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Corporate Reputation and Internal Control Quality: Evidence from Fortune 1000 Companies

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Abstract

This paper aims to examine how a company's reputation influences its internal control quality. We use reputation scores from Fortune's *America's Most Admired Companies (MA)* list to proxy for company reputation and internal control weakness (*ICW*) reported under SOX 404(b) to measure company internal control quality. Our results demonstrate that higher-reputation companies are motivated to protect their reputation, driven by the need to signal good performance and the monitoring pressure from high-quality auditors. As a result, these high-reputation companies are less likely to have internal control material weaknesses, reflecting higher internal control quality. This paper contributes to the accounting literature by investigating the relationship between company reputation and internal control quality. Our study enhances the understanding of the role company reputation plays in corporate behavior and decision-making process.

Conference Track

Accounting