

Leading an Early-Curriculum Discussion on Professional Integrity

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Abstract

Going back almost twenty years in response to ethical lapses in the profession, accounting leaders have urged educators to specifically focus on the AICPA's Principle of Integrity. Despite this, a review of leading textbooks in financial, managerial and intermediate accounting and even auditing reveal that coverage of professional integrity is surprisingly limited, leaving instructors poorly positioned to teach this critical principle. Accordingly, this paper offers instructors an easy-to-implement, early-curriculum discussion of the AICPA Code of Conduct's Principle of Integrity. Results from our study reveal that undergraduate students who participated in the discussion reported higher ratings on important elements of integrity relative to members of a control group. Further, we found that participating students also demonstrated a greater sensitivity to unprofessional, deviant workplace behavior. An affront to the AICPA Code and its Principle of Integrity, workplace deviance has been a detriment to the profession for several decades. Consequently, our study suggests that exposing students to the AICPA's Principle of Integrity can both potentially bolster appreciation for the good and buttress against the compulsion to do bad.

Background

Ethical codes, such as the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct (2014; AICPA Code) and the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants deserve an important place in accounting education. After troubling trends in the late 20th century during which a hyper-focus on revenue growth compromised independence and ultimately led to devastating audit failures, practitioners and academics agreed: a renewed emphasis on professionalism and ethics was needed within the accounting curriculum (Voynich 2004; Wyatt 2004; Kidwell, Fisher, Braun, and Swanson 2013; Bordeman and Westermann 2019; Smith and Smith 2021). Wyatt (2004) urged that ethics should be "incorporated throughout the curriculum and not left to be dealt with as an appendage to an auditing course" (p. 53). Correspondingly, professional and accrediting entities such as the International Federation of Accountants (IFA 2010; 2019) and the Association to Advance Collegiate Schools of Business (Phillips, Blood, Bosland, Burke, Conrad and Fernandes 2004) include a requirement for ethics education within their standards.

Upon becoming then-chairman of the AICPA board of directors in 2003, S. Scott Voynich put a finer point on an appeal for ethics. He emphasized the specific importance of "integrity", asserting that it is the driving force behind the profession's core values and asserted that CPAs need to better understand how to "live by the spirit as well as the meaning of integrity" (Voynich 2004, 75). Consistently, another prominent professional body, the National Association of State Boards of Accountancy, strongly states that integrity is a core element of ethics and further, that ethics education that provides a foundation for integrity as well as the core values of objectivity and independence

must be embedded into an accounting curriculum either by a standalone, dedicated course or rather, by incorporation into every course (NASBA 2020).

Despite this call for a greater focus on integrity, its coverage in undergraduate accounting education remains limited. Rather than being “incorporated throughout the curriculum” (Wyatt 2004), this research reveals that major textbooks commonly used in introductory, intermediate and auditing courses give it scant attention. This leaves instructors to develop their own integrity-based content or ignore it altogether. The purpose of this research is twofold: (1) to give instructors an integrity-centered resource which can be easily integrated into an early curriculum undergraduate accounting course and (2) to demonstrate the effectiveness of this resource with respect to student outcomes. Specifically, our research shows that undergraduate accounting students who participated in the integrity discussion had statistically higher ratings on important elements of integrity relative to a control group. Interestingly, participating students also demonstrated a greater sensitivity to deviant workplace behavior.

Theoretical Framework and Review of Prior Research

Broadly defined, integrity encompasses a strong “adherence to a code of especially moral or artistic virtues” and a sense of “incorruptibility” (www.merriam-webster.com). The International Ethics Standards Board of Accountants (IESBA) calls integrity “the principle (which) imposes an obligation on all professional accountants to be straightforward and honest in all professional and business relationships” and notes that it “implies fair dealing and truthfulness” (IESBA Code of Ethics for Professional Accountants 2018, Section 110). The AICPA’s Code of Professional Conduct is direct: “Integrity” is the cornerstone of the profession. Specifically, it elaborates:

Integrity is an element of character fundamental to professional recognition. It is the quality from which the public trust derives and the benchmark against which a member must ultimately test all decisions. . . . Service and the public trust should not be subordinated to personal gain and advantage. Integrity can accommodate the inadvertent error and honest difference of opinion; it cannot accommodate deceit or subordination of principle. . . . Integrity is measured in terms of what is right and just. In the absence of specific rules, standards, or guidance, or in the face of conflicting opinions, a member should test decisions and deeds by asking: “Am I doing what a person of integrity would do? Have I retained my integrity?” Integrity requires a member to observe both the form and the spirit of technical and ethical standards; circumvention of those standards constitutes subordination of judgment. (AICPA Code of Professional Conduct 2014, Section 0.300.040).

Despite the accessibility of the AICPA’s Code and the broad call to integrate and incorporate “Integrity” throughout the undergraduate accounting curriculum, the AICPA’s Principle of Integrity receives surprisingly limited attention. In coordination with this research, we reviewed the leading textbooks for each of the required early-curriculum accounting major courses. Specifically, we examined three highly-popular financial accounting (introductory) textbooks, three managerial accounting (introductory) textbooks, three intermediate accounting textbooks and four auditing texts. Here is what we found.

While the financial accounting texts (Warren, Reeve and Duchac 2018; Kimmel, Weygant and Kieso 2019; Spiceland, Thomas and Herrmann 2022) each provide brief (1-2 page) explanations of the importance of general ethics in accounting, none reference the AICPA Code nor professional integrity. Similarly, our review of managerial texts (Garrison, Noreen and Brewer 2021; Weygant, Kimmel and Mitchell 2020; Warren and Taylor 2020) reveals that these books mention ethics only broadly. None of these managerial accounting textbooks reference the AICPA’s Code of professional integrity.

Though the Intermediate textbooks all incorporate some mention of the AICPA, they do so in limited ways. Kieso, Weygant and Warfield (2022) briefly reference the AICPA as a historical financial standard-setting group while Spiceland, Nelson and Thomas (2020) mention the AICPA as an organization that prescribes ethical conduct. Going the furthest toward making a connection with professional integrity, Wahlen, Jones and Pagach (2020) provide a brief (1-2 page) discussion of the importance of ethics and integrity in accounting that includes a list of the AICPA Code’s principles with single-sentence descriptions.

While we expected our review of auditing textbooks to provide rich discussion of the AICPA's Principle of Integrity, even here it is overlooked. While these textbooks give attention to the AICPA's Code, they focus on the requirement for independence, with little to no mention of integrity. Specifically, the four major Auditing textbooks (Johnstone, Gramling, and Rittenberg 2019; Messier, Glover, and Prawitt 2019; Arens, Elder, Beasley, and Hogan 2020; Louwers, Bagley, Blay, Strawser, and Thibodeau 2021) each included a chapter or module on "professional ethics" or "professional conduct" with some reference to the AICPA Code.¹ However, a close examination shows that the majority of coverage (approximately 6-9 pages in each textbook) relates to the AICPA Code's Independence Rule (Section 1.200). Passing references to integrity relate to the Integrity and Objectivity Rule (Section 1.100.001), not the Principle of Integrity (Section 0.300.040), which is the focus of this study.

Despite its omission from leading textbooks across core undergraduate accounting courses, there is considerable reason to believe a better curricular focus on the AICPA Code's Principle of Integrity will have great benefit. Broadly speaking, exposure to critical moral codes matters. Several studies have demonstrated that students involved in various experiments who were somehow exposed to the Ten Commandments made better moral decisions than those not exposed (Tang 2016). Over two decades ago, a pair of accounting researchers showed that in-class exposure to the AICPA Code favorably impacted students' moral reasoning (Green and Weber 1997). More recent research in accounting corroborates this: Jelinek (2018) showed that student exposure to the language of the Code's Integrity Principle helped shape their understanding of auditor behavior. Fatemi, Hasseldine and Hite (2020) demonstrated that when tax professionals were presented with the AICPA's integrity standard, it affected their decision-making, even in a "clear cut" real estate tax case. Specifically, this study showed that when professionals were primed with excerpts from the AICPA's Principle of Integrity, rather than the AICPA's Principle of Advocacy, they made more conservative (i.e., less client-favorable) decisions. Further, auditor integrity has generally been associated with better fraud prevention (Rifai and Mardijuwono 2020) and is the basis for the public's trust and confidence in the accounting profession (Rogers, Dillard and Yuthas 2005).

Accordingly, we believe exposure to the AICPA's Integrity Principle could help the accounting profession address problems with deviant workplace behavior. A phenomenon that has gained considerable interest among business researchers in the past two decades (Darrat, Amyx and Bennett 2017; Jelinek 2012; Jelinek and Ahearn 2006; Jelinek and Ahearn 2010; Yoo and Frankwick 2013), workplace deviance is defined as "voluntary behavior of organizational members that violates significant organizational norms and, in so doing, threatens the well-being of the organization and/or its members" (Bennett and Robinson 2000). Covering a whole span of unprofessional behaviors which have dogged accounting firms for years (Jelinek 2012), deviant workplace behavior can be menacing. Researchers explain that professionals can direct deviant behavior at their own organization (organizational deviance), at others with whom they work (interpersonal deviance) and even prospective clients and other stakeholders outside the organization (frontline deviance). Within accounting, deviance can include things like slacking off on the job, fudging expense reports, finger-pointing and blaming co-workers, pushing one's work off onto other members of the team, speaking badly about the firm in front of clients, breaking client confidentiality and disrespecting client rules, among others.

Research Questions

Given its critical nature to the accounting profession, early integration of the AICPA's Integrity Principle into the undergraduate accounting curriculum is essential. In addition to needing to make such integration easy on instructors given the breadth and depth of more technical concepts needed to be covered in early curriculum courses, coverage of integrity needs to be time efficient and effective. Accordingly, we developed an easy-to-implement, early-curriculum integrity discussion aimed at helping students understand professional integrity and what it requires of them. To assess the efficacy of our discussion, we asked the following research questions (RQ):

- RQ1: Will students exposed to the integrity discussion indicate higher ratings on important elements of integrity relative to a control group of students not exposed to the discussion?

¹ These texts are the most recent versions of those sampled in Bordeman and Westermann (2019).

- RQ2: Will students exposed to the integrity discussion demonstrate greater sensitivity to deviant workplace behavior relative to a control group of students not exposed to the discussion?

Integrity Discussion, Learning Objectives and Implementation Guidance

Though the integrity discussion can be delivered in any undergraduate or graduate accounting course, it is ideally suited for delivery to students early in their major coursework, such as junior-year students enrolled in Intermediate Accounting. We believe that the Intermediate Accounting course is best suited for this discussion as students taking the course have already been exposed to the basics of accounting across financial and managerial principles courses and are engaging in higher-level accounting coursework. Thus, they are positioned to gain a richer picture of accounting's role in society, the part auditors play as guardians of the public trust and the impact of audited financial statements on the functioning of capital markets.

Objectives of the curricular innovation are to:

- Expose students to the AICPA's Code of Professional Conduct Principle of Integrity.
- Prompt students to consider the concept of professional integrity, encouraging discussion of what firms and individual auditors owe the profession, their clients and the public.
- Equip students with an understanding of integrity so that they can evaluate various forms of workplace deviance with greater sensitivity.
- Prepare students to incorporate a conceptual understanding of integrity as they move through the accounting curriculum and engage with more advanced content in areas such as financial reporting, auditing and information systems.
- Prepare students as future professionals who possess an understanding of professional integrity in addition to a technical skillset.

Implementation Guidance

We employed and validated the discussion on the AICPA Code's Principle of Integrity in two sections of Intermediate Accounting I. Participating students were predominantly juniors (93%) with no previously acquired course-based knowledge of the AICPA Code. Further, the students did not prepare to participate in the discussion in any way other than being present in class.²

Utilization of the discussion involves the instructor delivering a PowerPoint slide set (slide set) and facilitating a related conversation about integrity. This learning strategy can be used comfortably in either a 50-minute or a 75-minute class session; the longer (75 minute) session allows for multiple small group breakout sessions to be interspersed within the larger class conversation, whereas the small group meetings can be shortened or omitted when time constraints exist. To prepare to deliver the slides, an instructor will want to access the slide set (displayed in Figure 1 and available electronically upon request of the authors) and become familiar with the content. Because the slides are geared toward younger students who have not had exposure to the AICPA Code, the content slides are very detailed and as such, accounting instructors should not have to invest significant amounts of time preparing for the discussion. In addition to content slides, there are also question slides that are intended to spur student engagement throughout the session.

Before specifically addressing the AICPA Code and its Principle of Integrity, the instructor can present the initial slides, which provide background on financial statement auditing. Students enrolled in Intermediate Accounting courses will understand that the financial statements are the culmination of a company's accounting cycle but will

² The discussion can be delivered in both in-person and online courses.

not necessarily grasp the concept that they are independently audited to provide assurance to the public that they are prepared in accordance with Generally Accepted Accounting Principles (GAAP).³ After this introduction, a question slide prompts the instructor to tell the students that they will look at some audited financial statements and related audit reports and puts forth the following: What companies are you interested in looking at? What accounts do you see on the income statement? What accounts do you see on the balance sheet? What are the values of those accounts, expressed in dollars? What does the audit report tell us? Why do you think the audit report is important, and to whom does it matter? If time allows, students can take 10-15 minutes to access 10-K reports of companies of their choosing and answer the related questions in smaller breakout groups; in a shorter session, the instructor can facilitate this process with the entire class.

When the instructor believes that students have seen at least one audit report (either in a small group or with the class) and given its importance some consideration, he/she can continue to move through the presentation slides, which turn the discussion toward a historical perspective on auditing. The next content slide offers the fact that auditing is as old as commerce itself (Wallace 1980) and provides specific historical examples. For example, students will learn that as early as 500 to 300 B.C. in the Greek city-state of Athens, three boards of state accountants verified state revenues and expenditures (Costouros 1978) and that centuries later, during the days of European exploration, auditors confirmed whether the riches derived from trade were properly accounted for by the captains of the sailing ships (Wallace 1980).

The slide set continues on to explain the importance of the audit function, offering that auditing enhances the credibility and information quality of financial information and improves capital markets by bringing about more efficient investing and lending decisions.⁴ The slides emphasize that an available flow of capital effected (at least partially) by audited financial statements has enormous consequences for companies, municipalities, families and individuals. At this point, students may ponder the significant impact of audited financial statements on society.

Against this backdrop, the slides move on to emphasize that because auditing is an important function within society, auditors who perform this function must have high ethical, moral character. Historical, early-profession examples are offered including Arthur Andersen, founder of the namesake firm and known during his lifetime for the motto, “think straight, talk straight” (Knapp 2018, 4). Students will likely appreciate that, when confronted with pressure from a local railroad client back in 1914 to approve transactions which improperly understated expenses and overstated earnings, Andersen responded that there was “not enough money in the city of Chicago” to make him approve the numbers (Brown and Dugan 2002). Instructors can help students interpret this story by explaining that Arthur Andersen’s future as a businessman was perhaps uncertain but his commitment to integrity was not.⁵ Finally, this section of the slide set ends with a quote by Colonel Arthur Carter, who was called before the Senate Committee on Banking and Currency in 1933 in his role as managing partner of Haskins & Sells (predecessor to Deloitte). When asked, “Who audits you?” Colonel Carter replied, “Our conscience” (Dugan 2002, A1).

At this critical point in the discussion, when students should have a grasp of the importance of audited financial information to society as well as the exceptional ethical character required of those who perform audits, the slides introduce the AICPA Code of Professional Conduct.⁶ Using information on the AICPA Code provided in the slides, the instructor can explain that certain fundamental elements of an auditor’s character – specifically, integrity, objectivity and due professional care – allow an auditor to uphold the public interest principle of accepting the obligation to serve the public and honor the public trust (AICPA 2016). This section of the slide set states the AICPA Code’s Principle of Integrity with essential decision-making criteria highlighted: “In the absence of specific rules, standards, or guidance, or in the face of conflicting opinions, a member should test decision and deeds by

³ The slides reference International Financial Reporting Standards (IFRS) in addition to GAAP.

⁴ Students should be familiar with the concept of financial reporting facilitating capital resource allocation decisions from initial chapters of their Intermediate textbooks (see, e.g., Kieso, Weygandt, and Warfield 2022; Spiceland, Nelson, and Thomas 2020).

⁵ To underscore the integrity of Arthur Andersen, instructors may wish to go a step further by pointing out the sad irony that the firm he founded was ultimately shut down for obstruction of justice in 2002 related to its audit of Enron (Brown and Dugan 2002).

⁶ The slides also reference the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants and its Integrity Principle.

asking: Am I doing what a person of integrity would do? Have I retained my integrity?" (AICPA Conduct 2014, Section 0.300.040).

The culmination of the discussion can be set up when the instructor presents the final slide. A question slide, it queries: What does integrity mean to you? What do firms owe to the profession, to clients and to the public? What do individual auditors owe to the profession, to clients and to the public? If time allows, students can take 10-15 minutes to discuss ideas in smaller breakout sessions; again, in a shorter class session, the instructor can facilitate this process with the entire class. In either case, students should be encouraged to thoughtfully consider the questions individually and in the order in which they are presented.

Regarding the first question on the final slide – What does integrity mean to you? – students may volunteer that integrity means being able to “look yourself in the mirror” after making a decision. In a similar spirit, participants may offer the C.S. Lewis quote, “Integrity is doing the right thing, even when no one is watching.” Some students, particularly those with military experience and/or faith backgrounds, may contribute a reference to a specific moral or ethical framework. Instructors may prod students to expand upon this elemental conversation by inserting a follow-up question asking students to think about scenarios that come to mind when they consider integrity. In our experiences with this classroom discussion and others on integrity, we have found that students are often more comfortable mentioning others’ moral or ethical decisions (rather than their own), and points raised may relate to issues of academic integrity, including plagiarism and cheating on homework and exams, or using “white lies” to get through uncomfortable situations. A more experienced undergraduate or graduate student may mention something personally experienced in an internship or seen in the business press.

The other questions on the final slide are aimed at moving the discussion into the realm of auditing. After posing the second question – What do firms owe to the profession, to clients and to the public? – the instructor will want to separately address the three parts of this question. In addressing the issue of what firms owe the profession, the instructor should help students work toward a recognition that, because audit firms are bound by the AICPA Code (2014) and are gatekeepers of the public trust, they have an obligation to other firms within the profession to uphold professional standards by acting with integrity. In this regard, U.S. Supreme Court Justice Warren Burger described the public trust function of public accountants as acting as a “public watchdog” (Burger 1984). Students may express that if a firm were to act without integrity (i.e., in a self-interested way), there could be serious reputational consequences for all firms. When addressing the issue of what firms owe clients, the instructor may need to give younger students an idea of the “detective” work done by auditors to verify the client’s reported account balances. With this understanding, students may be able to discern that a true representation of the economic condition of the client is beneficial for the longevity of a client company and its relationships with customers, vendors and employees. Finally, when discussing firms’ obligations to the public, the instructor will want to remind students of fundamental information learned at the beginning of an Intermediate course. Specifically, the instructor will want to re-introduce the term “stakeholder” and ask for a student to volunteer stakeholder groups. With this prompt, students will likely mention investors and creditors, and a conversation about the functioning of the capital markets, efficient stock prices and the role of audited financial information may ensue. To make the importance of auditing more “real” for students, the instructor may offer the devastating consequences that come about for individuals’ savings accounts, including amounts set aside for college and retirement, when the audit function fails to work properly due to a lack of professional integrity. An example that even young students will perhaps recognize, such as Bernie Madoff’s multi-billion dollar Ponzi fraud (Gregoriou and Lhabitant 2009) may help to add emphasis.⁷

At this point, discussion should move to the last question on this final slide – What do individual auditors owe to the profession, to clients and to the public? The comments and conversation sparked by the previous question will serve as a robust backdrop, and instructors may find it particularly useful to encourage students to put themselves in the position where they actually may find themselves in the near future, as staff auditors working at clients and facing ethical issues (e.g., confronting resistance on a proposed adjustment from a client). Regarding the obligation that individual auditors owe the profession, the instructor should move the discussion toward students’ understanding that individual auditors represent all auditors. A powerful expression of this sentiment (that can be stressed to

⁷ An article such as Carreyrou, Copeland, and Sterngold (2013) presents stories of some of Madoff’s victims and the lasting consequences of their lost savings.

students) is that though the primary responsibility for the Enron audit failure rested with Andersen's Houston office, the debacle resulted in a global closure of the firm and a stain on the entire profession (Melancon 2002). For the question of what individual auditors owe the client, students who have gleaned enough understanding from the preceding conversation about the auditing dynamic may understand the difficulty of proposing an adjustment to the financial statements of a client. Again, the instructor may move the conversation toward an appreciation of the benefit of accurate financial reporting. Finally, regarding the question of what individual auditors owe the public, the instructor may want to point out the biases that can pose difficulty for a staff auditor trying to keep in mind a "faceless" public while working closely (and being familiar with) client company personnel and executives (Knapp and Knapp 2012). However, students soon to enter the profession should attempt to recognize and overcome biases for the reasons stated previously. Finally, on a personal level, a bad decision made in an ethical context can leave a young auditor with lingering guilt and anxiety, in addition to negative professional ramifications. Instructors can wrap up the discussion by emphasizing that a personal benefit of decision-making with integrity is a clear conscience and sense of well-being (Metzger 2011).

Methodology and Evidence of Discussion Efficacy

The discussion was implemented at a large public university in the Northeast, and its impact on students' integrity rating as well as sensitivity to workplace deviance was analyzed by comparing survey responses of students exposed to the integrity discussion and those of unexposed ("control group") students. During a recent semester, 30 undergraduate students (63% male and 37% female) enrolled in Intermediate Accounting, at the request of their instructor, participated in a short survey, which asked them to evaluate items related to both integrity and workplace deviance. This control group was comprised of 19 juniors and 11 seniors. As these students did not participate in the discussion on integrity, they serve as our control group for purposes of statistical analysis. In a subsequent semester, the same instructor delivered the integrity discussion to 75 students (49% male and 51% female) enrolled in two sections of Intermediate Accounting. This participating group consisted of 2 sophomores, 70 juniors and 3 seniors. Following their participation in the discussion, these students evaluated the same survey items.⁸ Of important note, the control group students and those exposed to the integrity discussion had only limited classroom-based exposure to the AICPA Code of Professional Conduct and no previous exposure to the topic of professional integrity.⁹

The survey containing items related to both integrity and workplace deviance is included in Table 1, along with mean differences between responses of "control group" students and those who participated in the integrity discussion, along with results of independent sample t-tests. The top portion of Table 1 presents student responses to the five integrity-related items in the survey. Each of these items was evaluated on a 7-point scale. A statistical comparison of mean responses demonstrates that participating students indicated higher means for each of these five items relative to their non-participating peers. Each of these five differences were significant at the $p < .05$ level. For example, with respect to the first integrity-related item ("I will lead change even though it may entail personal sacrifice and risk."), discussion participants had a mean rating of 5.41 versus those in the control group who had a mean rating of 4.7. A comparison of means for each of these five indicators suggests that participation in the integrity discussion affected students' integrity ratings.

The bottom portion of Table 1 presents student responses to the eight survey items related to workplace deviance. These survey items span the three types of deviant workplace behavior; specifically, they include behaviors directed at the employee's organization (i.e. organizational), at others within the organization (i.e. interpersonal), as well as behaviors directed at clients and/or stakeholders outside of the organization (i.e. frontline) (Bennett and Robinson 2000; Jelinek and Ahearne 2006; Jelinek 2012; Yoo and Frankwick 2013). A statistical comparison of mean responses to statements on workplace deviance demonstrates that participating students evaluated six statements as significantly more serious than their non-participating peers. Specifically, discussion participants rated deviance items #1,4,5,6 and 8 more serious than control group members and those differences were significant at the $p < .05$

⁸ Human subjects approval was granted by the Institutional Review Board of the institution where the case discussion and survey administration took place.

⁹ Leading Intermediate Accounting textbooks (Kieso, Weygandt, and Warfield 2019; Spiceland, Nelson, and Thomas 2020) provide a brief discussion of the role of the auditor in financial reporting; though the AICPA Code of Conduct is briefly mentioned in both texts, the Principle of Integrity is not covered.

level. Moreover, they rated deviance item #7 more seriously than control group members and that difference was significant at the $p < .001$ level. Importantly, these statistically significant differences included indicators which captured organizational (e.g. “Ran personal errands when should have been doing work”), interpersonal (e.g. “Blamed co-workers and colleagues when things went wrong at work”), and frontline (e.g. “Acted out work-related frustrations in front of a client”) deviance.

Results pertaining to another two statements on workplace deviance (items #2 and 3) showed differences in the expected direction (higher in the participating group than in the control group), but these differences were not significantly different. This appears to be due to the relatively high mean scores for the control group for these items. Upon closer inspection, the obvious severity of these two particular indicators – “Fudged an expense report” (item #2) and “Breaking client confidentiality” (item #3) – may help to explain non-significant differences between the two groups. It appears that even without a discussion on integrity, the students in the control group may have recognized the serious nature of these infractions. That said, given that our findings indicate significant differences between the two groups for 6 of the 8 deviance indicators, the integrity discussion appears to affect students’ perceptions of the seriousness of deviant workplace behavior in accounting.

Limitations

In the interest of ensuring our findings are properly interpreted, we offer the following limitations for consideration. First, while our findings indicate that participating students rated integrity higher than those in the control group, it should be noted that this effect was recorded shortly after exposure to the integrity discussion. Though doing so is beyond the scope and ability of our present study, future studies could attempt to track participating students and conduct follow-up post-testing to see whether the recorded effect was sustained over the course of future years of learning. Further, though the 105-student sample size is consistent with and in numerous cases exceeds that of comparable published studies employing student samples, larger sample sizes are always preferable to smaller ones. In addition, it should be noted that this study was conducted by a single professor at a single university located in the Northeast. Future studies might look to test the efficacy of the intervention across numerous sections of the same course taught by different instructors at the same university and could look to do so at a university in a different geographic region to eliminate the chance that the noted effects are instructor or geography-specific. Lastly, though the measurement items we used were adapted from previously used scales and were tested for validity, whenever a study employs a research design utilizing measures/scale items, readers should note the possibility that different measures/items could yield different results.

Conclusion

Ethical lapses among accounting professionals underscore the need for educators to do a better job covering professionalism and ethics in the undergraduate accounting curriculum (Voynich 2004; Wyatt 2004; Kidwell, Fisher, Braun, and Swanson 2013; Bordeman and Westermann 2019). Within the broader domain of ethics, Fatemi, Hasseldine and Hite (2020) argue that the Principle of Integrity deserves particular attention. While Carnegie and Napier (2010) suggest that recent developments in practice raise questions as to whether auditors can be assumed to be “persons of integrity” (p. 372), Fatemi and his colleagues (2020) contend that integrity is “a core, element of character, fundamental to professional recognition, and required by all members” (p. 135). Still, our review of major accounting textbooks suggests that content coverage of professional integrity and the AICPA Code may be inadequate.

To address this gap, the present research offers a roadmap for leading an early-curriculum undergraduate discussion on professional integrity. Our curricular innovation presents students with the specific language of the AICPA Code of Conduct’s Principle of Integrity and confronts them with the need to consider integrity’s implications. Discussion motivates students to examine the role that integrity plays as audit professionals encounter their various responsibilities when representing their organization, responding to client issues and serving the public interest.

Statistical analysis provides evidence of the efficacy of this innovation. Comparing a sample of 75 Intermediate Accounting students who participated in the study against a control group of 30 non-participating students, survey

responses revealed statistically significant differences. Specifically, participating students rated important elements of integrity higher than the control group. Perhaps most interestingly, those who participated in the study also demonstrated a greater sensitivity to deviant workplace behavior.

This study makes several contributions. From a pedagogical perspective, we believe it offers the first stand-alone, student-focused discussion pertaining to the AICPA Code of Conduct's Principle of Integrity. While this curricular innovation can be incorporated into any undergraduate or graduate course, it is ideally suited for an Intermediate Accounting class at which point students have completed the basics of an introductory course but are still relatively early in their undergraduate accounting experience. To support flexibility and to heighten the ability of instructors to incorporate this discussion into their curriculum, careful attention was given to providing sufficient background and context for younger students. Specifically, the materials explore the importance of the audit to capital markets, offer a historical perspective on auditing, describe the nature of the character required to support such a special function, and give specific language from the AICPA Code's Integrity Principle to encourage discussion. The materials prompt students to consider the implications of integrity for themselves as well as how integrity affects individual auditors' and firms' commitment to the profession, clients and the public. In doing so, we believe this research contributes to our field's growing appreciation for the importance of exposing accounting students to the Code's Integrity Principle. Our results align with those of Fatemi and his colleagues (2020) and help to demonstrate the criticality of encountering the Code's language pertaining to integrity.

Finally, beyond demonstrating that prompting students to think about the Code's Principle of Integrity has an effect on respondent's respect for integrity itself, our research also demonstrates that doing so sensitizes students to the abhorrent nature of deviant workplace behavior. Accounting researchers may deem this finding particularly interesting. Workplace deviance has plagued the accounting profession for decades. As far back as the early 1990s, Berton (1991) reported that firms had begun turning toward hiring behavioral consultants to solve problems such as public in-fighting between accounting firm members. A survey conducted in the late 1990's highlighted that 35 percent of CPA respondents reported that "abuse of expense reports" had become a moderate to major problem in the profession (Yetmar, Cooper, and Frank 1998). More recent work detailed accounts of deviance throughout the profession, including such behaviors as intra-office fighting, shirking work, cyber-loafing and client-directed venting (Jelinek and Jelinek 2008). In addition to being an affront to the AICPA's Code of Conduct and its commitment to integrity, deviant workplace behavior impairs work performance (Dunlop and Lee 2004), threatens budgets, hurts productivity and derails firm effectiveness (Jelinek and Jelinek 2008). Given that managers and partners have encouraged academics to examine what can be done to stop deviance within the profession (Jelinek 2012), we believe our findings offer some cause for optimism. Our research begins to provide some evidence that emphasizing the Code's Principle of Integrity may both help to bolster appreciation for doing good and buttress against the compulsion to do bad. While much work remains to be done, we hope this research motivates instructors to integrate greater coverage of integrity into their curriculum.

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Figure

Integrity Discussion PowerPoint Slides 1-6

Auditing...We Have a Code!

A Focus on Auditor Integrity

What is Financial Statement Auditing?

- Management asserts that the financial statements are fairly stated in accordance with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).
- The auditor issues a written report expressing an opinion about whether the financial statements are fairly stated in accordance with the applicable accounting standards.
 - Audits are designed to provide reasonable assurance that the financial statements are free from material misstatements, due to errors and/or fraud.
- Publicly traded companies in the U.S. are required to undergo annual audits. Many privately held companies opt to have their financial statements audited in order to obtain financing.

Source: Arens, Beasley, Elder and Hogan (2020)

Audited Financial Statements & Audit Reports

- Let's look at some audited financial statements and related audit reports.
- What companies are you interested in looking at?
- What accounts do you see on the income statement? What accounts do you see on the balance sheet? What are some account values (\$)?
- What does the audit report tell us?
- Why do you think the audit report is important, and to whom does it matter?

A Necessity to Commerce

- Auditing is as old as commerce itself.
- Examples throughout history:
 - As early as 500 to 300 B.C. in the Greek city-state of Athens, three boards of state accountants verified state revenues and expenditures (Costouros 1978).
 - Centuries later, during the days of European exploration, auditors confirmed whether the riches derived from trade were properly accounted for by the captains of the sailing ships (Wallace 1980).
 - From around A.D. 1500 to 1850, auditing expanded in scope in an effort to accommodate the manufacturing activities of the Industrial Revolution (Wallace 1980).

Why is Auditing Important?

- Auditing enhances the credibility and information quality of financial information.
- Impact on Capital Markets
 - Efficient stock prices
 - Lower borrowing rates
- Availability and flow of capital has enormous consequences for Individuals, Families, Companies, Cities and Towns, States, Society
 - Creation of new business (entrepreneurship)
 - Jobs - spending power, financial security
 - Availability of goods and services
 - Taxes - infrastructure (i.e., roads, bridges), education, etc.

Auditing – A Special Character

- Auditors are “guardians of the public trust”
- In a 1984 Supreme Court decision, Chief Justice Warren Burger underscored the importance of the accounting profession's character:
 - “By certifying the public reports that collectively depict a corporation's financial status, the independent auditor assumes a public responsibility transcending any employment relationship with the client. The independent public accountant performing this special function owes ultimate allegiance to the corporation's creditors and stockholders, as well as to the investing public. This “public watchdog” function demands...complete fidelity to the public trust” (Unites States v. Arthur Young & Co. 1984).

Figure, cont.

Integrity Discussion PowerPoint Slides 7-12

A Worthy Example

- Arthur Andersen was heralded as an “auditor’s auditor”.
- Andersen’s motto was “think straight, talk straight” (Knapp 2018, 4).
- Facing pressure from a local railroad client back in 1914 to approve transactions which improperly understated expenses and overstated earnings, Andersen responded that “there was “not enough money in the city of Chicago” to make him approve the numbers” (Brown & Dugan 2002).
- In those early days, Arthur Andersen’s future as a businessman was perhaps uncertain but his commitment to integrity was not.

A Higher Standard

- Called before the Senate Committee on Banking and Currency in 1933, Colonel Arthur Carter, then-managing partner of Haskins & Sells (predecessor to today’s Big 4 firm, Deloitte) was asked, “Who audits you?” Colonel Carter quite simply replied, “Our conscience” (Dugan 2002, A1).

The Professional Code

- The AICPA Code of Conduct is a collection of statements outlining a CPA’s ethical and professional responsibilities. The Code was initially issued in 1917.
- Outlines responsibilities of Members of AICPA:
 - The Public Interest Principle: Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism.
 - Expectation that members will carry out responsibilities with integrity, objectivity, due professional care, and a genuine interest in serving the public.

The Professional Code and Auditor Integrity

- *“Integrity is an element of character fundamental to professional recognition. It is the quality from which the public trust derives and the benchmark against which a member must ultimately test all decisions...Service and the public trust should not be subordinated to personal gain and advantage. Integrity can accommodate the inadvertent error and the honest difference of opinion; it cannot accommodate deceit or subordination of principle...Integrity is measured in terms of what is right and just. In the absence of specific rules, standards, or guidance, or in the face of conflicting opinions, a member should test decision and deeds by asking: “Am I doing what a person of integrity would do? Have I retained my integrity? Integrity requires a member to observe both the form and the spirit of technical and ethical standards; circumvention of those standards constitutes subordination of judgment” (AICPA 2014).*

International Code and Auditor Integrity

- “The principle of integrity imposes an obligation on all professional accountants to be straightforward and honest in all professional and business relationships. Integrity also implies fair dealing and truthfulness (IESBA 2018).”

Integrity

- What does integrity mean to you?
- What do firms owe to the profession? To clients? To the public?
- What do individual auditors owe to the profession? To clients? To the public?

Table
Comparison of Mean Survey Responses for Group Exposed to Integrity Discussion
and Control Group

| Survey Questions: | Control Group Mean (n = 30) | Integrity Discussion-Exposed Group Mean (n=75) | Mean Difference | t ^a | df | P-Value |
|--|-----------------------------|--|-----------------|----------------|-----|---------|
| Personal Integrity Questions | | | | | | |
| Please indicate your level of agreement with the following statements about yourself: | | | | | | |
| 1. I will lead change even though it may entail personal sacrifice and risk. | 4.70 | 5.41 | 0.71 | -2.91 | 103 | 0.002 |
| 2. I avoid indulging my desires if it will come at the expense of others. | 4.37 | 4.95 | 0.58 | -1.97 | 103 | 0.026 |
| 3. I prioritize others' interests over self-interests. | 4.00 | 4.63 | 0.63 | -1.93 | 103 | 0.028 |
| 4. It bothers me when things happen which I do not believe are fair. | 5.40 | 6.11 | 0.71 | -3.00 | 103 | 0.002 |
| 5. I feel obligated to act when I witness injustice. | 4.90 | 5.52 | 0.62 | -2.58 | 103 | 0.006 |
| Deviance Questions | | | | | | |
| Please indicate your perception of the seriousness of each work-related misbehavior: | | | | | | |
| 1. Ran personal errands when should have been doing work. | 2.33 | 2.83 | 0.49 | -2.67 | 103 | 0.004 |
| 2. "Fudged" an expense report. | 3.63 | 3.88 | 0.25 | -1.32 | 103 | 0.095 |
| 3. Breaking client confidentiality. | 4.43 | 4.53 | 0.10 | -0.587 | 103 | 0.279 |
| 4. Blamed co-workers and colleagues when things went wrong at work. | 3.13 | 3.57 | 0.44 | -2.11 | 103 | 0.019 |
| 5. Leaving work unfinished for a co-worker to complete. | 3.20 | 3.57 | 0.37 | -1.86 | 103 | 0.033 |
| 6. Made firm look bad to people who don't work here. | 3.00 | 3.48 | 0.48 | -2.29 | 103 | 0.012 |
| 7. Acted out work-related frustrations in front of a client. | 3.60 | 4.25 | 0.65 | -4.20 | 103 | 0.000 |
| 8. Did not follow specific client rules or etiquette (e.g., attire, parking, etc). | 2.90 | 3.36 | 0.46 | -2.39 | 103 | 0.009 |
| Note: Items for both integrity and workplace deviance were based on and adapted from items in existing measures (Wang and Hackett 2016; Jelinek and Ahearne 2006, respectively). Internal consistency was tested using Cronbach's alpha and both sets of items were deemed reliable (Cronbach's alpha = .72 for integrity items; .73 for deviance items). Personal Integrity items are measured on a 7-point scale (1=Strongly Disagree, 7 = Strongly Agree); Deviance items are measured on a 5-point scale (1=Not at all Serious, 5 = Extremely Serious). | | | | | | |
| ^a Two-sample tests assume equal variances; however, tests assuming unequal variances (unreported) yield the same results. | | | | | | |