Using the COSO model of internal control as a framework for ethics initiatives in business schools

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ABSTRACT

This paper proposes a comprehensive framework for monitoring, evaluating and improving ethics education in business programs. This proposal is based on the COSO Model of Internal Control that enjoys widespread acceptance by accounting practitioners in the United States. The paper concludes with suggestions for using this framework to guide the development of ethics initiatives by business schools and to the evaluation of such initiatives by accreditation agencies.

KEY WORDS: academic dishonesty, academic fraud, ethical culture, ethics framework, internal control
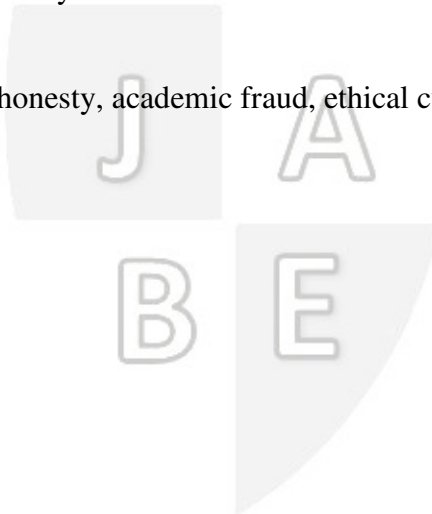
INTRODUCTION

With ethical scandals rocking the business world in increasing frequency and magnitude, the academic community is under pressure to improve the ethical reasoning skills and behavior of their graduates (Merino, 2006; Swanson, 2005)**.** This problem is particularly acute for business schools since their students self-report higher levels of cheating than their peers at both the undergraduate (McCabe and Treviño, 1995) and graduate levels (McCabe et al., 2006). Although a subsequent study did not replicate the higher levels of cheating by business school students, it did report that "business students tend to be more lenient in their definitions of cheating than other professional students" (Klein et al., 2007, p. 203).

Business schools have responded with a variety of initiatives including curriculum changes (Felton and Sims, 2005), organizational changes (Weber, 2006), and renewed interest in ethics research. These efforts have been accompanied by proposed business ethics models (Kibler, 1993; Caldwell, 2009) and another model that has been piloted (Weber, 2006). All of these models address facets of the issue, but none provide a comprehensive framework for addressing all aspects of this ethical crisis. To remedy this problem, the authors suggest that the academic world migrate a well-established framework for internal controls used in accounting from the pecuniary to the pedagogical arena. Specifically, the authors assert that the COSO Model of Internal Control (COSO, 1992), which is pervasive in the business world, can provide a comprehensive framework for colleges and schools of business to guide, coordinate, implement, and evaluate their efforts to improve the ethical development of students. This manuscript begins by developing an analogy between the operations of the business and academic worlds to provide the rationale for applying a well-accepted business model to the academic environment. With this foundation in place, this paper describes the COSO Model of Internal Control and explain how it can be adapted for use in education. This article concludes with suggestions for using this framework to guide the development of ethics initiatives by business schools.

APPLYING BUSINESS CONCEPTS TO EDUCATION

Although not intuitively obvious, educational institutions have much in common with today's business corporations. A corporation is owned by its shareholders and operated by its management. The owners, therefore, are outsiders who are unaware of the day-to-day activities conducted by the corporation. To determine the success or failure of the business operations, shareholders must rely on financial statements issued by management on a quarterly, or at least annual, basis. In addition, other outsiders, including banks, suppliers, trade unions, and government regulators, also rely on these financial statements. Similarly, educational institutions also have a variety of stakeholders, such as the student (Eaton, 2009), the student's parents who may be paying for their child's education, the federal financial aid programs, university foundation donors, the student's future employers (Nonis and Swift, 2001), and the general public (Boyle, 2004), all of whom rely on the institutions to provide information regarding the efficiency and effectiveness of the educational process.

The "Attest" Function and Internal Controls in Business

The problem with this arrangement is that those who operate the business are also the ones who issue their own "report card." This situation clearly creates the risk of management adulterating the financial statements to meet its own needs. For example, management might be

tempted to exaggerate profitability to persuade the shareholders that management is doing an excellent job of operating the business. On the other hand, management might wish to minimize the reported wealth and earnings of the entity in an attempt to convince a labor union that the business is financially incapable of meeting the union's demand for higher wages and benefits. To solve this credibility problem, corporations hire independent auditors to evaluate the entity's operations, recordkeeping system, and financial reports.

The independent auditors evaluate the risk of material misstatements finding their way into the financial statements (Applegate, 2004). These errors could originate in a variety of ways ranging from innocent ignorance or careless actions all the way to heinous acts of willfulness and fraud. To protect the assets of the business, as well as the integrity of the reporting process, businesses employ a system of internal controls. These internal controls are a set of procedures and policies governing the conduct and reporting of business operations (Rittenburg et al., 2007). The COSO model provides a framework whereby business organizations can develop a comprehensive and structured system of internal controls. When conducting the audit, internal controls will be identified, evaluated, and tested by the auditors to determine whether these procedures fulfill their intended purpose and are applied consistently and reliably (Applegate, 2004). The rationale is that a well-designed and properly functioning internal control system is more likely to produce financial statements that fairly present the results of business operations. Conversely, a deficient or dysfunctional system of internal controls carries greater risk of causing the financial statements to be misleading to outsiders who rely on them.

Because of the inherent complexity of internal control systems, auditors also rely upon the COSO Model to structure their investigation. Upon completion of the audit, the auditors issue an opinion indicating whether the auditors attest that the financial statements fairly represent the results of operations for the period in question. A favorable opinion issued by the independent auditors adds credibility, in the eyes of the outsiders, to the assertions made by management in the financial statements (Applegate, 2004; Arens et al., 2007).

The "Attest" Function and Internal Controls on Campus

Educational institutions also issue report cards, not only in the traditional sense of student transcripts, but also in the form of assertions to others outside the institution. These outsiders include not only the student and future employers of the student, but also other colleges to which the student may wish to transfer or to pursue a graduate degree. The assertions made by the educational institution take many forms. By maintaining a program in a particular discipline, the school asserts to current and potential students that competent faculty and adequate resources are available. Grades for specific courses reported on a student transcript are an assertion of the student's level of competency in that course. Similarly, by issuing a degree, the university asserts that the graduate has attained a measure of competence in a given discipline. Like the corporation, the educational institution needs an independent entity to evaluate the school's pedagogical activities and grade reporting system and to attest that the institution's program offerings, course grades recorded on transcripts, and degrees conferred to graduates fairly present the results of the educational activities. In academe, the attest function is performed by accreditation agencies. These private, nonprofit organizations scrutinize institutions of higher education, providing quality assurance to both students and the general public (Eaton, 2009).

When an accreditation agency reviews an educational institution's application for accreditation, the accreditors evaluate many aspects of the institution's educational operations,

including the competency of the faculty and the content of the curriculum. Most of the investigation can be conducted using generally accepted criteria, both qualitative and quantitative, in an objective manner. In contrast, the accreditors' review of a business school's ethics education efforts lacks a defined framework or protocol. The fundamental problem is that it is impossible to evaluate the output of an institution's ethics initiatives since the fruits of those efforts are evidenced only by the future conduct of the school's graduates when faced with an ethical dilemma. Pressured by the public's demand for improved ethics education and unable to evaluate output, accreditation agencies face the very complex task of reviewing a school's efforts to produce graduates who are able to identify and to respond to ethical quandaries. Accreditors readily acknowledge the importance of integrating ethics into the business school curriculum (AACSB, 2004). However, the lack of a comprehensive framework has limited inquiry to a collection of disjointed, though well-intentioned, efforts. The authors believe that an adaptation of the COSO Model of Internal Control can fill this need.

THE COSO MODEL OF INTERNAL CONTROL

The "Attest Function" and internal controls are useful theoretical concepts. However, in light of financial scandals such as Enron, WorldCom, and the more recent Bernie Madoff "Ponzi" scheme, one could argue that these concepts—especially "internal controls"—are not working well in practice. This point is well taken by the accounting profession which has been working diligently over the past few decades to improve the internal control concept, beginning with the establishment of the Treadway Commission.

The Treadway Commission and COSO

In 1985, the National Commission on Fraudulent Financial Reporting, more commonly known as the "Treadway Commission," was established with the sponsorship of the American Institute of Certified Public Accountants, the American Accounting Association, Financial Executives International, the Institute of Internal Auditors, and the Institute of Management Accountants. The Treadway Commission issued its report two years later, identifying causes of fraudulent financial reporting and making recommendations to corporate management, government regulators, and the public accounting profession (Tanki and Steinberg, 1993). The Commission also called for the sponsoring organizations to collaborate in an effort to integrate internal control concepts and definitions into a common framework.

Pursuant to this call, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) responded in 1992 by promulgating *Internal Control—Integrated Framework* (COSO, 1992). This framework, hereinafter referred to as the "COSO Model of Internal Control," has received wide and continuing acceptance in the accounting field's technical literature[1] and in federal legislation such as the Sarbanes-Oxley Act of 2002.[2] This well-respected model continues to serve the accounting profession as a basis for ethics initiatives in the business world (Olach and Weeramantri, 2009). Similarly, the authors propose that the COSO Model of Internal Control can provide a worthy framework as the basis for planning, implementing, and evaluating ethics initiatives in business schools.

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[1] *See e.g.,* SAS 78, SAS 109, and Auditing Standard No. 2.

[2] Sarbanes-Oxley Act of 2002, PL 107-204, 116 Stat 745.

Overview of the COSO Model

"Internal control" is defined by COSO as a process that is implemented by the entity's personnel and designed to provide reasonable assurance that the entity will achieve three categories of objectives: (1) effective and efficient operations, (2) reliable financial reporting, and (3) compliance with the applicable laws and regulations. This process is to be interwoven with the entity's business activities and implemented by those at all levels of the organization. Most significantly, this definition makes it clear that internal controls cannot guarantee achievement of the firm's objectives. Instead, only "reasonable assurance" can be provided.

The COSO Model is composed of five interrelated components, graphically represented as a pyramid (see Figure 1 in Appendix). The base of the pyramid is the Control Environment. This element is described as the enterprise's people, specifically their integrity, ethical values, and competence, and their work environment. Risk Assessment, the next layer, requires implementation of mechanisms to identify, analyze, and manage risks that threaten to prevent the company from achieving its objectives. The next layer is Control Activities. At this level, policies and procedures are designed and executed to address the risks identified by management in the Risk Assessment level. Monitoring appears at the top of the pyramid. The entire internal control process must be monitored and modified when the need arises. Finally, Information and Communication, depicted as the edges of the pyramid, represent the capture and transfer of data needed by the business to conduct and control operations. It must be emphasized that these five components are not linear steps. Instead, the model describes a "multidimensional iterative process in which almost any component can and will influence another" (COSO, 1992, p. 18).

USING THE COSO MODEL TO IMPROVE ETHICS INITIATIVES IN BUSINESS SCHOOLS

The COSO Model of Internal Control can be adapted to provide a comprehensive framework for evaluating the ethics initiatives implemented in colleges and schools of business by transferring the components of the model from the business context to an academic setting. Just as the COSO model plays a significant role in helping a business achieve its internal control objectives, this model can assist business schools: (1) to implement and maintain effective and efficient ethics initiatives, including the academic misconduct process; (2) to instill and nurture the academic integrity of administrators, faculty, staff, and students; and (3) to ensure compliance with laws and institutional regulations.

Control Environment or "Ethical Culture"

In the business world, the Control Environment "may be the most critical" element of an internal control system (Lightle et al., 2007). Similarly, the Control Environment or "Ethical Culture" of the school is the foundation of the school's ethics initiatives, and it must be established at the top level of the institution. Inclusion of an ethics component in the institution's mission statement is important, but the effort must not stop there (Whitley and Keith-Spiegel, 2001). Senior administrators must demonstrate whole-hearted commitment to developing a strong ethical culture by supporting efforts to enhance academic integrity throughout the institution and to improve the development of ethical reasoning skills in the classroom.

Administrators can encourage academic integrity by developing and implementing, not only an honor code (McCabe and Treviño, 2002), but also an academic misconduct process (Buchanan and Beckham, 2006; Risacher and Slonaker, 1996). The academic misconduct procedures must preserve the due process rights of the accused student. At the very least, the process must include a presumption of innocence and provide the student with an opportunity to present evidence in his defense before an impartial tribunal. In cases where the student either admits the misconduct or is found guilty at a hearing, the determination should be noted on the student's transcript to emphasize the serious nature of the offense. Ideally, the penalty also should include a remedial component. For example, at Kansas State University, sanctions for academic dishonesty may include participation in a "Development and Integrity" course (Roberts and Hai-Jew, 2009).

While the college's commitment to academic integrity should be articulated in the college's learning objectives and included in its assessment process, a well-developed academic misconduct process that is *followed* may send an even more powerful message to students. Administrators further "set the tone" by supporting faculty members who invoke the formal process when academic dishonesty occurs. Unsupported faculty often choose to ignore the unethical behavior of students or handle the situation themselves, potentially violating the student's due process rights (Stevens, 1996).

Schools can emphasize the importance of academic honesty by requiring students to agree to the honor code as a condition for admission to the program. The effect can be enhanced further by requiring reaffirmation of their commitment to uphold the honor code before allowing students to register for classes each semester and by requiring students to certify in writing that each exam or assignment submitted is his or her own work (Williams and Hosek, 2003). To enhance the effectiveness of honor codes, commentators recommend including students in the drafting process (Kidwell, 2001; Weber, 2006; Yahr et al., 2009).

As a corollary to the student honor code, schools also could develop a code of ethics for faculty (McKay et al., 2006). Such a code could require efforts to prevent student cheating, to follow institutional policies when student misconduct is suspected, to conduct one's own research according to ethical principles, and to resist the tendency toward grade inflation. The need for a faculty code of ethics can be demonstrated by a survey of more than 2,500 faculty members in which 44 percent reported ignoring at least one incident of suspected cheating (McCabe and Pavela, 2004).

In addition to promoting honesty in the classroom, administrators also can enhance the "Ethical Culture" of the school by encouraging and supporting faculty who make the development of students' ethical reasoning skills a priority in the classroom. This is a widely accepted goal, but the manner of implementation continues to be controversial. For example, accounting educators generally prefer to integrate coverage of ethics into existing courses (Blanthorne et al., 2007). In contrast, state boards of public accountancy appear to be moving toward requiring a separate ethics course in order to sit for the Uniform CPA Examination (Misiewicz, 2007; Hurtt and Thomas, 2008). Whether embedded in courses or offered as a separate course, the inclusion of ethics must be a "meaningful" component of the business curriculum (Wines, 2008). To accomplish this objective, Jennings (2004) suggests using seminal works on ethics and decision-making to prepare students for ethical dilemmas they likely will face in the workplace. Moreover, it is critical that students understand that the dynamic nature of business ethics (Svensson and Wood, 2008) will require them to include ethics as an important component of their continuing professional education throughout their careers.

Finally, administrators can demonstrate their ethics commitment by directing financial resources to ethics-related faculty development. As a minimum, faculty should receive training for the prevention and reporting of academic misconduct. Such training should emphasize due process requirements and the ethics objectives of the college. Faculty members—especially those who believe that it is too late to change the behavior of college students (McCabe and Pavela, 2004)—can further benefit from learning how moral development occurs (Kohlberg, 1984; Cano and Sams, 2011) and how moral development can be encouraged in the classroom (McNeel,1994).

Risk Assessment

Because of rapid changes in technology and the dynamic nature of society in general, risk assessment plays an increasingly important role, not only in the business world, but also in an academic ethics program. For example, businesses routinely evaluate the security and integrity of the data in their information systems. An important part of this evaluation involves evaluation of employee attitudes about complying with the security measure in place. If employees circumvent the security features of the information technology system by keeping their user names and passwords on a "post-it note" attached to their monitors, even the strongest security system is compromised. Similarly, academic institutions must routinely look for breakdowns in their ethics initiatives.

As previously mentioned, academic honesty in the classroom is a significant part of nurturing the "Ethical Culture" or Control Environment of the school. Unfortunately, it also is the area of greatest vulnerability. Consequently, the authors recommend that risk assessment focus on the following factors which appear to have significant influence on academic honesty: (1) student attitudes toward cheating (McCabe et al., 2001; Klein et al., 2007), (2) the opportunity to engage in misconduct without detection (Whitley, 1998), and (3) faculty and administration attitudes toward the enforcement of academic honesty (McCabe et al., 2001).

Student attitudes

Student attitudes toward cheating are influenced by many factors, including the perceived behavior of their peers and the student's self-confidence level (Smith et al., 2009). The belief that "everyone else is cheating" is a common rationale used by dishonest students to justify their unethical actions (Chapman et al., 2004). Similarly, a student's lack of confidence in his or her ability to successfully complete assigned coursework makes that student more vulnerable to the temptation to cheat (Elias, 2009). It is difficult to alter these attitudes that "normalize wrongdoing" (Miceli, 2009). But, social norm campaigns designed to correct the false assumption that "everyone cheats" may be effective in changing student attitudes and behavior (Chapman et al., 2004).

Societal and technological changes (Plowman, 2000) also have a profound effect on student attitudes and behavior. The internet makes it easy to download copyrighted music and movies for free. As more people engage in this conduct with apparent impunity, many students begin to accept the notion that theft of intangible assets is not wrong. Conversely, when a jury handed down a $1.92 million judgment against Jammie Thomas-Rasset for sharing 24 songs (Gohring, 2009), students receive the message that dishonesty can have serious consequences.

Cultural differences can have the same effect (Alas, 2006; Kumar and Strandholm, 2002; Granitz and Loewy, 2007; Chapman and Lupton, 2004). When international students come to U.S. schools, they bring with them the attitudes toward academic honesty that are prevalent in their society. To avoid misunderstandings, university orientation programs clearly must communicate the institution's expectations regarding academic integrity.[3]

The Opportunity to Cheat Without Being Detected

Technology not only can affect student attitudes toward cheating, it also can provide students with new ways to engage in this conduct. Cell phone texting makes it easy for students to communicate silently with others during examinations, and sophisticated calculators, that really are miniature computers capable of storing and retrieving text, make digital crib sheets possible (Hulsart and McCarthy, 2009). The proliferation of websites that sell research papers increases the risk of plagiarism (Campbell et al., 2000; Dante, 2010). Finally, distance education courses increase the risk that on-line exams and papers could be the work of impostors, rather than of the student who is enrolled in the course (Bates and Watson, 2008; Harmon and Lambrinos, 2008). This is especially important in light of the Higher Education Opportunity Act of 2008 which requires accrediting bodies to evaluate a school's efforts to ensure that the student who receives academic credit for distance education is the same person who actually performed the coursework.[4] All of these risks must be evaluated and addressed.

Faculty and administrator attitudes

In addition to student attitudes, faculty and administrator attitudes concerning the prevention of cheating and enforcement of the institution's academic misconduct policy must be considered (Davies et al., 2009). Faculty efforts to discourage cheating are important control activities, discussed below. However, of greater importance, is the faculty and administration's attitude toward prosecution of suspected academic misconduct. If faculty are reluctant to initiate misconduct proceedings, or if the administration is unwilling to provide the appropriate mechanism for review of suspected cheating, then the risk of punishment for cheating greatly decreases. This, in turn, has a deleterious effect on student attitudes toward academic misconduct (Granitz and Loewy, 2007; McCabe et al., 2001; Whitley and Keith-Spiegel, 2001).

Control Activities

In business, control activities are policies and procedures designed to safeguard the company's assets and to protect the integrity of the financial recordkeeping system. Business schools can emulate these efforts by developing and consistently following policies and procedures that are designed to deter or to detect unethical behavior, if it should occur.

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[3] For an excellent example of a student handbook that include expectations regarding academic integrity, see *Academic Integrity at the Massachusetts Institute of Technology: A Handbook for Students*, http://web.mit.edu/academicintegrity/handbook/handbook.pdf

[4] 20 U.S.C. §1099b(a)(4)(B)(ii).

Physical and electronic controls

Businesses use physical, mechanical, and electronic devices to protect their valuable assets and to restrict access to their information systems to authorized employees who possess the required log-in credentials. Similarly, schools must make the security of physical exam booklets a high priority (Cizek, 1999, p. 169). Faculty or trusted staff members, and not student workers, should photocopy the exams. After the exams have been printed, the booklets must be stored in a manner and location that protects them from unauthorized access prior to the exam. If hardcopy exams must be transported to remote sites to be administered to students enrolled in online or distance education courses, the same physical controls must be maintained. Finally, if an exam takes place in a crowded classroom, faculty should administer multiple versions, on different colored paper, to discourage cheating. Other prevention techniques, such as adequate proctoring, also should be employed.

Electronic exams for online courses require even more sophisticated safeguards, such as the use of Software Secure's Securexam® Remote Proctor (Bedford et al., 2009) or ProctorU.com (Kitahara et al., 2011). Securexam® Remote Proctor relies upon a special hardware device that includes a fingerprint reader, an audio recording device, and a special "webcam" that captures a 360-degree view of the exam environment. This system requires the remote test-taker to authenticate himself using a fingerprint reader and locks down the browser to prevent access to the web or information stored on the computer itself. During the exam, the "remote proctor" records the exam environment, including both audio and a 360-degree video view, the entire time the student is taking the exam. In contrast, ProctorU.com uses only a consumer-grade web camera, but it is more labor-intensive. ProctorU.com relies upon the test-taker's interaction, via video-chat technology, with a live proctor who conducts the authentication and exam-monitoring duties from a remote location.

The use of technology can enhance the integrity, not only of the examination process, but also of other coursework completed outside of the conventional classroom setting. To protect against plagiarism, schools can use commercial services, such as Turnitin.com, or free online services like PlagiarismChecker.com and Copyscape.com. These tools are not foolproof. However, consistent faculty use of such technologies will catch a sufficient number of transgressions to have an *in terrorem* effect, sending a strong message to students that the institution is serious about preventing this type of academic dishonesty.

Documentation and Recordkeeping

Just as businesses provide an "audit trail" of the transactions or business events that have occurred, an ethics initiative program in a business school needs to provide equivalent documentation of all aspects of this initiative. For example, the institution should include ethics in its mission statement and its learning objectives. The institution's honor code and academic misconduct policy should appear prominently in the university catalogs, on the college's website, and in the syllabi of all courses (Whitley and Keith-Spiegel, 2001). To facilitate the investigation of suspected academic misconduct, the procedures must be documented in the institution's academic misconduct policy. These procedures should include the appropriate forms, especially those that require relevant signatures, to be used during the process. Ideally, these procedures also should be described visually using flowcharts that represent the academic misconduct process from the perspective of the student, the faculty, and the administration. This will

eliminate most ambiguities about the process. Finally, the institution must provide a centralized and confidential record-keeping system for academic misconduct records (Whitley and Keith-Spiegel, 2001), including the related original student work. This is invaluable, not only for the purpose of identifying repeat offenders, but also for proving that the institution protected the due process rights of a student who ultimately is convicted of cheating.[5]

Segregation of duties

To provide good internal control of cash in a business, employees who are responsible for maintaining records of cash transactions must not be the same employees who have custody of the cash. Similarly, if dishonesty is suspected in an academic environment, the faculty member should not function as "judge, jury, and executioner" and assign a failing grade to the student. This clearly violates the student's right to procedural due process and exposes the institution to legal risk, as well (Rutherford and Olswang, 1981; Fox, 1988). Instead, these functions must be separated. For example, the university's legal staff should review academic misconduct policy for compliance with applicable laws and regulations. Faculty should test student work for academic integrity, report suspected violations, and appear at the hearing. The administration should provide a standing committee, comprised of both faculty members and students, to conduct academic misconduct hearings, when needed, and to maintain official academic misconduct records.

Monitoring

After designing and implementing a system of internal controls in a business setting, large organizations establish an internal audit department. These internal auditors examine business operations to make sure that employees are complying with the established internal controls and to identify and report any deficiencies in the design of the internal control system. A similar system of monitoring is essential for schools to make certain that the other components of their ethics initiatives are in place and functioning properly.

In the university setting, monitoring can take place in many ways, but the business concept of "assigning responsibility" seems particularly appropriate. Individuals, task forces, department chairs, etc. must be assigned specific monitoring responsibilities and held accountable. For example, curriculum committees can review ethics coverage in the curriculum, and department chairs can conduct a similar analysis of the ethics coverage as stated in course syllabi. Faculty attitudes can be monitored by including ethics-related questions in surveys and by maintaining statistics regarding the incidence and types of academic misconduct actually reported by faculty. Direct measures of student mastery of business ethics concepts can be included as part of senior exit exams. Surveying both students' and faculty members' perceptions of the extent of academic integrity violations occurring in the college also can be insightful, according to Papp and Wertz (2009). Finally, indirect assessment measures, such as employer surveys, can solicit information about the ethical behavior of graduates. The goal for all of these

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[5] *See Dixon v. Alabama State Board of Education*, 294 F. 2d 150 (CA-5, 1961), *Goss v. Lopez,* 419 U.S. 565 (1975), and *Board of Curators, Univ. of Missouri v. Horowitz,* 435 U.S. 78 (1978).

efforts is to measure *perception* not *intention* by searching for the message actually received by the intended audience (Lightle et al., 2007).

Even though the most appropriate parties to carry out these tasks will vary by institution, the important points are that monitoring must be *deliberate* and that monitoring tasks must fall under the responsibility of *specific* constituents of the college. In addition to identification and remediation of problems, monitoring also provides the means for continuous improvement of the system. Keeping abreast of emerging ethics research and pedagogical applications of such research is another aspect of monitoring. Periodically, an ethics task force should be appointed and charged with the task of reviewing all ethics-related data in order to identify and report weaknesses and to recommend solutions. This step closes the loop by identifying areas on which future risk assessment activities can focus.

Information and Communication

The first four components of the COSO Model—developing an ethical culture, assessing risk, implementing controls, and monitoring—all require the communication of relevant expectations and operations. Managers of a business enterprise cannot make informed business decisions without obtaining the information obtained by the other components of the COSO Model, especially from the monitoring component. Similarly, business school administrators cannot implement a successful ethics initiative without a healthy flow of information among the students, faculty and administration.

The honor code can serve a very important role in the Information and Communication component of an ethics initiative. As previously discussed, a school can nurture an ethical culture by enacting and communicating an honor code that is clearly understood by students, faculty, and administration. Communication of the honor code also is a logical response to the risk assessment function, since it attempts to modify student attitudes about academic integrity.

Similarly, wide dissemination of the institution's academic misconduct policy helps to mold student, faculty, and administration attitudes about the incidence and consequences of academic misconduct. This can be accomplished by including the honor code and the academic misconduct policy in university catalogs and course schedules, on the institution's website, and in new student orientation programs. To make sure that everyone understands the honor code and misconduct policy, the institution should define what constitutes cheating (Whitley and Keith-Spiegel, 2001), provide clear, context-specific examples of academic misconduct (Williams and Hosek, 2003), and identify the sanctions imposed on those found guilty of academic misconduct. Instructors can reinforce this message by communicating their expectations for academic honesty in course syllabi (McCabe and Pavela, 2004).

To encourage reporting of wrongdoing in the business world, companies often establish a "whistleblowing" system that functions outside the normal chain of command (Miceli et al., 2008; Kaplan et al., 2006). A similar mechanism is needed in academia. Ideally, business schools could provide a confidential channel for students and staff to report suspected misconduct. New areas of risk in regard to academic dishonesty should be disseminated to the faculty on a regular basis. Finally, the faculty should be apprised of the types and frequency of academic misconduct occurring in the college. This is a good example of how the communication component of the COSO Model can link the lower levels of the pyramid—ethical culture, risk assessment, and control activities—with the top of the pyramid, monitoring.

RECOMMENDATIONS

To implement an ethics initiative based on the COSO Model, the authors suggest starting at the base of the "pyramid" and begin with efforts to enhance the institution's control environment or "ethical culture." As previously discussed, students and faculty members should be included in all efforts to foster an Ethical Culture. However, all efforts are doomed unless key administrators throw the full weight of their financial and political resources behind the goal of maintaining an environment where ethics permeate all activities. Incorporating ethics into accreditation reports and assessment of learning measures can provide clear evidence of administrative support of the ethics initiative.

After laying the foundation of the pyramid, Risk Assessment efforts must be implemented and continuously updated. After making great efforts to establish an ethical culture, the institution must be vigilant to potential weaknesses and emerging threats that may develop in the future.

Once the areas of ethical risk are identified, Control Activities can be tailored to address those areas of vulnerability. Although unpleasant for faculty, Control Activities must be implemented to discourage ethical violations and to prosecute suspected transgressions if and when they do occur. If an ethics initiative lacks adequate control activities, it will be revealed as a sham and quickly will be disregarded by all parties.

At this stage in the pyramid construction, the focus must shift to Information and Communication. Expectations of ethical behavior likely will remain unfulfilled if they are not regularly communicated to all parties on a timely basis. Consistent with the multi-dimensional, iterative nature of the COSO model, Control Activities can be effective only if developed with input from Risk Assessment and communicated to all participants in the Ethical Culture.

Finally, the Monitoring function must be incorporated into the ethics initiative. Monitoring is the "central nervous system" of the ethical institution. The efforts of all of the other components of the COSO Model must be coordinated to harness the synergism essential to achieve the goal of optimal ethical operations.

Once all of the components of the COSO Model are in place, it may be tempting to "set it and forget it." But, that would be a terrible mistake. The COSO Model is not a prescription for exterminating unethical behavior once and for all. Instead, the model provides a blueprint (see Figure 2 in Appendix) of a dynamic system that evolves and adapts in response to future challenges. This adaptive behavior cannot take place unless all of the components of the COSO pyramid are functioning properly, as designed.

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APPENDIX

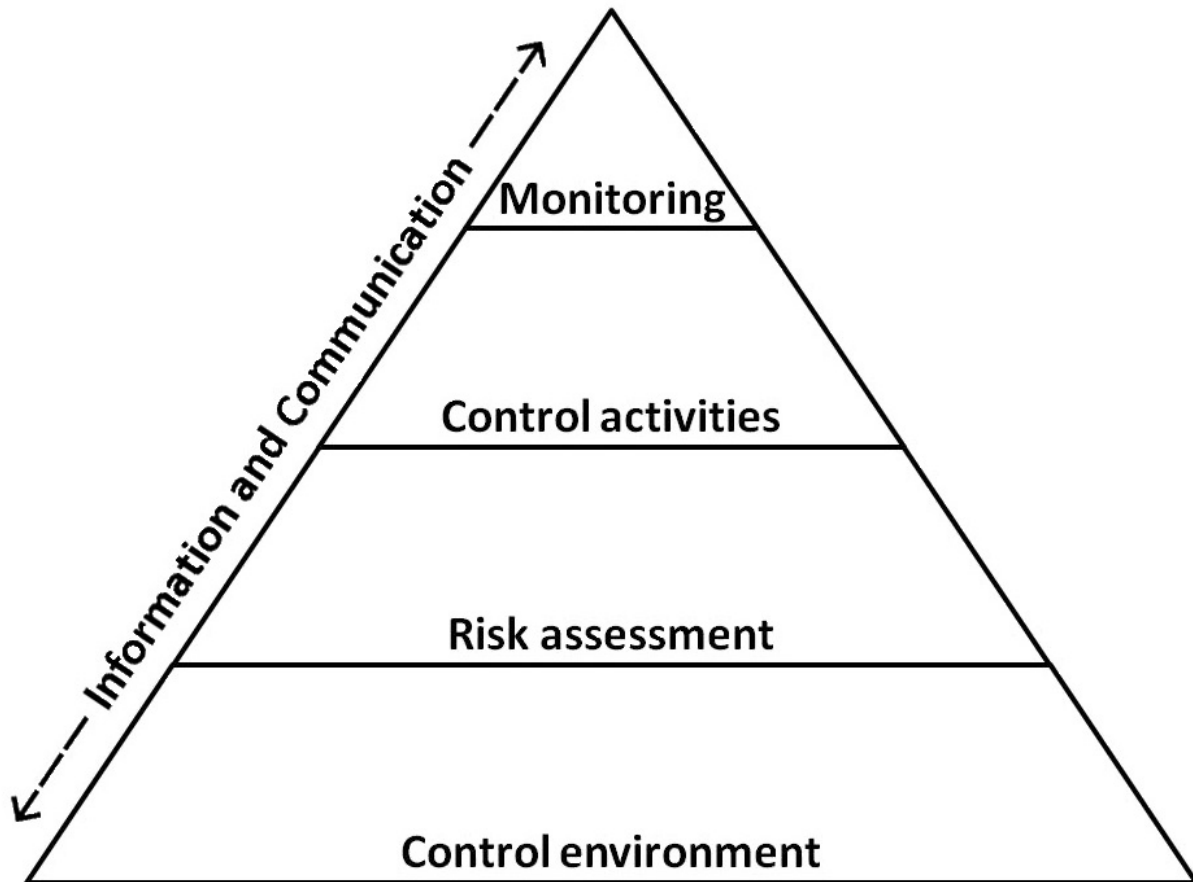**Figure 1. The COSO Model of Internal Control**

Figure 2. The COSO Blueprint for Ethics Initiatives in Business Schools

Control Environment
Senior administration must demonstrate commitment to ethics initiative.
Develop and implement an honor code for students.
Develop and implement an academic misconduct process.
Develop remedial component to punishment for academic misconduct.
Develop and implement an honor code for faculty.
Make the development of ethical reasoning skills a meaningful component of the business curriculum.
Risk Assessment
Implement social norm campaign to correct students' attitude that cheating is acceptable conduct.
Develop orientation program for international students that clearly communicates the institution's expectations regarding academic integrity.
Develop policies that reduce the opportunities to cheat on exams and papers without being detected.
Evaluate the attitude of the faculty and administration regarding the prevention of cheating and the prosecution of suspected academic misconduct.
Control Activities
Make examination security a top priority.
Consider the use of safeguards, such as Securexam Remote Proctor and ProctorU.com, for exams given in online courses.
Consider the use of safeguards, such as Turnitin.com, PlagiarismChecker.com, and Copyscape.com, to protect against plagiarism.
Include the honor code and academic misconduct policy in catalogs, syllabi, and institutional web sites.
Provide a standing committee, composed of faculty and students, to conduct academic misconduct hearings.
Maintain official records of all matters pertaining to academic misconduct.
Monitoring
Curriculum committees periodically review ethics coverage in the curriculum.
Department chairs periodically review ethics coverage in individual courses.
Measure student mastery of business ethics concepts in senior exit exams.
Solicit information from employers about the ethical behavior of graduates.
Periodically survey students' and faculty's perceptions of the extent of academic misconduct in the college.
Establish an ethics oversight task force to review all ethics-related data, to identify and report weaknesses, and to recommend solutions.
Information and Communication
Honor code includes definitions of cheating, provides clear, context-specific examples of academic misconduct, and identifies the penalties imposed for misconduct.
Develop a confidential channel for students to report suspected misconduct.
Periodically inform the faculty of the types and frequency of academic misconduct occurring in the college.