

Fraud at a Distance? How Remote Work Shapes Financial Misconduct*

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Abstract

Financial misconduct is often a team activity, facilitated by face-to-face interactions, shared norms, and trust. We exploit the sudden shift to remote work during COVID-19 to examine how workplace organization shapes collusion and financial misconduct. Using a novel firm-level measure of work-from-home feasibility, we find that firms that are more able to operate remotely experienced large post-2020 declines in misconduct. This decline is found across multiple misreporting proxies and is robust to various alternative measures of remote work. Cross-sectional tests indicate stronger declines in teamwork-intensive firms, firms with effective internal controls, and firms with weaker pre-COVID employee perceptions of culture and leadership, consistent with environments more reliant on dense in-person relational coordination. Overall, our findings reflect that financial misconduct is a team activity, sensitive to the organizational structure of the firm, with important implications for governance and organizational design.

Keywords: Financial Misconduct; Remote Work; Collusion; Internal Controls; Corporate Governance.

JEL Classifications: M41; G38; D23; J24; K22.

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1. Introduction

Financial misconduct distorts capital allocation, undermines contracts, and erodes market trust (Coffee Jr, 2005; Dyck et al., 2010; Karpoff et al., 2017). While various regulatory reforms have been implemented to improve transparency, large-scale scandals continue, underscoring that rules alone are not enough. Most fraud is not perpetrated by lone actors; rather, it requires coordination between insiders, supported by interpersonal trust, informal communication, and repeated interactions (Khanna et al., 2015; Soltes, 2016). Thus, understanding the organizational dynamics that facilitate this collusion is critical.

In this paper, we focus on how workplace organization shapes the ability of insiders to coordinate, and thus facilitates or constrains collusion. We exploit the abrupt, large-scale shift to work from home (WFH) during and after the COVID-19 pandemic as a natural experiment. Before 2020, remote work was uncommon and concentrated in a few sectors (Barrero et al., 2021; Bloom et al., 2024). Pandemic lockdowns forced firms across the economy to adopt WFH almost overnight, fundamentally reshaping how employees interacted. By disrupting interpersonal contact, team cohesion, informal communication, and managerial oversight, features that are central to initiating and sustaining collusive misconduct (Bloom et al., 2022; Yang et al., 2022b), this change provides a unique setting to examine how changes in internal coordination affect the incidence of financial fraud.

Specifically, we examine whether WFH disrupts the “technology of collusion” within firms. We conceptualize collusion as an organizational technology that depends on communication frequency, relational enforcement, and the cost of coordination. Large-scale financial misconduct is rarely a solo act. It usually depends on repeated interaction, informal trust, and tacit coordination between teams (Khanna et al., 2015; Soltes, 2016). In terms of a repeated game, collusion requires frequent contact and mutual monitoring to maintain cooperation (Green and Porter, 1984; Rotemberg and Saloner, 1986). Consistent with this mechanism, research finds that firms with stronger teamwork culture are more prone to misconduct (Liu et al., 2023), and corruption-tolerant group norms significantly increase the risk of fraud (Liu, 2016). Remote work undermines this infrastructure

as it physically separates potential co-conspirators, shifts conversations onto auditable digital rails (e.g., emails, Slack, Zoom), and weakens the social glue that can sustain illicit cooperation ([Bennett and Hatfield, 2013](#)).

At the same time, WFH potentially weakens monitoring. Prior research finds that stronger monitoring environments limit misreporting ([Ashbaugh-Skaife et al., 2008](#)), while weaker oversight increases misreporting risk ([Donelson et al., 2017](#)), and the design of audits influences the effectiveness of oversight ([Bhaskar et al., 2019](#)). Remote work, through its physical separation, can disrupt these mechanisms by reducing informal supervision from peers, managers, and auditors ([Committee of Sponsoring Organizations of the Treadway Commission \(COSO\), 2009](#)). Consistent with this, internal auditors reported diminished coverage and control effectiveness during the pandemic ([Delfino and van der Kolk, 2021](#)). Complementary evidence shows that interview-based studies link remote settings to greater fraud risk due to reduced accountability ([Śmialek-Liszczyńska and Wojtkowiak, 2023](#)), while experimental work finds that physical separation worsens principal–agent frictions by creating more opportunities for misbehavior ([Burbano and Chiles, 2022](#)). Taken together, these findings suggest that WFH can facilitate misconduct.

Overall, if misconduct is fundamentally group-based, as suggested by evidence on teamwork culture ([Liu et al., 2023](#)), corruption norms ([Liu, 2016](#)), trust-fueled collusion ([Lee and Chuang, 2018](#)), and insider networks ([Ahern, 2017](#)), then WFH should reduce it by raising coordination costs and weakening group norms. If, instead, oversight is the binding constraint, remote work could facilitate misconduct by lowering accountability. Determining which of these forces dominates is ultimately an empirical question.

To test whether remote work weakens oversight or disrupts collusion, we need to identify which firms were more exposed to the shift. A central feature of our design is the construction of a firm-level measure of the feasibility of WFH, which allows us to implement a difference-in-differences strategy around the COVID-19 shock. Prior research typically proxies remote exposure using MSA-level averages, which assigns firms the telework potential of their headquarters' location ([Barrios et al., 2024](#); [Dingel and Neiman, 2020](#); [Gupta et al., 2022](#)). But this approach assumes that all firms

in a city face the same remote-work constraints, ignoring heterogeneity in occupational structure across firms.

To address this issue, we construct a firm-level measure of remote work feasibility by adapting the methodology of [Dingel and Neiman \(2020\)](#). Specifically, we apply O*NET occupation-level teleworkability scores to each firm's occupational structure. We determine this structure by combining two complementary data sources: LinkUp job postings, which capture firms' forward-looking labor demand across occupations, and Revelio Labs workforce records, which reflect the realized occupational composition of employees. For each source, we compute a weighted average of teleworkability scores using occupation shares and define our preferred measure as the average of the two. This approach yields a granular, time-varying measure of WFH feasibility that varies across firms, even within the same industry and geographic location. For example, a New York-based investment bank and a logistics firm may operate geographically side by side but differ fundamentally in their ability to work remotely.

We validate our firm-level WFH measure in several ways. Firms with higher pre-COVID feasibility were more likely to adopt remote or hybrid work in practice, as reflected in employee-reported work-life balance ratings from Revelio and firm-level policy disclosures in the Flex Index ([Scoop Media, 2023](#)). The LinkUp and Revelio-based components of the measure are also highly correlated, further supporting its reliability as a proxy for WFH capacity.

Using this firm-level measure, we implement a difference-in-differences design that compares changes in misconduct before and after 2020 across firms with varying *ex ante* capacities to work remotely. The onset of COVID-19 and stay-at-home mandates provide a common shock that forced firms to translate latent feasibility into realized WFH at scale, while occupational structure predetermined the extent of this shift.

Following prior literature, we define financial misconduct as intentional, material misstatements in financial reporting designed to deceive investors ([Dyck et al., 2010](#); [Karpoff et al., 2017](#)).¹ Specifically, we measure misconduct using two complementary proxies: Rule 10b-5 securities

¹This definition aligns with prior research focusing on senior management's manipulation of financial statements to mislead investors ([Armstrong et al., 2010](#); [Karpoff et al., 2017](#)).

class-action lawsuits and fraudulent restatements from Audit Analytics. Importantly, we measure misconduct in the year it was committed, not in the year it was detected. To address concerns that our findings reflect detection rather than incidence, we also examine discretionary accruals as a continuous proxy for misreporting. Our use of multiple proxies mitigates the risk of misclassification that arises when relying on a single measure of misreporting ([Armstrong et al., 2010](#)).

Our research design includes firm fixed effects to absorb time-invariant firm heterogeneity, year fixed effects to capture aggregate shocks, and a rich set of lagged firm controls. Our sample spans more than 9,000 firm-year observations between 2017 and 2024, covering a wide cross-section of industries and geographies. By combining a plausibly exogenous shock with predetermined variation in firms' ability to adopt WFH, our design isolates the effect of remote work on the "technology of collusion" from contemporaneous business conditions. In doing so, it aligns with a growing literature that leverages pandemic-based identification strategies in finance and accounting (e.g., [Causholli et al., 2022](#)).

Using this design, we find that remote work is significantly related to reduced financial misconduct. Firms with higher pre-COVID WFH feasibility experienced larger post-2020 declines in fraud relative to less teleworkable firms. The effect is economically large: moving from the first to the third quartile of feasibility lowers the likelihood of misconduct by about 2 percentage points, equal to the unconditional mean in our sample. In other words, the transition to remote work cuts the expected incidence of misconduct in half.

A natural concern is that our main result reflects underlying differences across firms rather than a causal effect. Event-study estimates help alleviate this concern: we find no evidence of differential pre-trends before 2020, while the treatment effect grows progressively more negative after 2020, consistent with a persistent structural change rather than a temporary shock. This dynamic pattern supports our view that once remote work raises coordination costs and increases traceability, sustaining collusive fraud becomes increasingly difficult.

To address the concern that our findings reflect changes in detection rather than true changes in misreporting, we first show that discretionary accruals, which capture misreporting continuously

and do not rely on ex post discovery, exhibited significant declines among firms with higher pre-COVID WFH feasibility in the post period, consistent with a reduction in underlying misreporting rather than shifts in detection. Second, we find no evidence that monitoring of financial reporting weakened for these firms after COVID, further mitigating concerns that our results are driven by reduced scrutiny or detection.

While our baseline results speak to the extensive margin, we next examine how long fraud persists once initiated, the intensive margin. After 2020, firms with higher WFH feasibility experienced substantially shorter detection lags, with the time between the onset of fraudulent activity and the filing of a securities class action falling by nearly 50 percent. This finding reinforces our mechanism that remote work both discourages the initiation of collusion and makes ongoing schemes less sustainable, while also making it difficult to reconcile with a simple “loss of oversight” story.

Taken together, our results point to a mechanism in which WFH reshaped the economics of collusion within firms, increasing coordination costs, weakening informal trust, and increasing traceability. To sharpen the mechanism, we next turn to a set of cross-sectional tests that exploit differences in teamwork intensity, governance, internal controls, and employee sentiment at firms.

Our first test examines teamwork intensity. If collusion is central to fraud, then WFH should have a stronger effect in firms where day-to-day operations rely more heavily on collaboration. We measure teamwork using text-based indicators from earnings-call transcripts developed by [Li et al. \(2021\)](#). We find that the decline in misconduct is nearly twice as large in high-teamwork firms compared to low-teamwork firms. This heterogeneity underscores the mechanism: when fraud is a team production problem, raising coordination costs through remote work most sharply deters misconduct in settings where joint effort is prevalent.

Next, we examine whether the effect of WFH depends on the governance environment. Our framework predicts that if collusion is central to sustaining fraud, WFH should reduce misconduct across governance regimes, but the magnitude may vary depending on how much scope insiders had to collude before the pandemic. Consistent with this view, we find declines in misconduct in both

high- and low-governance firms, with larger effects in weak-governance settings. We interpret this as reflecting greater latitude for collusion when institutional checks were weaker: before COVID, insiders in these firms faced fewer constraints, making coordinated misreporting more feasible. The sudden increase in coordination costs from remote work therefore had a sharper bite. By contrast, in strong-governance firms where collusion was already more constrained, WFH still reduced misconduct, but the incremental effect was smaller.

Next, we examine whether the strength of firms' internal controls and the broader quality of their information environment shape our results. We find that the decline in misconduct is concentrated in firms with effective SOX 302 and 404 designations. In these firms, existing controls already constrained individual manipulation, so fraudulent reporting typically required collusion. The shift to remote work increased the cost of such collusion and accelerated its discovery, producing sharper reductions in misconduct. By contrast, in firms with ineffective controls, where unilateral manipulation remained feasible, the marginal impact of remote work is weaker (harder to detect).

Finally, we examine heterogeneity along firms' pre-COVID organizational climate. Employee sentiment provides a window into the relational structure of the firm rather than its formal governance. In environments where dense in-person interaction and informal networks play a larger role in sustaining coordinated behavior, misconduct may depend more heavily on repeated contact and relational enforcement. If remote work raises coordination costs and shifts communication onto more traceable channels, its impact should be greatest precisely in those settings.

Consistent with this view, using employee reviews from Revelio Labs, we find larger declines in misconduct among firms with weaker pre-period employee perceptions of leadership and organizational climate. These firms appear to have relied more heavily on in-person relational dynamics prior to the pandemic. When remote work disrupted those channels, sustaining coordinated misreporting became more costly.

We also observe that sentiment improves in these initially low-rated firms following the shift to remote work, while highly rated firms exhibit little change. This convergence is consistent with a reconfiguration of internal relational dynamics. Firms most exposed to remote work experience

not only the largest reductions in misconduct but also shifts in employee perceptions, reinforcing the interpretation that remote work altered the relational infrastructure through which coordinated behavior, productive or illicit, is sustained.

Our paper makes several contributions to the literature. First, we add to the research on financial misreporting. Prior work has emphasized predictors of fraud, including board structure ([Agrawal and Chadha, 2005](#)), general business conditions ([Povel et al., 2007](#); [Wang et al., 2010](#)), market- and regulatory-based institutions ([Dyck et al., 2010](#)), and executive compensation ([Armstrong et al., 2010](#); [Efendi et al., 2007](#)). This literature has largely focused on incentives, governance, and external monitoring. We complement these studies by showing that the organizational setting in which insiders interact, specifically, the shift to remote work, has first-order effects on fraud. By documenting how WFH alters coordination costs, relational enforcement, and traceability, we provide new evidence on how financial misreporting depends not only on incentives but also on organizational technologies that enable coordination.

Our study also speaks to an emerging literature that views fraud as a team-production problem. Large-scale misreporting rarely results from a single actor; it requires coordination, trust, and collective rationalization between multiple insiders ([Khanna et al., 2015](#); [Soltes, 2016](#)). This coordination view stands in contrast to prior work that emphasizes the *individual* nature of misconduct, such as [Piskorski et al. \(2015\)](#) and [Egan et al. \(2019, 2022\)](#), which highlights how incentive misalignment and weak screening mechanisms can lead to adviser-level misrepresentation or repeat offenses even in the absence of coordinated action. We extend this perspective by focusing on collusive misconduct, a distinct but complementary mechanism that depends on shared norms and interpersonal trust within organizations.

By empirically showing that WFH reduced misconduct more in teamwork-intensive firms, in firms with effective controls that require coordination to override safeguards, and in firms where employee sentiment indicates low trust in management, we provide evidence that organizational design, which alters the feasibility of coordination, can shift the balance between individual opportunism and collective collusion. In doing so, we link team-based theories of misconduct into the

financial reporting literature, highlighting the interplay between organizational culture, coordination technologies, and financial misreporting.

Finally, our study contributes to the growing literature on remote work. WFH has become a durable feature of the labor market: [Barrero et al. \(2021\)](#) estimate that 20 percent of workdays will remain remote post-pandemic, up from 5 percent before, and [Dingel and Neiman \(2020\)](#) find that 37 percent of U.S. jobs are fully remote-feasible. Prior work has examined how this shift affects productivity ([Bloom et al., 2015](#)), labor supply ([Barrero et al., 2021](#)), entrepreneurship ([Barrios et al., 2024](#)), employee behavior ([Cumming et al., 2023](#)), job satisfaction ([Ding and Ma, 2023](#)), and audit quality ([Causholli et al., 2022](#)). Closest to our paper, [Cumming et al. \(2023\)](#) study individual employee misconduct in investment activities within a single bank, where WFH operates through monitoring. In contrast, we examine firm-level reporting fraud, where WFH operates through the feasibility of collusion. We extend the literature by studying a different economic object—firm-level financial reporting misconduct—and show that WFH reshapes the feasibility of collusion, not just the intensity of monitoring, with first-order implications for the integrity of external reporting.

Finally, a central innovation of our study is the construction of a firm-level WFH feasibility measure that adapts the methodology of [Dingel and Neiman \(2020\)](#) to each firm’s occupational mix using LinkUp job postings and Revelio Labs workforce data. Whereas prior work typically relies on MSA-level averages—assigning the same telework potential to all firms in a given location—our approach captures variation at the firm level, reflecting differences in job composition even within the same industry or city. We validate this measure using employee work-life balance ratings and hand-collected data on firm policies from the Flex Index. Our new measure not only strengthens our identification strategy but also provides future research with a way to examine how remote work shapes firm behavior, capital markets, and organizational dynamics more broadly.

2. Institutional Details and Hypothesis Development

2.1. *Work From Home*

The prevalence of remote work has been steadily rising, enabled by advances in computing, telecommunications, and widespread home internet access. These trends were dramatically accelerated by the COVID-19 pandemic, which forced a large share of the workforce to seek remote arrangements, many of which continue today. Before the pandemic, roughly 5 percent of U.S. employees were classified as working from home, but this figure surged to nearly 50 percent in April 2020 ([Brynjolfsson et al., 2020](#)). Furthermore, surveys suggest that this shift is here to stay: approximately 20 percent of workdays are expected to remain remote post-pandemic, compared to 5 percent before ([Barrero et al., 2021](#); [Teodorovicz et al., 2021](#)).

While there is concern that WFH may hinder career advancement ([Golden et al., 2017](#)) or be unsuitable for certain tasks ([Adams-Prassl et al., 2022](#)), empirical evidence suggests that remote work is turning into a mainstream arrangement. [Dingel and Neiman \(2020\)](#) estimate that 37 percent of U.S. jobs are fully compatible with remote work. Moreover, WFH adoption has been particularly high among highly educated, high-income, and white-collar workers ([Bick et al., 2020](#)). Studies also highlight the effects on work-family balance, documenting both the benefits of flexibility ([Barrios et al., 2024](#); [Mas and Pallais, 2017](#)) and costs related to stress and anxiety, especially along gender lines ([Tabassum et al., 2022](#); [Zhou and Flinchbaugh, 2022](#)).

Studies have also focused on the productivity implications of WFH. Here, the evidence is mixed. Some studies report higher productivity under WFH, particularly when employees self-select ([Bloom et al., 2015](#); [Emanuel and Harrington, 2024](#)), while others find declines due to more interruptions or weaker collaboration ([Gibbs et al., 2023](#)). Quasi-natural experiments also suggest modest gains from “work-from-anywhere” models, such as those used by the U.S. Patent Office, where WFH leads to productivity gains of around 4 percent ([Choudhury et al., 2021](#)).

Overall, the evidence suggests that WFH is not simply a temporary response to the pandemic, but rather a new structural feature of labor markets, with heterogeneous effects across workers,

firms, and tasks. The persistence of WFH with its organizational implications makes it a natural setting to examine how it shapes employee monitoring, coordination, and, ultimately, financial misconduct.

2.2. *Hypothesis Development*

Financial misconduct undermines contracts, distorts capital allocation, and erodes trust in markets (Coffee Jr, 2005; Dyck et al., 2010; Karpoff et al., 2017). While regulatory reforms have improved transparency, large-scale scandals continue to emerge, suggesting that rules alone are insufficient. A growing body of work shows that major frauds are rarely the work of isolated individuals; instead, they require sustained coordination across multiple insiders, supported by trust networks, informal communication, and repeated interactions (Khanna et al., 2015; Soltes, 2016). Consistent with this team-based view, Liu (2016) documents that firms with stronger “corruption cultures” are significantly more likely to engage in fraud, back-dating, and opportunistic trading.² Similarly, Liu et al. (2023) find that teamwork-intensive corporate cultures are associated with a higher incidence of financial statement misconduct, highlighting that organizational reliance on collaboration can create fertile ground for collusion. In addition, internal control weaknesses exacerbate this risk, leading to lower accrual quality and more frequent misreporting (Doyle et al., 2007a,b). Thus, understanding how organizational structures affect the feasibility of such collusion is critical.

The COVID-19 pandemic triggered a large-scale shift to remote work, disrupting patterns of workplace interaction. On the one hand, WFH may raise the cost of collusion. By physically separating employees, moving conversations onto auditable digital platforms, and weakening the informal glue that sustains cooperation, remote work can erode the “technology of collusion.” In repeated game models, sustaining collusion depends on frequent interaction and mutual monitoring (Green and Porter, 1984; Rotemberg and Saloner, 1986). Remote work disrupts both, making it

²Liu (2016) documents that the effects operate both through the selection of corrupt insiders and the reinforcement of group norms.

more difficult to coordinate and maintain illicit agreements. Consistent with this view, empirical evidence shows that remote arrangements reduce informal and cross-group connectivity by about 25 percent, limiting the opportunities for employees to coordinate through spontaneous in-person interactions (Yang et al., 2022a). Taken together, these insights suggest that WFH should deter group-based misconduct by raising coordination costs and improving traceability.

However, WFH can weaken the monitoring environment, increasing the risk of misreporting. Physical distance reduces informal supervision by peers, managers, and auditors. Specifically, internal auditors reported diminished coverage during the pandemic (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2009; Delfino and van der Kolk, 2021). Interview-based studies of remote occupational fraud further highlight how geography (or physical distance) and weak oversight reduce monitoring effectiveness (Śmiałek-Liszczyńska and Wojtkowiak, 2023), while experimental evidence finds that the physical separation inherent in remote settings exacerbates principal–agent frictions by creating opportunities for misbehavior (Burbano and Chiles, 2022). Consistent with this, previous research finds that stronger monitoring environments restrict misreporting (Ashbaugh-Skaife et al., 2008), whereas weaker oversight increases the risk of fraud (Donelson et al., 2017). Moreover, evidence from the audit literature finds that the integration of internal control and financial statement audits can alter the effectiveness of oversight, suggesting that monitoring quality is not uniform across environments (Bhaskar et al., 2019). From this perspective, WFH could facilitate misconduct by lowering accountability and detection.

Because these mechanisms operate in opposite directions, the net effect of WFH on financial misconduct is theoretically ambiguous, leading us to state our hypothesis in the null form:

H₀: Firms with greater feasibility to adopt remote work experienced no differential change in financial misconduct after the onset of the COVID-19 pandemic.

Rejecting this null would provide evidence that remote work primarily disrupted collusion or undermined monitoring, thereby shedding light on the organizational dynamics that shape financial misconduct.

3. Data, Measures, and Samples

3.1. Remote Work Measure

Our primary measure of remote work feasibility is constructed at the firm level. Following [Dingel and Neiman \(2020\)](#), we map each occupation to a binary teleworkability score based on O*NET surveys, but we apply these scores to the occupational structure of each firm. To capture this structure, we draw on two complementary sources of data.³

3.1.1. LinkUp Job Postings Data

LinkUp provides a comprehensive dataset of job postings sourced directly from the career pages of more than 50,000 employers, with coverage beginning in 2007. The database is updated monthly by crawling company websites and records detailed information on each posting, including its creation and deletion dates, job description, standardized O*NET occupation code, job title, and location. By 2023, LinkUp covered approximately 89.3% of U.S. public firms, collectively accounting for 97.9% of public firm total assets ([Berger et al., 2024](#)).

The richness of the LinkUp data allows us to capture a company’s demand for different occupations, thus providing a forward-looking proxy of its workforce composition. Because each posting is mapped via a natural language processing algorithm to an O*NET occupation code, we can directly link the postings to the teleworkability classifications in [Dingel and Neiman \(2020\)](#).

Formally, we define the firm-level measure for firm i in year t as:

$$WFH\ Feasibility\ LinkUp_{i,t} = \sum_{o \in O_{i,t}} w_{i,o,t} \times Remote\ Work\ Score_o, \quad (1)$$

where i indexes firms, t indexes years, and o indexes occupation categories. $w_{i,o,t}$ is the share of oc-

³For comparability with prior work, we also construct the conventional MSA-level measure that assigns each firm the average telework feasibility of its headquarters’ metropolitan area (e.g., [Barrios et al., 2024](#); [Gupta et al., 2022](#)). However, this approach has important limitations: it captures only regional averages, assumes all firms in the same MSA face identical constraints, and may be confounded by local labor market conditions. We therefore treat the MSA measure as a benchmark and relegate its construction and results to Online Appendix [OA.4](#), where we show that our findings are robust to using this specification.

cupation o postings among all company i 's postings in year t , and *Remote Work Score _{o}* is the teleworkability score of occupation o from [Dingel and Neiman \(2020\)](#). Thus, *WFH Feasibility LinkUp _{$p_{i,t}$}* represents the share of jobs at a firm that could be performed remotely, based on its prior hiring mix. Because the LinkUp data tracks postings historically, this measure reflects the composition of positions firms were actively seeking to fill in the years leading up to the pandemic, rather than only contemporaneous employment. For identification, we focus on the pre-COVID baseline and use the 2019 value (*WFH Feasibility LinkUp₁₉*), which captures each firm's realized hiring patterns immediately before the pandemic.

3.1.2. Revelio Labs Workforce Data

Although the LinkUp-based measure captures firms' historical hiring flows up to 2019, it does not directly reflect the composition of their existing workforce. To address this limitation, we turn to Revelio Labs, a widely used database that compiles the near-universe of LinkedIn résumés to reconstruct granular employee-level job histories. The dataset includes company identifiers, job titles, standardized occupation categories, and start and end dates, based on self-reported professional records of individuals. By aggregating these records, we obtain a snapshot of the occupational structure realized by each firm for each year. Because each position is assigned an O*NET occupation code, we can directly apply [Dingel and Neiman \(2020\)](#) teleworkability scores to the job categories of the employees. This enables us to measure the share of the current workforce of a company that could be performed remotely.

Formally, we construct *WFH Feasibility Revelio Labs* using the same weighted average approach described in Eq. (1), substituting realized employment shares for job postings, and use the 2019 value (*WFH Feasibility Revelio Labs₁₉*).

3.1.3. Composite Firm-Level Measure

Our preferred measure of remote work feasibility combines the strengths of both data sources. Specifically, we construct *WFH Feasibility* as the average of the LinkUp- and Revelio-based mea-

tures.⁴ The LinkUp measure reflects the historical hiring flows of firms up to 2019, while the Revelio measure captures the occupational stock of employees realized. The average of the two reduces the measurement error and provides a more complete proxy for each firm’s latent capacity to operate remotely. Consistent with our identification strategy, we use the 2019 value (*WFH Feasibility*₁₉), the year immediately preceding the COVID-19 pandemic.

Figure 1 illustrates the distribution of the composite measure in the 48 Fama-French industries. Industries dependent on manual labor or physical presence, such as Gold, Meals, and Coal Mining, exhibit the lowest remote work feasibility. In contrast, knowledge-intensive and service-oriented industries such as Computers, Banking, and Business Services display the highest feasibility, consistent with existing evidence (e.g., [Bureau of Labor Statistics, 2024](#)).

[Insert Figure 1 near here]

We validate the composite measure in three ways. First, we show that *WFH Feasibility LinkUp* and *WFH Feasibility Revelio Labs* are strongly correlated, indicating that hiring flows and realized workforce structures capture the same underlying construct. Figure 2 illustrates this relationship in 2019, showing a binned scatter in which firms are grouped into 20 bins by *WFH Feasibility LinkUp*₁₉ and the average values of *WFH Feasibility LinkUp*₁₉ and *WFH Feasibility Revelio Labs*₁₉ are displayed. The figure reveals a clear positive correlation, confirming that the two measures track similar variation in remote work potential.

[Insert Figure 2 near here]

Second, we examine the relationship between WFH feasibility and employee-reported work–life balance (WLB) from Revelio Labs. WLB is measured on a 1–5 scale (in half-point increments), with higher scores indicating greater satisfaction. If firms with greater remote work capacity offer more flexibility, they should exhibit higher WLB ratings ([Tabassum et al., 2022](#)). Figure 3 illustrates this relationship for the period before COVID (2017-2019), grouping firms into 20 bins

⁴In unreported analysis, we show robustness to alternative aggregation methods, including the geometric mean and the maximum of the two measures.

by *WFH Feasibility*₁₉ and plotting average feasibility against average WLB.⁵ The figure shows a clear positive association, supporting the validity of our measure.

[Insert Figure 3 near here]

Third, we benchmark our measure against the Flex Index, a dataset of firm-level remote work policies compiled by Scoop through surveys (with email verification) and manual collection of public disclosures (Scoop, 2023). We hand-collected the Flex Index data and matched 13,267 firms in the Flex Index to Compustat using fuzzy name matching via Refinitiv.⁶ Figure 4 shows a binned scatter plot of *WFH Feasibility*₁₉ against the Flex Index, grouping firms into 20 bins. The positive correlation further supports the claim that our composite measure captures significant variation in remote work capacity of firms.

[Insert Figure 4 near here]

3.2. *Financial Misconduct*

Our financial misconduct data are drawn from two sources: securities class action lawsuits filed under Rule 10b-5 of the Securities Exchange Act of 1934 and restatements related to intentional or fraudulent misreporting (Armstrong et al., 2010; Bentley et al., 2013). As noted in Armstrong et al. (2010) and Amiram et al. (2018), corporate financial misconduct may not always manifest in a single form, and existing databases might suffer from misclassifications of events as financial misconduct. Accordingly, we base our measure on the two sources and construct an indicator variable, *Misconduct*, equal to 1 if a firm is implicated in either (i) a Rule 10b-5 class action lawsuit alleging accounting manipulation or (ii) a restatement attributed to intentional or fraudulent misreporting in a year, and zero otherwise. Importantly, we measure misconduct in the year it was committed, not in the year it was detected.

⁵We restrict to the pre-period because COVID-19 likely altered employees' work-life balance.

⁶We matched 662 firms to Compustat. In untabulated tests, we find that our main result is robust to using the Flex Index as a firm-level WFH measure.

Data on class action lawsuits is obtained from the Stanford Securities Class Action Clearinghouse, which records federal securities class action filings from 2017 to 2024. We restrict to fraud lawsuits brought under Rule 10b-5 of the Securities Exchange Act of 1934. These lawsuits are typically filed by investors who claim they were misled by a company’s fraudulent financial statements or omissions of material facts in connection with purchase or sale of securities.

Data on financial restatements related to accounting manipulation is obtained from Audit Analytics, which collects restatement information from 8-Ks or periodic reports (e.g., 10-Ks, 10-K/As, 10-Qs, 10-KSB, 40F, 20F, etc.). We identify accounting restatements between 2017 and 2024 that relate to reporting manipulation classified as accounting fraud. In addition, following [Karpoff et al. \(2017\)](#), we classify a restatement as an intentional manipulation if it is designated as both non-clerical and not a simple misapplication of an accounting rule, implying potential intent. Our fraudulent restatement variable, therefore, captures restatements attributable to either fraudulent or intentional misreporting.

One potential concern with our measure of corporate financial misconduct is that it requires detection by external parties. As such, it reflects not only a firm’s true misconduct but also outsiders’ ability to identify it. To mitigate this concern, we follow [Dai et al. \(2025\)](#) and employ the absolute value of discretionary accruals as an alternative proxy for financial misconduct that does not rely on *ex post* detection. Specifically, we compute three commonly used measures of discretionary accruals: the [McNichols \(2002\)](#) model, the modified [Jones \(1991\)](#) model, and the [Dechow and Dichev \(2002\)](#) model.⁷

3.3. Other Data

According to the Centers for Disease Control and Prevention (CDC), stay-at-home mandates were implemented in March 2020 for the vast majority (approximately 97 percent) of areas in the U.S., with the remaining 3 percent implementing them in April 2020. Therefore, we define the

⁷We referred to the code provided by [Armstrong et al. \(2022\)](#) when constructing these three measures. Since constructing these measures requires one-year-ahead financial statement data, we can only compute them through 2023 rather than 2024. At the time of our analysis, most firms’ 2025 annual reports were not yet available in Compustat.

Post variable to equal zero before 2020 and 1 from 2020 onward.

We incorporate the employee’s sentiment and rating data from Revelio Labs in our tests of the mechanism. Specifically, we use Revelio Labs’ Individual Sentiment dataset, which applies natural language processing to employee reviews and captures employees’ ratings of their employers across multiple dimensions, including overall firm rating, senior management, CEO, workplace environment, and other aspects of the employment experience.

We obtain firm fundamental characteristics from Compustat, internal control weakness, audit fees, audit lags, and number of comment letters data from Audit Analytics, governance score data from LSEG ESG, and a measure for a firm’s teamwork intensity from [Li et al. \(2021\)](#).

3.4. *Samples and Summary Statistics*

3.4.1. *Samples*

To construct the firm-year sample for our analyses, we start with all Compustat firms with non-missing values for the control variables from 2017 to 2024. We then merge in our financial misconduct measures, defined as either Rule 10b-5 class action lawsuits or restatements related to intentional or fraudulent misreporting. We code *Misconduct* equal to 1 if a firm engages in at least one of these two types of misconduct in a given year, and zero otherwise.

Next, we require non-missing values for the 2019 measures of firm-level remote work potential, including *WFH Feasibility LinkUp*₁₉, *WFH Feasibility Revelio Labs*₁₉, or *WFH Feasibility*₁₉. Restricting the sample to firms with non-missing values for *WFH Feasibility LinkUp*₁₉ yields 9,656 firm-year observations from 1,510 unique firms between 2017 and 2024 (hereafter, LinkUp sample). Restricting instead to firms with non-missing values for *WFH Feasibility Revelio Labs*₁₉ yields 9,552 firm-year observations from 1,489 unique firms over the same period (hereafter, Revelio Labs sample). As discussed above, our preferred composite measure *WFH Feasibility*₁₉ is the average of these two measures, which requires non-missing values for both inputs. Accordingly, the main sample used in our analyses consists of 9,552 firm-year observations from 1,489 unique firms between 2017 and 2024.

In addition, we construct an MSA-level sample. We begin with all Compustat firms headquartered in an MSA with non-missing values for the control variables between 2017 and 2024. We then merge the financial misconduct measures and the MSA-level WFH feasibility measure. The final MSA-level sample consists of 21,184 firm-year observations across 253 unique MSAs over the 2017–2024 period (hereafter, MSA sample).

3.4.2. Summary Statistics

Table 1 reports the descriptive statistics. All continuous variables are winsorized at the 1st and 99th percentiles. The mean value of our primary outcome variable, *Misconduct*, is 0.017, indicating that approximately 2 percent of firm-year observations in our sample were involved in financial misconduct during the sample period, comparable to that documented in prior research (e.g., [Armstrong et al., 2010](#)). The average probability that a firm is subject to a class action lawsuit under Rule 10b-5 (*SCAC*) is 1.7 percent, whereas the probability of a restatement attributable to intentional or fraudulent misreporting (*Restatement*) is close to zero. The mean of our composite measure of remote work feasibility, *WFH Feasibility*₁₉, is 0.618. Among the individual components, the average *WFH Feasibility LinkUp*₁₉ is 0.596, while the average *WFH Feasibility Revelio Labs*₁₉ is slightly higher at 0.633. Table OA.4.1 in Online Appendix OA.4 presents the summary statistics for the MSA sample.

[Insert Table 1 near here]

4. Empirical Methodology and Main Results

4.1. Empirical Methodology: COVID-19 Pandemic and WFH Mandates

The onset of the COVID-19 pandemic and subsequent stay-at-home mandates provide a unique natural experiment to examine the effect of internal coordination on financial misconduct. Before 2020, remote work was relatively uncommon and concentrated in a few sectors ([Barrero et al., 2021](#);

Bloom et al., 2024). The pandemic forced firms to transition to remote work almost overnight, not only transforming remote work potential into realized remote work but also fundamentally reshaping how employees interacted. This shift disrupted interpersonal contact, team cohesion, informal communication, and managerial oversight, organizational characteristics that are central to initiating and maintaining collusive misconduct (Bloom et al., 2022; Yang et al., 2022b). Accordingly, the pandemic provides an ideal setting to examine how changes in internal coordination influence the incidence of financial fraud.

We employ a difference-in-differences design, comparing changes in the likelihood of misconduct before and after the onset of the pandemic between firms with different levels of pre-COVID WFH feasibility. Specifically, we estimate the following linear probability model with a continuous treatment variable:

$$Misconduct_{i,t} = \alpha + \beta_1 WFH\ Feasibility_{19,i} \times Post_t + \Gamma' X_{i,t-1} + \delta_t + \theta_i + \epsilon_{i,t}, \quad (2)$$

where i indexes firm and t indexes year. $WFH\ Feasibility_{19,i}$ is a continuous measure of pre-COVID WFH potential, defined as the average of $WFH\ Feasibility\ LinkUp_{19}$ and $WFH\ Feasibility\ Revelio\ Labs_{19}$. $Post_t$ is an indicator variable equal to 1 from 2020 onward and zero otherwise. Following prior literature (e.g., Liu, 2016; Raghunandan, 2021), we control for lagged firm characteristics that might affect financial misconduct in the vector $X_{i,t-1}$, including: *Cash*, cash holdings scaled by total assets; *Size*, the natural logarithm of total assets; *ROA*, net income scaled by total assets; *BTM*, the book value of equity divided by the market value of equity; *Growth*, total assets in year t divided by total assets in year $t - 1$; *Log(MV)*, the natural logarithm of market value; *Loss*, an indicator equal to 1 if income is negative, and zero otherwise; *Leverage*, total liabilities scaled by total assets; *Capex*, capital expenditures during the year scaled by total assets; *Intangibles*, intangible assets scaled by total assets; *R&D*, research and development expenditures scaled by total assets; *Dividends*, ratio of dividends to net income; and *Return*, 12-month cumulative returns after adjusting for stock splits and stock dividends. The model also includes year fixed effects,

δ_t , and firm fixed effects, θ_i , to control for time-varying economic conditions and time-invariant characteristics of the firm that might affect corporate financial misconduct.⁸ Standard errors are clustered at the Fama-French 48 industry level.

4.2. Main Results

4.2.1. WFH Feasibility and Financial Misconduct

Columns (1) and (2) of Table 2, Panel A, report the estimation results from Eq. (2). Both columns include firm and year fixed effects, while column (2) adds controls for firm characteristics.⁹ The coefficient on the interaction term $WFH\ Feasibility_{19} \times Post$ is negative and statistically significant in both columns. The coefficient in column (2) suggests that increasing $WFH\ Feasibility_{19}$ from the first quartile (0.453) to the third quartile (0.801) reduces the likelihood of financial misconduct by about 2 percent, which is equal to the unconditional sample mean. A one-standard-deviation increase in $WFH\ Feasibility_{19}$ reduces the likelihood of financial misconduct by 1 percent.

Columns (3) through (6) of Panel A report results using binary treatment variables $WFH\ Feasibility\ Indicator$ and $WFH\ Feasibility\ Quartile$ in place of the continuous treatment variable $WFH\ Feasibility_{19}$. In columns (3) and (4), the treatment variable $WFH\ Feasibility\ Indicator$ is an indicator variable equal to 1 if a firm's $WFH\ Feasibility_{19}$ is above the sample median, and zero otherwise. Column (4) shows that, in the post period, firms with above-median $WFH\ Feasibility_{19}$ exhibited an approximately 2 percent lower likelihood of financial misconduct relative to firms below the median. In columns (5) and (6), we restrict the sample to firms in the bottom and top quartiles of $WFH\ Feasibility_{19}$. The treatment variable $WFH\ Feasibility\ Quartile$ is an indicator that takes a value of 1 for firms above the third quartile, and zero for firms below the first quartile. The results in column (6) indicate that following the onset of the COVID-19 pandemic, firms in the top quartile reduced the likelihood of misconduct by approximately 3 percent.

In panel B of Table 2, we demonstrate the robustness of the results to our different proxies

⁸In Online Appendix OA.1, we show that our main results are robust to inclusion of Fama–French 48 industry–year fixed effects.

⁹For brevity, we suppress the coefficients on the control variables in Table 2 and report them in Appendix B.

of WFH feasibility and to a Logit specification. Columns (1) and (2) use alternative measures of WFH feasibility constructed separately from the LinkUp and Revelio Labs datasets. As discussed in Section 3.1, the LinkUp data reflect forward-looking WFH feasibility based on firms' job postings, whereas the Revelio Labs data capture contemporaneous feasibility based on existing employment composition. The main results remain robust in columns (1) and (2). Column (3) re-estimates the model using a Logit specification.¹⁰ The coefficient suggests that following COVID-19, increasing *WFH Feasibility*₁₉ by 1 unit decreases the odds of corporate financial misconduct by a factor of 0.04. Given a sample mean of misconduct of 2 percent, the coefficient estimate corresponds to an economically substantial decrease in the predicted probability of misconduct from 2 percent to approximately 0.8 percent.

[Insert Table 2 near here]

To assess potential pre-trends, we estimate a modified version of Eq. (2), replacing *Post* with year indicators for each year in the interaction term *WFH Feasibility*₁₉ × *Post*. Figure 5 plots the coefficient estimates and their 90 percent confidence intervals. The estimates show no systematic differences in trends prior to 2020, supporting the parallel-trend assumption. In the post-period, however, the coefficients exhibit a downward pattern in 2020 and become negative and statistically significant from 2021, consistent with a sustained decline in misconduct among firms with higher pre-COVID WFH feasibility.

[Insert Figure 5 near here]

4.2.2. *Types of Financial Misconduct and Timeliness of Detection*

In Panel A of Table 3, we examine the effect of WFH on different forms of financial misconduct by replacing the dependent variable in Eq. (2) with *SCAC*, an indicator equal to 1 if a firm is

¹⁰Because many firms in our sample did not experience financial misconduct during the sample period, the estimation software drops these observations when estimating the Logit model. As a result, the Logit regressions are estimated based on fewer observations.

alleged in a Rule 10b-5 class action lawsuit in a given year, and zero otherwise, or *Restatement*, an indicator equal to 1 if a firm issues a fraudulent restatement or intentional restatement in a given year, and zero otherwise. Column (1) shows that, following COVID-19, firms with higher pre-COVID WFH feasibility were significantly less likely to be alleged in Rule 10b-5 class action lawsuits. The coefficient estimate implies that increasing $WFH\ Feasibility_{19}$ from the first to the third quartile reduces the likelihood of such allegations by approximately 2 percent. Column (2) yields a negative but insignificant coefficient when the dependent variable is *Restatement*, likely due to the limited number of fraudulent restatements in our sample.

Beyond the incidence of misconduct, an important question is whether remote work also influences how quickly fraud is uncovered once it occurs. Panel B of Table 3 examines this intensive margin by focusing on the timeliness of securities class action filings. Specifically, we test whether firms with higher WFH feasibility faced Rule 10b-5 class action lawsuits more quickly in the post-period. For this analysis, we restrict the sample to observations with Rule 10b-5 class action lawsuits and estimate a modified version of Eq. (2) that includes industry or industry and year fixed effects. The dependent variable is $\text{Log}(\text{Lawsuit Lag Days})$, defined as the natural log of the number of days between the date of the alleged violation of Rule 10b-5 and the date of filing of the class action lawsuit. Column (2) of Panel B shows that, following COVID-19, lawsuits were filed more promptly against firms with higher WFH feasibility. The coefficient on the interaction term $WFH\ Feasibility_{19} \times \text{Post}$ is significant and negative, suggesting that increasing a firm's $WFH\ Feasibility_{19}$ from the first to the third quartile shortens the detection period by approximately 52 percent in the post-period.¹¹

One potential concern is that our main results might reflect differences in detection rather than a true reduction in financial misconduct. In principle, firms with higher WFH feasibility could simply have fewer cases detected in the post-period, even if underlying misconduct did not change. Panel B helps address this possibility by examining how quickly misconduct is uncovered once it has occurred. If remote work primarily reduced detection, we would expect longer lags in the filing

¹¹In unreported analysis, we show that the result is robust to using a Poisson regression model.

of lawsuits against high-WFH firms. Instead, the results show the opposite: after COVID-19, Rule 10b-5 lawsuits were filed significantly more quickly for firms with greater WFH feasibility. This finding is inconsistent with a pure detection story and supports our interpretation that remote work reduced the incidence and sustainability of collusive misconduct.

[Insert Table 3 near here]

4.2.3. *Addressing Concerns on Changes in Detection*

We take additional steps to address the concern that our main results might reflect changes in detection. First, we use the absolute value of discretionary accruals as an alternative proxy for financial misconduct that does not rely on *ex post* detection. We compute three commonly used measures of discretionary accruals: the McNichols (2002) model, the modified Jones (1991) model, and the Dechow and Dichev (2002) model.

Second, we examine whether scrutiny and monitoring of firms' financial reporting declined in the post period for firms with higher pre-COVID WFH feasibility. If monitoring intensity remained unchanged or increased for these firms, our results are less likely to be driven by reduced detection. We proxy for monitoring intensity using audit fees, audit lag, and the number of SEC comment letters. If WFH reduced monitoring, we would expect higher audit fees (indicating greater perceived audit risk), longer audit lags (indicating increased audit complexity), and a higher incidence of SEC comment letters (indicating more regulatory concerns).

Table 4 reports the estimation results of Eq. (2) using the following three measures as dependent variables: $DAMc$, absolute value of discretionary accrual estimate from the McNichols (2002) model, $DAMJ$, absolute value of discretionary accrual estimate from the modified Jones (1991) model, and $DADD$, absolute value of discretionary accrual estimate from the Dechow and Dichev (2002) model. Columns (1) and (2) indicate that after COVID-19, firms with higher WFH feasibility exhibited significantly lower discretionary accruals as measured by the McNichols (2002) model and the modified Jones (1991) model. Although the coefficient on the interaction term in column

(3) is statistically insignificant, it remains negative. Overall, these results indicate that our main findings are robust to alternative proxies for financial misconduct that do not depend on *ex post* detection.

[Insert Table 4 near here]

Table 5 reports estimates of Eq. (2) using *Log(Audit Lag Days)*, *Log(Audit Fees)*, and *Log(Comment Letters)* as dependent variables. Across all specifications, the coefficient on the interaction term is statistically insignificant, indicating no significant effect of WFH feasibility on monitoring intensity. The economic magnitudes are also small. In the post period, moving *WFH Feasibility*₁₉ from the first to the third quartile is associated with a 0.6 percent reduction in audit lag, corresponding to 0.342 days relative to a median audit lag of 57 days; a 1 percent increase in audit fees, corresponding to \$19,013 relative to a median annual audit fee of \$1,901,271; and a 0.7 percent increase in the number of SEC comment letters, where the median number of comment letters is zero. Overall, these results suggest that WFH has a minimal effect on monitoring intensity.

[Insert Table 5 near here]

4.2.4. Additional Robustness and Placebo Tests

We perform several robustness tests. First, we show that our results are robust to the inclusion of Fama-French 48 industry-year fixed effects, which control for time-varying industry-level shocks (Online Appendix Table OA.1). Second, to mitigate concerns that our findings may be confounded by the COVID-19 pandemic, we exclude the 2020–2021 period and re-estimate our main specification. As reported in Online Appendix Table OA.2, the results remain qualitatively unchanged. Third, we conduct a placebo test using the pre-period 2017–2019, in which we replace *Post* with *Post_2018*, an indicator equal to 1 for 2018–2019 and zero otherwise. As shown in Online Appendix Table OA.3, the coefficient on the interaction term is statistically insignificant.

Robustness to an MSA-Level Measure of WFH. As an additional robustness check, we re-estimate our baseline specification using an alternative design in which WFH feasibility is defined at the geographic level. Specifically, we assign each firm the pre-COVID telework share of its headquarters MSA from [Gupta et al. \(2022\)](#), following the approach in [Barrios et al. \(2024\)](#). This specification captures regional variation in teleworkability and absorbs local economic conditions through time-varying MSA-level covariates (income, population, GDP growth, unemployment). The treatment effect is then identified by comparing firms in more versus less teleworkable MSAs before and after 2020.

This MSA-based design is less precise than our firm-level approach, since it assumes that all firms within an MSA face identical remote-work constraints and may misclassify multi-location firms. Nonetheless, it aligns with prior literature and provides a useful benchmark. Online Appendix [OA.4](#) reports details and results, which confirm that our findings are robust to this alternative specification.

5. Mechanism Tests

In this section, we provide three sets of tests to corroborate our proposed mechanism. Specifically, we argue that remote work reshaped the internal technology of collusion by raising coordination costs, increasing traceability, and disrupting the dense in-person relational networks through which coordinated misconduct is sustained. Financial misconduct involving multiple insiders depends on repeated interaction, informal enforcement, and the suppression of internal dissent ([Khanna et al., 2015](#); [Soltes, 2016](#)). By weakening these relational channels and shifting communication onto more traceable platforms, the shift to remote work increases the cost of sustaining collusive equilibria and thereby reduces misconduct.

5.1. Teamwork Intensity

If collusion within firms is a primary driver of financial misconduct, then remote work should reduce misconduct more in firms with higher levels of team cohesion and collaboration, particularly among senior management, since such misconduct typically involves top management. In such settings, conducting fraud requires intensive interaction and mutual trust among these insiders. By increasing the cost of coordination, remote work is therefore expected to more effectively disrupt collusive behavior in firms where teamwork is more intense.

To test this prediction, we proxy for the strength of teamwork culture using the teamwork culture index developed by [Li et al. \(2021\)](#). This measure is constructed using a machine learning dictionary of teamwork-related language applied to the Q&A portions of firms' historical earnings call transcripts. A firm's teamwork culture score is calculated as the weighted frequency of these terms in its earnings call transcripts. This measure is conceptually appropriate as a proxy for team cohesiveness among the senior management because Q&A sessions are typically led by top executives and thus reflect values emphasized by leadership. Moreover, as [Guiso et al. \(2015\)](#) argue, corporate values are enforced by leaders. Therefore, this measure is likely to also capture the extent to which coordination and teamwork are promoted across different levels of the organization.

We divide companies into two subsamples based on the median of the average teamwork culture score for companies over 2017-2019.¹² We then estimate Eq. (2) separately for the two subsamples and compare the coefficients on the interaction term $WFH\ Feasibility_{19} \times Post$ estimated from the two subsamples using a Wald test.

Table 6 reports the results. Column (1) reports estimates for firms with above-median *Teamwork*, while column (2) reports estimates for firms with below-median *Teamwork*. The coefficient on the interaction term $WFH\ Feasibility_{19} \times Post$ is twice as large in magnitude in column (1) compared with column (2). Moreover, the coefficient in column (1) is statistically significant at the 1 percent level, whereas in column (2) it is significant at the 5 percent level. A Wald test shows that the

¹²[Li et al. \(2021\)](#) construct the measure as a three-year moving average, reflecting the persistence of corporate culture. Thus, the 2019 value in the data is the average from 2017 to 2019, which covers the pre-period of our sample.

coefficient estimate from the above-median *Teamwork* subsample is significantly more negative than that for the below-median *Teamwork* subsample. These results are consistent with the collusion mechanism: when financial misconduct requires coordinated action among insiders, remote work, by increasing coordination costs, reduces the feasibility of collusive misreporting. The smaller effect in low-teamwork firms suggests that individual opportunism is less sensitive to remote-work disruptions, reinforcing the distinction between collective and individual channels of misconduct.

[Insert Table 6 near here]

5.2. *Governance and Internal Control*

Next, we examine whether the effect of remote work depends on the firm's formal oversight architecture. If our results are driven by changes in coordination costs rather than monitoring intensity per se, then the magnitude of the effect should vary systematically with the institutional environment in which misconduct is sustained. We distinguish between two conceptually different constraints on misconduct: (i) broad governance structures that discipline managerial discretion *ex ante*, and (ii) internal controls over financial reporting that constrain the mechanics of misreporting *ex post*. These mechanisms operate differently. Governance affects the latitude insiders have to pursue opportunistic strategies. Internal controls determine whether misreporting can be executed unilaterally or instead requires coordinated action to override safeguards.

We first examine governance quality. Firms with stronger governance (i.e., more independent boards, stronger oversight committees, and tighter shareholder rights) face tighter *ex ante* constraints on managerial discretion. In such firms, the scope for collusion may already be limited. In contrast, weak-governance firms provide insiders greater latitude to coordinate opportunistic behavior. If remote work raises the cost of coordination, then we should observe reductions in misconduct across governance regimes, but the magnitude should be larger where insiders previously had greater freedom to collude.

We measure governance quality using the governance pillar score from LSEG's ESG database.

This score is constructed as a weighted average of standardized percentile-ranked measures that capture the governance board and oversight dimensions, including board independence, diversity, committees, executive compensation, and shareholder rights. To test our prediction, we divided the companies by the median of the LSEG ESG governance pillar score from LSEG ESG (i.e., the *Governance Score*), averaged over the time period 2015–2019.

Panel A of Table 7, Panel A, reports the results. Column (1) reports results for above-median firms, and column (2) for below-median firms. Consistent with our framework, firms with higher WFH feasibility experience declines in misconduct in both governance regimes. However, the effect is economically larger and statistically stronger among firms with weaker governance. These patterns are informative as they indicate that remote work does not substitute for governance. Instead, it interacts with it. Where governance was weak and insiders had broader discretion, collusion was more feasible *ex ante*. Raising coordination costs through remote work therefore had a sharper effect. In stronger governance firms, where institutional constraints already limited opportunism, remote work still reduces misconduct, but the incremental impact is smaller. The evidence supports a coordination-cost interpretation rather than a simple monitoring story. If remote work primarily weakened oversight, we would expect misconduct to increase more in weak-governance environments. We observe the opposite.

We next turn to internal controls, which operate at a different margin from governance. Governance broadly restricts managerial discretion. Internal controls on financial reporting constrain the mechanics of manipulation itself. In firms with weak internal controls, unilateral misreporting may be feasible: a single insider can initiate and sustain misconduct with limited coordination. In contrast, strong internal controls increase the likelihood that individual manipulation is detected. Circumventing those safeguards typically requires coordinated action among multiple insiders to override reporting processes and conceal evidence. Fraud in these environments is inherently a team-production problem. If remote work raises coordination costs, its effect should therefore be strongest precisely where misconduct depends on joint action, i.e., in firms with effective internal controls.

We proxy for internal control effectiveness using SOX Sections 302 and 404 disclosures over 2015–2019. SOX 302 captures management-reported weaknesses, while SOX 404 reflects auditor-attested assessments of control effectiveness. Firms without reported weaknesses are classified as “effective.” Table 7, Panel B, partitions firms based on whether they reported weaknesses under SOX 302 and SOX 404 and re-estimates Eq. (2) within each subsample.

The results in Table 7 are consistent with the coordination-cost mechanism. Among firms without SOX 302 weaknesses, higher remote work feasibility is associated with a statistically and economically significant decline in misconduct following the onset of the pandemic. In contrast, the effect is small and statistically insignificant among firms reporting SOX 302 weaknesses. The same pattern appears under SOX 404. Firms with effective auditor-attested controls exhibit a significant post-COVID decline in misconduct as WFH feasibility rises, whereas firms with control weaknesses do not.

[Insert Table 7 near here]

The asymmetry in these results is central. Where internal controls are strong, fraud requires coordinated effort to override safeguards, and raising coordination costs through remote work materially reduces misconduct. Where controls are weak and unilateral manipulation remains feasible, increasing coordination costs has less of a bite. This pattern is difficult to reconcile with a simple monitoring story and instead reinforces the interpretation that remote work reshaped the internal technology of collusion.

5.3. Workplace Climate and Corporate Culture

Thus far, we have shown that the effect of remote work is strongest in settings where fraud is inherently a coordination problem (i.e., teamwork-intensive firms) and in firms with effective internal controls that require joint action to override safeguards. We now turn to examine whether similar heterogeneity arises along a more informal dimension of the organization, its relational structure.

Formal governance structures and internal controls capture monitoring mechanisms (Ashbaugh-Skaife et al., 2008; Bhaskar et al., 2019; Donelson et al., 2017). Employee sentiment captures something different: the relational capital embedded within the firm. Financial misconduct involving multiple insiders is not sustained by incentives alone. Rather, it requires repeated interaction, shared understanding, and the suppression of internal dissent. These relational equilibria are often enforced informally—through proximity, social pressure, and dense in-person networks (Liu, 2016).

Remote work disrupts precisely those relational channels. Physical separation reduces spontaneous interaction, weakens informal enforcement, and shifts communication to traceable digital platforms. If collusive misconduct depends on dense in-person relational networks, then increasing remote exposure should disproportionately reduce misconduct in firms where those networks previously played a larger role.

We proxy for the relational structure using employee perceptions of organizational climate from Revelio Labs. Specifically, we use firm-level averages of overall rating, CEO rating, and senior leadership rating, computed over 2015–2019. These measures do not capture incentives or formal oversight; rather, they reflect how employees perceive leadership and the broader organizational environment.¹³ Importantly, we interpret these ratings not as moral scores, but as signals of the relational architecture of the firm.

Firms with weaker pre-COVID ratings may rely more heavily on dense, in-person relational dynamics rather than formalized trust or strong institutionalized processes. In such settings, coordination—both productive and potentially opportunistic—can be sustained through repeated face-to-face interaction. If remote work raises coordination costs by weakening those relational channels, then misconduct should fall more sharply in these firms.

To test this prediction, we split the sample at the median of each sentiment measure and re-estimate Eq. (2) separately for each subsample. Table 8 reports the results. Columns (1) and (2)

¹³Low ratings can indicate a weaker organizational climate, where top management is perceived as self-serving or exploitative. In such environments, collusion and misreporting are more likely, either because employees are more willing to participate in opportunistic behavior or because executives feel greater latitude to expropriate both employees and investors (Ahern, 2017; Lee and Chuang, 2018; Liu et al., 2023).

compare firms with above- and below-median overall ratings, columns (3) and (4) compare above- and below-median CEO ratings, and columns (5) and (6) compare above- and below-median senior leadership ratings. Across all three partitions, the effect of remote work on financial misconduct is consistently larger in magnitude for firms with below-median ratings. Furthermore, Wald tests show that the interaction coefficient $WFH\ Feasibility_{19} \times Post$ is significantly more negative among firms with below-median overall rating than among firms with above-median overall rating, and the same holds for the subsample split by senior leadership rating.

[Insert Table 8 near here]

These results align with the coordination-cost mechanism. The decline in misconduct is concentrated where collusion was most reliant on in-person relational dynamics. In contrast, firms with stronger pre-period sentiment—where organizational processes may be more institutionalized and less dependent on informal enforcement—exhibit smaller changes.

We next examine whether remote work altered employee perceptions themselves. If remote work reshapes relational dynamics inside the firm, we should observe corresponding shifts in sentiment. In Table 9, we repeat our analyses in Table 8, replacing the dependent variable with time-varying firm-level sentiment measures: *Overall Rating*, *CEO Rating*, and *Senior Leadership Rating*. We find that among firms with initially low ratings, higher remote exposure is associated with post-COVID improvements in overall, CEO, and senior leadership ratings. In contrast, we observe no significant changes among firms with high pre-period ratings.

[Insert Table 9 near here]

These results suggest a reconfiguration of relational equilibrium inside the firm. Remote work attenuates dense in-person hierarchies and informal enforcement channels that may have previously sustained coordinated behavior. The same disruption that reduces the feasibility of collusive misconduct may also improve perceptions of leadership in environments where relational structures were previously fragile. Together, the sentiment results reinforce the central mechanism

of the paper. Remote work does not change only the intensity of the monitoring. It alters the relational infrastructure through which coordination, productive or illicit, is sustained.

6. Conclusion

This paper studies how the sudden expansion of remote work reshaped the economics of financial misconduct. Using the COVID-19 pandemic as a shock and using a novel firm-level measure of the feasibility of WFH, we show that firms that were better able to transition to remote work experienced significant declines in financial fraud after 2020. These reductions are evident across multiple proxies and cannot be explained by changes in detection alone. Event-study dynamics confirm no pretrends and increasingly negative effects post-2020, consistent with a persistent shift in the feasibility of collusion.

Our cross-sectional analyses further sharpen our mechanism. The effect of WFH is nearly twice as large in teamwork-intensive firms, where fraud depends most on coordination, and in firms with effective internal controls, where collusion is required to override safeguards. At the same time, we find that misconduct declines in both strong- and weak-governance firms, but the effect is larger in weak-governance firms, which is consistent with insiders in those settings having greater scope to collude before COVID, and thus being more constrained once remote work raised coordination costs. Finally, evidence from employee sentiment shows that the sharpest declines occur in low-sentiment firms, and that sentiment itself improved post-pandemic in these firms, reinforcing the view that WFH reshaped the cultural foundations that sustain collusion.

Overall, our results highlight that fraud is fundamentally a team-based activity, sensitive not only to incentives and formal monitoring but also to how workplace organization shapes the costs of collusion. By documenting that WFH reduced the incidence and persistence of misconduct, we contribute to the literature on financial reporting and governance, while also extending the growing literature on the consequences of remote work. More broadly, our findings suggest that organizational design, in this case, the adoption of remote work, can have first-order effects on the

integrity of capital markets.

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A. Variable Definitions

Variable	Definition
Firm-Year Variables	
<i>Misconduct</i>	An indicator variable that takes the value of one if the firm has one of the two types of financial misconduct from the class action lawsuit or restatement, and zero otherwise.
<i>SCAC</i>	An indicator variable that takes the value of one if the firm has been alleged for the Rule 10b-5 class action lawsuit, and zero otherwise.
<i>Restatement</i>	An indicator variable that takes the value of one if the firm has a fraudulent restatement or has an intentional restatement, and zero otherwise.
<i>Post</i>	An indicator variable that takes the value of one from 2020 onward, and zero otherwise.
<i>WFH Feasibility LinkUp</i>	Share of jobs of a firm that can be performed remotely, constructed from LinkUp job posting data following Eq. (1).
<i>WFH Feasibility Revelio Labs</i>	Share of jobs of a firm that can be performed remotely, constructed from Revelio Labs Workforce data following Eq. (1).
<i>WFH Feasibility</i>	Average of <i>WFH Feasibility LinkUp</i> and <i>WFH Feasibility Revelio Labs</i> .
<i>Log(Lawsuit Lag Days)</i>	The natural log of the number of days between the start of the alleged misconduct period and the lawsuit filing date.
<i>DAMc</i>	Absolute value of the residuals from the McNichols (2002) model, where the model is estimated for each three-digit SIC industry and year.
<i>DAMJ</i>	Absolute value of the residuals from the modified Jones (1991) model, where the model is estimated for each three-digit SIC industry and year.
<i>DADD</i>	Absolute value of the residuals from the Dechow and Dichev (2002) model, where the model is estimated for each three-digit SIC industry and year.
<i>Log(Audit Lag Days)</i>	The natural log of the number of days between the date of audit completion and the date of fiscal period end.
<i>Log(Audit Fees)</i>	The natural log of the dollar amount of annual audit fees.
<i>Log(Comment Letters)</i>	The natural log of the number of comment letters.
<i>Overall Rating</i>	Average of each employee's overall rating of the company.
<i>CEO Rating</i>	Average of each employee's rating of the CEO's performance.
<i>Senior Leadership Rating</i>	Average of each employee's rating of the company's senior management.
<i>WLB Rating</i>	Average of each employee's rating of the company's work-life balance.
<i>Cash</i>	Cash holdings scaled by total assets.

<i>Size</i>	The natural logarithm of total assets.
<i>ROA</i>	Net income scaled by total assets.
<i>BTM</i>	The book value of equity divided by the market value of equity.
<i>Loss</i>	Indicator that equals one if income is negative, and zero otherwise.
<i>Leverage</i>	Total liabilities scaled by total assets.
<i>Intangibles</i>	Intangible assets scaled by total assets.
<i>Log(MV)</i>	The natural logarithm of firm market value.
<i>Growth</i>	Total assets in year t divided by total assets in year $t - 1$.
<i>Dividends</i>	Total dividends divided by net income.
<i>Return</i>	12-month cumulative returns after adjusting for stock splits and stock dividends.
<i>Capex</i>	Capital expenditures scaled by total assets.
<i>R&D</i>	Research and development expenditures scaled by total assets.
Cross-Sectional Variables	
<i>WFH Feasibility LinkUp₁₉</i>	<i>WFH Feasibility LinkUp</i> measured in 2019.
<i>WFH Feasibility Revelio₁₉</i>	<i>WFH Feasibility Revelio Labs</i> measured in 2019.
<i>WFH Feasibility₁₉</i>	<i>WFH Feasibility</i> measured in 2019.
<i>WFH Feasibility Flex Index</i>	A categorical variable equal to 2 if the firm has a fully remote policy, 1 if it has a hybrid policy, and zero otherwise, as developed by Scoop (2023) .
<i>Teamwork</i>	Teamwork culture score from Li et al. (2021) , averaged over 2017-2019.
<i>Governance Score</i>	Companies' performance on corporate governance practices relative to industry peers on a 0-1 scale provided by LSEG ESG, averaged over 2015-2019.
<i>Effective 302</i>	An indicator variable equal to one if no internal control weakness under SOX section 302 is reported during 2015-2019, and zero otherwise.
<i>Effective 404</i>	An indicator variable equal to one if no internal control weakness under SOX section 404 is reported during 2015-2019, and zero otherwise.

B. Main Results: Full Table

Table B.1: Effect of Remote Work on Corporate Financial Misconduct

<i>Dependent Variable:</i>	<i>Misconduct</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Post × WFH Feasibility ₁₉	-0.044*** (0.014)	-0.047*** (0.014)				
Post × WFH Feasibility Indicator			-0.015** (0.007)	-0.016** (0.007)		
Post × WFH Feasibility Quartile					-0.023** (0.009)	-0.025** (0.009)
Cash		-0.015* (0.008)		-0.015* (0.008)		-0.050*** (0.017)
Size		-0.005 (0.007)		-0.005 (0.007)		-0.010 (0.012)
ROA		0.004** (0.002)		0.004** (0.002)		0.006 (0.004)
BTM		-0.001 (0.004)		-0.001 (0.004)		0.003 (0.003)
Growth		0.003 (0.002)		0.003 (0.002)		-0.002 (0.003)
Log(MV)		0.014*** (0.004)		0.013*** (0.004)		0.019*** (0.006)
Loss		-0.001 (0.005)		-0.001 (0.005)		0.002 (0.006)
Leverage		0.015* (0.008)		0.016** (0.008)		0.014 (0.014)
Capex		0.039 (0.063)		0.031 (0.061)		-0.152 (0.112)
Intangibles		-0.002 (0.018)		-0.003 (0.017)		-0.027 (0.026)
R&D		0.023*** (0.005)		0.023*** (0.006)		0.040*** (0.007)
Dividends		-0.001 (0.002)		-0.001 (0.002)		0.001 (0.003)

Return		0.002 (0.002)		0.002 (0.002)		0.004 (0.004)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R ²	0.037	0.040	0.037	0.039	0.038	0.042
N	9,552	9,552	9,552	9,552	4,787	4,787

This table presents DiD estimation results of Eq. (2), where the dependent variable is *Misconduct* in all regressions. *WFH Feasibility Indicator* is an indicator variable that takes the value of 1 if *WFH Feasibility*₁₉ is above the median, and zero otherwise. *WFH Feasibility Quartile* is an indicator variable that takes the value of 1 if *WFH Feasibility*₁₉ is in the fourth quartile, and zero if *WFH Feasibility*₁₉ is in the first quartile. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

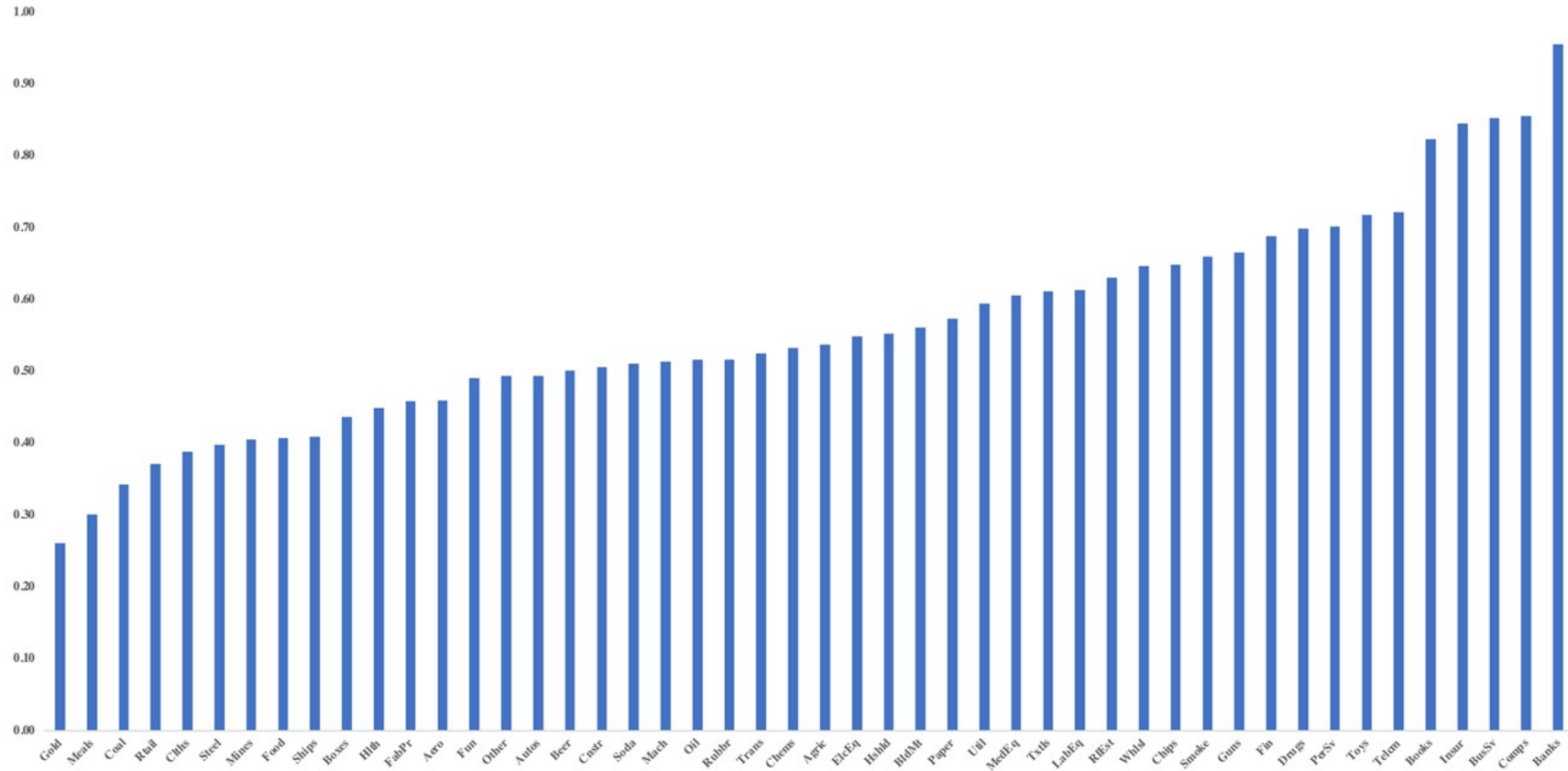


Fig. 1: Average WFH Feasibility Across Fama-French 48 Industries. This figure plots the average $WFH\ Feasibility_{19}$ for firms in the Fama-French 48 industries. The x-axis reports the industry classifications, and the y-axis shows the average WFH feasibility in 2019. All variables are defined in [Appendix A](#).

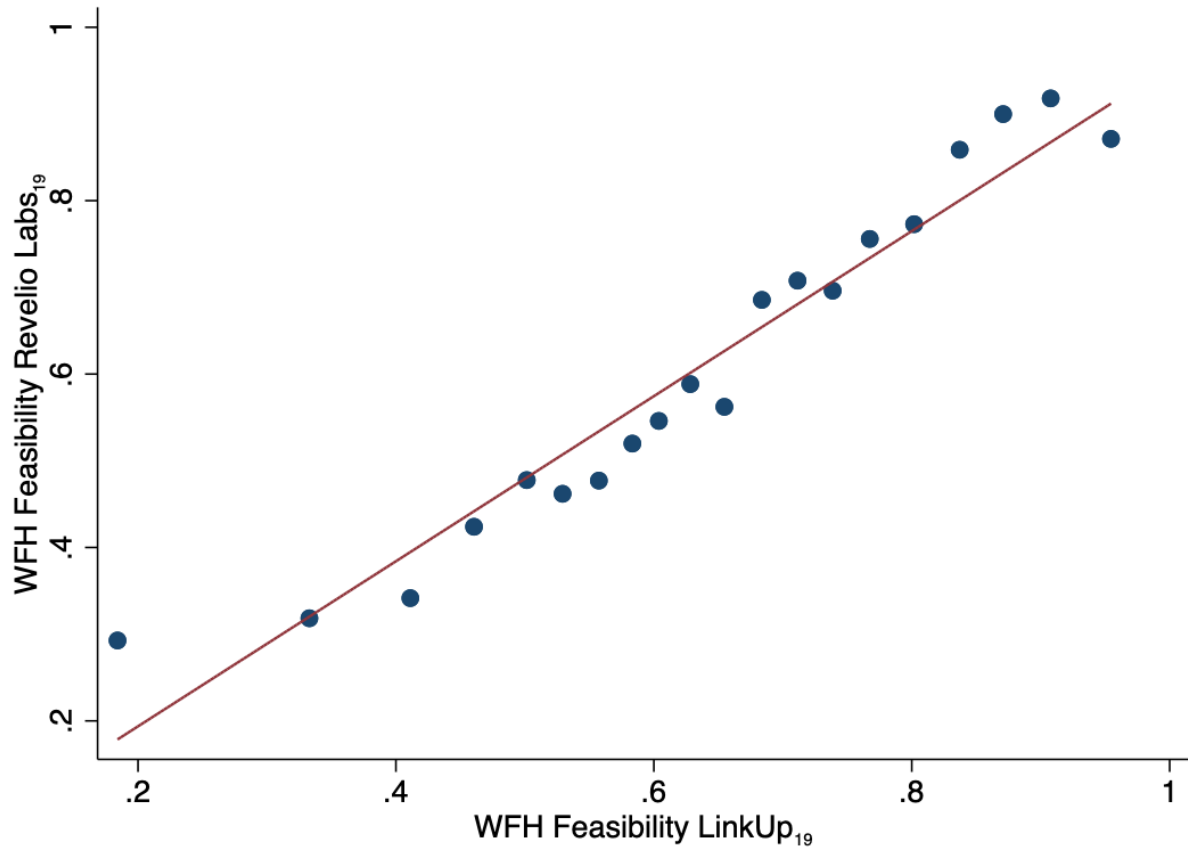


Fig. 2: Correlation Between WFH Feasibility Measures from LinkUp and Revelio Labs. This figure presents a binned scatter plot of WFH feasibility in 2019 using two data sources: LinkUp and Revelio Labs. Firms are grouped into 20 bins based on *WFH Feasibility LinkUp₁₉*, and the figure plots the average *WFH Feasibility LinkUp₁₉* and *WFH Feasibility Revelio Labs₁₉* within each bin. The x-axis reports *WFH Feasibility LinkUp₁₉*, and the y-axis reports *WFH Feasibility Revelio Labs₁₉*. All variables are defined in Appendix A.

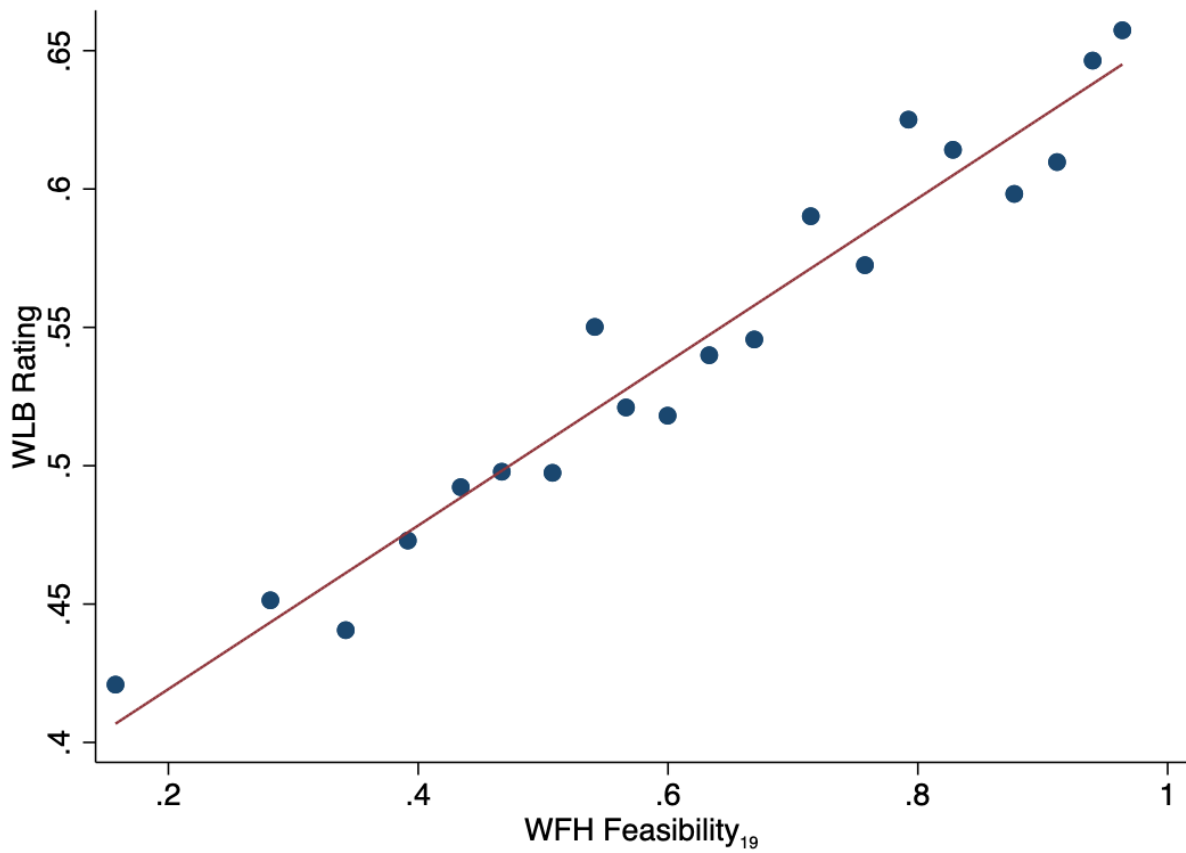


Fig. 3: Correlation Between WFH Feasibility and Employees' WLB Rating. This figure presents a binned scatter plot of *WFH Feasibility*₁₉ and employees' WLB ratings from Revelio Labs over the pre-period (2017–2019). Firms are grouped into 20 bins based on *WFH Feasibility*₁₉, and the figure plots the average *WFH Feasibility*₁₉ and *WLB Rating* within each bin. The x-axis reports *WFH Feasibility*₁₉, and the y-axis reports *WLB Rating*. All variables are defined in Appendix A.

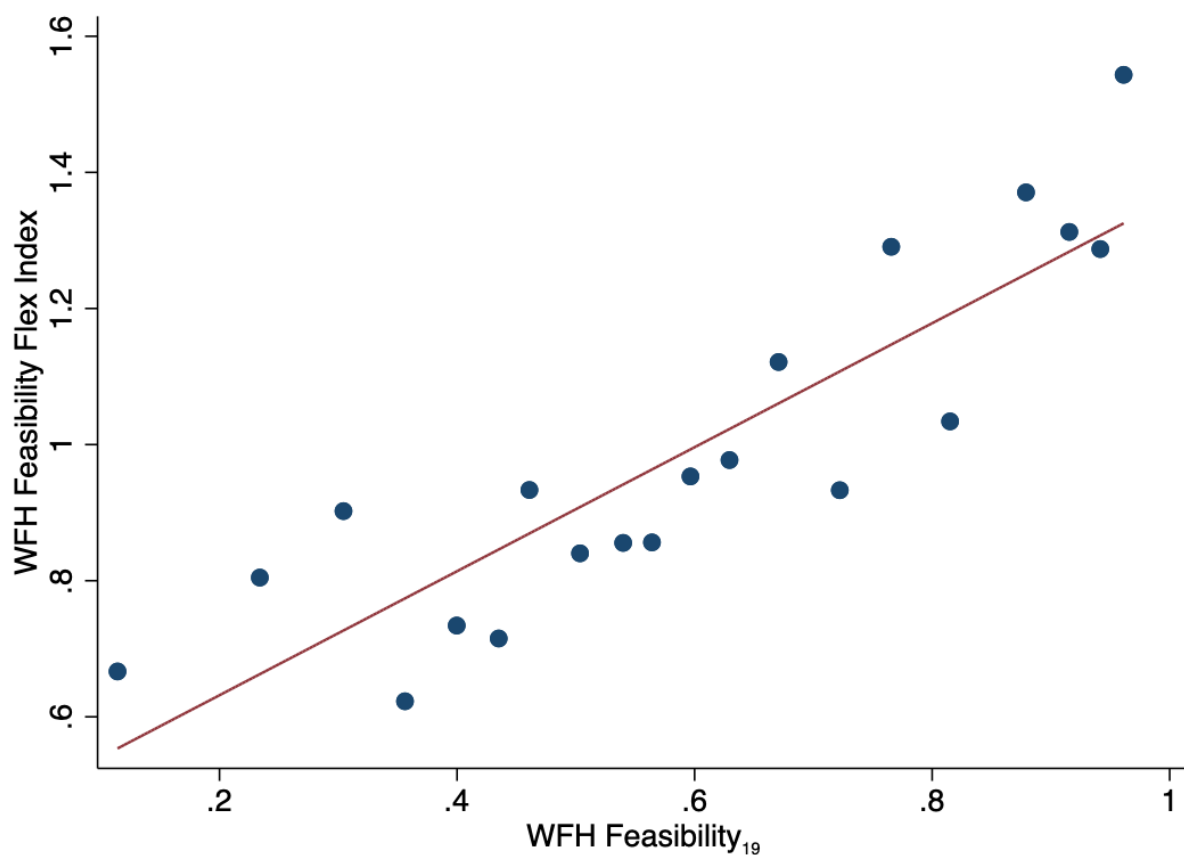


Fig. 4: Correlation Between WFH Feasibility and Flex Index. This figure presents a binned scatter plot of WFH feasibility in 2019 and WFH policy measures from the Flex Index provided by Scoop. Firms are grouped into 20 bins based on *WFH Feasibility*₁₉, and the figure plots the average *WFH Feasibility*₁₉ and *WFH Feasibility Flex Index* within each bin. The x-axis reports *WFH Feasibility*₁₉, and the y-axis reports *WFH Feasibility Flex Index*. All variables are defined in Appendix A.

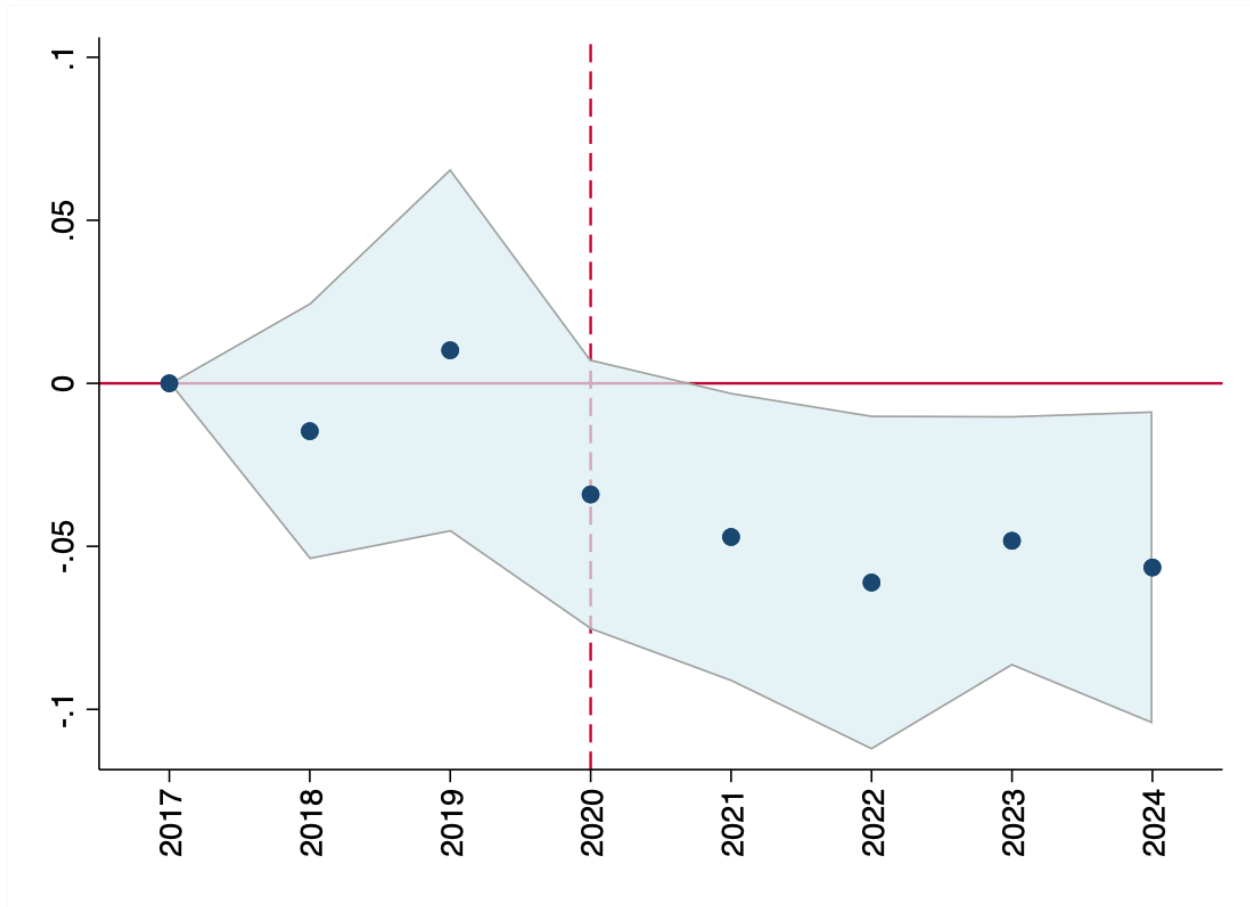


Fig. 5: Dynamic Effects of WFH on Financial Misconduct. This figure plots coefficient estimates on year-by-year indicators and their 90% confidence intervals from dynamic DiD estimations of Eq. (2), in which the dependent variable is *Misconduct*. Coefficient estimates are reported relative to 2017, the first pre-COVID year. The regression includes firm and year fixed effects, and all firm characteristics control variables in the regression. Standard errors are clustered at the Fama-French 48 industry level. All variables are defined in Appendix A.

Table 1: Descriptive Statistics

Variables	N	Mean	SD	P25	P50	P75
Misconduct	9,552	0.017	0.129	0.000	0.000	0.000
WFH Feasibility ₁₉	9,552	0.618	0.220	0.453	0.618	0.801
Post	9,552	0.620	0.485	0.000	1.000	1.000
SCAC	9,552	0.017	0.128	0.000	0.000	0.000
Restatement	9,552	0.000	0.014	0.000	0.000	0.000
Cash	9,552	0.157	0.178	0.032	0.096	0.210
Size	9,552	7.204	2.041	5.914	7.287	8.636
ROA	9,552	-0.070	0.653	-0.065	0.025	0.070
BTM	9,552	0.418	0.772	0.156	0.340	0.623
Loss	9,552	0.373	0.484	0.000	0.000	1.000
Leverage	9,552	0.321	0.365	0.112	0.290	0.438
Intangibles	9,552	0.205	0.220	0.012	0.119	0.351
Ln MV	9,552	7.370	2.120	6.038	7.508	8.835
Growth	9,552	0.143	0.593	-0.032	0.047	0.165
Dividends	9,552	0.228	0.792	0.000	0.000	0.277
Return	9,552	0.217	1.136	-0.220	0.043	0.349
Capex	9,552	0.035	0.038	0.010	0.023	0.045
R&D	9,552	0.074	0.169	0.000	0.007	0.082
WFH Feasibility LinkUp ₁₉	9,656	0.596	0.297	0.360	0.606	0.882
WFH Feasibility Revelio ₁₉	9,552	0.633	0.194	0.515	0.638	0.778
WFH Feasibility Flex Index	3,491	0.987	0.618	1.000	1.000	1.000
Log(Lawsuit Lag Days)	159	5.766	0.914	5.257	5.802	6.423
DAMc	6,962	0.120	0.198	0.015	0.053	0.147
DAMJ	6,962	0.184	0.277	0.031	0.097	0.238
DADD	6,962	0.120	0.195	0.018	0.056	0.148
Log(Audit Lag Days)	9,417	4.049	0.242	3.932	4.043	4.127
Log(Audit Fees)	9,417	14.410	1.105	13.756	14.458	15.080
Log(Comment Letters)	9,552	0.288	0.567	0.000	0.000	0.000
Effective 302	9,273	0.766	0.423	1.000	1.000	1.000
Effective 404	9,125	0.811	0.392	1.000	1.000	1.000
Governance Score	8,213	0.465	0.200	0.313	0.468	0.627
Teamwork	8,433	2.686	1.761	1.438	2.171	3.416
Overall Rating	8,419	0.589	0.190	0.465	0.583	0.708
CEO Rating	7,912	0.573	0.215	0.418	0.562	0.714
Senior Leadership Rating	8,135	0.492	0.198	0.353	0.476	0.600
WLB Rating	8,274	0.556	0.196	0.421	0.542	0.667

This table presents the summary statistics of the variables used in the paper. All continuous variables are winsorized at the 1st and 99th percentiles. All variables are defined in [Appendix A](#).

Table 2: Effect of Remote Work on Corporate Financial Misconduct

Panel A: Main Effects						
<i>Dependent Variable:</i>	<i>Misconduct</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Post × WFH Feasibility ₁₉	-0.044*** (0.014)	-0.047*** (0.014)				
Post × WFH Feasibility Indicator			-0.015** (0.007)	-0.016** (0.007)		
Post × WFH Feasibility Quartile					-0.023** (0.009)	-0.025** (0.009)
Controls	No	Yes	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R ²	0.037	0.040	0.037	0.039	0.038	0.042
N	9,552	9,552	9,552	9,552	4,787	4,787
Panel B: LinkUp Sample, Revelio Labs Sample, and Logit Regression						
<i>Dependent Variable:</i>	<i>Misconduct</i>					
	(1) LinkUp Sample	(2) Revelio Labs Sample	(3) Logit			
Post × WFH Feasibility LinkUp ₁₉	-0.030*** (0.008)					
Post × WFH Feasibility Revelio ₁₉		-0.048** (0.018)				
Post × WFH Feasibility ₁₉					-3.264*** (0.976)	
Controls	Yes	Yes	Yes			
Firm FE	Yes	Yes	Yes			
Year FE	Yes	Yes	Yes			
Adj. R ² (Pseudo R ²)	0.036	0.040	0.118			
N	9,656	9,552	870			

This table presents DiD estimation results of Eq. (2), where the dependent variable is *Misconduct* in all regressions. Panel A presents results based on the main sample. For brevity, we suppress the coefficients on the control variables here and report them in Appendix B. *WFH Feasibility Indicator* is an indicator variable that takes the value of 1 if *WFH Feasibility*₁₉ is above the median, and zero otherwise. *WFH Feasibility Quartile* is an indicator variable that takes the value of 1 if *WFH Feasibility*₁₉ is in the fourth quartile, and zero if *WFH Feasibility*₁₉ is in the first quartile. Panel B presents the results using the LinkUp sample, Revelio Labs sample, and a Logit regression on the main sample. We include control variables as described in Section 4. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

Table 3: Effect of Remote Work on Different Forms of Corporate Financial Misconduct and Detection Timeliness

Panel A: Effect on Different Forms of Corporate Financial Misconduct		
<i>Dependent Variable:</i>	(1) <i>SCAC</i>	(2) <i>Restatement</i>
Post $\times$ WFH Feasibility ₁₉	-0.047*** (0.014)	-0.001 (0.001)
Controls	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Adj. R ²	0.042	-0.022
N	9,552	9,552
Panel B: Effect on Timeliness of Class Action Lawsuits		
<i>Dependent Variable:</i>	<i>Log(Lawsuit Lag Days)</i>	
	(1)	(2)
Post	1.111** (0.507)	
WFH Feasibility ₁₉	1.237 (0.831)	1.181 (0.805)
Post $\times$ WFH Feasibility ₁₉	-1.340* (0.681)	-1.487** (0.674)
Controls	Yes	Yes
Industry FE	Yes	Yes
Year FE	No	Yes
Adj. R ²	-0.045	-0.001
N	159	159

Panel A of this table presents DiD estimation results of Eq. (2), where the dependent variables are *SCAC* in column (1) and *Restatement* in column (2). Panel B of this table presents DiD estimation results of Eq. (2), where the dependent variable is *Log(Lawsuit Lag Days)* across both columns, using a sample restricted to observations with *SCAC* = 1. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

Table 4: Effect of Remote Work on Discretionary Accruals

<i>Dependent Variable:</i>	(1) <i>DAMc</i>	(2) <i>DAMJ</i>	(3) <i>DADD</i>
Post $\times$ WFH Feasibility ₁₉	-0.072** (0.029)	-0.102*** (0.036)	-0.036 (0.043)
Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adj. R ²	0.500	0.392	0.493
N	6,962	6,962	6,962

This table presents DiD estimation results of Eq. (2), where the dependent variables are *DAMc* in column (1), *DAMJ* in column (2), and *DADD* in column (3). The sample period is from 2017 to 2023. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

Table 5: Effect of Remote Work on Monitoring Intensity

<i>Dependent Variable:</i>	(1) <i>Log(Audit Lag Days)</i>	(2) <i>Log(Audit Fees)</i>	(3) <i>Log(Comment Letters)</i>
Post $\times$ WFH Feasibility ₁₉	-0.016 (0.016)	0.036 (0.049)	0.007 (0.062)
Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adj. R ²	0.732	0.948	0.082
N	9,417	9,417	9,552

This table presents DiD estimation results of Eq. (2), where the dependent variables are *Log(Audit Lag Days)* in column (1), *Log(Audit Fees)* in column (2), and *Log(Comment Letters)* in column (3). Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

Table 6: The Role of Teamwork Intensity

<i>Dependent Variable:</i>	<i>Misconduct</i>	
	(1) High Teamwork	(2) Low Teamwork
Post $\times$ WFH Feasibility ₁₉	-0.058*** (0.016)	-0.034** (0.017)
Controls	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Adj. R ²	0.043	0.036
N	4,215	4,218
Coef. Diff.	-0.024*	

This table presents DiD estimation results of Eq. (2) for two subsamples, where the dependent variable is *Misconduct* in both columns. We partition firms by median *Teamwork*. Column (1) presents the estimates for above-median firms, and column (2) for below-median firms. We also report Wald tests comparing the coefficients on the interaction term *WFH Feasibility*₁₉ $\times$ *Post* estimated from the subsamples. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

Table 7: The Role of Governance and Internal Control

Panel A: Governance Environment				
Dependent Variable:	Misconduct			
	(1) High Gov. Score	(2) Low Gov. Score		
Post × WFH Feasibility ₁₉	-0.040** (0.018)	-0.070*** (0.026)		
Controls	Yes	Yes		
Firm FE	Yes	Yes		
Year FE	Yes	Yes		
Adj. R ²	0.044	0.037		
N	4,576	3,637		
Coef. Diff.	0.030			
Panel B: Internal Control				
Dependent Variable:	Misconduct			
	(1) SOX 302 Effective	(2) SOX 302 Ineffective	(3) SOX 404 Effective	(4) SOX 404 Ineffective
Post × WFH Feasibility ₁₉	-0.057*** (0.016)	-0.010 (0.021)	-0.055*** (0.017)	-0.012 (0.024)
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R ²	0.042	0.047	0.043	0.035
N	7,102	2,171	7,398	1,727
Coef. Diff.	-0.046*		-0.044	

Panel A of this table presents DiD estimation results of Eq. (2) for two subsamples, where the dependent variable is *Misconduct* in both columns. We partition the firms by the median *Governance Score*, which summarizes board and oversight structures, including board independence, committees, compensation, and shareholder rights. Column (1) presents estimates for above-median firms, and column (2) for below-median firms. Panel B of this table presents DiD estimation results for four subsamples, where the dependent variable is *Misconduct* across all columns. Columns (1)-(2) partition firms by *Effective_302*, and columns (3)-(4) by *Effective_404*. SOX 302 and SOX 404 internal control weaknesses proxy for the effectiveness of internal controls over financial reporting. Column (1) report results for firms with *Effective_302* = 1, column (2) for firms with *Effective_302* = 0, column (3) for firms with *Effective_404* = 1, and column (4) for firms with *Effective_404* = 0. We also report Wald tests comparing the coefficients on the interaction term *WFH Feasibility*₁₉ $\times$ *Post* across subsamples defined by the same variable. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

Table 8: The Role of Corporate Culture

<i>Dependent Variable:</i>	<i>Misconduct</i>					
	(1) High Overall Rating	(2) Low Overall Rating	(3) High CEO Rating	(4) Low CEO Rating	(5) High Senior Leadership	(6) Low Senior Leadership
Post $\times$ WFH Feasibility ₁₉	-0.023 (0.014)	-0.071*** (0.020)	-0.035*** (0.012)	-0.057*** (0.015)	-0.028* (0.014)	-0.065*** (0.016)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R ²	0.049	0.040	0.050	0.046	0.052	0.039
N	4,270	4,638	4,074	4,418	4,190	4,596
Coef. Diff.	0.048**		0.021		0.037**	

This table presents DiD estimation results of Eq. (2) for six subsamples, where the dependent variable is *Misconduct* in all columns. Columns (1)–(2) split firms by the median of the average *Overall Rating* over 2015–2019, columns (3)–(4) by the median of the average *CEO Rating* over 2015–2019, and columns (5)–(6) by the median of the average *Senior Leadership Rating* over 2015–2019. We report Wald tests comparing the coefficients on *WFH Feasibility*₁₉ $\times$ *Post* across subsamples defined by the same variable. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

Table 9: Changes in Corporate Culture

<i>Dependent Variable:</i>	<i>Overall Rating</i>		<i>CEO Rating</i>		<i>Senior Leadership</i>	
	(1) High Overall Rating	(2) Low Overall Rating	(3) High CEO Rating	(4) Low CEO Rating	(5) High Senior Leadership	(6) Low Senior Leadership
Post $\times$ WFH Feasibility ₁₉	-0.011 (0.036)	0.055** (0.022)	0.026 (0.040)	0.089*** (0.024)	0.030 (0.039)	0.072*** (0.026)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R ²	0.292	0.365	0.375	0.441	0.329	0.376
N	4,270	4,638	4,074	4,418	4,190	4,596
Coef. Diff.	-0.066		-0.064		-0.042	

This table presents DiD estimation results of Eq. (2) for six subsamples. Columns (1)–(2) split firms by the median of the average *Overall Rating* over 2015–2019, columns (3)–(4) by the median of the average *CEO Rating* over 2015–2019, and columns (5)–(6) by the median of the average *Senior Leadership Rating* over 2015–2019. The dependent variables are time-varying firm-level *Overall Rating* in columns (1)–(2), *CEO Rating* in columns (3)–(4), and *Senior Leadership Rating* in columns (5)–(6). We report Wald tests comparing the coefficients on *WFH Feasibility*₁₉ $\times$ *Post* across subsamples defined by the same variable. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

Online Appendix

OA.1. Results with Industry-Year Fixed Effects

Table OA.1: Effect of Remote Work on Corporate Financial Misconduct

Panel A: Main Effects						
<i>Dependent Variable:</i>	<i>Misconduct</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Post × WFH Feasibility ₁₉	-0.048** (0.021)	-0.053** (0.022)				
Post × WFH Feasibility Indicator			-0.015** (0.008)	-0.015** (0.008)		
Post × WFH Feasibility Quartile					-0.036** (0.018)	-0.037** (0.019)
Controls	No	Yes	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry × Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R ²	0.028	0.031	0.028	0.031	-0.001	0.004
N	9,552	9,552	9,552	9,552	4,787	4,787
Panel B: LinkUp Sample, Revelio Labs Sample, and Logit Regression						
<i>Dependent Variable:</i>	<i>Misconduct</i>					
	(1) LinkUp Sample	(2) Revelio Labs Sample	(3) Logit			
Post × WFH Feasibility LinkUp ₁₉	-0.033** (0.013)					
Post × WFH Feasibility Revelio ₁₉		-0.051* (0.028)				
Post × WFH Feasibility ₁₉					-8.849*** (2.511)	
Controls	Yes	Yes	Yes			
Firm FE	Yes	Yes	Yes			
Industry × Year FE	Yes	Yes	Yes			
Adj. R ² (Pseudo R ²)	0.029	0.031	0.206			
N	9,656	9,552	605			

This table presents DiD estimation results of Eq. (2), where the dependent variable is *Misconduct* in all regressions. Panel A presents results based on the main sample. Panel B presents the results using the LinkUp sample, Revelio Labs sample, and a Logit regression on the main sample. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

OA.2. Results Excluding COVID Period

Table OA.2: Effect of Remote Work on Corporate Financial Misconduct

<i>Dependent Variable:</i>	<i>Misconduct</i>		
	(1)	(2)	(3)
Post × WFH Feasibility ₁₉	-0.048*** (0.016)		
Post × WFH Feasibility Indicator		-0.017** (0.008)	
Post × WFH Feasibility Quartile			-0.024** (0.011)
Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adj. R ²	0.048	0.048	0.034
N	7,057	7,057	3,537

This table presents DiD estimation results of Eq. (2), where the dependent variable is *Misconduct* in all regressions. The sample period is from 2017 to 2024, excluding the years 2020 and 2021. *Post* is an indicator variable that takes the value of 1 in the years 2022, 2023, and 2024 and 0 in the years 2017, 2018, and 2019. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

OA.3. Placebo Test

Table OA.3: Effect of Remote Work on Corporate Financial Misconduct in Pre-Period

<i>Dependent Variable:</i>	<i>Misconduct</i>		
	(1)	(2)	(3)
Post_2018 $\times$ WFH Feasibility ₁₉	-0.001 (0.023)		
Post_2018 $\times$ WFH Feasibility Indicator		-0.006 (0.013)	
Post_2018 $\times$ WFH Feasibility Quartile			-0.005 (0.015)
Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adj. R ²	0.034	0.035	0.007
N	3,629	3,629	1,796

This table presents DiD estimation results of Eq. (2) in pre-period, where the dependent variable is *Misconduct* in all regressions. The sample period is from 2017 to 2019. *Post_2018* is an indicator variable that takes the value of 1 in the years 2018 and 2019. Standard errors are reported in parentheses and are clustered at the Fama-French 48-industry level. ***, **, and * indicate statistical significance at 1%, 5%, and 10%, respectively. All variables are defined in Appendix A.

OA.4. Alternative Specification

A potential concern is that corporate financial misconduct may be driven by local economic conditions in the regions where firms operate. The COVID-19 pandemic might affect the economic conditions of different counties and cities to varying degrees, raising the possibility that our estimation strategy in Eq. (2) captures the effects of changes in local economic conditions rather than the effects of COVID-19 and the associated WFH mandates on firms' internal coordination. To address this concern, we exploit cross-sectional variation in the telework feasibility of the firm's headquarter MSA as a pre-pandemic measure of WFH potential, following [Barrios et al. \(2024\)](#). Specifically, we estimate the following linear probability DiD model:

$$Misconduct_{i,m,t} = \alpha + \beta_1 WFH\ Feasibility\ MSA_{i,m} \times Post_t + \Gamma' X_{i,m,t-1} + \delta_t + \theta_i + \epsilon_{i,m,t}, \quad (3)$$

where i indexes firm, m indexes MSA, and t indexes year. $WFH\ Feasibility\ MSA_{i,m}$ is the share of teleworkable jobs in firm i 's headquarter MSA m from [Gupta et al. \(2022\)](#), measured in 2019. $Post_t$ is an indicator variable equal to 1 from 2020 onward, and zero otherwise. In addition to the firm-year controls included in Eq. (2), we include time-varying MSA-level economic variables: *Income*, the natural logarithm of total income; *Population*, the natural logarithm of total population; *GDP Growth*, GDP growth rate; *Unemployment*, unemployment rate. These variables control for local economic conditions that might confound our estimates. We include year and firm fixed effects, and cluster standard errors at the MSA level.

Below, we show that our main results are robust to the alternative specification in Eq. (3). Our variable of interest is the interaction term $Post_t \times WFH\ Feasibility\ MSA_{i,m}$, which captures the incremental change in financial misconduct for firms with higher telework feasibility after the pandemic compared to firms with lower telework feasibility. β_1 estimates the effect of WFH and stay-at-home mandates on financial misconduct.

This approach has important limitations. It assumes that a firm's WFH feasibility is determined entirely by the occupational composition of its headquarters MSA, even though many firms operate

across multiple locations. As such, the MSA measure conflates regional averages with firm-level exposure. By contrast, our preferred firm-level measure—constructed from LinkUp job postings and Revelio Labs workforce records—more precisely captures variation in remote work feasibility by incorporating both realized and prospective occupational structures. For this reason, we regard Eq. (2) as the preferred specification and present those results in the main text, while reporting the MSA-based design here as a robustness check.

Table OA.4.1: Definitions of Variables at MSA-Year Level

Variable	Definition
<i>WFH Feasibility MSA</i>	The percentage of jobs amenable to remote work in an MSA measured in 2019 from Gupta et al. (2022) .
<i>Population</i>	The natural logarithm of total population in an MSA.
<i>Income</i>	The natural logarithm of total income in an MSA.
<i>GDP Growth</i>	Annual growth rate of Gross Domestic Product (GDP) in an MSA.
<i>Unemployment</i>	The number of unemployed people as a percentage of the labor force in an MSA.

Table OA.4.2: Descriptive Statistics

Variables	(1) N	(2) Mean	(3) SD	(4) P25	(5) P50	(6) P75
Misconduct	21,184	0.018	0.133	0.000	0.000	0.000
WFH Feasibility MSA	21,184	0.396	0.049	0.369	0.395	0.420
Post	21,184	0.579	0.494	0.000	1.000	1.000
SCAC	21,184	0.017	0.130	0.000	0.000	0.000
Restatement	21,184	0.001	0.027	0.000	0.000	0.000
Cash	21,184	0.175	0.228	0.022	0.083	0.222
Size	21,184	6.192	2.921	4.398	6.640	8.187
ROA	21,184	-0.532	2.892	-0.160	0.008	0.049
BTM	21,184	0.409	1.213	0.149	0.421	0.805
Loss	21,184	0.432	0.495	0.000	0.000	1.000
Leverage	21,184	0.473	1.355	0.053	0.222	0.443
Intangibles	21,184	0.167	0.220	0.000	0.050	0.281
Ln MV	21,184	6.105	2.520	4.296	6.216	7.940
Growth	21,184	0.277	1.362	-0.046	0.050	0.193
Dividends	21,184	0.167	0.703	0.000	0.000	0.235
Return	21,184	0.284	1.523	-0.277	0.007	0.320
Capex	21,184	0.028	0.042	0.002	0.013	0.036
R&D	21,184	0.215	7.836	0.000	0.000	0.057
Population	21,184	15.089	1.219	14.502	15.351	15.797
Income	21,184	14.085	1.197	13.446	14.341	14.746
GDP Growth	21,184	0.028	0.033	0.012	0.026	0.046
Unemployment Rate	21,184	4.732	1.909	3.500	4.300	5.200

This table reports summary statistics for the variables in the paper. The sample period is from 2017 to 2024. The unit of observation is a firm-MSA-year. All continuous variables are winsorized at the 1st and 99th percentiles. Variables are defined in Appendix A and Table OA.4.1.

**Table OA.4.3: Effect of Remote Work on Financial Misconduct using MSA-Level Design
(Robustness Check)**

<i>Dependent Variable:</i>	<i>Misconduct</i>	
	(1)	(2)
Post × WFH Feasibility MSA	-0.097** (0.039)	-0.110*** (0.040)
Cash		-0.003 (0.010)
Size		-0.002 (0.003)
ROA		0.001 (0.001)
BTM		-0.003** (0.001)
Growth		0.001 (0.001)
Ln MV		0.008*** (0.002)
Loss		-0.007* (0.004)
Leverage		0.000 (0.001)
Capex		-0.024 (0.030)
Intangibles		0.015 (0.011)
R&D		-0.000 (0.000)
Dividends		-0.000 (0.001)
Return		0.001* (0.001)
Income		-0.064 (0.117)
Population		0.004 (0.106)
GDP Growth		0.025 (0.043)
Unemployment Rate		-0.001 (0.002)
Firm FE	Yes	Yes
Year FE	Yes	Yes
Clusters	MSA	MSA
Adj. R ²	0.033	0.035
N	21,184	21,184

This table presents the results from DiD estimation of Eq. (3), where the dependent variable is *Misconduct* in all regressions. The level of observation is a firm-MSA-year. Standard errors are reported in parentheses and are clustered at the MSA level. Levels of significance are presented as follows: * p < 0.1; ** p < 0.05; *** p < 0.01. Variables are defined in Appendix A and Table OA.4.1.

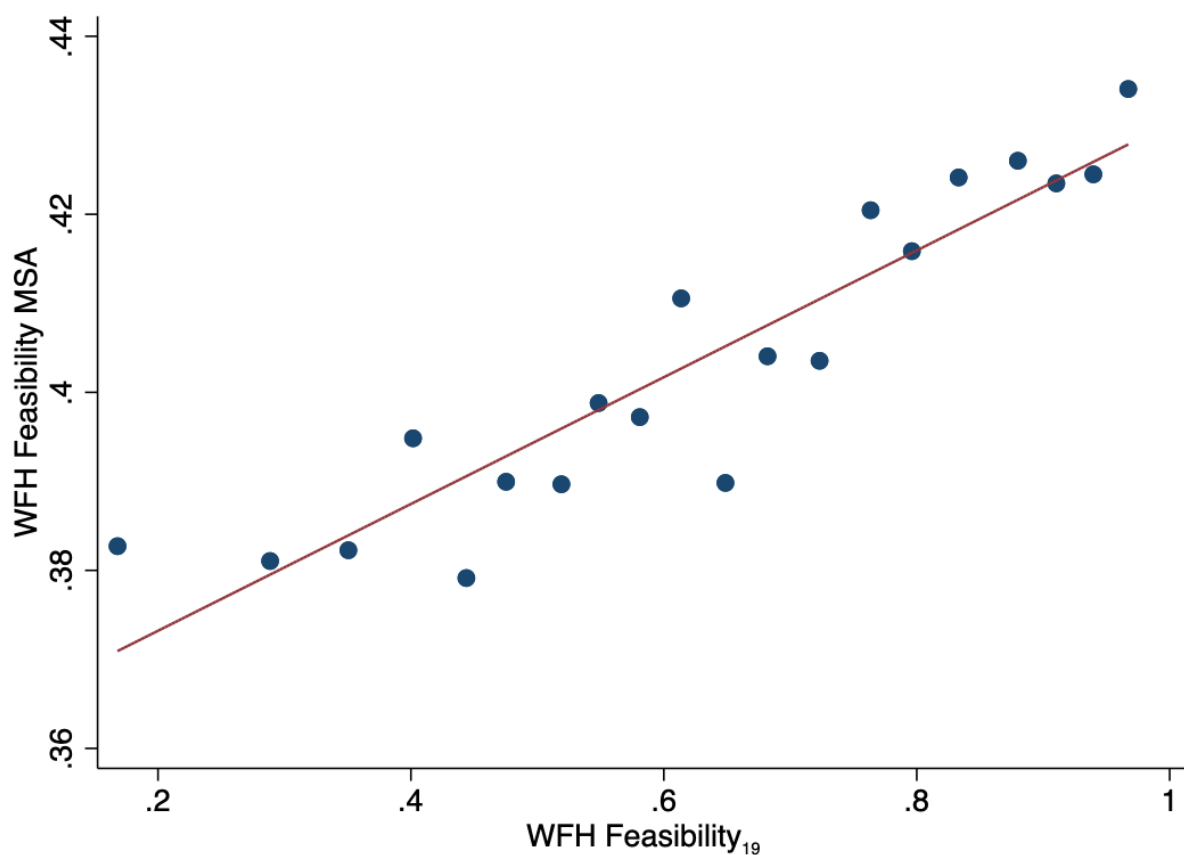


Fig. OA.4.1: Correlation between Firm-Level WFH Feasibility Measure and MSA-Level WFH Feasibility Measure. This figure presents a binned scatter plot of the firm-level WFH feasibility measure and the MSA-level WFH feasibility measure. Firms are grouped into 20 bins based on *WFH Feasibility*₁₉, and the figure plots the average *WFH Feasibility*₁₉ and *WFH Feasibility MSA* within each bin. The x-axis reports *WFH Feasibility*₁₉, and the y-axis reports *WFH Feasibility MSA*. All variables are defined in Appendix [A](#) and Table [OA.4.1](#).

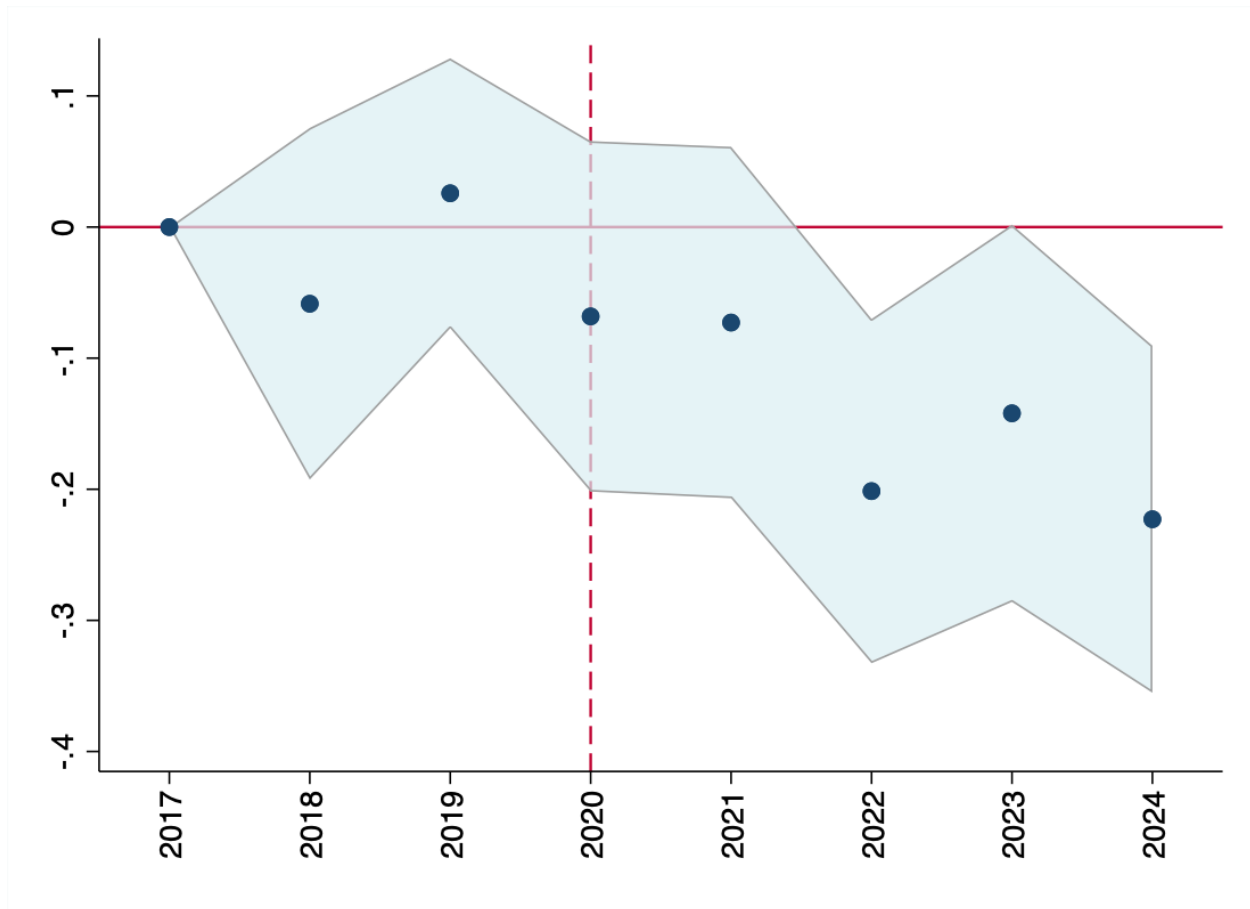


Fig. OA.4.2: Dynamic Effects of Work from Home on Financial Misconduct at the MSA Level.

This figure plots coefficient estimates on year-by-year indicators and their 90% confidence intervals from dynamic DiD estimations of Eq. (3) at the firm-MSA-year level, in which the dependent variable is *Misconduct*. Coefficient estimates are reported relative to 2017, the first pre-COVID year. The regression includes firm and year fixed effects, and all firm characteristics and MSA characteristics control variables in the regression. Standard errors are clustered at the MSA level. All variables are defined in Appendix A and Table OA.4.1.