

Internal Controls: A Compendium of Short Cases

Constance M. Lehmann

ABSTRACT: The importance of a strong internal control system is a central theme in auditing and accounting information systems courses, taking on even more importance with the enactment of the Sarbanes-Oxley Act of 2002. Effective enterprise governance, the fulfillment of management objectives, and minimizing the opportunity for fraudulent activity are positively associated with the strength of the internal control system of a company (Peterson and Zikmund 2004). Six short, open-ended internal control cases are presented here. One or more of the cases can be utilized in auditing or accounting information systems courses. These cases address the following control issues: (1) hiring practices, (2) weaknesses in credit authorization procedures, (3) benefits and risks of new technology, (4) benefits and risks of remote access, (5) disaster recovery/business continuity plans, and (6) procedures for employee reimbursements. The cases can be used in small group or individual settings in traditional auditing classes, auditing classes with IT or internal audit emphasis, or accounting information systems classes.

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INTRODUCTION

The purpose of a strong internal control system is to reassure users of the reliability of the information in an organization's financial statements. A strong control system strengthens enterprise governance, allows management objectives to be achieved, and mitigates the risk of fraud by increasing employee perception of detection (Peterson and Zikmund 2004). Stakeholders want to feel confident that the organization is being run effectively and efficiently to preclude the possibility of fraudulent financial reporting or business failure. In addition, boards of directors, audit committees, and external auditors are expecting organizations to have strong internal control systems to reduce the opportunity for management wrongdoing, and to reflect good enterprise governance practices.

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Internal Controls and the External Auditor

The Foreign Corrupt Practices Act (FCPA 1977) requires publicly held companies to maintain an internal control system. External auditors must provide an opinion as to the fairness of the financial statements, as well as an attestation statement responding to management's assertions regarding internal controls over financial reporting (Sarbanes-Oxley Act, section 404). The framework used for the development of the company's internal control system is noted in the audit report—for example, the Treadway Commission's COSO Framework (1992) or the Enterprise Risk Management (ERM) Framework (2004).

To direct their efforts with clients, external auditors are also subject to a number of Statements on Auditing Standards. Examples include SAS No. 109 (AICPA 2007), requiring a risk assessment of potential material misstatement in the financial statements, and SAS No. 99 (AICPA 2001), requiring an assessment of potential fraudulent activity by the client in preparation of the financial statements. In addition, external auditors must abide by the standards issued by the Public Company Accounting Oversight Board (PCAOB), the most recent of which is Standard No. 5 (PCAOB 2007), developed to help guide external auditors as they examine an organization's internal control system. While management is ultimately responsible for the establishment, testing, and maintenance of the internal control system, the external auditors must do their own testing to attest to the adequacy of the control system and the reliability of the resulting financial statement information.

Internal Controls and the Internal Auditor

Internal auditors typically perform operational audits that require reviews of internal controls and evaluations of operational efficiency. While the Institute of Internal Auditors (IIA), the Information Systems Audit and Control Association (ISACA), and the IT Governance Institute (ITGI) have provided guidance for internal and IT auditors, the COSO framework is most often utilized in developing an organization's internal control system. In addition to monitoring controls, internal auditors are called upon to detect and deter fraud (Alverado 2007; Clemmons 2007). An understanding of controls and control activities aids the internal auditor in evaluating processes for potential fraudulent activity.

Internal Control Cases Illustrating the Components of the COSO Framework

Because of the pervasiveness of the COSO framework, the short cases that follow were developed to assist accounting students in understanding internal control issues related to analyzing/testing the COSO framework, but could easily be incorporated into dialog about other internal control frameworks such as the ERM framework.¹ Accounting students should be familiar with the COSO components, and should understand how the components are applied in an organizational setting. As mentioned earlier, these cases can be used in accounting information systems classes or auditing classes.

CASE LEARNING OBJECTIVES

Objectives of the Cases

Following are the objectives of these cases:

1. To help students apply what they are learning about the COSO framework components. Because the cases are purposely open-ended and relatively unstructured (similar to the

¹ For example, the cases could be used to illustrate and apply the following components of the Enterprise Risk Management (ERM) Framework: Cases 1 and 2 address the Internal Environment and Control Activities components of the ERM, Cases 3–5 address Risk Identification and to some extent, Risk Response components of the ERM, and Case 6 addresses the Monitoring component of the ERM framework.

- level-3 type problems discussed in Hansen [2006]), the students must apply a deeper understanding of the issues of the case and develop recommendations to improve the internal control system.
2. To introduce students to the application of the COSO framework in scenarios similar to real situations faced by auditors.
 - Case 1: Control Environment and Control Activities (hiring activities)
 - Case 2: Control Environment and Control Activities (proper authorization)
 - Case 3: Risk Assessment and Information Quality (information privacy)
 - Case 4: Risk Assessment (remote access)
 - Case 5: Risk Assessment and Control Activities (disaster recovery plan)
 - Case 6: Monitoring (employee reimbursements)
 3. To work in small groups (intact for the entire semester, as end-user or audit teams often are in practice) to develop recommendations to problems that do not always have a definitive/“right” answer.

THE CASES

Case 1: Control Environment and Control Activities: The Importance of Hiring Trustworthy Employees

Joe and Mary Gray started their multimillion-dollar home electronics and car audio store chain in Texas in the late 1970s. By mid-1983, their company had grown to 10 stores in 3 states with 500 employees and gross sales of \$30 million. The decline of the oil industry in the mid-1980s led to the company losing almost half of their employees. Additionally, as people moved to more economically viable states, employee turnover continued to increase. During this time, the Grays needed to fill a recently vacated Controller position in their main office. The position was crucial and required a person who was highly motivated and knowledgeable of operations. After interviewing several candidates, they decided to give Jeff Smith the position.

Jeff was nothing like the previous Controller. He was quickly labeled a “maverick” and was completing tasks that had been languishing for months. Many of the employees noticed Jeff in the office working early in the morning, late at night, and on weekends. On many occasions, Jeff stayed at the office all night and through the next day. He was eager to fill in for people away from the office due to illness, vacation, or business travel. He was improving the efficiency of the office and the Grays were elated at his performance. Within six months of Jeff’s arrival, the Grays expanded the Controller duties to include many office operations, and transferred these responsibilities to Jeff. Jeff’s charismatic personality and work ethic motivated many in the office to improve their work habits and efforts. The general consensus was that Jeff was an “inspired” choice for the position and had brought about a complete renewal of the business.

Approximately one year after Jeff was hired, Joe Gray noticed some anomalies after completing the physical inventories and year-end closing of the books. He met with Jeff on numerous occasions to try to resolve the discrepancies, but to no avail. Jeff and Joe worked on identifying the anomalies for about a month, meeting at the main office one Sunday afternoon to continue their search. Only Jeff and Joe were in the office that day. They took advantage of Joe’s extra long meeting table to lay out all of the ledgers and journals on the table in preparation for their search. After several hours, Joe began to make headway for the first time that afternoon. Jeff excused himself to take a smoking break while Joe continued to close in on the problem. Twenty minutes went by and Joe noticed that Jeff had not yet returned. He waited a few minutes and then went to see where Jeff had gone. Not finding him anywhere in the building, Joe checked outside—Jeff’s car was gone. Joe tried to call Jeff’s house later that day, but there was no answer. The following day, Jeff didn’t show up for work. Joe tried to contact him again at home, but he had moved, leaving no forwarding address.

As it turned out, Jeff had a long history of embezzling from companies—police and federal agencies had been looking for him for some time. Some of the ways Jeff was able to steal over \$2 million included:

- Printing checks and making the necessary reversing entries and using backup files to cover his tracks.
- Setting himself up as a vendor with a P.O. Box address, with checks mailed to that address every few weeks. The amounts on the checks were small, so they did not require a second signature.
- Jeff handled the cash collections, disbursements, and account reconciliations.
- Jeff was able to divert some of the checks received as payments on invoices by using the company's check endorsement stamp, signing the checks over to himself, and depositing them in his personal account.

When Joe came too close to the truth that Sunday afternoon, Jeff realized he was caught and left town. The authorities were contacted, but Jeff got away one more time by befriending everyone, having exemplary performance for the time he was with the company, and gaining everyone's trust—he was the “perfect employee.”

Questions

1. What were some of the factors that contributed to this situation?
2. What internal controls could have been in-place to prevent this from happening?

Case 2: The Control Environment and Control Activities: Proper Authorization of Credit

Richie was the Controller at Ralph Malph Enterprises (RME), a publicly traded sales-supported company. He started the job six months ago and after observing the activities in his area, he determined that the accounts receivables procedures needed to be tightened up. He approached Marion, the Accounts Receivable clerk, requesting her assistance in documenting the procedures related to new customer approvals, credit limits, and cash receipts. Marion indicated that there were no formal procedures for approving new customers—she received names and billing addresses from the sales representatives, Warren, Arthur, and Howard. When the information was passed on from the sales representatives, Marion then performed file maintenance to add the new customers to the customer master file without putting a customer file together for review. Marion then told Richie that the credit limit was set at whatever level the related sales representative told her to give the customer. As for cash receipts, Marion prepared the deposits and took the deposits to the bank, reconciling the bank statement on a monthly basis. Marion also entered the cash receipts into the system.

Richie was troubled, because according to the sales representatives and Marion, previous controllers and some of the executive-level management had never felt having formal authorization and review procedures for accounts receivable was important. Richie noted that this “tone at the top,” which was lackadaisical (at best), could lead to the perpetration of fraud throughout the organization. Richie realized that the combination of a lack of control procedures and a lax control environment could cause RME to have problems with the SEC due to lack of compliance with the Sarbanes-Oxley Act. He needed to get controls in place quickly, especially since the external auditors were due to arrive in less than three months.

Questions

1. Identify weaknesses in the current accounts receivable process (to include potential fraudulent activity) due to the lack of formalized procedures in the accounts receivables process.

2. What are your recommendations to improve the control environment and the procedures in the accounts receivables process?

Case 3: Risk Assessment: Information Privacy and the Cost/Benefits of a Proposed Online System

Happy Healthcare Systems of America (HHSA) is a third-party benefits administrator, providing a liaison between insurance companies and provider groups (physicians, hospitals, etc.). HHSA earns revenue by collecting from the insurance companies and then paying the provider groups for services rendered to eligible patients/members.

Since HHSA's operations are similar to that of an HMO, non-routine procedures, such as surgery or referral to a specialist, must be pre-authorized by HHSA in order for the service to be paid by HHSA. HHSA is considering acquiring an online service to expedite the authorization process. With this system, contracted providers would be allowed access to HHSA's database to initiate and review the status of a particular authorization. Providers would be able to enter data into the system such as diagnosis, requested treatment/procedure, and other data needed to determine the necessity of the procedure.

The determination of the suitability or necessity of these non-routine procedures is currently determined by HHSA case managers, who review and authorize the requested procedures or referrals. Under the proposed system, the provider would enter the data, allowing the case manager to pull up the data and start the authorization process. The new system would allow the entry of data or notes and would assign an authorization number to those procedures that are approved. Once the data is in the system, providers would be given access to check on the status of the authorization at any time.

Another aspect of the online system that should be considered is how the system will comply with federal and state laws, such as the Health Insurance Portability and Accountability Act (HIPAA), which restricts the access to and/or distribution of a patient's private health information to unauthorized persons. Therefore, some of those involved in the online system decision argue that providers should not have access to data for patients not under their direct care.

You are the chairman of the committee charged with determining the feasibility/acceptability of the proposed online system, and you will oversee the implementation of this system if it is accepted.

Questions

1. What recommendations would you make to HHSA regarding cost and benefits of an online authorization system?
2. How can HHSA ensure patient information confidentiality if this service is provided (for more information on regulatory requirements related to information confidentiality, visit <http://www.hhs.gov/ocr/hipaa>)?

Case 4: Risk Assessment and Information/Communication: Risks and Benefits of Remote Access

Your company has recently upgraded its accounting software. The consultant who installed the software has explained that a new option makes the system available through the Internet for staff (remote access capability). Previously, staff only had access to the system when they were physically in the headquarters building. With remote access to the system, they would be able to access the system from anywhere by entering their user name and password. Currently, user name and password specifications are not regulated. For example, passwords are allowed to be as short as three characters and may remain unchanged for up to six months.

Some of the staff expressed interest in being able to access the system from home, especially on weekends, instead of making the drive into town. Additionally, some managers have expressed a desire to be able to access some of the reports when they are away at business meetings. As the IT Audit Director, the decision as to whether to implement remote access is in your hands.

Questions

1. What issues should you consider before deciding whether to allow remote access?
2. What would be some of the risks in allowing remote access?
3. If remote access is allowed, what do you recommend as a password policy to minimize the opportunity for mishandling of remote access?

Case 5: Risk Assessment and Control Activities: Disaster Recovery Plan

AAA Inc., a pharmaceutical firm, provides discounted prescription drugs through direct mail. AAA has a small systems staff that designs and writes AAA's customized software. With the addition of a small staff of systems developers and software technicians, AAA has decided to maintain an in-house data processing function, rather than outsource it to a service bureau.

AAA has experienced significant sales growth due to the increased prices of prescription drugs. Medical insurance companies have been restricting reimbursements to minimize increases in premiums. AAA has purchased its own computer hardware because of its growth. The computer center is located on the ground floor of its two-story headquarters building. The large plate-glass window allows people entering the building to observe the activity in the computer center. Because the computer center often gets hot in the afternoons when the sun shines through the window, the door is sometimes left propped open while the computer center employees are working (it is always closed when no one is in the computer center). The computer area is equipped with halon gas fire suppression equipment, restricted access requiring a 4-digit code for entry (which is assigned to the employee based on their birth date), and an uninterruptible power supply system.

AAA has hired a small computer operations staff to operate this computer center. To handle AAA's current level of business, the operations staff is on a three-shift schedule (eight hours each), five days per week. Because there is little activity during the "graveyard" shift from midnight to 8 a.m., there is no supervisor in the computer center during that time, although the day supervisors rotate being "on call" if needed. AAA's systems and programming staff, now located in the same building, have access to the computer center and can test new programs and make program changes when the operations staff is not available. As the systems and programming staff is small and the work demands have rapidly increased, systems and programming documentation is developed only when time is available.

Periodically, but not on a scheduled basis, AAA backs up its programs and data files, storing them at an off-site location two blocks from the main office. Unfortunately, due to a tropical depression dumping 48 inches of rain in two days, AAA's building recently experienced severe flooding of three feet into the first floor, affecting not only the computer hardware, but also the data and program files that were on site. The plate glass window cracked, keeping the air conditioning system from cooling the center properly. In addition, the back-up files at the off site location were destroyed.

Questions

1. Describe at least three internal control weaknesses related to computer security that existed at AAA Inc. prior to the flood occurrence.

2. Describe at least three components that should be incorporated in a formal disaster recovery plan in order that AAA Inc. can become operational within 72 hours after a disaster affects its computer operations capability.
3. Identify factors other than the plan itself, which AAA Inc. should consider in formulating a formal disaster recovery plan.

Case 6: Monitoring Activities: Employee Reimbursements

In May 2007, a local chemical plant had an unfortunate accident. Chemicals leaked from a plant holding tank and seeped onto the parking lot. A number of employee vehicles were damaged and required repainting. The company agreed to reimburse employees for the cost of these repairs. Employees were instructed to submit their bills for the repairs to the Controller, Rob Trout. Rob would then issue a check to the employee for the amount of the bill. While the Internal Auditor Director questioned the Audit Committee about the monitoring of the reimbursements during a meeting a month after the accident, the Committee determined that procedures in place were adequate. Nine months later, at a full board meeting, someone made a remark about the fact that bills were still being turned in for reimbursement. By this time, the total of the damages reimbursed to employees had reached nearly \$150,000. After making inquiries, it was discovered that some of the “repairs” were for expensive paint jobs, upgrades, buffing, body repairs, and waxing. Further investigation revealed that thousands of dollars were reimbursed for paint jobs on cars that were damaged prior to the industrial accident. Moreover, some employees had turned in bills for similar jobs just a few months apart—in other words, some cars were reimbursed for the same repair twice. Although this appeared suspicious, no one caught it until the internal auditors came in one year after the accident (in response to the board’s inquiry) and reviewed the invoices and compared them with the employee list and cars repainted.

Questions

1. What steps should have been taken by the company to prevent this fraudulent activity from occurring?
2. How could information already in the accounting system have been used to minimize the opportunity for fraud?

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CASE LEARNING OBJECTIVES AND IMPLEMENTATION GUIDANCE

These cases offer a number of benefits to the students. By working in small groups, the students develop teamwork skills and learn from each other. The use of short cases is a more effective method to help the students focus on a specific topic, as students have a tendency to get frustrated with longer, more complex cases. Students then can apply the solutions they develop from working short cases to similar situations in their jobs (Aggarwal and Khera 1978). In addition, decision-oriented cases lead students to feel they have a better idea of the types of problems faced by real world professionals in their field (Montano et al. 2004). Third year undergraduates and graduate students might not yet have the cognitive skills to be able to solve longer cases, and shorter cases can help them develop critical thinking skills. The Bloom's Taxonomy (Bloom et al. 1956) levels of syntheses, analysis, and application are addressed in short cases by encouraging the students to work with a problem that allows them to develop an ability to reason and apply knowledge, while being challenged and evaluated in a manner appropriate to his/her level of learning. Some studies, such as Ashbaugh and Johnstone (2000) suggest that the use of a series of short cases with increasing expectations leads to students with better technical knowledge of accounting and better written communication skills. Problem-based learning (PBL) meets the objectives to integrate these skills (Barrows and Tamblyn 1980).

The nature of these PBL cases (some of which are based on actual experiences) are such that they represent the kind of unstructured, open-ended issues faced by auditors and accountants in their careers. The PBL approach was first popularized in medical education in Canada and Europe. Using this approach, the instructor presents the problem situation to the student in the same way it would be presented in reality, i.e., a case that is loosely structured and has no "correct" answer. The theory of PBL posits that by researching and investigating information on their own, students will understand the material better and will retain what they learn. Hence, the instructor becomes a discussion facilitator, helping and advising, rather than providing easy answers (White 1996). This approach has been used in various accounting classes and the effects of this approach on learning is discussed in studies such as Heagy and Lehmann (2005), Phillips and Vaidyanathan (2003) and Breton (1999).

Implementation Guidelines

These cases are appropriate for accounting information systems, IT auditing, and other auditing classes (such as auditing seminars or internal auditing classes), as they address issues related to the COSO framework (1992) of internal controls. The cases can be used in graduate or undergraduate level classes.² The cases can be used prior to the lecture on internal controls—for example as "trigger cases" to stimulate interest in the topic (Herreid 2008) or as recommended by the PBL approach (Hansen 2006 or Heagy and Lehmann 2005). Another suggestion would be to use the case(s) after the lecture on these topics to help the students develop a better understanding of the topic by applying their newly acquired knowledge in a realistic setting (e.g., the "capstone cases" suggested in Herreid 2008). They can also be used as out of class assignments either individually or as group assignments.

For the students in the institutions who have used the cases presented here, the most effective approach requires the students to solve the case(s) at the beginning of the three-hour class period, prior to the lecture portion of the class (i.e., as described in works such as Barrows [1986], Schmidt et al. [1996], and Heagy and Lehmann [2005]). The cases presented here have been used

² Even though these cases have been used in several different classes over the past six years, there has only been one instance where a student was taking two classes that were using the same cases in the same semester. Consequently, an instructor might want to consider this issue when teaching both auditing and AIS courses.

in both accounting information systems and IT audit with this approach over the past six years. More recently, the cases have been utilized as part of a class project in undergraduate/graduate auditing classes. In particular, non-traditional, commuter students who work full-time jobs while attending school find that their work experiences provide a rich resource for class discussion regarding the application of the concepts covered in the cases and in the textbook.

Administering the Cases in a Small-Group Setting

Use of the cases with groups is usually most effective when the groups consist of three to four members. This minimizes the opportunity for social loafing or free-riding (Bryant and Albring 2006). The instructors who have used these cases found it most effective if the roles of the group's "scribe" and "spokesman" are rotated for each of the cases when class discussion of the recommendations ensues. This encourages students (particularly international students) to participate and practice presenting recommendations in front of a group. Generally, each group is required to provide a response to each case question during the class discussion, and the groups' responses are turned in for a grade.³

Another approach is to allow the group to respond to the cases, presenting their results in a project report. This method was used successfully in two auditing classes that included both graduate and undergraduate level students.

Administering the Cases Individually

Although working these cases in small groups is probably most similar to what the students will encounter when dealing with these issues, the cases can be administered individually as an assignment after the lecture(s) on the COSO internal control framework, and turned in for a grade.

Feedback from Instructors and Students

In general, the students enjoy the cases, and they often make comments to that effect in the formal course evaluations. The cases here (as they evolved) have been used in the Accounting Information Systems courses (graduate and undergraduate levels) for the past six years as small group in-class assignments, and also more recently have been used in the IT Audit and Security course (graduate level) and Auditing courses (undergraduate). These cases have also been used at another university in both undergraduate and graduate AIS courses. Discussion with members of the author university's Accounting Advisory Board (made up of local employers who are either alumni or have worked with the university in other capacities) have encouraged the use of these cases and have provided feedback to the case narratives and recommended solutions. The overall response by the Advisory Board is that working these cases is helpful in preparation for working with clients and management.

Formal validation of the use of these cases began in the spring 2008 semester. The Appendix shows the survey form for the instructors and the students.

During the Spring and Summer 2009 sessions, an AIS instructor at another university used the cases in two undergraduate classes as in-class exercises, and in a graduate-level class as a final exam. Although formal surveys were not performed, the undergraduate students provided informal feedback to their instructor, suggesting that they enjoyed working the cases as a "change of pace" with a "realistic flavor." The graduate class did very well on the exam that included the cases, and student feedback to the instructor indicated that they thought the cases were a great way to "put their internal control knowledge to work." The instructor plans to continue using the cases as in-class exercises in future semesters.

³ In larger classes, it may be more effective to have each group write down their responses and randomly call on groups to provide their responses as part of the class discussion.

In the Spring 2008 semester, these cases were used in three graduate level courses (Accounting Information Systems, Auditing I, and IT Audit and Security) and one undergraduate level course (Auditing I) by different instructors at the author's university. The cases were administered to a group in each class of Auditing I as a group project. The auditing professor provided the following feedback

- He planned to continue using all six of the cases
- There was enough information to present/use the cases
- The students (n = 8) enjoyed using the cases in their group projects
- The employee reimbursement case (case #6) was the case that garnered the most discussion
- The proper authorization of credit case (case #2) helped him identify risk exposure learning gaps in the students' understanding of the importance of a strong control environment
- The cases related to the hiring of trustworthy employees (case #1), proper authorization of credit (case #2), and disaster recovery planning (case #5) were the best cases for illustrating the COSO.

Student feedback in the undergraduate auditing classes (n = 8), the graduate Accounting Information Systems class (n = 10), and the graduate IT auditing class (n = 7) can be found in Table 1. Overall, the student responses were positive. The majority of the students found the cases enjoyable teamwork exercises that helped them better understand the textbook material (including the COSO framework components) and control issues faced by professionals. The graduate students varied in their rankings of the cases, while the undergraduate students liked the two cases that included control environment issues the most, and the disaster recovery plan case the least.

TABLE 1

Summary of Student Feedback on Use of Cases

Student Feedback: Number of Students Who Agreed or Strongly Agreed with Statements (percent)			
Survey Statements	Undergraduate Auditing (n = 8)	Graduate IT Auditing (n = 7)	Graduate AIS (n = 10)
Cases were realistic	8 (100%)	8 (100%)	9 (90%)
Enjoyed working the cases	8 (100%)	7 (88%)	10 (100%)
Cases were good teamwork exercises	8 (100%)	8 (100%)	9 (90%)
Cases increased textbook knowledge	6 (75%)	7 (88%)	9 (90%)
Helped with understanding real world issues	6 (75%)	7 (88%)	10 (100%)
Cases helped with understanding COSO components	8 (100%)	6 (75%)	9 (90%)
Cases in class help with preparation for career	5 out of 7 responses (71%)	7 (88%)	9 (90%)
Ranking of cases	Highest: cases 1 & 2 Lowest: case 5	Highest: varied Lowest: varied	Highest: varied Lowest: varied
Cases			
Case 1: Hiring Trustworthy Employees			
Case 2: Proper Authorization of Credit			
Case 3: Information Privacy and Online System			
Case 4: Risks/Benefits of Remote Access			
Case 5: Disaster Recovery Plan			
Case 6: Employee Reimbursements			

Specific comments written on the surveys included comments such as “the cases helped me think analytically and also made the textbook material more clear.” Another student (IT auditing) commented that the cases were an “excellent idea” and “very relevant” to the class.

SUMMARY OF TEACHING NOTES

The Teaching Notes for this case include the following:

1. The recommended responses to the case questions. Because these cases are purposely developed to be open-ended and somewhat unstructured, there may not necessarily be a “correct” answer.
2. Suggestions for adapting the cases for use in the classroom.
3. Discussion notes to introduce the cases.

TEACHING NOTES

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APPENDIX

SURVEYS ADMINISTERED TO INSTRUCTOR AND STUDENTS

Instructor

1. Would you be inclined to use these cases again? If yes, please identify them in order of your preference.
2. Did you have enough information to use the cases effectively? If not, what additional information would you like to have?
3. Which case (or cases) was/were most helpful to you in identifying any learning gaps that the students had with regard to *understanding the COSO framework*?
4. Which case (or cases) was/were most helpful to you in identifying any learning gaps that the students had with regard to *the recognition of risk exposures*?
5. Do you think the students enjoyed the cases?
6. Which case encouraged the most discussion from the students?

Students

Please answer the following questions by marking a vertical line through the number that corresponds with your belief about that item. There are no “right” answers; we are interested in your opinion. Thank you!

1. The internal control cases provided realistic business situations.

0	10	20	30	40	50	60	70	80	90	100
Strongly Disagree		Disagree		Neutral		Agree				Strongly Agree

2. I enjoyed working on the internal control cases.

0	10	20	30	40	50	60	70	80	90	100
Strongly Disagree		Disagree		Neutral		Agree				Strongly Agree

3. Completing the internal controls cases were good teamwork exercises.

0	10	20	30	40	50	60	70	80	90	100
Strongly Disagree		Disagree		Neutral		Agree				Strongly Agree

4. The internal control cases added to my textbook knowledge and helped me to better understand the “real world” issues faced by professionals when dealing with control issues.

0	10	20	30	40	50	60	70	80	90	100
Strongly Disagree		Disagree		Neutral		Agree				Strongly Agree

5. The internal control cases helped me to better understand “real world” control issues that I might face in my career.

0	10	20	30	40	50	60	70	80	90	100
Strongly Disagree		Disagree		Neutral		Agree				Strongly Agree

6. The internal control cases helped me to better the application of the COSO framework components.

0	10	20	30	40	50	60	70	80	90	100
Strongly Disagree		Disagree		Neutral		Agree				Strongly Agree

7. I believe I would learn more and would be better prepared for the business world if my accounting professors would use more case studies like the internal control cases.

0	10	20	30	40	50	60	70	80	90	100
Strongly Disagree		Disagree		Neutral		Agree				Strongly Agree

Please rank each of the cases from “1” (your favorite) to “6” (which would be your least favorite case of the six below).

___ Control Environment and Control Activities: The Importance of Hiring Trustworthy Employees

___ The Control Environment: Proper Authorization of Credit

___ Assessment: Information Privacy and the Cost/Benefits of a Proposed Online System

___ Risk Assessment: Risks and Benefits of Remote Access

___ Risk Assessment and Control Activities: Disaster Recovery Plan

___Monitoring Activities: Employee Reimbursements

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