This paper examines whether auditor independence is compromised resulting in a poor quality audit when the auditors provide substantial non-audit services to their client. Though prior studies have not found any such evidence, some recent studies have challenged this assertion (Gul et al, 2008; Lau, 2009). This study uses likelihood that a firm will violate GAAP (Beneish, 1999) as a proxy for audit quality when examining the question of auditor independence. Findings of this study are that the Fortune® 500 firms, whose auditors provide substantial non-audit services, tend to have a higher propensity to violate GAAP. This finding has policy implications for regulators who are considering making changes in the current regulations on the outsourcing of non-audit services to independent auditors.