

Insider Trading from the Internal Auditor's Perspective

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Dallas Chapter of the Institute of Internal Auditors

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Table of Contents

I. Objective and Methodology.....	1
II. Insider Trading Definition and Issues.....	3
III. Survey	
i. Survey demographics.....	5
ii. Internal Audit reporting structure	6
iii. Contextual factors - Analysis of cases.....	7
iv. Independence of reporting structure	13
v. Individual differences analysis	16
vi. Company policies.....	17
IV. Summary and Conclusions.....	22
V. Works Cited	26
VI. Acknowledgement.....	26

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OBJECTIVE AND METHODOLOGY

Insider trading issues have resulted in significant problems for companies in the last few years. For example, the chief executives of McAfee Inc. and CNet Networks Inc. stepped aside, and McAfee fired their president on October 12, 2006 for stock option issues that will erase some of the companies' past profits. These departures follow those of an Apple Computer Inc. board member and former CFO the previous week. Indeed, as of October 2006, at least 135 companies were under government investigation or internal review for stock option practices. Additionally, the recent positive news regarding the potential sale of Texas Utilities (TXU) has now been stained by reports that those knowledgeable of the pending offer engaged in insider trading of company stock on overseas stock markets (Case 2007). Finally, no list of insider trading scandals would be complete without mentioning Martha Stewart, whose conviction on insider trading charges educated many in the general public about this issue.

Corporate insider trading was first made illegal by the Securities Act of 1934 and numerous rulings since have expanded and clarified the nature of insider information prohibitions. Such laws reflect a belief that insider trading creates an unfair advantage on the part of a select few and thus violates the ethical norms of the American investing public. However, while many individuals consider this practice unethical and welcome prosecution of perpetrators, a search of the web on the topic will reveal quite a few editorials denouncing prosecution of this 'victimless crime.'

Internal auditors are in a unique position regarding the illegal acts of those within their organizations. First, they are charged with protecting the organization from possible actions that may harm the organization as a whole. Due to their job-related activities, they are often in a position to detect such actions. Secondly, given the nature of insider trading, internal auditors may find themselves reporting to the very individuals who are committing these acts. This is particularly true if the insider trading involves back-dating of stock options. However, the extent to which internal auditors can be expected to serve as control mechanisms over illegal trading activities in organizations is also impacted by their knowledge of trading laws and policies. Awareness that an act is illegal or unethical is a necessary precursor to the decision to investigate it. Therefore, if we are to understand the extent to which internal auditors can be expected to serve as control mechanisms over illegal trading activities, we must first understand what internal auditors know about and how they perceive this issue. Because there is significant disagreement regarding the actual harm of trading activities informed by an in-equilibrium of information and there is little evidence regarding the attitudes of internal auditors, the purpose of the research project is to explore those factors which will form the foundation of an internal auditor's decision regarding the investigation of trading activities in his or her organization.

In order to understand the nature of internal auditor ethicality judgments regarding insider trading, we vary the nature of the trading transaction and of the potential reward resulting from the transaction. Prior research suggests that investors judge insider trading more unethical and illegal, and impose consequences (e.g. fines, prison, etc.) more harshly when based on “favorable” earnings news (e.g., earnings will be greater than expected, and thus result in a gain) rather than “unfavorable” earnings news (e.g., earnings will be less than expected, and thus result in a loss). Investors are also thought to judge insider trading as more unethical and make more harsh consequence-related judgments when the trade involves the purchase or sale of options rather than the purchase or sale of equities. We explore whether internal auditor judgments are subject to similar contextual variations. Finally, because internal auditors can not enforce policies and laws they do not know to exist, we catalogue the variety of corporate policies related to employee trading and to assess internal auditor knowledge of their organizations' policies.

INSIDER TRADING DEFINITION AND ISSUES

While there are legal forms of insider trading, such as when corporate officers buy and sell stock in their own companies and report those trades to the SEC, illegal insider trading refers to buying or selling a security while in possession of material, nonpublic information about the security, or providing such information to others who then trade securities based on the information (Securities and Exchange Commission (SEC 2007). Moore (1990) asserts that the true moral issue related to insider trading is that it violates the fiduciary duty of insiders to the other parties in the transaction by acting on information that is not accessible to the ordinary investor.

One of the most publicized insider trading issues in the last 18 months has been the use of insider information to set the value of executive stock options. In regard to stock options, it is to the executive's benefit to value options at as low a value as possible, since these options are considered taxable income. It is also to the benefit of the corporation to set this value low, since the options will be considered compensation expense on their part. Rules are very specific regarding the date on which the stock option value is established, but, according to news reports, these rules are often manipulated. Rose Romero, head of one district office of the Securities and Exchange Commission, states that disclosure of manipulation can take place either when companies voluntarily inform the SEC of an investigation into their offering practices or when the SEC identifies unusual patterns between changes in stock prices and the granting of options. Ms. Romero states that the SEC tries not to bring cases that are merely mistakes, but are instead looking for evidence of criminality, such as intentionally backdated documents or middle-of-the-night phone calls in advance of an earnings announcement by a company, which precipitates insider-trading (Yip 2007).

Because many insider trading violations are actually honest mistakes, it is possible that internal auditors who are aware of trading activities may not perceive them as necessitating investigation. Thus, internal auditors may be subject to the same contextual factors to which investors fall prey (Kaplan and Samuels 2007). Their decision to investigate may also be influenced by whether their reporting structure includes the individuals involved in the trading activity. Whatever the cause, individuals may be less

inclined to critically evaluate the decisions made by those to whom they report than by those to whom they are independent. Another impediment to the investigation of insider trading is a possible lack of knowledge of the laws and company policies regarding trading activities. Executive stock option accounting is governed by a particularly complex set of rules. Many individuals naturally assume that an activity is legal and ethical unless they specifically know that it is not. Thus, lack of knowledge leads to lack of understanding of an action's illegality or unethical nature. This, of course, could lead to a lack of investigation and therefore a lack of exposure of an illegal activity.

SURVEY

i. Survey Demographics

All members of the Dallas chapter were invited to complete the survey in electronic form. The survey was completed by 100 individuals having at least some experience in internal auditing. All responses were anonymous and participants worked independently on the case materials.

GENDER & AGE: Respondents were 44% female and 56% male. The average age was 40, with a minimum of 22 and a maximum of 65.

EDUCATION: Participants had an average of 29 hours of accounting course work and 12 hours of finance course work in college.

One individual had an associate's degree, 39% had earned graduate degrees, and the remainder had undergraduate degrees. The college majors were overwhelmingly accounting and finance (93% of the group).

EXPERIENCE: In regard to work experience, respondents had an average of 16.7 years in professional positions, 11.6 years in audit and 10 years in internal audit.

KNOWLEDGE: Respondents demonstrated a significant level of knowledge regarding financial statement issues. The average number of times participants had reviewed financial statements in the past year was almost 8 times and 88% were invested in the stock market. When asked on a 7-point scale (1 = very poor, 7 = very strong) to assess their ability to read and understand financial statements, the average response 5.4.

ii. Internal Audit reporting structure

Reporting structure (the chain of command through which an individual reports) can create difficulties in regard to one's ability to report questionable employee activities, particularly when reporting lines lead directly through the individuals who may be committing the questionable activities (such as insider trading). To explore the extent to

which reporting structure may impact one's perceptions of insider trading activities, we inquired into the organizational reporting structures of our respondents.

Respondents reported that an average of 1.6 levels (min of 0, max of 4) existed between themselves and their Chief Auditing Executive (CAE), and 1.4 levels (min of 1 and max of 4) between their CAE and the organization's CEO. For CAE reporting responsibilities, 38% report to the CFO or VP-Finance, 38% report to the Board of Director's audit committee or chair, and the remaining 24% report to individuals between these two extremes, such as the CEO, Legal or compliance officers, or others. We classified CAE reporting level by independence (in regard to insider trading issues) of the individual to whom they report - those whose CAE reported to a more independent party (such as Board of Directors or Compliance/Legal) were classified as Independent Reports (IR) while those whose CAE reported to less independent party (CFO, VP-Finance, or CEO) we classified as Non-independent Reports (NR). This classification of reporting structure was used to analyze the difference between responses, discussed below.

iii. Contextual Factors - Analysis of Cases

In an effort to identify characteristics that impact ethicality judgments of trading activities, we employed a case that described a stock trading scenario (Kaplan and Samuels 2007). All participants received background information about a publicly traded company, the XYZ Company. The company was described as a worldwide chemical company with sales over \$6 billion and more than 12,000 employees. Selected prior year financial information for the company was presented and information about specific financial ratios for the chemical industry was also provided. Next, participants read a scenario describing insider trading by the company's chief financial officer (CFO). Specifically, in the scenario the CFO learns that the quarterly earnings for the current period are expected to differ substantially from analysts' forecast and, after learning of this, engages in a stock market transaction. Participants responded to the scenario with ethically-related judgments and judgments about potential consequences for the insider.

Participants were randomly assigned to one of four versions of the case, varying two versions of "insider news" (favorable or unfavorable) which indicates the type of reward the trader will receive (gain or prevent a loss) and two versions of "trading method" (equity or options). First, the cases differed according to the earnings news direction - favorable earnings news was indicated by a projected EPS for the current quarter expected to be well above the forecast of \$0.55; unfavorable earnings news indicated that the EPS for the current quarter was expected to be well below the forecast. Second, cases differed according to the type of trading method the CFO employed - in the equity method, the CFO purchased or sold shares of the company's stock; in the options condition, the CFO purchased call or put options for shares of the company's stock - purchases or calls were made when the news was favorable, and sales or puts were made when the earning news was unfavorable.

Participants were asked to provide an assessment of the legality of the CFO's trading action on a 7-point scale (1 = extremely illegal, 7 = extremely legal). As reported in Table 1, overall, those transactions stemming from favorable news (which will result in a

gain for the trader) were considered more illegal than those stemming from unfavorable news (which will prevent the trader from incurring a loss). This is consistent with attitudes of the investing public. We varied the trading method described in the case, with the expectation that some might consider the use of options as an attempt to be more secretive or “sneaky” than direct stock transactions. There was no difference in legality judgments based on trading method.

Table 1 - Legality Perceptions Average (Standard Deviation)				
		News		
		Favorable	Unfavorable	Average
Trading Method	Equity	2.92 (.28)	2.77 (.56)	2.86 (.42)
	Options	2.97 (.18)	2.73 (.60)	2.86 (.44)
	Average*	2.95 (.23)	2.74 (.58)	2.85 (.43)

scale (1 = legal, 2 = unsure, 3 = illegal,
* significant difference at $p \leq 0.05$)

Participants were also asked to make an ethical assessment of the CFO’s trading action on a 7-point scale (1 = extremely unethical, 7 = extremely ethical). As reported in Table 2, the average of the ethicality perceptions was 1.8 (min = 1, max = 7). Those perceptions did not differ significantly across the different versions of the case.

Table 2 - Ethicality Perceptions Average (Standard Deviation)				
		News		
		Favorable	Unfavorable	Average
Trading Method	Equity	2.27 (2.29)	2.06 (1.69)	2.19 (2.06)
	Options	1.70 (1.56)	1.89 (1.65)	1.79 (1.59)
	Average	1.96 (1.93)	1.95 (1.35)	1.96 (1.81)

scale (1 = strongly unethical, 7 = strongly ethical)

In summary, the legality opinions met our expectations that they would be influenced by the type of news that preceded the transaction, but the ethicality opinions did not. The distinction of whether the transaction was an equity or option trade did not influence internal auditors’ opinions of legality or ethicality.

Participants provided a series of judgments about potential penalties / consequences the CFO could confront for engaging in the trading activity. The judgments were made on a 7-point scale (1 = strongly disagree, 7 = strongly agree). In the first set, participants indicated agreement with possible actions by the Board of Directors, assuming that the

Board was to learn of the CFO's insider trading: firing the CFO or informing the Securities and Exchange Commission (SEC) of the CFO's activities. In the second set, participants indicated agreement with possible actions by the SEC, assuming they were to learn of the CFO's trading activities: requiring the CFO to pay a large monetary fine or the CFO going to prison for one year. The results are reported in Table 3.

Table 3 - Consequences across Cases					
Average (Standard Deviation)					
	Favorable / Stock	Unfavorable / Stock	Favorable / Options	Unfavorable / Options	Average
CFO should be fired	6.31 (1.41)	5.71 (1.90)	6.43 (1.07)	6.22 (1.53)	6.22 (1.45)
SEC should be informed of CFO action *	6.65 (0.69)	5.41 (2.24)	6.37 (1.35)	6.26 (1.38)	6.25 (1.50)
CFO required to pay a large fine *	6.46 (1.03)	5.65 (2.15)	6.40 (1.48)	5.93 (1.75)	6.16 (1.60)
CFO should go to prison for one year #	4.54 (2.21)	4.35 (2.15)	5.07 (1.91)	5.33 (1.78)	4.88 (2.00)
Average *	5.99 (0.89)	5.28 (1.68)	6.07 (0.91)	5.94 (1.13)	5.88 (1.14)

scale (1 = strongly disagree, 7 = strongly agree)

* significant between News levels (Favorable / Unfavorable)

significant between Trading Methods (Stock / Options)

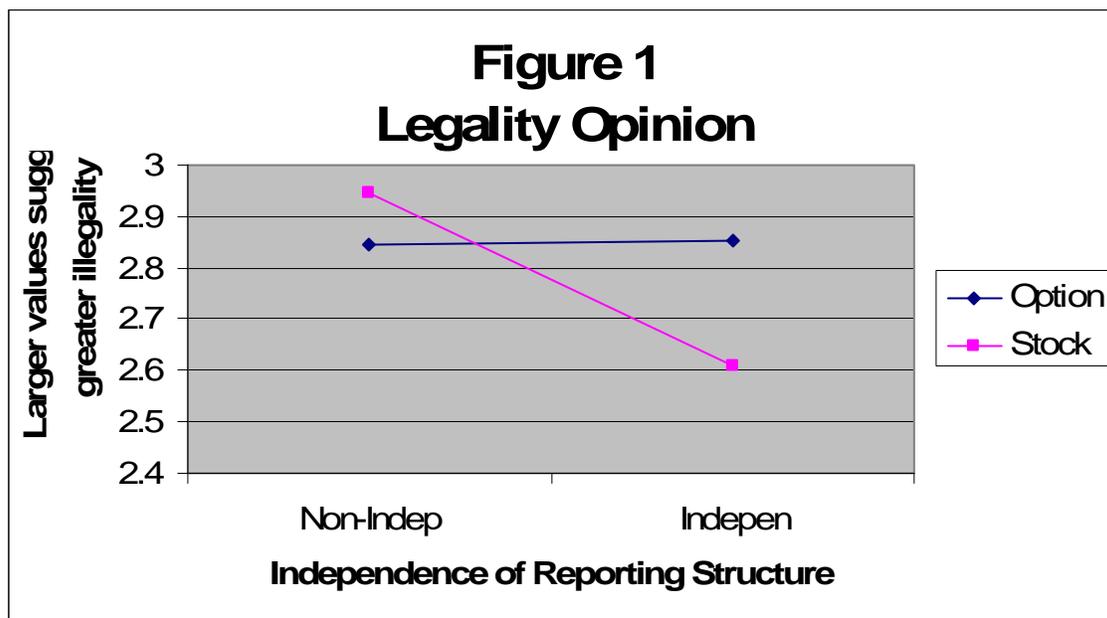
We varied the trading method described in the case, with the expectation that some might consider the use of options as an attempt to be more secretive or “sneaky” than direct stock transactions. Consistent with expectations, we find that internal auditors differed significantly in their perceptions of whether the CFO should go to jail according to the trading method described in their case. Perceptions of other consequences did not differ according to trading method. We varied the gain / loss news in the case, with the expectation that some might consider trading activities in one condition to be more egregious than the other. The above analyses indicate that internal auditors felt that trading in the face of unfavorable news (preventing a loss) was not as deserving of severe consequences as trading in the face of favorable news (achieving a gain). Specifically, internal auditors were less inclined to agree with informing the SEC or imposing a severe fine when the trading involved selling stock based on unfavorable news (preventing a loss) than when the action involved buying new stock based on favorable news (resulting in a gain for the trader). Thus, two of the potential consequences and the average of

judgments across consequences met expectations that preferred consequences would be greater when the trader acted on favorable news (resulting in a gain), rather than on unfavorable news (preventing a loss). Only one of the four consequences met our expectation of differences based on trading method.

Individuals were then asked if they believe that existing investors should have the right to sue the insider trader directly. Responses were divided as 49% agreed with this right, 26% disagreed and 25% were unsure. These responses did not differ depending upon the version of the case they were assigned.

iv. Independence of reporting structure

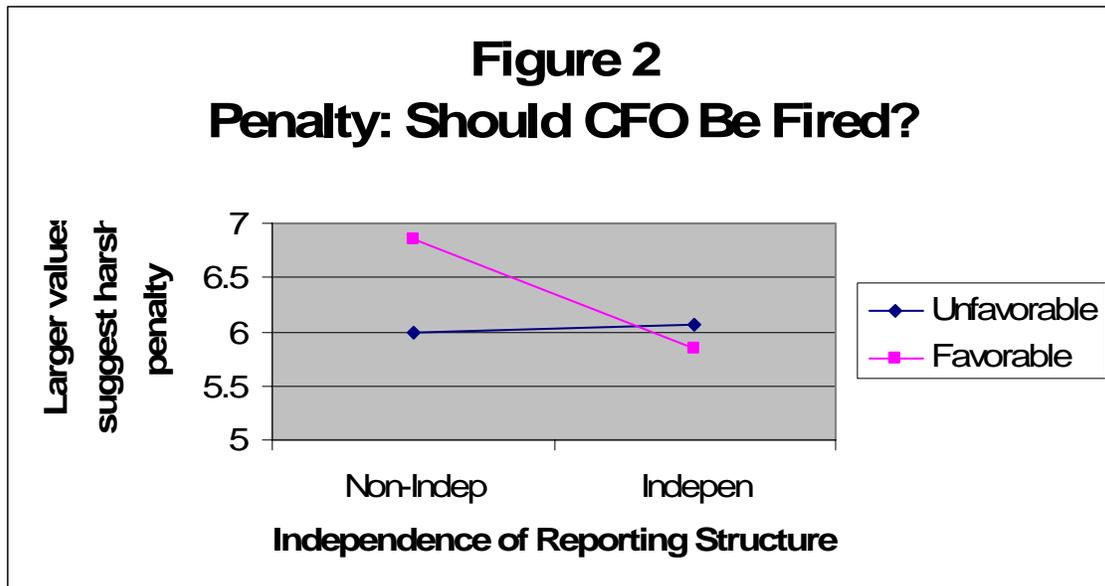
We next compared the internal auditors’ opinions regarding possible penalties, as well as attitudes regarding ethicality and legality of the action, for those whose CAE’s reporting structure was classified as independent versus those classified as less independent. While ethicality and legality judgments did not differ *directly* based on trading method or type of news, there was an *interaction* between independence of reporting and trading method for legality judgments. As Figure 1 indicates, those with non-independent reporting structures perceived stock trades to be *slightly more* illegal than option trades and those with independent reporting structures considered stock trades to be *significantly less* illegal than option trades.



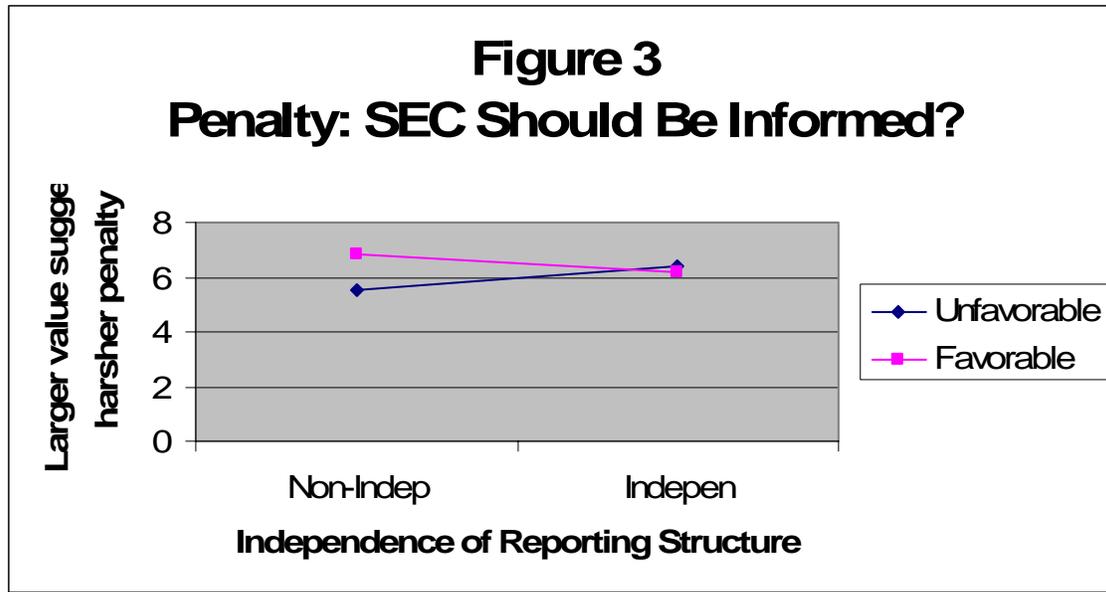
Our findings with regard to potential penalties also present interesting contrasts. In line with the above findings, analyses suggest that those with more independent reporting structure had a *lower* level of agreement with the firing of the CFO than did those whose CAE reported at a non-independent level - that is, those with independent reporting structure imposed a less-harsh penalty than did those with non-independent reporting structures. Opinions on other consequences did not differ *directly* depending upon

reporting structure. However, opinions on whether existing investors should have the right to sue the insider trader differed by CAE reporting structure - those whose CAE reported to a more independent party (such as Board of Directors or Compliance/Legal) agreed more strongly with the investors' right of action than did those whose CAE reported to less independent party (CFO, VP-Finance, or CEO).

Finally, we analyzed responses to potential penalties for interactions between reporting structure and case characteristics. As Figures 2 and 3 depict, attitudes toward two of the potential penalties differed depending upon whether the news was favorable or unfavorable. In regard to possible CFO firing, attitudes did not differ across reporting levels for unfavorable news, but those with non-independent reporting structure agreed much more strongly with the firing when the news was favorable (gain) than did those with independent reporting structures. In fact, those with independent reporting structures were slightly less inclined to support firing when the news was favorable (gain) than when it was unfavorable (loss).



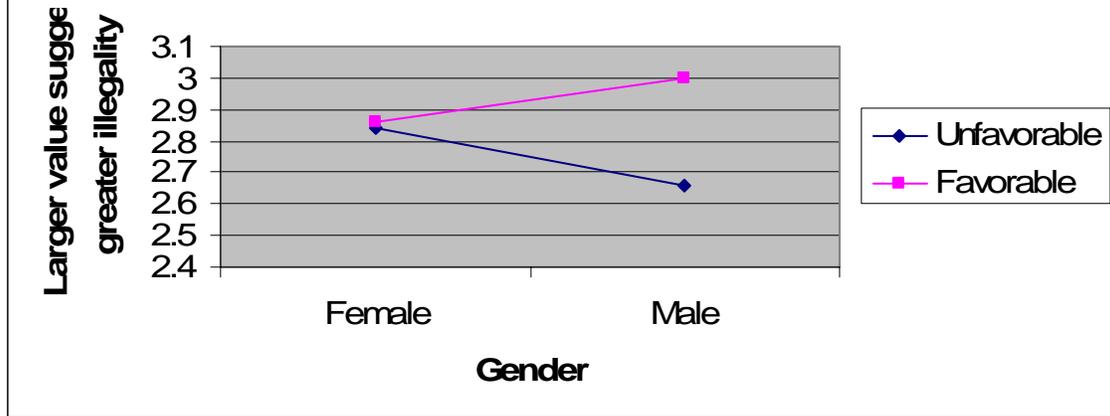
In regard to the penalty of informing the SEC, those with independent reporting structures did not differ depending on the direction of the news, while those with non-independent reporting structures were more supportive of the penalty when the news was favorable (gain) compared to unfavorable (loss).



v. Individual differences analyses

These legality, ethicality and consequence judgments were analyzed according to demographic characteristics. Ethicality attitudes differed between genders, such that males felt the action was more unethical than females, but legality did not differ by gender. While attitudes toward the four company and SEC originating consequences did not differ by gender, males did agree with the right of action by third parties more so than females. These results are interesting, due to recent research that suggests females tend to view questionable actions as more unethical than males (Stedman et al. 2007). The interaction of gender with type of news is further surprising (see Figure 4) given the same research that suggests females are more relativistic in their ethical judgments than males. In our case, males felt trading based on favorable news was more illegal than trading on unfavorable news, while female judgments did not differ depending on the type of news that informed the trade.

**Figure 4
Legality Opinion**



These attitudes did not differ based on years of experience, age, or education. However, specific types of experience did result in some differences of opinion. For example, attitudes regarding company-imposed consequences differed by ability, such that those who classified themselves with greater ability to read and understand financial statements also felt more strongly that the CFO should be fired and that the SEC should be informed. Additionally, those who have invested in the stock market in the past felt the actions were more unethical than did those who had not. Finally, the attitude regards fining the CFO differed across college majors.

vi. Company policies

To inquire as to company policies related to employee trading and gauge internal auditor familiarity with their companies' policies, we asked a set of questions related to the internal auditor's organization's employee investment policies. The following presents the questions and a summary of their responses. Because our number of participants was 100, the values in the columns represent both counts and percentages of responses.

Table 4**Questions on Company Policies Related to Insider Trading**

Questions	YES responses	NO responses	did not know company policy
Public Issues			
(1) Are all stock issues, including stock options and restricted stock units, authorized by the board of directors and is this adequately minuted?	55	5	40
(2) Does your company maintain a transfer agent and a specific individual who communicates the transfer of common stock issuances?	49	4	47
Employees Stock Options and Restricted Units Stocks			
(1) Are the unvested and restricted Stock units awarded to an employee measured at its fair value as if it were vested and issued in the grant date?	37	5	58
(2) Are stock option grants and restricted stock units approved by the board of directors and the compensation Committee before issuance?	60	5	35
(3) Does your organization have a compensation Committee that determines or approves the employees who will receive the options?	56	4	40

Questions	YES responses	NO responses	did not know company policy
(4) In the case of stock options and restricted stock units, does your company maintain a master file and is this responsibility charged to a specific individual?	46	3	51
(5) Is the master file list updated regularly and is it checked for accuracy and correctness by independent persons to ensure that it tallies to the list approved by the board or board's committee?	33	5	62

Employee Stock Purchase Plan			
(1) Does your company have an employee stock purchase plan?	38	30	32
(2) Does the employee plan allow purchase at a discount in excess of 5%?	21	26	11
(3) Is there a specific individual who monitors and regulates the employee stock purchase plan?	28	13	27
(4) Is the employee restricted from exercising the option for retention purposes or cash?	11	21	36
(5) Is the employee required to communicate their request to exercise their options directly to the agent/broker?	30	11	27
(6) Does your company have an insider trading policy, and is this made aware to all the employees in the plan?	59	7	2
Managing and Releasing Financial Information			
(1) Does your company bond employees charged with the responsibility of generating accounting numbers, which will be used in the financial statements?	16	17	61
(2) Are corporate employees required to sign a confidentiality document, which defines information propriety?	65	7	28
(3) Does your company control the management of privileged and confidential information?	82	4	14
(4) Does your company have a defined process of releasing financial information to the public, and is this process adequately documented and followed?	68	2	30

	YES responses	NO responses	did not know company policy
Questions			
(5) Are there consequences for tipping off investors by an insider employee and is this communicated to employees?	61	6	33
(6) Does your company enforce the insider trading prohibitions?	55	1	44
(7) If so, does this apply to all corporate employees or just the officers holding greater than 10% of the stock?	0	0	55
(8) Does your company prohibit insiders from taking advantage of inside and privileged information for investing purposes?	68	2	30
Employee Investment Policies			
(1) Does your company permit corporate employees to trade on company stock during the blackout period (before the releasing the financials, or making a major announcement)?	9	44	47
(2) Does your company manage or monitor the trading of its stock by its employees?	28	6	66
(3) Does your company compensate employees or pay bonuses through issuing it's own stocks?	45	20	35
General			
(1) Are you aware of any Segregation of Duties (SOD) issues on equity management, regulation or accounting?	21	61	18
(2) Does your company have an effective whistleblower hotline?	84	11	5
(3) Would your company consider it as fraudulent for a director who, with fore knowledge that the stocks are going to skyrocket, purchases company stock from an outsider with or without disclosing to them the facts?	78	3	19

In general, internal auditors have limited knowledge of their company's policies regarding equity trading and confidential financial information disclosures. In regard to policies related to stock **options and restricted units stock**, there appears to be a balance between the organizations that exercised proper authority and documentation and those where the respondents did not know the company policy. About 5% of the respondents did not have stock options. Those companies that had proper authority and documentation appeared to also use a specific individual for record keeping and communication of stock issuance.

On the issue of **employee stock options**, the number of those who did not know the company policy on stock option valuation increased. It is clear, however, that companies (60%) that granted stock options had them approved by the board of directors. This is supported by the fact that 56% of the companies have a compensation committee that approves who receives the options; however the number reduces for the companies that maintains the stock options in a master file.

In regard to **employee stock purchase plans**, 38% respondents had employee stock purchase plan, while 32% had but did not know their company policy. Interestingly, only 59% indicated their companies had an insider trading policy made aware to the employees. There seems to be a correlation between those companies that had a specific individual who regulates the employee purchase plan and the requirement to communicate the request to exercise options directly to the agent /broker.

In order to establish whether companies regulated the information flow within their organization we asked a set of questions **related to managing and releasing financial information**. A small number (16%) of companies' bond employees charged with the responsibility of generating accounting numbers, while 61% of respondents did not know their company policy. However, 68% of the respondents' companies required the employees to sign a confidentiality document, which defined information propriety. Although a majority responded that their company controlled the management of privileged information, only 68% had a defined process of releasing financial information to the public with 61% indicating consequences for tipping off investors. It appears that most companies do not permit employees to trade during blackout periods, although 66% indicated that they did not know whether the company monitors the trading of its stock by employees.

SUMMARY AND CONCLUSIONS

The objective of this research was to identify whether and when internal auditors perceive insider trading activities as illegal and unethical, and to gauge their perceptions regarding the appropriate penalties regarding those activities. Also, to inform the wider internal audit community of differences between companies in policies addressing employee equity trading activities, we solicited information related to respondents' company policies.

Kaplan and Samuels (2007) suggest that opinions of the general investing public, related to insider trading, vary according to the type of news that precipitated the trade and the type of trade. Therefore, we adapted the Kaplan and Samuels' (2007) case that varies the type of news the insider had access to (favorable versus unfavorable) and the type of transaction (stock versus option) to the internal audit perspective. We presented one of the four versions of the case to each participant and then solicited their opinions regarding the actions of the individual depicted in the case and potential consequences.

Results suggest that internal auditor perceptions of ethicality, legality and harshness of penalties do vary, to some extent, by the nature of the trading activity (stock versus option) and the nature of the potential reward to the trader (gain versus preventing loss).

However, their reactions to these factors were less extreme or consistently reactive to the variations in context than those found in the investment community at large. There is also some evidence that perceptions vary by the reporting structure in which auditors find themselves. For example, the interaction between independence and type of trade suggests that trading in stock may be perceived differently depending on whether the auditor's reporting structure is independent of the person making the trade. Those with non-independent reporting structures also agreed more strongly that the CFO should be fired, but less strongly with the right to sue by third parties. We also identified two interactions between reporting structure and perceptions of penalties. Those with non-independent reporting structures supported firing the CFO when the trading was based on favorable news (gain) than those with independent structures and than when the trading was based on unfavorable news (loss), while those with independent reporting structures did not differentiate based on news. Similar, although less extreme, results were found for the potential penalty of informing the SEC. These results should be interpreted cautiously, however, as they are purely based on correlation, with no evidence of cause and effect.

Finally, some limited differences were identified based on individual differences. For example, males differentiated in their legal opinions depending on the type of news motivating the trade.

Questions related to existing company policies shed some light on corporate governance activities. Disregarding the "do not know" responses, every potential governance policy overwhelmingly received more "yes" than "no" responses. Thus, it appears that companies are, in general, instituting the types of policies and mechanisms necessary to address insider trading issues. However, the significant number of "do not know" responses suggests a need for education of the internal audit community in order to ensure that internal auditors can serve as effective components of the company-level control framework, in regard to insider trading.

In conclusions, while internal auditors did react to some contextual factors of the trade and did demonstrate some variation due to gender or their current reporting structure, their reactions were generally less than found in the general investing public. This is encouraging, in that it suggests that internal auditors may not be as easily swayed in their attitudes by seemingly irrelevant information as others observing the same activity. However, there are also some disappointing results here, as well. Specifically, it appears that the internal audit profession is under-educated regarding insider trading laws and our organizations' policies. If we are to serve as effective controls against activities having the potential to significantly damage our organizations, we must accept the challenge of educating ourselves and addressing both existing policies and those who violate them.

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