yes	Yes	Yes
<i>Year FE</i>	Yes	Yes	Yes	Yes
<i>Observations</i>	2,332	2,324	3,484	3,471
<i>R-squared</i>	0.274	0.383	0.596	0.657

Note: Variable definitions are provided in the Appendix. This table presents analyses that exploit changes in audit partners and audit committee members. In column 1, we utilize a changes specification of Equation (3), wherein we first-difference the dependent and independent variables (i.e., the change between year t and year $t-1$). In column 2, we present the results of an entropy balanced analysis. Standard errors are calculated using robust standard errors. The notations *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Significance is based on two-tailed tests.

Table 6
Cross-Sectional Tests

Panel A: AC Effectiveness

VARIABLES	(1)	(2)	(3)	(4)
	High AC Effectiveness	Low AC Effectiveness	High AC Effectiveness	Low AC Effectiveness
	<i>Misstate</i>	<i>Misstate</i>	<i>Abnormal Accruals</i>	<i>Abnormal Accruals</i>
<i>Partner-AC Dissimilarity</i>	-0.177** (-2.121)	-0.122 (-1.379)	-0.095* (-1.839)	-0.054 (-1.448)
<i>Controls Included</i>	Yes	Yes	Yes	Yes
<i>Firm FE</i>	Yes	Yes	Yes	Yes
<i>Auditor Metro FE</i>	Yes	Yes	Yes	Yes
<i>Firm Metro FE</i>	Yes	Yes	Yes	Yes
<i>Industry FE</i>	Yes	Yes	Yes	Yes
<i>Year FE</i>	Yes	Yes	Yes	Yes
<i>Observations</i>	1,684	1,480	1,672	1,528
<i>R-squared</i>	0.621	0.503	0.677	0.721

Panel B: Partner Tenure

VARIABLES	(1)	(2)	(3)	(4)
	Ongoing	New	Ongoing	New
	<i>Misstate</i>	<i>Misstate</i>	<i>Abnormal Accruals</i>	<i>Abnormal Accruals</i>
<i>Partner-AC Dissimilarity</i>	-0.308** (-2.108)	-0.039 (-0.477)	-0.108* (-1.700)	0.016 (0.120)
<i>Controls Included</i>	Yes	Yes	Yes	Yes
<i>Firm FE</i>	Yes	Yes	Yes	Yes
<i>Auditor Metro FE</i>	Yes	Yes	Yes	Yes
<i>Firm Metro FEE</i>	Yes	Yes	Yes	Yes
<i>Industry FE</i>	Yes	Yes	Yes	Yes
<i>Year FE</i>	Yes	Yes	Yes	Yes
<i>Observations</i>	1,700	910	1,694	908
<i>R-squared</i>	0.614	0.789	0.657	0.832

Note: Variable definitions are provided in the Appendix. This table presents cross-sectional results on the relation between *Partner-AC Dissimilarity* and financial reporting outcomes. In Panel A, we extract the first principal component from audit committee members' prior auditing experience, accounting expertise, and audit committee service. We then split the sample at the median value of this factor. In Panel B, we partition the sample based on *Partner Tenure*, whether the partner is new to the engagement or not. Controls are included but omitted in the presentation of the results for brevity. Standard errors are calculated using robust standard errors. The notations *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Significance is based on two-tailed tests.

Table 7
Reconciling to Concurrent Research

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
	<i>Misstate</i>	<i>Misstate</i>	<i>Misstate</i>	<i>Abnormal Accruals</i>	<i>Abnormal Accruals</i>	<i>Abnormal Accruals</i>
<i>Partner-AC Dissimilarity</i>			-0.098*			-0.051*
			(-1.826)			(-1.947)
<i>AC-CFO Dissimilarity</i>	-0.065		-0.012	-0.070***		-0.051**
	(-1.409)		(-0.225)	(-3.017)		(-2.051)
<i>Partner-CFO Dissimilarity</i>		-0.076**	-0.047		-0.031*	-0.003
		(-2.288)	(-1.221)		(-1.852)	(-0.166)
<i>Controls Included</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Firm FE</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Auditor and Firm Metro FE</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Industry FE</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Year FE</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Observations</i>	3,436	3,436	3,436	3,420	3,420	3,420
<i>R-squared</i>	0.544	0.545	0.545	0.656	0.655	0.657

Note: Variable definitions are provided in the Appendix. Panel A presents Equation (3) where the *Partner-AC Dissimilarity* is replaced by six subgroups. Panel B presents Equation (3) with *Partner-CFO Dissimilarity* and *AC-CFO Dissimilarity* as the variables of interest in columns 1-2 and 4-5, and those variables as extra controls in columns 4 and 6. Controls are included but omitted in the presentation of the results for brevity. Standard errors are calculated using robust standard errors. The notations *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Significance is based on two-tailed tests.

Table 8
Effect of Engagement Partner–AC Social Ties

VARIABLES	(1)	(2)
	<i>Misstate</i>	<i>Abnormal Accruals</i>
<i>Partner-AC Dissimilarity</i>	-0.119** (-2.255)	-0.073*** (-2.751)
<i>Partner-AC Social Tie</i>	0.062* (1.655)	-0.004 (-0.390)
<i>Missing</i>	0.013 (0.658)	0.002 (0.240)
<i>Controls Included</i>	Yes	Yes
<i>Firm FE</i>	Yes	Yes
<i>Auditor Metro FE</i>	Yes	Yes
<i>Firm Metro FE</i>	Yes	Yes
<i>Industry FE</i>	Yes	Yes
<i>Year FE</i>	Yes	Yes
<i>Observations</i>	3,436	3,420
<i>R-squared</i>	0.548	0.656

Note: Variable definitions are provided in the Appendix. This table presents regression results on the relation between *Partner-AC Dissimilarity* and financial reporting outcomes when controlling for *Partner-AC Social Tie*. *Partner-AC Social Tie* is coded 1 if the partner and an audit committee member attended the same university or if an audit committee member previously worked at the auditing firm performing the audit in the given year. Controls are included but omitted in the presentation of the results for brevity. Standard errors are calculated using robust standard errors. The notations *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Significance is based on two-tailed tests.

Appendix Variable Definitions

Variable	Description	Data Source
<i>Political Ideology Measures</i>		
<i>Partner Ideology</i>	For each partner over the sample period: (amount of Republican donations–amount of Democratic donations)/(amount of total donations). Non-donating partners are assigned a value of 0.	FEC
<i>AC Ideology</i>	For each audit committee over the sample period: (amount of Republican donations–amount of Democratic donations)/(amount of total donations). Non-donating audit committee members are assigned a value of 0. AC Ideology is the average audit committee member ideology score.	FEC
<i>Partner-AC Dissimilarity</i>	The absolute value of the difference between Partner Ideology and AC Ideology, divided by two.	FEC
<i>Conservative Partner</i>	Coded 1 if Partner Ideology is greater than zero; 0 otherwise.	FEC
<i>Conservative AC</i>	Coded 1 if AC Ideology is greater than zero; 0 otherwise.	FEC
<i>Conservative CEO</i>	Coded 1 if the average of CEO Ideology is greater than zero; 0 otherwise.	FEC
<i>Conservative CFO</i>	Coded 1 if the average of CFO Ideology is greater than zero; 0 otherwise.	FEC
<i>Dependent Variables</i>		
<i>Partner Selected</i>	Coded 1 if a partner is selected for a firm among all the potential partners available in the sample.	Form AP
<i>Misstatement Abnormal Accruals</i>	Coded 1 if the firm’s annual financial statements in year t are later restated. The residual from the following equation: $Total\ Accruals = B_1(REV_{i,t}) + B_2(PPE_{i,t}) + e_{i,t}$, where $Total\ Accruals$ is income before extraordinary items minus cash from operations, REV is total revenue, PPE is gross property and plant. All variables are scaled by lagged assets.	Audit Analytics Compustat
<i>Audit Partner Control Variables</i>		
<i>Partner Experience</i>	The natural log of the number of years the partner has been working, defined as the current year minus the year of graduation.	Form AP/Hand-collected
<i>Partner Gender</i>	Coded 1 if the partner is a female.	Form AP/Hand-collected
<i>Workload</i>	The number of audit clients the partner has in the sample during the year.	Form AP/Compustat
<i>Top School</i>	Coded 1 if the partner graduated from one of the top 10 most frequent universities in our sample.	LinkedIn
<i>Partner Leader</i>	Coded 1 if a partner has a leadership role within the audit firm.	LinkedIn

<i>Partner Specialist</i>	Coded 1 if at least half of the partner's audit clients are in the same (SIC two-digit) industry.	Form AP
<i>City Link</i>	Coded 1 if the partner's audit office is in the same city as the current firm.	Form AP/Audit Analytics
<i>Industry Link</i>	Coded 1 if the partner audits another client in the same industry (SIC 1 code) as the current firm.	Form AP/Audit Analytics
<i>Education Link</i>	Coded 1 if the partner and audit committee member went to the same undergraduate university; 0 otherwise.	Form AP/BoardEx
<i>Incumbent</i>	Coded 1 if the partner is from the incumbent audit firm; 0 otherwise.	Form AP/Audit Analytics
<i>Company-Level Control Variables</i>		
<i>Firm Size</i>	Log of total assets at year-end.	Compustat
<i>Firm Age</i>	Log of the age of the firm in years plus one.	Compustat
<i>Segments</i>	Number of total segments in the firm.	Compustat
<i>Leverage</i>	Long-term liabilities plus short-term debt scaled by total assets.	Compustat
<i>Sales Growth</i>	The percentage change in sales from between year t and t-1.	Compustat
<i>Loss</i>	Coded 1 if income before extraordinary items in year t or t-1 is negative.	Compustat
<i>Performance</i>	Operating cash flow divided by total assets in year t.	Compustat
<i>Auditor Change</i>	Coded 1 if there is an auditor change in year t.	Audit Analytics
<i>Office Size</i>	Log of the total number of audits the auditor's office conducts during the year.	Audit Analytics
<i>Big 4 Client</i>	Coded 1 if the auditor is from a Big 4 auditing firm.	Audit Analytics
<i>Importance</i>	The audit fees paid by the firm divided by the total audit fees collected by that office in the year.	Audit Analytics
<i>MW</i>	Coded 1 if the firm reports a material weakness under SOX 404b.	Audit Analytics
<i>Restatement</i>	Coded 1 if the firm reports a restatement.	Audit Analytics
<i>AC Tenure</i>	Log of one plus the average tenure of audit committee members on the board.	ISS
<i>AC Size</i>	Log of one plus the number of members on the audit committee.	ISS
<i>AC Financial Expert</i>	Log of the sum of one plus the proportion of financial experts on the audit committee.	ISS
<i>Cross-Sectional Variables</i>		
<i>AC Effectiveness</i>	Coded 1 if the factor obtained in factor analysis of the total number of members with prior audit experience, accounting experience, and the average number of years members have served on any audit committee is above the median; 0 otherwise.	ISS/BoardEx
<i>Partner Length</i>	Coded 1 if the current year is the partner's first year on the engagement; coded 0 otherwise.	Form AP/Compustat

Other Variables

<i>Partner-AC Social Tie</i>	Coded 1 if for a given firm-year either of the following conditions applies: 1) the partner and an audit committee member attended the same university, or 2) an audit committee member previously worked at the current auditing firm.	Hand Collected/ BoardEx
<i>CEO (CFO) Ideology</i>	For each CEO (CFO) over the sample period: (amount of Republican donations–amount of Democratic donations)/(amount of total donations). Non-donating CEO (CFO) are assigned a value of 0. The sum of the CEO (CFO) ideology is computed and divided by two.	FEC
<i>Partner-CFO Dissimilarity</i>	The absolute value of the difference between Partner Ideology and CFO Ideology, divided by two.	FEC
<i>AC-CFO Dissimilarity</i>	The absolute value of the difference between AC Ideology and CFO Ideology, divided by two.	FEC
<i>Co-Option</i>	The percentage of audit committee members that joined the firm after the current CEO.	ISS
<i>Partner-AC Chair Dissimilarity</i>	The absolute value of the difference between Partner Ideology and AC Chair Ideology, divided by two. AC Chair Ideology is computed as the (amount of Republican donations–amount of Democratic donations)/(amount of total donations) for donations made by the AC chair. Non-donating AC Chairs are assigned a value of 0.	FEC
<i>Unitary AC</i>	Coded 1 if all members of the audit committee have an AC Ideology that is either greater than zero or less than zero; 0 otherwise.	FEC
<i>Conservative Partner_AC Moderate</i>	Coded 1 if Partner Ideology is greater than 0 and AC Ideology is greater than zero; 0 otherwise	FEC
<i>Partner/ Cons AC Liberal</i>	Coded 1 if Partner Ideology equals 0 and AC Ideology is greater than zero; 0 otherwise.	FEC
<i>Partner/ Cons AC Liberal</i>	Coded 1 if Partner Ideology is less than 0 and AC Ideology is greater than zero; 0 otherwise.	FEC
<i>Cons Partner/ Moderate AC Liberal</i>	Coded 1 if Partner Ideology is greater than 0 and AC Ideology equals zero; 0 otherwise.	FEC
<i>Partner/ Moderate AC Liberal</i>	Coded 1 if Partner Ideology is less than 0 and AC Ideology equals zero; 0 otherwise.	FEC
<i>Cons Partner/ Liberal AC Moderate</i>	Coded 1 if Partner Ideology is greater than 0 and AC Ideology is less than zero; 0 otherwise.	FEC
<i>Partner/ Liberal AC Moderate</i>	Coded 1 if Partner Ideology equals 0 and AC Ideology is less than zero; 0 otherwise.	FEC

Note: This table provides definitions for the variables used in the analysis, along with their data sources. FEC is the Federal Election Commission database, the Compustat database provides financial information database, I/B/E/S is the Institutional Brokers' Estimate System, and the Audit Analytics database provides audit-related information.