

## **Further Analysis on the Efficacy of Lawyers' Letters: Evidence from Practicing Attorneys**

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This experimental study builds on previous work that analyzes the efficacy of lawyers' letters in providing auditors with corroborating evidence about litigation contingencies. Practicing attorneys indicated their willingness to provide auditors with estimates of two constructs embedded in Statement of Financial Accounting Standard No. 5 (FASB 1975): (1) the likelihood of unfavorable outcomes and (2) the size of potential damages. The findings indicate that (1) the potential loss of attorney-client privilege and (2) likelihoods of unfavorable litigation outcomes that approach auditors' lower bounds for accrual both may inhibit lawyers' responses to auditors. Overall, these findings raise further doubts about the efficacy of a commonly used auditing procedure and further increase concerns about whether litigation contingencies and corresponding expenses may be underreported in financial statements.