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Internal Controls: Identifying Control Elements and implementation Dynamics Facing Retail Companies.

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Walden University

College of Management and Technology

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Ike Chima Iwejor

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Walden University
2017

Abstract

Internal Controls: Identifying Control Elements and Implementation Dynamics Facing
Retail Companies

by

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MBA, Hampton University, 1991

BS, Norfolk State University, 1988

Doctoral Study Submitted in Partial Fulfillment
of the Requirements for the Degree of
Doctor of Business Administration

Walden University

October 2017

Abstract

Retail company managers face challenges that include how to protect their companies from theft, embezzlement, and fraud. Retail companies lose up to 5% of their revenue to frauds annually. However, in most cases, managers' understanding, design, and implementation of strong internal control systems could minimize the problem. The purpose of this case study was to explore strategies managers used to strengthen internal control. The purposive sample included 5 experienced company managers from large and medium-size retail companies in Virginia. The conceptual framework consisted of the treadway committee of sponsoring organizations model and the criteria of control. Participant interviews, document reviews, and observation led to rich data. Interview data were transcribed, coded, and analyzed using the modified Van Kaam method to identify themes such as control, technology, evaluation, adaptability, efficiency, and accountability. Findings showed that deficiencies caused changes in the control systems, personnel, and evaluation that figure centrally in internal control reviews. Managers' use of technologies emerged as the key strategy for minimizing risk. Business leaders could use these findings to strengthen operational practices and inculcate in employees' ethics of internal control. Business leaders may thereby produce civil members within their operating communities. Resultant lower product prices could benefit consumers, improve community-company relationships, and make the community safer.

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Dedication

I dedicate this study to my Dad Mr Micheal Iwejor Nmezi, my mother Mrs Janet Ihugba Iwejor Nmezi the best two people I ever known in my life. I know that the two of you are not around anymore but I am grateful to both of you for giving me a good start in life. Dad I remember that you asked me to promise you that I will get a terminal degree in whatever field of study I embark on. This is it Dad, I did it. I also dedicate this study to my dearest wife and my four children. Queen you are the backbone of the family. Thanks honey for all the love, and the sacrifices you have made to get me where I am today. My appreciation goes to my children, Courtney, Bradley, Brettmy, and Tiffany for their support.

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I thank Walden University for giving me the opportunity to realize not only my educational dream, but to fulfill a promise I made to my father. My greatest gratitude goes to my doctoral study mentor, Dr. Frederick Nwosu. Prof, thanks for the resources you spent on me, your time, experiences, and the directional leadership you provided that has shaped my own behavior. To my Second Committee Member, Dr. Charles Needham, your very tough feedback was helpful and invaluable. Thanks a whole lot. Dr. Pete Anthony, my Committee University Research Reviewer (URR), I very much appreciate your support. Those moments I am sent on to my next review station were always like the highlight in the George Friedrich Handel's "Hallelujah Chorus". I called it "The URR's Green Light", and I always felt like Ariel in William Shakespeare's "Tempest". Thank you, Dr. Pete Anthony.

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Section 1: Foundation of the Study

Retail companies confront numerous management problems and challenges (Andre, Pennington, & Smith, 2014). Most retail companies face challenges such as losses from theft, fraud, embezzlement, and pilferage because of ineffective internal control systems. Weak internal control results in businesses' inability to maximize business advantages, operational strategies, and other business benefits that may accrue to them. In its internal control integrated framework, the Committee of Sponsoring Organizations (COSO, 1992) included strategies retail companies can use to sustain business operations (Atu, Adeghe, & Atu, 2014).

Background of the Problem

Retail companies, including companies in the convenience store industries in Virginia, have managers whose major functions included providing services to consumers in their location areas in the form of sale and distribution of products (HRCC, 2012). Most retail companies, including Wal-Mart, Target, and Southland Corporation (7-11) are large-scale operations. Smaller companies in the convenience store sector include One Stop, Shop and Go, and Tinee Giant. Most retail convenience stores are open 24 hours a day, 7 days a week. The majority of these retail companies employ about 25 people, while some have as many as 1,000 employees on their rosters (HRCC, 2012). Federal, state, and local governments collect tax revenue from these companies, and the companies support economic development in the communities where they locate. The companies' hours of operation tend to create a significant and beneficial relationship between the retail companies and customers. Furthermore, the operators conveniently

locate the stores at strategic places to serve customers. Customers can get what they want without any difficulty, anytime during the day or night (Andre, Pennington, & Smith, 2014). A common challenges these companies face are losses from theft, fraud, and embezzlements as a result of poor internal control system strategies (Atu Adegbite, & Atu, 2014).

Problem Statement

Internal control systems failure contributes to increases in fraud and sometimes leads to the failures of retail companies, especially companies in the convenience store industry in the United States (Ayam, 2015). Retail companies lose up to 5% of their revenue to fraud annually, which inflate consumer costs by 3% (Robinson, 2014). The general business problem was that the weak internal control systems produced a negative impact on retail companies' profitability and growth. The specific business problem was that some retail company managers in the convenience store industry lacked strategies to strengthen internal control systems.

Purpose Statement

The purpose of this qualitative single-case study was to explore the strategies some retail company managers used to strengthen internal control systems. Retail company managers operating in the contemporary business environment have the capability to design and implement adequate internal control systems to sustain operations (Ayam, 2015; Blackburn, Hart, & Wainwright, 2013). Data for the study came from in-depth participant interviews involving five retail company managers in Virginia with experience designing and implementing strategies that strengthen internal control

systems. Retail company managers understand internal control systems' operational methodologies and are thus able to provide enough valid data to offer a clear business perspective on how retail companies operate (Robinson, 2014). Retail company managers were the target population for this study because they have significant knowledge and expertise in retail company practice (see Fassinger & Morrow, 2013). The result of this study may help managers develop effective internal control system strategies benefiting retail businesses worldwide. Businesses can use better control system strategies to create a better work environment, inform professional behaviors, and ensure good ethical business practice. In addition, better control system strategies and better work environment can result in lower product and service prices that benefit the consumer (Kahlke, 2014).

Nature of the Study

In this study, I used a qualitative research method. The exploratory and inductive nature of the qualitative method, coupled with concise explanations, made the method suitable for the study (see Robinson, 2014; Yin 2014). The advantages of qualitative research methodology includes the use of interview protocols as data collection mechanisms that contribute to the interactive nature of interviews (Bongani, 2013). Another benefit of using interviews as a data collection method is that, in most cases, interviews last about 30 minutes or less (Trafimow, 2014). Quantitative methods would not have met my needs in this study because the methods do not include an opportunity to study the broad base of a business problem (Arham, 2014). The quantitative method was not well-suited for understanding the larger ramifications of the identified problem

(Robinson, 2014), and is useful only for measuring variables that comparatively relate to identified variables (Fassinger & Morrow, 2013). The mixed method research approach was not appropriate for this study because the mixed method includes a quantitative component with the limitations I have already noted. Further, the number of participants and geographic scope of this study were not as broad as would warrant the use of a mixed methodology.

I selected a descriptive single-case design because it allowed for the in-depth exploration of the single case associated with the study. Concerns regarding this design include constructing information about situations that warrant general comprehension of participant, interview environments, contents, nature of research topics and effects (D'Aquila & Holmes, 2014). Before selecting the case study design, I considered using other qualitative research designs including phenomenology, narrative design, and ethnography. However, those designs would have been unsuitable for the study because the study required a case-based exploration of the phenomenon (Robinson, 2014). The descriptive design was less intrusive of people's privacy, and because it included real activities, its use was preferable to other designs. The quality and validity also became convincing factors that descriptive design was more appropriate for the study (Trafimow, 2014).

Research Question

The primary research question was: What strategies do retail company managers use to strengthen internal control systems?

Interview Questions

1. How do you determine control effectiveness, given that many elements exist?
2. What criteria can you use to measure the effectiveness or weakness of control measures, and how are the standards determined?
3. What specific design and implementation strategy do you advise other managers to use to strengthen weak control measures?
4. How did you use feedback in the control measure decisions, and how did management staff address the feedback issues?
5. How did you use technology in the design and implementation of control measures?
6. How did you address the issue of control problems that are a result of control elements deficiency?
7. What change did you make in response to control measure feedback, and how did managers respond to the change?
8. How did you address the issue of the costs of design and implementation of internal control measures?
9. What are the benefits of having an effective internal control system?
10. How did you determine that your internal control system is a reliable fraud and crime control mechanism?
11. How do you review control strategy performance, and what is the process?
12. Do you have anything to add to our discussion of the topic?

Conceptual Framework

Internal control consists of different principles, ideas, and models that drive organizational business and practice (Gottschalk, 2014). The conceptual framework that grounded this research came from some of these models, including (a) the Treadway Commission's COSO model, and (b) the criteria of control (COCO) strategies.

Five major financial professional associations in the United States created the COSO strategic framework. The intent for creating COSO was to guide organizations in how to prevent fraud, comply with regulation, and manage risk (Treadway, 1992). The COSO strategic framework includes guidance designed to inspire workers to act ethically. In this framework, COSO defined *internal control* as business activities developed and implemented by organizational managers to ensure that their businesses achieve their objectives (Law, 2014). In its International Good Practice Guidance the International Federation of Accountants (IFAC, 2012) has described the COSO framework as a mechanism that ensures companies guard against failure through effective risk management (Law, 2014).

Effective internal control requires a control system that businesses can use to identify mistakes quickly to minimize losses. An adequate internal control system is a tool that managers use to achieve control and operational objectives including profitability and survivability (Bogani, 2014). The degree to which internal control objectives become a reality is a product of control structure, design, and implementation strategies, as shown in Figure 1 below. The conceptual framework contains strategies businesses could use to align objectives with activities.

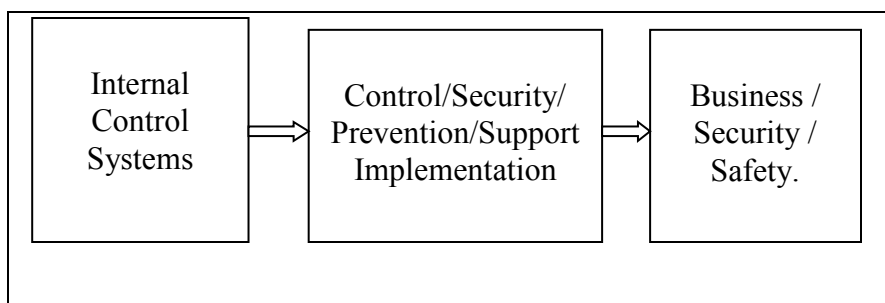


Figure 1. Internal control system functional trajectory

Operational Definitions

The following is a definition of terms, and phrases used in this study. The purpose of these operational definitions is to ensure that readers have a clearer understanding of certain words.

Attestation: Attestation is the act of observing, witnessing, and signing a document, and then resigning the document to verify that the text content is authentic (Arham, 2014).

Asset protection: Asset protection is a strategy for protecting business resources, sustaining return on assets, and preventing the compromise of business resources (Andre, Pennington, & Smith, 2014).

Crime prevention: Crime prevention involves *control* activities that focus on the identification of risk and threats to organizations' operations, and strategies to counter the risk (D'Aquila & Homes, 2014).

Cyberspace: Cyberspace is a graphical representation of information taken from different computers system at different times to effect business and non-business operational activities (Anyam, 2015).

Ethics: In businesses, ethics entails moral uprightness, transparency, honesty, and values that contribute to acceptable business practice (Moldof, 2014).

Internal control: Internal control includes total strategic activities designed and implemented by organizational leaders to promote successful operations to ensure all businesses meet set objectives (Leng & Zhao, 2013).

Insider threat: Insider threat includes a situation in which company employees with full knowledge of firm security tend to manipulate security situations in the organization for their benefit (Hayek et al., 2014).

Retail companies: Retail companies are businesses that sell directly to final consumers. Retail companies vary widely in size, with some having only a few employees and limited assets, to others with thousands of employees and assets in billions of dollars (Ayam, 2015).

Internal control weakness: This term identifies poor control performance and situations that denote ineffectiveness of control measures that are in place (Arham, 2014).

Control Element: Control elements consist of activities, process, procedure, and rules of operation put in place by organizations to minimize risk (Fourie & Ackermann, 2013).

Assumptions, Limitations, and Delimitations

Assumptions

I assumed that the information participants provided was truthful and honest because participation was voluntary. Likewise, I assumed that participants would answer all interview questions asked of them with sufficient details. Confidentiality and privacy

of participants was of the utmost concern throughout the study process, and participants could withdraw from the study at any time without ramifications.

Limitations

Limitations are potential weaknesses that may arise from conceptual and methodological factors that can impede generalizability of the study findings (Ying, 2014). Limitations can arise in the form of poor study design, weak data collection, and inadequate analytical instruments (Robinson, 2014). Limitation of the study included the fact that the population sample was not representative of the population from which the sample came. The nature of participants, method of choosing quality participants, and extent of time for the study were limiting factors. Research settings and the types of interview questions—particularly questions participants deem too intrusive or in violation of their privacy—were limitations.

Delimitations

Delimitation are factors that limit the scope of a study. Delimiting factors included the selection of what the researcher intends to accomplish, the study questions, conceptual perspectives, and choice of participants (Trafimow, 2014). Five experienced company managers participated in the study. Members met selective criteria that included 5 years or more of service in the retail industry. Participants had requisite experience in internal control system design and operation, and occupied a leadership position in the company where they worked.

Significance of the Study

The Treadway Commission's COSO (1992) designed an internal control integrated framework to aid in effective business practice (Fourie & Ackerman, 2013). The significance of this study lies in my development of vital information that aligns with the COSO integrated framework. Such essential information may provide managers and business owners resources to inform their decision making. Specifically, this study may provide businesses information, which managers can use to improve internal control systems for better risk management.

Contribution to Business Practice

Improved business practice can result in a greater performance and improved corporate governance (Isaac, 2014). Critical information that informs business practice may result from this study (see COSO, 2013). Improved commercial practice has a tendency to contribute to professional efficiency and a greater chance of economic advantage. Business practice benefits from the development of critical information that can enhance management strategies. However, most retail companies lack the capacity to maximize COSO internal control integrated framework provisions. Managers and owners could use information from this study to enhance skills, and improve capacity utilization and profitability (see Isaac, 2014). Adequate internal controls could mitigate unfavorable business challenges. Effective internal control could also position companies to meet operational objectives, and attain an economy of scale (Buck et al., 2014). Furthermore, the economy of scale can result in the creation of more jobs and employment opportunities (Fourie, & Ackermann, 2013). The expansion in employment will boost

consumer confidence, contribute to a better community, and promote corporate and professional practice (Buck et al., 2014). With the improvement in business practice, company managers stand a greater chance of reducing failure rates and boosting profitability.

Implications for Social Change

Internal control is a mindset a community could apply in daily living. In the internal control orientation, members of a community explore the nuances of all aspects of their activities to ensure the wellbeing of the community. When a retail business is profitable because of controlling costs and processes, employees, managers, and owners will express satisfaction and confidence. That expression will influence other members of the community. Ethical conduct will permeate the society and make members of the surrounding communities adaptable to ethical processes. This affective phenomenon will spill over to other business institutions within the community because non-retail employees influenced other community members with controls mentality. Internal control process consequently constitutes a culture any society may imbibe and engender trust among convenience stores and their communities in Virginia.

A Review of the Professional and Academic Literature

Conceptual frameworks such as the COSO and COCO strategies contain information that retail company managers can use to strengthen organizational knowledge base. In the literature review, I compared and contrasted information on other strategies or plans, including CORBIT and SAC, to determine how my review of prior

literature influenced my decision to conduct this research. The research question was: What strategies can retail company managers use to strengthen internal control systems?

In this study, the literature review was helpful in formulating a clearer understanding of how internal control affected the activities of retail companies in the State of Virginia in the past. I also used the literature review to determine the study's relevance by directing attention on the scope of past studies and what prior researchers found (see Kathryn, 2014). Procuring the literature involved a search of numerous databases for journals, books, and documents. To gather this literature, I used resources available from Walden University library, Old Dominion University library, Norfolk State University library, and Virginia Beach public library. The review included the more than 160 peer-reviewed journal articles and 27 books.

Phrases and words I used to search academic databases included *internal control*, *COSO*, *COCO*, *crime prevention*, *job segregation*, and *professional practice*. I organized the literature review according to search terms such as *internal control*, *governance*, and *corporate responsibility*, and *business risk assessment and management*. Three additional terms included *compliance with rules and regulations*, *internal controls and business ethics*, and *accounting and audit contributions to internal controls*. For this review, I used seven books, 96 peer-reviewed articles, one dissertation, and four other print resources. Of these 116 sources, 112 were published within the last 5 years, while four were older than 5 years.

The purpose of this qualitative study was to explore the strategies that retail company managers use to strengthen internal control systems. The result of a study in

Indonesia showed that management and retail managers 'with expertise in the functions of internal control has a positive relationship with retail company performance (Kukreja, 2016). The result of Kukreja's (2016) study in Thailand showed that retail company growth and profitability was a function of internal control systems.

How managers understand and implement internal control systems in their respective companies is another factor in productivity and profitability (Kuma & Sing, 2013). Human and product diversity demands that retail company managers possess the expertise, understanding, and strength that is required to organize and operate a successful company. Managers would normally have good training and are knowledgeable about their retail company's internal control system. Incidentally, the dividends of adequate knowledge are absent. The results of Kukreja's (2016) study showed that an adequate internal control system contributes to retail company operational success. High productivity translates into growth, high profit, and increase in employment opportunities (Kuma & Singh, 2013).

Managerial expertise in the function of the internal control system are a pre-requisite for the survival of all enterprises. Efficiency in the design and implementation of all facets of the internal control system is required for a retail company manager (Hayek et al., 2014). Adequately designing and implementing an internal control system will position a retail company to increase efficiency and decrease costs.

Framework Models

Leng and Zhao (2013) discussed the issue of internal control and concluded that an effective internal control system was necessary to maintain financial security, business

operational efficiency, and compliance with rules and regulations. The Committee of Sponsoring Organization of the Tread Way Commission (COSO) was the major conceptual framework model that supports the need and importance of internal control structure in the study. The Criteria for Control (COCO), the System Auditability and Control (SAC), (CORBIT) Models and the Control Objective for Information and Related Technology are discussed to support the argument that strong internal control system contributes to growth and sustainability of retail companies (Hayek et al., 2014; Leng & Zhao, 2013).

COSO model of internal control. The Treadway Commission's COSO emanated from interactions among accounting professions in the United States. The COSO strategy consists of five complementary parts, which include (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring (Leng; Zhao, 2013; Treadway, 2014).

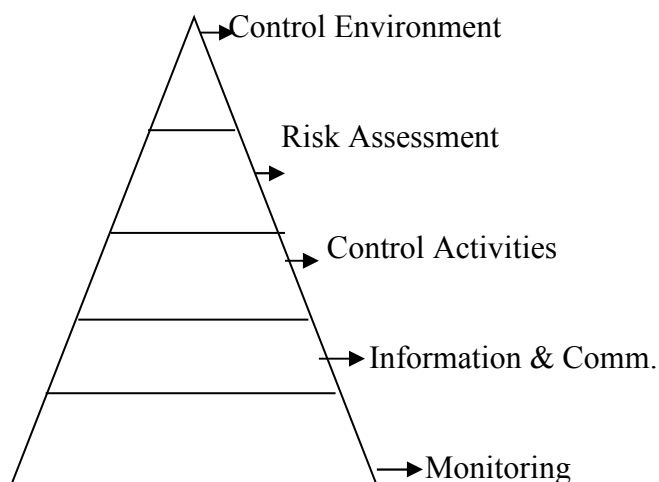


Figure 2. COSO internal control framework.

The purpose of COSO group members was to ensure that businesses have the necessary information that will help them operate successfully, and meet their objectives (COSO, 2013). In its IGPG, the IFAC stated that the purpose of COSO was to develop information that business managers could use in implementing internal control systems. The framework serves as a model that businesses can use to guide against failure, improve operational performance, and enhance value creation and preservation. In addition, information derived from COSO may result in strategies that can promote risk management. An interesting feature of the COSO internal control model is how applicable it is to all types of business structures and compositions. Big and small retail companies have the potential to benefit from the models. Furthermore, all the components of the model complement or build on each other, and as a result, improve enterprise effectiveness and capabilities (COSO, 2013; Meek, 2013).

The control environment is the lowest level in the pyramidal structure of the COSO internal control design. In the control environment level, you will find all the

decision makers in the organization. Leaders are responsible for making decisions on the design and implementation of control measures (COSO, 2013; Treadway, 1994).

Business owners, management, directors, and stakeholders are part of the control environment.

Risk assessment involves mechanisms that leaders use to determine the existence, degree, and severity of risk, and to monitor efforts to resolve the risks (Gottschalk, 2014). Risk assessment may involve supply chain activities that fail to arrive on time, or changes in price and costs. Risk assessment may also involve steps in identifying errors and inaccuracies in transaction records, delays in reporting, and non-existence of financial records (Isaac, 2014). Feedback from the risk assessment is fundamental to successful determination of what level of risk the business faces and strategies it implements to counter the threats (Fourie, & Ackermann, 2013).

Control activities consist of the actual function and practices that the business implements. Control activities are tangible and intangible operational actions such as production, sales, security, accounting, and customer services (Fourie & Ackermann, 2013). Retail companies, including those in the convenient store industry, have a multi-inventory composition and, as a result, faces difficulty structuring their internal controls. Most small retail organizational leaders can implement internal controls that align with their operational process effectively (Bogani, 2013; COSO, 2013). Also, control activities, include implementation of procedures and policies to mitigate risk (Hayek et al., 2014). Task descriptions and separations are part of the control environment category. For example, task description may include specifying that vendors do not prepare

bookkeeping records of their supply, or that cashiers are not responsible for the procurement of inventories. Such implementation dynamics are helpful and provide retail companies control measures that reduce chances of fraud, theft, and other losses (Arham, 2014).

Another component of the COSO model is information and communication (Treadway, 2014). The information technology (IT) component of COSO includes the business applications of IT as necessary business tools (COSO, 2013). As an important element of the intent of the Sarbanes-Oxley (SOX) Act of 2002, information technology was a tool to deter business fraud and corruption in both large and small retail companies. The impact of IT is more pronounced in small retail companies. Larger retail companies also are not free from the negative impact of the IT application. Inability to maximize the advantages IT offers was one of the causes of negative IT application also (Treadway, 2014; COSO, 2013). An adequate information technology (IT) internal control aligns with small retail company managers activities. IT internal controls are activities that ensure that retail company technical systems function as intended (COSO, 2013).

Monitoring is another component of the COSO integrated framework that involves evaluating the functioning of the framework for corrective measures (Feng, Li, McVay, & Skaife, 2015). COSO and similar models replaced the traditional self-regulation maintained by most businesses. The Sarbanes-Oxley Act of 2002, with its Public Company Accounting Oversight Board (PCAOB) requirements, is a legal tool that enterprise operators could use to monitor how executive officers and directors audit public companies. The monitoring activities include increasing audit transparency and

accuracy, supporting higher accounting and reporting standards, and promoting the effectiveness of internal control for large and small retail companies. The law has helped to strengthen monitoring functions of internal control and its impact on businesses (Feng et al., 2015).

The COCO Model of internal control. The COCO internal control model is quite similar to the COSO model and has the same fundamental strategy in design and implementation (Law, 2014). The COCO model was developed by the Canadian Institute of Chartered Accountants in 1995 (Feng et al., 2015). The intent of COCO was to examine the role and the importance of internal control from the resources, systems, structure, and organizational task perspective.

The COCO structure has three major objectives: effectiveness and efficiency of operations; reliability of internal and external reporting; and compliance with rules and regulations, including applicable internal policies. These objectives are in line with the COSO frameworks. When properly implemented, the COCO framework has a tendency to help retail companies accomplish the operational objective set by shareholders, manager, and owners. Gottschalk (2014) indicated that the intent of COCO framework was to promote operational efficiency in retail companies.

The COCO framework is premised on the understanding that weak or ineffective internal control could result in vulnerability to insider crimes that may lead to business failures and bankruptcy (Gottschalk, 2014). The development of COCO by the Canadian Institute of Chartered Accountants increased strategic factors that form part of both COSO and COCO. Both models can have a positive impact on how business owners and

managers strengthen and support business activities, and help maintain efficiency and operational effectiveness. COCO is a strategy that can help managers reveal needed information to retail companies' operators, and leaders for decision-making purposes (Gottschalk, 2014).

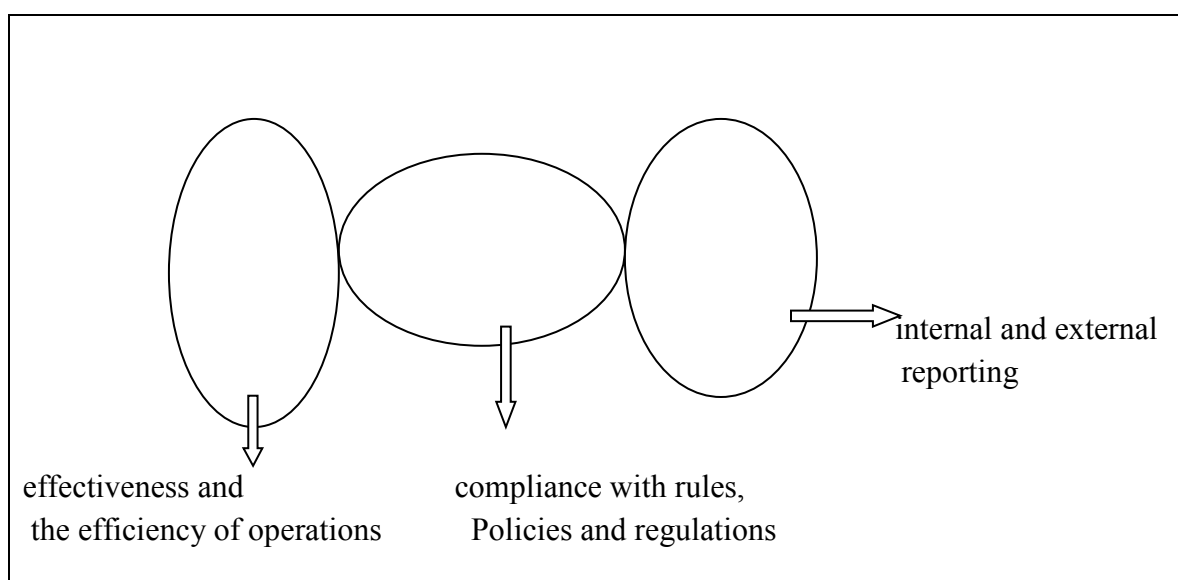


Figure 3. Functions of the internal control

Effective implementation of reporting and compliance, as well as the operational efficiency aspects of the model, are important audit functions that must support internal control (Gottschalk, 2014). The Canadian Institute of Chartered Accountants developed the COCO model to aid auditors in their work. Under the model, retail company managers are responsible for providing auditors the necessary authentic, error-free information that strongly supports audit reporting. Auditors must ensure that the retail

companies are efficiently operated and are in compliance with the rules and regulations (Law, 2014).

The CORBIT Model of internal control. Control objectives for information and related technology (CORBIT) were another internal control framework strategy among others, including COSO (Kuma & Singh, 2013). Information System Audit Control Foundation (ISACF) developed as CORBIT in 1996. The primary purpose of developing CORBIT is to enable business managers to monitor efficiently, the business use of information systems. The strategy also deals with how information technology influences the business systems process (Kuma & Singh, 2013). The importance of information technology (IT), especially in the contemporary business environment relate to the fast pace changes in instrumentation.

Business equipment, ranging from telephone systems to fax, printer machines and other communication methods including the Internet has revolutionized the business practice. Companies that fail to modernize by adopting CORBIT strategy find themselves facing stiffer competition than the companies that do. Failures to maximize the system may indicate the difference between failure and success (Kukreja, 2016). Meek (2013) took the position that information technology contributes to effective and efficient business operation, echoing the CORBIT framework. Information from the CORBIT framework is supportive of retail company manager's activities in making sure that retail companies internal control systems function efficiently.

The CORBIT framework also aligns with SOX 404 section of the Sarbanes-Oxley Act of 2002. The Act required auditors to gather properly and report accurately, the

financial activities of businesses they audit (Kukreja, 2016; Kuma, & Singh, 2013). Also, auditors use the CORBIT framework as a strategic tool to measure the degree to which their activities complies with rules and regulations.

The SAC Model of Internal Controls. Institute of Internal Auditors Research Foundation developed the System Auditability and Control (SAC) conceptual framework model of internal control in 1991. The framework saw an update in 1994 (Chasen, 2014). System Audit ability and Control contain information that internal auditors can use when engaging in the audit of retail company operational activities. The guideline applies to small and large retail companies alike (Hunt, 2014). Auditors who examine corporate activities rely on the System Audit Ability and Control (SAC) guideline for accuracy and compliance. The guideline helps managers to determine information technology (IT) effectiveness (Hunt, 2014). Retail companies can use the SAC in their activities to advance their operations. The retail company managers can use System Audit Ability and Control to help auditors meet their audit responsibilities as required by Sarbanes-Oxley (SOX) 404 (Bogani, 2013).

Functions of Internal Control

Explanation of the functions of internal control systems was a publication by the Committee of Sponsoring Organizations of the Tread Way Commission (COSO). The publication was a 1992 edition (Bogani, 2013; Treadway, 1994). COSO integrated framework, and other models including COCO, CORBIT, and SAC, defined internal control as business activities that organizational leadership put in place, , and management to ensure that objectives are accomplished (Hasnas, 2013). International

Federation of Accountants (IFAC), in their 2012 International Good Practice Guidance (IGPG) described and listed the function of COSO and related internal control functions. Among the functions are (a) ensuring that businesses guide against failure, (b) aiding operational performance, and (c) enhancing the business value creation and preservation. Also, promotion of risk management, and making sure that companies take advantage of opportunities while deterring risk is among the functions (Chen, 2016). Interestingly, COSO and related models apply to all types of business structures and compositions. Large corporations, as well as mid and small sized companies, can benefit from a successful design and implementation of COSO, along with related internal control frameworks (COSO, 2013).

When the organizational internal control system is ineffective, weak, a potential non-existent gap that could lead to fraud, theft, or loss of an asset exponentially increased (Ayagre, Gynamerah, & Narty, 2014). An examination of the makeup of criminals, and how their actions impact retail companies showed that the ineffective internal control system could be costly (Chasen, 2014; Hunt, 2014). The examination consists of a 2006 occupational fraud web poll or survey of over 1100 professionals from diverse Canadian organizations. The Association of Certified Fraud Examiners (ACFE) used multivariate regression analysis to conduct the examination. The researchers found that fraud perpetrators gender, age, educational level, or positions have no known relation or impact on the degree of fraud losses (Chasen, 2014). The researchers concluded that fraud perpetrators have no exception regarding demography or other identifications (Law, 2014). The most important discovery the researchers made was that fraud perpetrators are

successful in manipulating and taking advantage of organizational control system weakness (Hunt, 2014). In some cases, employees occupying various positions in the organization are the principal culprits. In the case of retail companies, close and trusted employees are always the culprits. Most employees understand the strength of the organization's protective measure. Many researchers are in agreement with the assumption that weak and ineffective internal control systems can lead to business crime vulnerability (Hunt, 2014).

How organizational managers and leadership perceive the strength of internal control in their respective organizations led to an examination of COSO. Specific areas examined included control environment, risk management, and monitoring components of the Committee of Sponsoring Organizations (COSO) internal control integrated framework (Chen, 2016). The examination involved a survey of 500 chief audit executives and non-audit executives. The COSO elements of internal control perceived as weak or less effective, help to determine the operational effectiveness at any given condition. The researchers identified what happened to operations because of deficiencies in any of the elements. Secondly, the researchers explored variations in perceived control strength at an individual control elements level, in public retail companies. The result of the examination shows that some public companies control systems are consistent and comply with regulations. Banks and financial services companies tend to maximize internal control resources better than non-bank. Health care provider firms, and retail companies such as Walmart, Seven-Eleven (7-11), and One Stop, to name a few failed in this respect (Kabue & Aduba, 2017).

Examination of the variations in the control strength at an integrated level was the right action (Law, 2014). The purpose was to determine how control environment, risk assessment, and monitoring relate to important organization functions, working together. Stages of the examination showed that internal control component strength relates to top management functions or activities. In most cases, retail company managers determined what internal control strategies and implementation dynamics contribute to the achievement of objectives (Weller, 2017).

Persons (2013) studied causes and consequences of internal control problems in not-for-profit organizations. The purpose was to determine how not-for-profit organizations survives in the face of problems associated with ineffective internal controls. Not-for-profit organizations are not immune to control problems that for-profit organizations face including theft, fraud, and embezzlement. The research involved 27,495 not for profit organizations. Persons (2013) documented the likelihood that not for profit organizations suffered from decreased financial health, poor composition, and difficulty obtaining funding (Issac, 2014).

Not-for-profit organizations with internal control problems reports a deficiency in internal control more than those who are in sound financial conditions (Ayam, 2015). Another reason was to confirm prior study results suggesting that not for profit organizations in poor financial shape are more likely to disclose the condition of correctional measures. Restoration of trust from both the private and public sectors for their welfare was another factor (Atu et al., 2014). Reporting internal control deficiencies tend to create effective financial and management awareness. Reporting internal control

deficiency enhances the ability of an organization to fulfill its obligations or objectives by leveraging the tenet of internal controls functions effectively.

Proprietary data obtained from large accounting firms provided a clearer understanding of internal controls functions in some organization (D'Aquila & Hommes, 2014). The reports on client's organizational make-ups associated with internal control effectiveness and system mechanism in SOX 404 activities identify control deficiencies and factors resulting in high severity. Findings from the study showed that companies fail to detect most internal control deficiencies in their assessment and testing. Business managers tend to underestimate and improperly classify the severity of defects they detect. Actions of this nature underscore the fact that independent outside auditors assessment and testing of internal control effectiveness was better than that of internal auditors (Andre et al., 2014). Regardless of whether internal or external auditors identify control ineffectiveness, the fact remains that the deficiency in internal oversight leads to inefficiency and poor performance. When management uses un-rectified internal control deficiency strategy, they defeat the purpose of internal controls (Ayam, 2015).

Description of how retail company owners and managers, use information technology (IT) to enhance and strengthen internal control functions was the topic of study by (Arham, 2014). A study of how information technology work showed a high degree of effectiveness in hiring high-quality skilled management staff. Information technology aids communication control component of the COSO 1992 integrated framework. Information technology assists audit activities, including reporting. A company manager benefits by using information technology to create employee

awareness, knowledge, and understanding of internal control functions (Blackburn, Hart, & Wainwright, 2013). Blackburn et al. (2012) used Likert scale questionnaires of employees of banks and administrative staff of government employees in Zanjan, Iran. The findings support what other researchers found and agreed that the effective internal control system was a critical business strategy. Information technology (I/T), has a tremendous and positive influence on how management works with the design, implementation and monitoring of internal controls (Blackburn et al., 2013).

Internal control system role as a critical organizational management disclosure provides managers with an operational efficiency measurement tool (Brebels, De Cremer, & Van Dijke, 2014). Brebels et al. (2014) recognized the broad use of internal controls systems by small and large retail companies in crime detection and prevention, protection of organizational assets, and compliance issues. The result of the study tends to validate the fact that an efficient internal control system supports shareholders, stakeholders, and financier's perceptions (Brebels et al., 2014). The investigation, conducted in Bangladeshi, resulted from company's issues in annual reports that are not all-inclusive in contents; exclude internal control elements and contributions to sustainable business practice. Arguments in support of full disclosure require that internal oversight operational effectiveness; show that financial statement complies with Generally Acceptable Accounting Principle (GAAP), according to Brebels et al. (2014). The financial statement represents the company's financial positions. When results of operation indicate that internal controls applications are functioning as designed, reports must show such situation (Brebels et al., 2014). Some retail company owners and

managers tend to ignore the functions of internal control in promoting organizational and management effectiveness. The results of the study highlight the importance of internal control disclosure in company report for the benefit of users of retail companies annual reports globally (Brebels et al., 2014).

An effective internal control system was a strong protective and preventive mechanism that discourages enablers, fraudsters, and other criminal activities. A good internal control system prevents crime-minded employees from taking advantage of intellectual company properties (Annaraud, Singh, & Lively, 2014). Annaraud et al. (2014) conducted a study to determine the relevancy of internal controls in the protections of intellectual capital structures in Iran. The Intellectual capital structure was intellectual and knowledge-based resources. Company resources like intellectual capital generate profit and enable companies to maximize economic advantage (Annaraud et al., 2014; Hunt, 2014). Small retail companies, as well as large retail conglomerates managers and owners, possess intellectual capitals. Regardless of ownership, the need to protect business and the organizational asset was a primary function and a factor in designing and implementing control systems (Hunt, 2014).

A study by Pang and Li (2013) examined whether financial control effectiveness in Chinese listed companies internal control strategies has worked as designed and implemented. Financial control effectiveness means the removal of barriers faced by companies, including difficulties that influence, and impede normal commercial activities (Pand & Li, 2013). Factors that prevent effective internal control functions, as it affects retail company operations have remained unresolved. The factors remain the same to this

study as it was in past research. Other factors that drove this present study included reconstruction of internal control mechanisms and development of a sustainable self-financing, self-restricting and self-controlled financial control systems that complement internal control (Pang & Li, 2013).

In a study, Wakiriba, Ngahu, and Wagoke (2014) examined the impact of effective internal control systems on business process, financial statement and operational effectiveness. Wakiriba et al. (2014) used a business process diagram model (BPDM). The model was a graphical representation of a business process intended to evaluate the internal control function effectiveness (Wakiriba et al., 2014). The intent of the study was to describe how the model helped leaders to teach students to achieve an understanding of business process. Another reason was to help students acquire mastery of business terminology, and skills in accounting, auditing, and information technology (IT). Competence and experience in the practice of the BPDM methodology tend to enhance student's ability to identify internal control weaknesses. In practical term, such skill and experience promote critical thinking regarding the business process and its impact on internal control (Wakiriba et al., 2014). Business process diagram model (BPDM) experience included the significant directional interplay of internal oversight function for students (Chen, 2016).

Governance and Corporate Responsibility

Studies have shown that corporate performance effectiveness has some correlation to the human element within an organization (Amba, 2014). Humans are the greatest resources any organization can possess. Humans perform all aspects of the

organizational activity, and the applicability of this concept was universal. Big and small retail companies, including companies like Walmart, Southland Corporation (7-11), and One-Stops have human managers including people at the top, supervisors, owners or shareholders. Business owners, managers, and shareholders are responsible decision makers for their organizations. Responsibilities include determination, design, implementation resources, and assets; that promotes compliance with rules and regulations. The decisions improved growth, profitability and sustainability of their respective organizations (Amba, 2014; Morf, Flesher, Hayek, Pane & Hayek, 2013).

A study by Kabue and Aduda (2017) examined the importance of internal control system, in firms and organizations based on organizational leadership perspective. The proper business process recognizes that management makes all decision that pertains to how any organization manages its activities (Kabue & Aduda, 2017). Management can override any decision based on circumstances such as costs and effect. The importance of the organizational leadership concept was the recognition that internal control was an important corporate governance mechanism (Kabue & Aduda, 2017). An Internal control system, when adequate, influence firm's financial reliability, and effectiveness. Managers also use internal controls to measure risk efficiency that helps companies to update rules, the standard of work and help to maintain quality compliance. Internal control relevancy to every organization underscores functionalities including organizational objectives relevant to both retail companies (Kabue & Aduda, 2017).

Accountability, structure, and organizational management effectiveness are a function that falls within the domain of internal auditors whether by delegation or

assignment (Liu, 2013). The work internal auditors do through examination and reporting of organizational activities includes financial reporting, internal control systems effectiveness, and corporate governance. Through an internal audit, management can accomplish its objectives by making sure that internal control, risk management, and corporate governance elements are useful.

Study of how corporate governance structure influence internal control disclosure in both large and small retail companies provided a detailed description (Carol, 2015). To establish the rationale that corporate governance structure influences internal control involves the examination of 1309 Chinese listed non-financial companies. The result of the study found that three major factors influenced internal control disclosures positively (Carol, 2015). The factors included management actions, truthfulness in reporting, and proper timing. Adherence to these factors was crucial for maintaining effective and efficient internal control system. The problem was that most retail companies do not have adequate internal controls in place (Carol, 2015). Lack of adequate internal control remains the character of the small retail companies that operate in the Hamptons Roads cities of Norfolk and Virginia Beach, Virginia. The authors stressed the need to address some important factors that lead to fraud. Some of those factors are (a) failure to institute good internal control, and lack of related information disclosure, (b) lack of truthfulness and reliability of financial information. Other factors included failure to bring effective change in internal control, and to the development, and implement a strong internal control systems monitoring. Managers need strong and efficient internal control system

for fraud mitigation to avoid scandals that come with fraud. Companies such as Enron, World Com, Xerox, Guangxia, and China Aviation Oil experienced this dilemma.

Study of the impact of corporate governance and organizational leadership on the costs of equity in Malaysian public companies during the periods 2003-2007 provided some details (Amba, 2014). Amba (2014) examined the financial crisis of 1997, and 1998, which exposed the vulnerability and structural weakness of firms control elements. The result of the crisis showed some evidence of poor corporate governance abuse, inadequate board oversight. The crisis also showed a numerous conflict of interest transactions that either ignored the need for strong control oversight or points to the weakness in the control elements effectiveness (Amba, 2014). Weakness in control elements also highlighted how poor leadership and irresponsibility could exacerbate organizational problems. Weak leadership or weakness was the cause of poor corporate performances. An assertion that poor leadership contributes to poor corporate performance tends to support a non-established fact. The general perception was that organizations with strong and efficient internal control system are more profitable than those organizations without (Amba, 2014).

Corporate social responsibility has become a concept of high interest because of globalization (Efiong, Usang, Inyang, & Efiong, 2013). The concept of corporate social responsibility was not about product safety alone, rather has also become a concern to company leaders because of how social responsibility influences other functions. Companies have realized that the idea of only enriching shareholders as their primary objective runs counter-productive to good corporate governance (Efiong et al., 2013).

Good corporate governance entails sound business environment, including adequate internal control systems, social, legal, and ethical constructs both domestically and globally. The practice of good corporate governance should include an objective ascribed by all businesses, small and large, irrespective of location (Efiang et al., 2013).

The responsibility of organizational leadership was to maintain good corporate governance (Eniola & Entebang, 2015). The concept of good corporate governance included instituting effective strategies that promote the sound business practice, encourages prevention of fraud, embezzlement, and misappropriation. Business practices that identify errors and weakness in function strengthen internal control systems and improve profitability, growth, and sustainability (Efiang et al., 2013; Eniola & Entebang, 2015). The strategies of promoting sound business practices are lacking in both large and small retail organization in the contemporary business environment and have resulted in the failures of such large and small retail companies. Companies such as Enron, WorldCom, Lehman Brothers, Tyco, and Global Crossing are among big companies that have failed. Small and mid-sized companies like DolciShoes, Tine Giants, and Southland Corporation (7-11) have failed at one time or the other also (ACFE, 2012).

Effective internal control systems could help in mitigating operational failures (COSO, 2013). No internal control system is foolproof, and no control strategy guarantees a 100% success in protecting organization assets, or absolute compliance (Morf et al., 2013). A strong plan remains a requirement in any effort to deter errors and prevent risk occurrence. A study on grocery stores crime and efforts to reduce such crime yielded some valuable information (Morf et al., 2013). In the study, management gauged

perceptions of system surveillance as a crime detection and elimination mechanism to improve business strategies. Study findings led to the conclusion that reduction strategy like surveillance requires a continued management monitoring and adjustment. Efforts to improve and strengthen crime prevention system mean replacement of an existing control tool. Installation of new CCTV scan systems and a perpetual monitoring of company control instruments can also help (Morf et al., 2013).

A 2014 study stressed the importance of effective internal control systems (ICS) while cautioning the inherent deficiencies in the control dynamics (Gottschalk, 2014). Gottschalk (2014) indicated that an effective internal control system constitutes a cornerstone of sound public and corporate governance. Research have shown that most small retail companies lack the ability to control the rigors, and technical competence demanded in having effective internal control (Gottschalk, 2014). A new innovative strategy called New Public Management (NPM) can benefit retail companies control efforts. Companies can integrate and implement this strategy as a part of the operational control system (Gottschalk, 2014). The NPM strategy was a mechanized system that worked well with internal control systems in the early detection of operational risk.

An examination of the effects of the Sarbanes-Oxley Act of 2002 on the value of companies showed a positive result. The examination shed more light on the cross-listing choice of businesses earlier between North America, Asia, and the European markets than now (Hsiung, & Wang, 2014). The Sarbanes-Oxley Act was a law passed by Congress in response to dubious accounting procedures that led to the collapse of many companies in the U. S. and Europe (Hsiung & Wang, 2014). The purpose of the law was

to deter previous events from repeating and harming retail companies (Meek, 2013). The Sarbanes-Oxley Act required auditors and organizational management as designed, to regulate the production of financial reports. The law also strengthened management by promoting accuracy, transparency in operations including reporting. Error free financial statements are available for professional use. Effective corporate governance tends to improve professional practice. The negative impact of the Sarbanes-Oxley Act lies in the fact that it has resulted in higher costs of audit activities and more expenses to company leaders and shareholders (Hsiung & Wang, 2014).

The consequential implication of lack of internal control effectiveness in most retail companies remains a well-known fact (Jong-H, Sunhwa, Chris, & Joonil, 2013). An examination of this fact found that weak or ineffective internal control leaves companies vulnerable to some risks, including fraud. Business conditions of this nature impacts company financial performance negatively (Jong-H et al., 2013). Business implications of the lack of internal control effectiveness come from financial constraints. Ignorance on the part of leadership and lack of technical expertise are potential factors. In most retail companies, internal controls are non-existent, and this creates a condition of weakness and a lack of confidence in the firm's ability to operate efficiently. Internal control effectiveness enhances corporate governance. Since a 100% success is not obtainable, retail company owners and managers are always scrambling to attain a successful operational balance (Jong-H et al., 2013).

The Foreign Corrupt Practice Act (FCPA) identifies as another management and owner's optional internal control tool (Mafiana, 2013). The purpose of the act was to

reduce bribery and corruption in the conduct of international business by U. S. firms and companies. Responsibility for making the law work rest on the board of directors. Managers and retail company owners can also make some contribution (Mafiana, 2013). The law identifies the actions that are necessary to prepare for oversight of risk and crisis management (Mafiana, 2013). The Sarbanes-Oxley Act of 2002, for example, addressed the issue of company audit reporting effectiveness. The Foreign Corrupt Practice Act of 1977, on the other hand, was a law that companies can use to stop bribery and corruption. As internal control tools, retail company owners, and managers can implement this strategy to sustain growth and profitability (Mafiana, 2013).

The relationship between internal control, leadership role, and firm value interactions receive critical exploration (Moldof, 2014). The research intended to establish the contribution of each of the variable to firm success. The study result showed that organizational board of directors, management, and owners handled the creation and the maintenance of firm value appreciation effectively after the examination (Moldof, 2014). The examination involved 200 manufacturing Chinese listed companies and the process used regression analysis. The study finding underscores the fact that managers, owners, and directors of retail companies, regardless of location face the same fate when they make business decisions (Moldof, 2014). Responsibilities of retail company managers and owners included the formulation of policy decisions and process developments implementations. Company owners and managers are also responsible for reviewing general operational function and progress. Also, internal control activity

decision and all operational strategies decisions remain the responsibility of managers and company owners (Moldof, 2014).

The relationship between auditors and audit firms regarding audit reports of organizational financial statement remains one of profound importance (Mukhina, 2015). Auditor, the client-firm relationship became more important after the implementation of the Sarbanes-Oxley Act of 2002 (SOX) Section 404. The law required retail company managers and owners to assist auditors in auditing and reporting firm activities (Mukhina, 2015). Organizational leadership tends to influence business activities, including activities of managers and owners, and this influences skewed decisions (Mukhina, 2015). The SOX 404 was a section of the Sarbanes-Oxley Congressional Act of 2002 that prevents confusion, complexities, and uncertainties in decision-making, and prevents failures. SOX 404, a provision contained in the Sarbanes-Oxley Act of 2002, mandate auditors to maintain some independence in reporting. Independence and accurate report of audit findings, irrespective of their relationship with the client, the company may reduce the undue influence (Mukhina, 2015).

Corporate governance was the summation of firm leadership activities at leveraging firm's resources to maximize and promote strong prestige, credibility, and image (Nor-Azimah, 2013). In the contemporary business environment, leadership remains a critical factor. In retail company structure, leadership was important because success and failures are dependent on what decision owners and managers make (Moldof, 2014). Managers determine internal controls design, operational technology, custodian of assets, the nature of the inventory, and accountability of operations (Nor-Azimah, 2013).

Leadership role in the examination of the shareholder-auditor relationship that influences operations, about corporate governance was critical to business success. The use of inferential descriptive statistics analysis can work if the researcher desires to determine how this relation interacts with leadership and company activities (Robinson, 2014). Regardless of the size, or location, retail companies face the same problems of leadership interplay, where ownership and management paradigms can determine the resolution of problems (Nor-Azimah, 2013).

Internal Controls and Business Risk Management Assessment

Much internal control information breaches originate from organization workflows (Novak, 2014). Information breaches are of particular concern in organizational work activities because it involves a process that results in the generation of personal or workers information that facilitates workflows (Novak, 2014). Risk management was a strategy that leaders used to optimize the efficiency of workflow staffing to decrease data exposure in complex workflows. Jackson Queuing Network Model framework (JQNM) was a popular risk strategy in use by most retail companies (Nor-Azimah., 2014). The framework showed how to handle internal security threats, and what comes out of the cross talk, and cross-personnel involvements. JQNM was appropriate for business managers to obtain maximum-security effectiveness and improve business operations. JQNM was a strategic tool that managers used to regulate workforce conditions as well as the minimization of an organizational security vulnerability (Liu, 2013). Retail company decision makers could benefit from using the

JQNM strategy, but costs, technical expertise shortage, and other constraints are the reasons most do not use the strategy.

Historical perspective of white-collar crimes and the nature of perpetrators of this offense remain a helpful strategy that help businesses access and manage risk (Hayek et al., 2014). A survey of 500 largest business organizations in Norway, design to create insights into perceptions of potential offenders facilitated this historical examination (Kuma & Singh, 2013). The result of the survey identified financial misconducts by chief executive officers of the organizations that are seriously high (Hayek et al., 2014). The result of the study also found that chief executive officers involved in white-collar crimes are not readily identifiable as culprits because of the position they occupy (Hayek, 2014). The financial misconduct phenomenon was not peculiar to small businesses alone and operators did not discriminate among small or large companies. Retail companies seem more vulnerable to white crime risk predicament because of failure to institute adequate internal control safe guides. Hayek (2014) provided ample statistical evidence in a study showing that top management including owners poses a risk management threat to organizations than previously believed.

Organizational control elements are important in determining and influencing operational effectiveness and success (Darrat, Gray, Park, & Wu, 2014). Preventive and detective control elements have the tendency to affect operations and enhance risk assessment and management (Jaggi & Mitra, 2013). Retail companies have the financial ability to leverage the preventive and detective control resources. Availability of needed resources tends to provide encouragement for retail decision makers to design and

implement the strategy. The strategy, when implemented, has a formal effect on employee's performance and motivation (Darrat et al., 2014). Darrat et al. (2014) posited that using the detective and preventive elements of internal control improves businesses entire control activities overall and puts companies in a stronger, more active position to achieve objectives. Management can use preventive controls to restrict employee independence with certain behaviors, and determine the employee conduct. Detective controls, do not limit employee freedom but can impact decision rights. Detective controls affect employee's level of activities regarding action and other behaviors (Darrat et al., 2014). The two control strategies may reflect different dimensions of the risk assessment and management activities of business. Both control activities constitute active elements of internal controls and are suitable for retail companies (Jagi & Mitra, 2013).

Risk analysis and evaluation are an important business element and strategy, and, therefore, must remain a priority for the welfare of organizations (Othman & Ali, 2014). The effective risk assessment approach enables leaders of retail companies to function adequately and fully maximize the economic advantage. Othman and Ali, (2014) argued that a well-designed and efficiently implemented risk evaluation and risk control system aligns with business objectives. In a study, a system mathematical model helped managers develop a framework that extends the principles of Risk Analysis and Management for Critical Assets Protection (RAMCAP). The principles of RAMCAP help business organizations to determine risk values (Othman & Ali, 2014). RAMCAP is a concept of the Department of Home Land Security (DHLS). RAMCAMP is an internal

control system that deals with risk threat, vulnerability, and consequences of risk. The use of RAMCAMP proved adequate for its intended purpose, which is to identify risk, and retail companies have resultantly increased their use of the model (Othman & Ali, 2014). Retail companies receive encouragement to use this framework because it was effective and helped businesses strategize. The costs about procurement and implementation may hinder possible progress (Othman & Ali, 2014).

The influence of the internet on contemporary business activities and practice is a phenomenon that cannot be over-looked (Pang & Li, 2013). The Internet has helped on-line identity theft to grow and became a threat to commercial practice. Identity theft poses a detrimental threat to the economy and socio-economic life of the consumers (Pang & Li, 2013). The difficulty in identifying internet based fraud and other crimes are the reason that most retail companies that do business on-line have become vulnerable. The result of the study by Pang and Ali (2013) concluded that the internet system does include an adequate internal control mechanism to protect small retails operations. Furthermore, difficulty in apprehending on-line criminals tend to encourage behaviors by the criminals the authors suggest. Lack of legal remedies helps cyber criminals. These criminals collect personal and business information and use them at the expense of the owner. The purpose of Novak (2014) study was to determine and develop mitigating strategies retail companies can use as a risk assessment and management tool.

Businesses, including retail companies, face numerous risk factors, including employee risk or insider threats (Safari & Thilenius, 2013). Employee risk or *insider threat*, are events that permeated the current business environment and business finances

in particular. Employee risk or insider threats as Safari and Thilenius (2013) described, involves the ability to manipulate security situations for financial and material benefits by corrupt employees (Buck et al., 2014). The fact that company employees could steal, embezzle and pilfer from the employer is a risk hard to assess and manage. The likelihood of insider threat undermines business practice, erodes, and destroys trust and business goodwill. Mitigation of insider threats requires an understanding and application of effective internal controls system. Control mechanisms such as (a) electronics surveillance, (b) active monitoring systems, and (c) clearer job description can appear effective. Also, rules emphasizing less dependence on human intelligence can be a great control tool also (Safari & Thilenius, 2013). The business implication for retail companies is to take the risk of insider threat seriously the author stressed.

Under the auspices of the Sarbanes-Oxley Act of 2002, the extent of reporting a material weakness in internal control remains small. This lack of reporting is indicative of poor risk assessment and management inadequacy (Parveen, Gupta, Weirich, & Lynn, 2013). The implication is that future reporting of material weaknesses become difficult (Parveen et al., 2013). Material resources constraints weaken operational ability of small retail companies and make the companies report their material weakness more. In some instances, what causes the reports of the material weakness under the Sarbanes-Oxley Act of 2002 are information technology (IT) and non-information (Non-IT) related. Parveen et al. (2013) examined information technology (IT) and non-information technology, (Non-IT) specifics, about entity levels and account-level deficiencies. The examination of information technology (IT) indicated the existence of a high degree of defects. The

examination also showed that defects occur at a higher rate in Sarbanes-Oxley 404 reports, both in IT and non-IT material weaknesses. Parveen et al. (2013) cautioned that unless a strong and efficient internal control is in operation, high frequency in deficiencies of material weaknesses would persist. The increase and high deficiencies of a material weakness may result in low profitability, and prolonged negative firm activity (Parveen et al., 2013).

An analysis of two important operational factors revealed the effectiveness of at-risk assessment and management tools, system theory (ST) and corporate financial controls (CFC) (Leng & Zhao, 2013). The purpose is to determine how the two factors influence business operation and achievement of business objectives. System theory (ST), according to Leng and Zhao, 2013, is an independent component factor that forms an integral part of a whole system. Corporate financial controls (CFCs) on the other hand, is a part of the whole system. When the two factors combine, they are effective in organizing, planning, and monitoring of internal controls activities. Such activities remove internal control restraints and operational efficiency (Brebels et al., 2014). While voicing support for the business use of system theory (ST) and corporate financial controls (CFC) strategies, questions remain about how most retail companies benefits (Leng & Zhao, 2013).

The U. S General Account Office (GAO, 2012) in a report to the Bureau of Consumer Financial Protection (BCFP) described internal control problems it identified during its fiscal year audit. General Accounting Office (GAO) officials reviewed the bureau of consumer financial protection (BCFP). A report from the review supports the

assertion that internal control systems are a good risk assessment and management tool. The report of the findings also revealed that government use of various internal control strategies showed that the control strategies are effective. The report of the finding also indicated that internal control strategies are the protective device that can work and benefit retail companies (RCO's) (GAO, 2012). The audit report also identifies compliance requirements that are lacking in seven internal control issues it reviewed. Though the compliance requirements are non-material weakness or significant deficiencies, businesses, including retail companies, should take remedial actions to ensure implementation of the effective internal control system (GAO, 2012). An active and efficient internal control can be a risk assessment and management mechanism. Such activity can be an early identification of an operational defect (GAO, 2012). Management can use the strategy to prevent crime and help with compliance requirements. Retail companies (RC's) could benefit from this approach (Moldof, 2014).

An examination of business ownership structure as a risk assessment and management tool shed some light into the working of retail company strategies (Sokoto & Abudulahi, 2013). The property, particularly in the case of retail companies is a connotation of the entire business structure and set-up. One or two individuals conduct the management of many retail companies (Sokoto & Abudulahi, 2013). Sokoto and Abudulahi (2013) question the effectiveness of corporate risk assessment and management strategy, by examining the relationship between ownership structure and firm performance. The conclusion revealed that ownership structure, whether in small retail companies (SRC's) or large conglomerates with a board of directors, influence risk

assessment, and management strategy. Internal control decisions made, and actions taken reflect a firm intent to achieve internal control objectives and operational performance goals (Sokoto & Abudulahi, 2013).

Examination and analysis of how financial institutions in the United Kingdom work with risk assessment and management showed how strategies that worked in this system could work for retail corporations (Tong, Wang, & Xu, 2014). Tong et al. (2014) analyzed and examined the action and role of CEO's, in large companies and owners in the case of small retail companies (SRC's). Owner's and CEO's are the people who occupy positions of power and make difficult decisions that affect their respective organizations. Decisions and actions taken by this caliber of leaders determine organizational directions, success, and failures. Effective leadership is a risk assessment and management tool and strategy (Tong et al., 2014). Organizational leadership, whether large or small is capable of acting as a risk assessment and management tools, because of their actions, reflects business organizations in its entirety (Tong et al., 2014).

The Committee of Sponsoring Organization of the Treadway Commission (COSO) officials designed a strategic framework that promotes business function and efficiency (Thompson, 2013). As an internal control strategy, management, auditors, and companies use the framework to measure performance (COSO, 1992). The function of the structure included (a) risk assessment, (b) compliance with rules and regulations and, (c) operational effectiveness and efficiency practice (Feng, 2014). The intention is to use the work to teach students the importance of strong business strategy, like adequate internal control systems while re-enforcing businesses objectives recognition.

Information from the research underscores the importance of an adequate risk assessment and management plan that leads companies to the desired goal. COSO integrated framework concept stands as a risk evaluation and management tool that retail companies could use to their advantage (Kathryn, 2014).

The importance and place of effective internal audit activities consistent with the standards set by the United States Government should not be over-emphasized (Chasen, 2014). Accepted Auditing Standard (GAAS) and International Standard on Auditing (ISA) are professional personnel that set audit risk assessment and performance measurement standards. The rules established by the agency personnel measure, (a) compliance, and (b) accounts and financial statements that determine whether the risk of material misstatement in a business operation is high or low. The auditing standard is a measure of the degree of internal control system monitoring (Chasen, 2014). The implication of the measurements is that a business creates a satisfactory risk assessment and management mechanism. For retail company decision makers, the ability to identify risk first leads to early identification of internal control deficiencies. Tax risk deficiencies could hurt the business operation and reduce chances of accomplishing business objectives (Chasen, 2014). Final exploration led to the conclusion that internal audit activities constitute a reliable risk assessment and management tool (Hunt, 2014).

In examining the role of internal auditors, risk evaluation and management strategy called meta-model emerged as a measurement tool. Businesses, including retail companies (RC), can use this tool to further their operational objectives (Yan, 2015). Managers can facilitate development, and design, the application of a concept called

meta-model, to enhance the internal auditor's risk assessment strategies the authors stressed. The meta-model concept plan is an innovation manager could use to assess the likelihood of fraud and other business crimes. The meta-model strategy includes an alternative risk assessment methodology outside the traditional use of internal controls (Yan, 2015). The American Association of Certified Public Accountants (AICPA) and the Public Company Accounting Oversight Board (PCAOB) support and recommend the meta-medal concept. Among business operators, survival, profitability, and sustainability are the primary concerns regarding large and small retail companies within the enterprise environment. Instability in the retail company environment and concern for commercial activities success led to the discovery of innovative medium for fraud prevention, and mitigation (Yan, 2015).

A study on the relationship between ineffective, weak internal control system, organizational losses, and poor performance helped to develop reliable information on the issue (De Cremer, Van Hiel, & Van Dijke, 2014). A correlation exists between weak and ineffective control systems and poor system performance. A study finding supports the argument that strong and efficient internal control used as a risk management and assessment mechanism work (De Cremer et al., 2014). Retail companies could employ this strategy if it is affordable to them because of the potential benefits that may accrue from its use. The benefits can include strengthening internal controls, promoting performance, profitability, and growth (De Cremer et al., 2014).

An examination of the effects of tax risk showed that tax risk, as a business risk, is not different from other business risks (Ming-H & Tia-L, 2014). Tax risk probably

affects retail companies (RC's) as it does large conglomerates. Tax risk affects companies in two ways, micro, and macro impacts respectively. The consequences of tax risk are universal but affect countries and businesses differently. The examination of the effects of tax risk involves a look at university-owned industries and companies in China; the examinations are similar to practices that exist in the United States. Tax risk may differ in different countries, but the practice is a reflection of business practices in Virginia-based retail companies.

Two major forms of tax risks identified in the examination included direct and indirect forms of tax risks (Chen, 2014). Direct tax risk has subjective and objective reasons for their occurrence. Direct tax risk influences small retail companies, and large ones in the form of fine, penalties, and sanctions. Indirect tax risk takes the form of (a) damages in the reputation of firms, (b) decrease in firm value, and (c) image in public eyes. Direct tax risk also affects the legitimacy of function, and negatively impact company social influence. Irrespective of location and size, businesses could use tax laws as risk assessment and management strategy for effective operational performance (De Cremer et al., 2014).

The constraints small and medium sized retail companies (SMRCs) face while trying to obtain loans and funding from banks and other venture capitals in Uganda have seen some improvement (Ayagre, Gyamerah, & Narty, 2014). An examination of the risk of cash flow failure, by looking at factors responsible for such problems helped in forging a solution. The result of the study found that a difficulty in assessing inherent risks was

part of the problem. Failure to catalog and present the information to lenders, to make an informed decision remains an obstacle (Hunt, 2014).

The contemporary business environment was a factor in retail company managers and owner's inability to document and present inherent risk problems to fund providers and lenders (Shanszadeh & Zolfaghani, 2015). Institutional and private lenders have difficulty collecting and analyzing information regarding the potentials retail companies have for growth and profitability. Such information could provide substantive insight regarding how these companies can design and structure an internal control system that is adequate to detect and prevent a risk (Shanszadeh & Zolfaghani, 2015). Until lenders of funds receive internal control information that meets lending requirements, retail company borrowers, will receive less attention, and their cash flow risk problems will remain unsolved (Chen, 2016). Using the appropriate internal control system, small and mid-sized businesses in Uganda and beyond could solve financial and borrowing problems (Ayagre et al., 2014).

An examination of how Lebanese banks decision makers could benefit from the use of an alternative capital allocation methodology called Risk Adjusted Return on Capital (RAROC) has proved beneficial (Safari & Thilenius, 2013). The intent was to enable the banks to compare and contrast between traditional and innovative risk evaluation methodologies and strategies for performance efficiency and effectiveness. Bank leaders used RAROC to effect growth, profitability, sustainability, and to select the best risk assessment and management plan. Safari and Thilenius (2013) posited that Risk Adjusted Return on Capital (RAROC), used by business leaders could enhance internal

control function and meet desired control purposes. Dividing excess return by the total amount of economic capital provided statistical and mathematical configurations of benefits or returns that business large or small could use to make informed decisions (De Cremer et al., 2014). RAROC measures contributed to leaders of banks, and other small and large retail businesses. The value creation of each transaction included capital budgeting, competitive analysis, risk adjustment, and assessment (Safari & Thilenius, 2013).

Compliance with Rules and Regulations

Compliance rules and regulations, such as Sarbanes-Oxley Act of 2002, and the Foreign Corrupt Practices Act (FCPA) are laws passed by the Congress of the United States of America. Both laws can make the business practice better (Novak, 2014). Sarbanes-Oxley Act of 2002 was the compliance and enforcement-oriented law that included internal control as a risk management tool (Novak, 2014). The Sarbanes-Oxley Act of 2002 applies to both small and large retail companies. The purpose of the law was to extract or enforce compliance by businesses in the reporting of internal control effectiveness. The Sarbanes-Oxley Act of 2002 required internal auditors to report audit findings accurately to make the information produced for consumers valuable (Mukhina, 2014). The user of audit information included retail company customers, owners, and managers in the Norfolk, and Virginia Beach areas of Hampton Roads Virginia. Globally, some of these companies may have strong and efficient internal control system in place, and they are subject to the law's potential benefits (Moldof, 2014). Compliance with business rules and regulations was an important business element. The recognition of the

importance of regulation and compliance provisions to commercial success tends to strengthen its role as an important internal control element. The attention also helped to determine how to formalize, use, and logically model the law and rules. Improving the law means that businesses will have less difficulty adhering to them and leveraging them to advance their objectives (Mukhina, 2014).

A study examined quality assurance in audit works, observation, and maintenance of a quality assurance standard by auditors (Santanu, Bikki, & Mahmud, 2013). Compliance with quality assurance standard (QAS), when business organization leaders use the standard, the operation becomes efficient and effective. Referencing the laws, such as Sarbanes-Oxley and the Foreign Corrupt Practices Act (FCPA), Santanu et al. (2013) posited that auditor compliance with quality standards produced quality financial statement and records. When business leaders comply with rules and regulations, they are successful and profitable. A benefit occurs in complying with standards and regulations because compliance frees companies from unnecessary worry and fear (Santanu et al., 2013). The good business practice involves compliance with standards and regulations as established by law. Managers and owners of retail companies, including those in the Hamptons Roads cities of Norfolk and Virginia Beach are encouraged to observe and set business rules and regulations because of its commercial benefit. Observation of business standards and regulations can promote growth, profitability, and other objectives (Santanu et al., 2013).

In a study on business practice strategy, Stone (2016) examined how compliance with rules and regulations benefits businesses, and lead to growth and sustainability.

Stone (2016) focused the study on auditor attestations. The purpose was to determine whether a big or small retail company was a filer or non-filers of internal control weakness report (Stone, 2016). The Sarbanes-Oxley Act of 2002 was a law that requires firms to file their Internal Control Effectiveness Reports. The rationale for filing (ICER) was to show how internal control impact business activities and subsequent financial reports. The Security and Exchange Commission (SEC) was a government regulatory body that oversees investment activities. The SEC regulation policy sometimes allows delays for auditor attestations for non-accelerated filers to enable auditors to prepare reports for such compliance with the law (Stone, 2016). Such delay, however, does not preclude retail companies from compliance rules. Frank Dodd Act of 2010 exempted non-accelerated filers from an auditor attestation. The most significant findings of the study were that they showed how retail companies benefit from auditor attestations because it increases revenue (Stone, 2016). Audit attestation increases the costs of inspection, and with the added burden of the Sarbanes-Oxley Act, attestation costs has increased much more. With the Sarbanes-Oxley requiring compliance from both the auditor and business, the results are that companies have to hire more auditors thereby increasing their costs further (Stone, 2016). The compliance benefits businesses by promoting operation freedom, efficiency, and fewer environmental complexities. The potential benefits are enough rationales for retail companies in Norfolk and Virginia Beach to practice compliance strategies.

In some countries, an assertion was that compliance with the quality assurance standard was not important. The quality assurance standard was a plan by the

International Institute of Internal Auditors (IIIA) and International Standard on Auditing (ISA) (Foster & Shastri, 2013). Lack of compliance with the standard led researchers to examine the reasons behind the failure of auditors in some foreign countries to follow or comply with quality assurance standard (QAS) rules (Foster & Shastri, 2013). The implication of such non-compliance with standards and regulations on the part of auditors in Kenya was detrimental to business practice (Siyambola, 2013). When companies fail to issue a business activity, and auditors fail to report internal control effectiveness and financial statement information, business practice is in jeopardy. Such practice can weaken internal controls, and leave companies vulnerable (Morf et al., 2013). Auditors' failures to comply with the quality assurance standard may come from a lack of awareness of the standards. Auditors who are non-members of the institute of internal auditors may think that the rules are not binding. Lack of legal enforcement for non-adoption of international standard audit principles (ISAP) can be a reason for non-compliance. Lack of compliance could harm not only retail company activities but also business practice, in general. Companies and auditors are required to avoid any violation of the practice standard set by international auditing authority. Compliance with the quality standard was necessary because businesses will have the tools necessary to strengthen internal control, add values to an operation, and achieve organization objectives (Morf et al., 2013).

Numerous factors or reasons motivate businesses to comply with the provision of the Sarbanes-Oxley Act of 2002, SOX 404 (Beets, Lewis, & Brower, 2016). The provision of SOX 404 requires business managers and leaders to assist auditors in the

collection and reporting of their internal control effectiveness. Statements by companies that have prior internal control weakness constituted a focal examination point to determine the rationale behind the willingness to report material weaknesses (Beets et al., 2016). Analysis of the issue of compliance identified some of the motives behind the willingness and unwillingness to report, as well as some consequences for failure to report. Consequences for a non-report include stiff penalties and punishments such as fines. The rationale behind the willingness to report can be to remove complexities to borrowing or attracting funding for expansion to meet another financial requirement (Beets et al., 2016). Another rationale for reporting material internal control weakness was that failures would put auditors in a precarious position. Such situation can constitute a violation of SOX 404, requiring auditors to report businesses internal control effectiveness. Additional reasons, why companies fail to comply with the provisions of the SOX 404 was that managers think that the law complicates the business ability to attract funds. Managers also think that the law denies investors accurate information that they can use to make informed investment decisions (Beets et al., 2016). Retail companies can benefit from complying with necessary rules and regulations because compliance tends to influence business operations and practice positively.

Most retail companies are not in the securities and investment business, but those that face sanction risk must comply with the necessary rules and regulations governing their trade (Thompson, 2013). The U. S Department of the Treasury, Office of Foreign Assets Control (OFAC) cautioned that sanction risk compliance was of great importance as it highlights the business implications. United States Department of the Treasury

Office of Foreign Assets Control (OFAC) states that persons or organizations that operate in the securities and investment businesses face sanction risks (OFAC, 2012). To maintain a comprehensive risk-based compliance means to understand the implications of the OFAC. A better understanding of OFAC will position and strengthen business internal controls for an efficient sanction risk control (OFAC, 2012). The office of foreign assets control was under the management of the International Emergency Economic Power Act (IEEPA) and the Trading with the Enemy Act (TWTE). The intention of the agencies was to deter threats to U.S. national interest by foreign countries. Another intention of the agency was to strengthen compliance with this rule and regulation, as well as encourage and promote efficiency in practice (OFAC, 2012).

Internal Control and Business Ethics

In the practice of business, some behavior was acceptable, and others are unacceptable. Acceptable behaviors are central to businesses, schools, other higher educational institutions, as well as government operational progress (Jamali, 2016). Lies, bribery, theft, commingling, embezzlement, identity theft, and plagiarism consist of *Chapter 1 misbehaviors* (Jamali, 2016). The misbehaviors are prevalent in small retail companies, where efforts designed to mitigate them are limited and difficult. Retail companies, especially those in the convenient store industry lack effective internal control systems. The lack of adequate internal control systems remains a major factor in any effort to eradicate bad business behavior and crimes (Jamali, 2016). Persistent unacceptable business practice and behavior are a factor in businesses demise and failures (Jamali, 2016; Weller, 2017). The contemporary educational environment consists of

students who are skilled in the use of computers, which contributes to the growth of cyberspace crimes. Cyberspace remains an environment infested with myriads of behaviors that have a criminal orientation. Chaos and disorder relate to cyberspace (Jamali, 2016). Emphasis should rely on ethics; the authors recommended that the school administration, government, and businesses take actions to mitigate unethical behaviors. Unethical behaviors threaten not only business activities but also other human endeavors (Foster & Shastri, 2013).

The role of ethics as a business internal control mechanism is of profound importance (Plonikova, 2015). Referencing South African business and socio-economic environment relate to how consumers, producers, and suppliers' behaviors affected business operations. An examination of the recent South African law called Consumer Protection Act (CPA), which protects the rights of consumers from unfair, and unethical business practice led to the conclusion. Similarly, in the U.S, a law and legal provisions that addressed the issues of unethical behaviors exist. Ethical behavior was part of organization's internal control efforts because right behaviors impact businesses positively while unethical practice was the reverse (Plonikova, 2015). The implication of the company ethical examination was to help formulate strategies that will improve business practice. Business leaders can use ethics, as an internal control element to boost business practice, efficiency, effectiveness, and accomplish objectives, including compliance with established rules and regulations. Leaders and managers of retail companies can make efforts to practice good business ethics (Plonikova, 2015).

Issues of ethical behavior in the practice of business from the moral dimension angle tend to have a positive or negative effect (Kidwell, 2016). Ethics as a moral issue was a systematic effort to understand behavioral concepts that defend principles, and underscores the importance of a right and wrong in any setting (Kidwell, 2016). In businesses, ethics entails moral uprightness, transparency, honest character, and values that contribute to acceptable business practice (Kidwell, 2016). Business values are a reflection of the ethical behavior of employees. Good moral practices tend to promote trust, truthfulness, exemplary actions that recognize business objectives of growth, profitability and sustainability (Plonikova, 2015). Retail companies in the convenient store business environments understand that good ethical behavior was the best internal control system and remains the reason most businesses grow and become profitability. Owners manage and monitor convenient company types of business with a few and closely related employees who they can trust. Business leaders must encourage ethical behavior whether in the practice of the business or an individual setting because such actions promote values that make society stronger (Feng, 2014). Good business ethical practices by business leaders can result in responsible corporate social responsibility (Kidwell, 2016).

Ethics and ethical behaviors were central to a study of the implications of the relation between business and business (B-B), business and consumers (B-C) (Carol, 2015). The purpose of the study by Carol (2015) was to determine how ethical employees impact business performance. Unethical behaviors by employees, as it relates to marketing, growth, and profitability was of great importance (Carol, 2015). Findings of

the study tend to support a known fact that good ethical behavior whether on an individual level or business level advances business value (Beets et al., 2016). Business leaders depend solely on the goodness of its employees to build trust, honesty, transparency, and goodwill (Carol, 2015). Owners and workers who are close relations manage most retail companies. Such unique make-up leads not only to prosperity but provides critical internal control elements that strengthen and sustains business values. Strong ethical identity would attract greater shareholder, stakeholders, and consumer satisfaction, resulting in positive financial results (Kathryn, 2014).

Good ethical behaviors can lead to relationship quality that impact customer loyalty and improves business practice (Ege, DeSimone, & Stomberg, 2015). Ethical practices consist of actions such as trust, truthfulness, and transparency (Ege et al., 2015). Ethics was fundamental to the ability of business to project a good image. Retail companies or corporations, in particular, which, are dependent on the expertise and goodwill of the owner cannot survive and prosper if the owner and employee exhibit unethical behaviors. Questionable business practice can ruin not only relationship quality but destroys consumer loyalty (Carol, 2015). Good ethical practices, used by the staff of companies, compliments effective internal control, and contribute to the accomplishment of business objectives (Ege et al., 2015).

The societal interests are the benefits and actions that promote societal well-being, improve quality and standard of living, and maintain good micro and macroeconomic environment (Al-Zwyalif, 2015). Societal interest means the ability to have a knowledge of what defines responsible business practice by the consumers. The ability to determine

and make timely decisive decisions by the consumers and stakeholders represent societal interest (Al-Zwyalif, 2015; Annaraud et al., 2014). Al-Zwyalif (2015) posited that no organization represents societal interest like retail companies. The companies are open 24 hours, 7 days a week to serve clients and customers, and create value. Retail company operations encompass role that was only comparable to what was obtainable in families with healthy relationships. The managers of retail companies, located Virginia viewed ethics as an important business element. Recognition of this basic fact will present ethics as an adequate internal control mechanism that guarantees the survival of operations (Al-Zwyalif, 2015).

Ethics and morality in the education of managers, auditors, and accountants, have become a crucial business success factor (Dean, Puck, & Dean, 2014). In a study to determine how business professionals respond to ethical behaviors in the discharge of their daily private and vocational activities, the authors examined workplace ethics and morality paradigms. The findings of the examination posited that ethics and morality involve the ability to do what is right and reasonable in the eye of society (Jamali, 2016). In some businesses, particularly, retail companies in a convenient store industry, ethical business practice exhibited by the owner, managers, and employee's guarantees profitability and survivability (Dean et al., 2014). An examination of the ethical business practice concept involved the use a big five-plus-two questionnaire. Managers, auditors, and accountants from 15 public companies took part in the study. Ninety-five respondents between the ages of 25-60 participated in the investigation. The result of the study found that early education in ethics and morality had the tendency to affect the role

of accountants and auditors in reporting financial statements (Dean et al., 2014).

Managers felt the influence of the investigation because they have to comply with rules and regulations, and the law removes complexities inherent in operational management. Ethics and morality, whether in accounting, auditing, or management, remains an internal control element, by design or implications. Ethics and morality function as a crime detection and prevention mechanism, which helps businesses leaders profit and survive (Dean et al., 2014).

Research evidence shows that bribery hurts investment, economic growth, trade, and democratic government functions (Kermis & Kermis, 2014). Responding to increase in bribery and corruption mostly in U. S. foreign business activities, Congress passed the foreign corrupt practice Act (FCPA) (Kermis & Kermis, 2014). The law criminalized bribery by U. S. based companies, to give or accept bribes to facilitate commerce. The interesting and beneficial provision of this law was that in the abstract, it functions as a company internal control mechanism. The intent of the law was to protect, and encourage the ethical business practice (Dean et al., 2014; Kermis & Kermis, 2014). The law strategically includes three important business internal control element. The elements are compliance, enforcement, and ethics. Managers as in retail companies should emphasize the implementation of the provisions regarding the foreign corrupt practice law (FCPA). The law benefits business operations, promotes professional practice and improve the image and societal perceptions of companies (Dean et al., 2014).

How business leaders react to the interactions, and integration of ethics, culture, and law, in the practice of commerce, remains very important. Leadership response was

to handle the ways in which these elements could provide adequate internal controls that are critical to business success (Lin & Yu, 2015). An assertion that ethical behaviors have some limitations on the business practice remains questionable. Andre et al. (2014) cautioned that law and regulations are an ineffective way of working with business failures. The fact that ethics, culture, and law do affect business performance remains unquestionable (Kermis & Kermis, 2014; Lin & Yu, 2015). Ethics, culture, and law influence internal control in small retail companies and large corporations. Business leaders face unclear ethical and cultural forces in the financial regulatory objective (Kermis & Kermis, 2014). Circumstances can make the operational process more difficult for business owners, shareholders, stakeholders, and others with interest in the outcome of operations (Lin & Yu, 2015).

Ethics as a corporate governance strategy was an essential element in the overall success of business, and business practice (Muceku, 2014). To convey and relate the importance of business ethics in different cultures, Muceku (2014) used an African philosophical paradigm called *Ubuntu*. Under the concept of *Ubuntu*, a destination has different routes and all the routes leads to the same goal. Corporate governance practice or approach includes many constructs or elements that work together toward achieving the desired objective. Corporate purpose derives from different parties with interest in the outcome of the operations, including shareholder, stakeholders, employees, and consumers (Muceku, 2014).

Businesses consist of a different department, as in sales, operations, and H/R. The small retail and large conglomerates consist of constituent parts, and internal control

system is one of the parts (Jong-Hag, Sunhwa, Chris, & Joonil, 2013). In many businesses, particularly retail companies, ethics constitutes a reliable internal control mechanism. Good ethical practice drives business profitability and growth and builds around the owner, and a few close employees (Jong-Hag et al., 2013). Any deficiency in ethical practice on the part of the owner-operator of a retail company influences the operational status and image of the company. In most cases, deficiency in ethical practice could result in failures and dissolution of the company (Muceku, 2014). The implication was that the importance of ethics to business growth and success guides businesses because good ethical behaviors affect business overall performance effectiveness (Jong-Hag et al., 2013).

A study regarding innovative behaviors that have a tendency to impact business and the moderating role of ethics attracts the attention of managers and practitioners (Norland & Metrejan, 2013). The study included an examination of how employee performance contributed to business efficiency, profitability, and growth. The study involved 593 employees, whose interactions with clients, ranges from handling cash transactions, procurement of inventories to recording and reporting of operations (Norland & Metrejan, 2013). Results showed that innovative behaviors (improved, and changes in business practice) do affect employees in a significant way. Good ethical business practice that includes honesty, transparency, in working with customers, and handling financial resources, improves and strengthens internal controls (Jong-Hag et al., 2013). Changes in ways of conducting business, including employee behaviors in the

contemporary business environments show a significant relationship between growth and profitability (Norland & Metrejan, 2013).

Businesses leaders had to contend with the issue of ethics (Pang & Li, 2013). Behaviors that are contrary to sound moral and business practice encourage fraud, embezzlement, and misappropriation of business assets (Pang & Li, 2013). Unethical behaviors by business leaders have become the hallmark of many companies. Unfortunately, these unethical practices have escaped the supervision of internal control systems operated by the companies. Enron, WorldCom, Lehman Brothers, and Tyco are examples of large corporations that suffered the consequences of unethical business practice. Small retail companies, such as One-Stops, Tine Giants, and Southland Corporation (7-11), have also faced the consequences of compromised integrity (Meek, 2013). Lack of adequate internal control system resulting from unethical behaviors could leave companies vulnerable to fraud, bankruptcy, and failure (Meek, 2013; Pang & Li, 2013).

Accounting and Audit Contributions to Effective Internal Controls

The result of an examination of the role of forensic accounting in fraud detection and prevention in Nigeria shed some light on business practices that are questionable (Inyang, 2013). The increase in fraud activities prompted an examination to determine how forensic accounting could help in stemming the problem. Forensic accounting was the use of accounting and auditing exam techniques for the accuracy of financial transactions and organizational operation records (Siyanbola, 2013). The use of accounting and audit examination technique involves the collection and analysis of

structured questionnaires with three sections, administered by 24 banks in Port Harcourt, Nigeria. The result of the study revealed some practice of information manipulation and the inaccurate posting of accounting entries. While signatories to accounts are incorrect, there is a complete ignorance of the process sequence process also. Inyang (2013) determined that the use of forensic accounting strengthened the accounting activities of most banks. Forensic accounting can reduce financial transactions errors (Inyang, 2013). The findings of the study led to the conclusion that forensic accounting services boost internal control functions. Managers can use forensic accounting system to help businesses to detect and prevent fraud (Inyang, 2013; Siyanbola, 2013). Manager and owners of retail companies in a convenient store industry and large corporations are encouraged to use accounting activities as a support tool to reduce crimes.

A study included the effects of employee and client identification on internal and external auditor's evaluation of internal control deficiencies (Whitehouse, 2013). The purpose of the study was to determine whether any relationship exists between internal and external auditors in increasing and lowering risk efficiency of internal control evaluations (Kidwell, 2016). The relationship was a product of the Public Company Accounting Oversight Board (PACOB) and Auditing Standard Number Five (AS5). Whitehouse (2013) in the study attempted to determine whether clients identify more with domestic auditors or external auditors during the process of Internal Control (I/C) evaluation. The result of the study also found that while internal auditors can identify more with evaluated firms, they do not support management failures in strengthening and building stronger internal controls (Weller, 2017). Retail company decision makers,

particularly those in the convenient store's industry, will benefit if they maximize their accounting and audit resources. The strategy of maximizing business resources will promote internal control efficiency (Kabue & Aduda, 2017).

Auditing and review activities are essential business functions (Yang & Koo, 2014). Yang & Koo (2014) studied the relationship between particular Information Technology Weakness (ITW) and non-specific Information Technology Weakness, (ITW). The study included a determination that a significant impact exists on financial misstatement and relationship to internal control effectiveness. Information technology being an integral part of the control elements was the focus of the study by the auditors. The intent was to develop a clearer understanding of the impact of material ITWs on internal control and financial reporting (Yang & Koo, 2014). Auditors demonstrated the importance of their works by striving for efficiency first. Their effort often led to a quick identification of material weaknesses occurrence. The auditors also show how often defect reports are available, companies that report them, and the size of the companies (Persons, 2013). In the light of the Sarbanes-Oxley Act of 2002, requiring auditors to report the effectiveness of internal control in their audit report, study results showed the law has worked. Audit report on internal control weaknesses in financial reporting was increasing, as businesses comply with what the law requires. Evidence indicated that changes initiated by public Company Accounting Oversight Board (PCAOB) in response to the requirements of Sarbanes-Oxley 2002 worked effectively (Persons, 2013). Adverse SOX 404 reports are in decline and trending downward. Other drawbacks associated with

the law have decreased as businesses continue to comply with the law (Yang & Koo, 2014).

A study on the importance of audit activities helped company decision makers to determine whether audit activities contributed to successful business practice (Kathryn, 2014). Audit activities described by Kathryn (2014) described how internal auditors work with management in sustaining and promoting the business practice, and how it aligns with the recommendation of Sarbanes-Oxley Act of 2002. Management must implement the requirement of the law for the internal auditor's report. Management must aid auditors in reporting internal control effectiveness while reporting the state of organizational, financial statement (Stouten, Dijke, Mayer, DeCramer, & Euwema, 2013). Other findings included evidence that a relationship exists between internal control systems and performance of internal auditing in the Greek hotel business. Stouten et al. (2013) posited that audit activities in Greek hotels compliment internal controls activities, not only in Greek but also in hotels, all over the globe. Internal control function in detecting and preventing errors and mistakes remain a universal phenomenon. Auditors' activities showed that providing business owner and managers with substantive, informative, information helps in clearing complexities and enhancing commercial practice (Carol, 2015). Management and employees must use strong internal controls and efficient internal audit activities to accomplish control objective. Bringing a systematic, measurable approach to risk management and corporate governance must be part of the process (Carol, 2015; Stouten et al., 2013).

Efforts at developing a broader understanding of how retail company operations lead to an increase in profitability and growth have reached an acceptable level. Such effort was the rationale for an examination of the role of internal control over audit program effectiveness (Abdulkadir, 2014). The result of the study included an identification of accounting and arithmetical errors that disrupt business practice. The result also showed a provision for substantive, informative operational strategies. The strategy will develop information that will give managers a systematic, measurable approach to risk management (Abdulkadir, 2014). Analysis showed that among the three major components of internal control systems, only risk assessment component made an effective contribution. Findings of the study based on the analysis of 43 questionnaires determined the degree to which internal control influence effective audit programs. Both small and big retail companies experienced internal control influence, and the experience has informed their decision -making process (Abdulkadir, 2014). The exploration centered on businesses in the country of Jordan (Qtish & Alsawalqa, 2013). The content of the study underscored the importance of the Sarbanes-Oxley Act of 2002 provisions SOX 404 requirement, as well as COSO, integrated internal control framework that encourages businesses to maximize the advantages.

Safe and efficient audit activities in the financial statement examination and reporting could provide benefits to organizational operations (Zecheru, 2014). Reliance on accurate, non-abstract, audited report was important because a good financial record can make a positive contribution to the company image (Bongani, 2013; Zecheru, 2014). Auditors suggest that lack of reliance on a firm's financial record could lead to increasing

the material weakness and future misstatement. The business environment could result in a lack of growth and profitability (Darrat et al., 2014). Any analyst who evaluates and assesses financial statement risks can evaluate the possibility or remoteness of a threshold in determining the state of internal control financial reporting and organizational impact. Internal control effectiveness reporting for management staff was helpful to businesses large or small to create a reliance on a firm's financial statements. Reliance on firm financial statements has contributed to the firm growth and profitability (Jaggi et al., 2013).

The contribution of accounting information systems (AIS) in combination with the information technology system (ITS), tend to compliment internal control functional strategies (Luyolo, Yolande, Juan-Pierre, & Wilfred, 2014). An accounting information system was an approach that big and small retail companies used for planning. Companies used the same strategy for control, coordination, analysis, decision-making and general operation effectiveness measurement (Luyolo et al., 2014). Agreement among Luyolo et al. (2014) and Jeggi et al. (2013) confirms that accounting information was a vital tool for financial performance and performance management effectiveness. The dynamics affect business internal control system efficiency and help to lead companies in the direction that ties to objectives (Stone, 2016). Jaggi (2013) agree that accounting information system use by management (AIS) contributes to general business efficiency. Accounting Information System (AIS) was only one element in a group of many dynamic, useful business tools. The potential usefulness of Accounting Information

System (AIS) was a factor that has encouraged company decision makers to adopt and use accounting information system to support decision-making (Luyolo et al., 2014).

A relationship exists between firms or businesses large and small with internal control weakness (ICW), and those without control weakness (Suciu, & Barsan, 2013). The relationship was subject to examination by Suciu and Barsan (2013) with the intent to determine the impact of a material weakness on performance effectiveness as determined by audit and accounting activities. The study results also produced concrete evidence showing the contribution of verification and accounting activities to operational performance effectiveness (Suciu & Barsan, 2013). The assumption was that companies with weak internal control over a financial report (ICFR) disseminate less reliable financial information. Ineffective internal control over the financial report can prevent early detection and prevention of crimes. Company decision makers have a difficult time complying with policy rules and regulations. The inadequate control system can lead to an erroneous business decision that affects negatively on operations (Stone, 2016). The contemporary businesses environment was favorable to business activities, and as a result, companies without internal control weaknesses perform effectively and efficiently (Stone, 2016).

Potential Themes

In reviewing the literature, differences became apparent among internal control functions, store owner, and managers' leadership visions as well as strategies and perceptions. The potential theme that could emerge while exploring control element function and application shortcomings might come from a lack of vision and business

strategy. Company owners and managers experience difficulty trying to balance internal control functions with expected business profitability and growth, because of lack of strategy. Literature review evaluation identified the lack of strategy in planning, funding, and monitoring as the reasons for the difficulty company managers experience (Doody & Noonan, 2013). The findings showed a potential theme of lack of strategy by company managers to position their businesses to achieve desired objectives (Gottschalk, 2014).

Transition

Section 1 of the study included the problem and purpose statement, descriptions of the study topic, research questions, term definitions, and the review of literature that supports the study. Review of the literature included an examination of past studies that relate to internal control conceptual framework and the effect of this literature on internal controls of retail organizations. Section 2 comprises the following components of the study: the purpose statement, the role of researcher, study participants, study design, and method. Other parts of Section 2 are population and sampling, research ethics, data collection instrument, data collection techniques, data organization, and data analysis. Section 3 includes study results, purpose statement, research questions, study findings, application to professional practice, and implications of social change, recommendation for actions, further study, and reflections.

Section 2: The Project

Purpose Statement

The purpose of this qualitative single-case study was to explore the strategies that some retail company managers use to strengthen internal control systems. Retail company managers operating in the contemporary business environment have the capacity to design and implement adequate internal control systems to sustain operations (D'Aquila & Houmes, 2014). Data for the study came from in-depth participant interviews involving five retail company managers. The managers have experience in retail company operation, and have designed and implemented successful strategies that strengthened internal control systems.

I selected retail company managers as the target population for this study because they have significant knowledge and expertise in retail company practice (see Fassinger & Morrow, 2013). Many retail company managers have good understandings of internal control systems operational methodology, and can provide enough valid data for studies like this on retail company operations (see Robinson, 2014). Business leaders may use the findings of this study to develop better internal control system strategies that benefit retail businesses worldwide. Businesses can use better control system strategies to create a better work environment, inform professional behaviors, and ensure good ethical business practice. Better control system strategies and better work environments may also result in cheaper product and service prices that benefit the consumer (Kahlke, 2014).

Role of the Researcher

In qualitative research, the researcher serves as the research instrument and is involved in the entire process (Fassinger & Morrow, 2013). An essential researcher attribute is recognition that personal values, opinions, assumptions, and bias must neither influence the research, nor commingle with the opinions and experiences of the participants. A researcher must have knowledge of the research process and be able to work with facts. The individual must contribute positively and substantially to the design of the research, including data collection, analysis, and interpretation (Kahlke, 2014). I had no previous relationships with the topic, and did not know the participants on a professional level, and am not a retail company manager. I am a resident of the geographic area in which I conducted this research.

My experience and knowledge of how the research process works was a necessary factor, along with my understanding of the research objectives (see Fassinger & Morrow, 2013). I ensured that I complied with all ethical and legal requirements involved in the process. In most cases, my responsibility included determining the research location, how to access the site, and the population for the study. In addition, other duties included determining the make-up of population and data collection procedures. Whether individual participants or groups undergo an interview, and whether the meeting occurs once or multiple times is the researcher's decision. The activities relating to the research should remain the decision of the researcher (Robinson, 2014).

I maintained proper research protocols at all times, and, in particular, remained aware of the Belmont Report (1979) ethical research protocols. The protocols require the

researcher to include a high degree of care and respect for human subjects (Fassinger & Morrow, 2013). The Belmont Report served as a guiding tool (Singh, 2014) that I used to ensure ethical integrity both in practice and application. A good understanding of basic ethical research principles includes how to handle participants, how to protect them from harm, and how to determine the degree of fairness that accrues to them.

It was important that I showed good judgment, both in selecting participants, and in explaining the risk and benefits participants may have encountered. I used in-depth, open-ended questions in a semistructured interview environment that aligned with the conceptual framework for the study. The rationale for following the above process was to maintain consistency and research rigor (see Yin, 2014).

Participants

Participants in the study included five managers who possess experience in business practice and are knowledgeable in internal control design and application. I used two major strategies to access potential participants. First, I made telephone calls that included a substantial discussion of the purpose of the study. Second, I made visits to potential participants' respective offices work sites. I recruited five participants to comply with Walden University's requirement concerning sample size. Members came from the State of Virginia, and from a pool of 45 retail company professionals.

Establishing a working relationship with the study participants depended on the selection criteria I used, which required participants to have experience as retail company managers with proven success and knowledge in internal control design and implementation. Each participant occupied a position of authority in the company where

he or she works. A minimum of 5 years of professional practice in the retail industry was a requirement. The selection strategies made interaction with participants easy and resulted in positive working relationships. Gender did not play any role in the selections. I notified and explained to participants the reasons for their selection to participate in the research when I visited or talked with them over the telephone (see Yin, 2014).

The participants knew the topic of research, place of study, duration, expected accomplishment, and intended benefits of the research (see Kahlke, 2014; Kramer- Kile, 2012). I gave participants an informed consent form, in which I explained that they would take part in the research without any obligation, and would receive no incentive or gift (see Fassinger & Morrow, 2013). The research process encapsulates components such as the problem, literature review, research design, and data analysis as well as report and findings. The figure below highlights the sequence of the research activity.

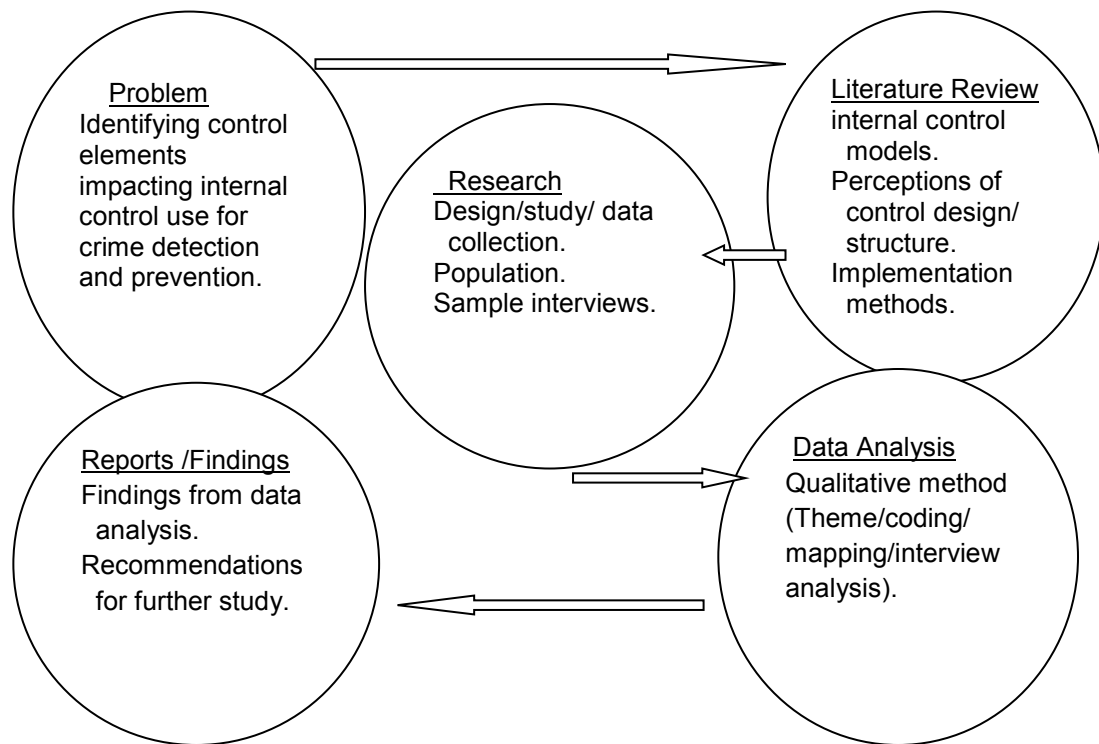


Figure 4. The research processes

Figure 4 shows how the research process brings together all research elements to inform the study. As a framework for understanding research activities, the process assists researchers in assessing the research approach and design, highlighting problems researcher will face and how to align the parts. The process involves determining literature that supports the research problems, answering questions, identifying data analysis methods, and reporting the findings (Fassinger & Morrow, 2013).

Research Method and Design

Bernard (2013) and Robinson (2014) have each discussed the relationship between research method and research design. While research method involves the medium of data collection, research design involves the entire research process from the beginning to the end, including the rationale for design suitability (Bernard, 2013). Research design and research method are two inseparable components of quality research (Robinson, 2014).

Research Method

I used a qualitative research method. The qualitative research approach was better for this study than either a quantitative or mixed method approach. Qualitative research method includes face-to-face dialog and a chance for follow-up questions for clarifications. The qualitative method is flexible, and produces data that is easy to analyze and interpret (McDermud, Peters, Jackson, & Daly, 2013). Researchers can use the qualitative research method to make complex concepts simple. Quantitative and mixed method approaches, on the other hand, are complex, cumbersome, and less flexible (Bernard, 2013; Robinson, 2014), which made them unsuitable for my study. The qualitative method was easily adaptable and suitable for the study, and that was the rationale behind my choice.

Research Design

A descriptive case study design was appropriate for this research. Specifically, case study design was appropriate for the study because I recognized a problem that needed exploration. The case study design was appropriate for addressing research

complexities (see Yin, 2014), and it served as a context for participants to express their views and provide details about the phenomenon under study. Case study design allowed for one-on-one interactions, which helped me develop a clearer understanding of a problem through follow-up questions (see Robinson, 2014).

A good research design such as a case study reflects the researcher's insights, interests, and impressions (Kahlke, 2014). Some of the unique characteristics of the case study design included the fact that the design was flexible and less cumbersome to use. In addition, the design was individual and user-friendly (Yin, 2014). Phenomenology and ethnography were not suitable for this study because they lack clarity and do not encourage the easy transition from one case to another. Other designs include multiple forms of data that may prove counter-productive to the research objective because triangulation may present the researcher with a counter proposal.

Saturation

The concept of saturation in qualitative research involves the relationship between the quantity and quality of interview data, and the research impact (Tsang, 2014). Saturation is the point in data collection when new data does not add to or reduce the value of existing data (Sutton & Austin, 2015). In the study, I achieved saturation by analyzing the interview data and identifying recurring themes through follow-up meetings with participants and up to 12 interview sessions. Furthermore, I analyzed interviews data to ensure that no additional themes emerged (see Robinson, 2014). A major determinant of saturation is the sample size. The appropriate sample size is dependent on the nature of research, method, and design (Yin, 2014). While some

researchers have suggested using samples of as many as 60 participants, others have suggested that smaller samples are sufficient. An acceptable, sufficient sample size is necessary to achieve saturation (Kahlke, 2014). Ensuring saturation requires that the researcher has explored all of the factors that involved in the study. In addition, the researcher must address the drawbacks of all the factors before concluding whether saturation has been reached (Tsang, 2014; Yin, 2014).

Population and Sampling

The concept of the use of interviews data collection method was to show the identification of a target population (Bernard, 2013; Tsang, 2014). I identified a target population of retail company professionals. A sample size of five individuals who participated in the study consisted of retail company managers that have a successful record and knowledge in internal control design. The sample size of five met the Walden University requirement and stipulation on the number of participants needed to conduct a descriptive case study. Another reason for the sample size of five was that the number was sufficient to address the issue of research data saturation with incisive exploration for depth and breadth. The purposive sampling methodology was a strategy for selecting study participants based on some criteria (Robinson, 2014). The reasons and justification for the selection of the sample size of five are primarily three. One reason for the selection was that the position occupied by participants in their respective companies would give a credible weight to their story. Professional experience as a retail company manager will make the members story believable and convincing. The length of time in a professional practice means that they are knowledgeable about their job. Arranging an

interview with selected participants did not pose any difficulty. Meetings took place at participant's offices and place of work (Bernard, 2013).

Purposive sampling was central to the selection of study participants and sample size. The intent was to produce research results that have general implications including the issue of research data saturation (Sutton & Austin, 2015). Purposive sampling was a factor that I used to strengthen any argument concerning generalization of research findings. Research efforts, population size, and degree of analytical uncertainty influenced sample methods (Haahr, Norlyk, & Hall, 2013). Kahlke (2014) indicated that an adequate sample size was one that represents the population from which the sample came. Qualitative studies can involve the use of a smaller sample size than other research approaches (Robinson, 2014). The reason for using a smaller sample size was to prevent diminishing returns to a qualitative study that may likely occur as the research process progresses. Another reason was to enhance the achievement of saturation. Saturation occur when a similar response received from the continued interview does not add or diminish an understanding of the primary research issue (Bernard, 2013; Doody & Noonan, 2013). My responsibility included determining saturation point by selecting a sample size that was appropriate for the study. The study involved a sample size of five. Using a sample size of five may contribute to generalizability, credibility, dependability, and adequately represents the population.

Ethical Research

Ethics remains an important consideration in a qualitative study (Stouten et al., 2013). Necessary ethical protocols including the respect of the rights, needs, values, and

desires of all those who have agreed to participate in the study require an important consideration (Souten et al., 2013). Participation in the study starts with the consenting process. The process begins when I invite a potential participant and introduce the research topic, and explain in detail all necessary participation requirement and criteria (Appendix A). Any individual who meets the requirement and agrees to participate becomes a participant (Yin, 2014). The assumption was the protection of all ethical requirements and maintenance of participant's privacy (Mikesell, Bromley, & Khodyakor, 2013).

A member can withdraw from participating without any obligation. The process of member withdrawal involves a written, signed petition expressing the desire not to participate any longer (Hasnas, 2013). The participants understood that incentives were not a part of the participation process (Bernard, 2013; Hasnas, 2013). While using the qualitative descriptive case study, I introduced strong and reliable agreement guidelines that align with the entire research process. The agreement documents included provisions for the protection of participant's rights, including the right to participate, and the ability to withdraw from participation at any time without penalty (Robinson, 2014).

The provision appeared in the consent form (Appendix A), which the participant will sign before the start of the study (Yin, 2014). The content of the consent form included the research objective in a language easily understood by the members. The consent form included information about the purpose of the study; stipulate the type of data, and method of collection (Robinson, 2014). The consent form contains information on how to analyze and interpret data. Also, the consent form contains information on data

management and disposal after 5 years (Bernard, 2013). To protect the confidentiality of participating individuals and organizations, I will not disclose individual or organizational names. Agreement documents, including consent forms, are available in (a) text of the study, and (b) Appendix A.

Data Collection Instruments

I was the primary instrument in the study that included the use of a semistructured Internal Control Interview Questions (ICIQs). The (ICIQs) was my production. Another instrument was Data Collection Terminal (DCT). The DCT consists of a tape recorder, a microphone, and cassette tape (Kahlke, 2014). The DCT Instrument was a portable handheld device used for input, read and for data login (Robinson, 2014; Trafimow, 2014). DCT has a barcode and wireless transmission capabilities. Interview with the participant involved the administration of the interview questions at participant's office setting. I used the internal control interview questions (ICIQ) to obtain an insight into the experiences of the participants. Information obtained from the participants with ICIQ shed more lights about the effect of the internal control system on retail companies. The interview was tape recorded, and the recording, enhanced by the use of a microphone, adjusts for volume, and proximity. The cassette tapes stored the recorded interview for future use in the transcription of data, and as occasion demand (McDermus et al., 2013). The instrument including interview protocol was located in Appendices C, and in the table of contents.

All instruments, including ICIQ, measured construct interest. Other instruments, including the tape recorder, field notes, and logbooks, measured construct interest and

content validity. The instruments also coded themes, patterns, and experimentally developed numerical scores (Kahlke, 2014; Robinson, 2014). All interviews were tape-recorded, and participants were aware that responses are tape-recorded. The purpose of a tape recording of participant response was to have backup information and to maintain the accuracy of the answers during transcription and analysis of data. Field note and diary recorded what the researcher was thinking, feeling experiences, and perceptions as well as the details of any observation the participants make (Fassinger & Morrow, 2013). I used data collection instrument techniques to conduct an interview, record statements, collect field notes, and other pertinent information. The meanings of data came by way of analysis and interpretation (Irvine, Drew, & Sainsbury, 2013). Analysis of study data involved the development of themes, patterns, and numerical scores. In a qualitative study, as, in this case, theme and pattern development was the primary source of procuring non-numeric scores and analysis of procured scores produce meanings and value. Meanings and values relate, and answer study questions, either supporting or refuting the research concepts and theory (Irvine et al., 2013).

Reliability and validity of research instruments were important aspects of the research process (Robinson, 2014). Reliability and validity are a way of measuring, integrity, stability and consistency of the instruments in measurements. I used three major strategies including triangulation, effective population sampling, and test and re-test to enhance the reliability and validity of the data collection instrument and process (Doody & Noonan, 2013). Reliability and validity also measure the rigor of the research and level of confidence in the performance (McDermud et al., 2013). Reliability was a way of

determining stability and consistency in measurement, and the extent to which an instrument produces similar measurement result. Validity, on the other hand, was a way of measuring how a score from a population represented the entire population that forms the score (Robinson, 2014).

Participants may petition to make changes in the research device. Such change in the modification (Kahlke, 2014), and the process involved obtaining permission from the original designer or developer of such instrument. If properly approved, changes to the tool can occur (Robinson, 2014). No change was necessary for the tools that this research used.

The study involved the use of standard instruments. As a result, a need for adjustment, modification, or revision does not exist (Robinson, 2014; Trafimov, 2014; Yin, 2014). A typical descriptive study does not require a high degree of instrumentation. Standardized instruments such as interview question, field notes, tape recorder are suitable for the study. Other analytical devices used in the study do not require any adjustment or modification (Kahlke, 2014). The reasons for using standard non-adjusted or modified instrument in the study was to avoid compromising the integrity of the identified instruments (McDermud et al., 2013). Modification, adjustment of any instrument must receive itemization and reporting if the study was quantitative, and this was not a quantitative study, but a qualitative descriptive study (Yin, 2014).

Member Checking

Member checking was a strategy that participant used to validate research work (Robinson, 2014). The process involves the conduct of the initial interview, interpretation

of the participant's story, and sharing the interpretation with the participant for validation (Doody & Noonan, 2013). In other words, participants are in a position to review and evaluate the completed data. Participants' narratives adjust as the case may be, to reflect the accuracy of participants' stories. The use of member checking applied to this study because the strategy was helpful in the collection, and review of data for authentication and reliability (Yin, 2014). I used member checking to gauge and measure participant's reaction to how the research portrayed their experiences in line with the guidance Yin, (2014) provided.

Data Collection Techniques

The interview was the primary technique that I used to collect data for the study. The interview technique was a process that involved a researcher and participant (Robinson, 2014). The process included a one-on-one setting, in an office or work site to elicit information from participants by asking the interview questions. Interview issues in a descriptive study are unstructured and open-ended (McDermud et al., 2013). Response to the questions may lead to follow-up question from the researcher to clarify ambiguous answers and unclear statements (Robinson, 2014).

Interview technique has many advantages. Some of the advantages include (a) enhancement of the open-ended nature of the discussion, and (b) empowering researcher to change data collection strategy. Interview technique provided some flexibility in the method, which adds, refine or cast away data. The technique can also change, to complement data collection environment (Kahlke, 2014). These advantages made interview technique more appropriate for the study. Some disadvantages of the interview

technique do exist. A major disadvantage was the fact that in some cases, participant's story lack collaboration. Another disadvantage was that some of the participant experience might be outright false and wrong thereby contaminating the interview data collected. According to Sutton and Austin (2015), the researcher must remain aware of the situation that can compromise the interview technique, and to avoid this compromise, the use of the strategy of member checking was appropriate.

Data Organization Technique

In the study, data organization techniques included classification and arrangement of data collected in a categorical and chronological manner (Doody & Noonan, 2013; Tsang, 2014). I used research logs to keep track of data activities, including any gap in interview and researcher's perceptions, feeling and appreciation of the research activities. The use of logbooks made research protocols such as labeling, cataloging less cumbersome, and helped to clear the complexity and confusion associated with the data type in the study. I also ensured that all emerging information from new or existing data has an accurate record in the log book. Accurate records improve the reliability of data (McDermund et al., 2013; Robinson, 2014). Data organization techniques also quicken the analytical and interpretative process (Bernard, 2013). Data that I used in the study will remain in a bank safe for 5 years to maintain the privacy of participants. Data would be disposed through shredding and controlled burning after the prescribed period of 5 years. Robinson (2014) emphasized the need to protect personal information belonging to participants. This disposal of data after 5 years will ensure the protection of participant's privacy.

Data Analysis

Data analysis in the study involved the breakdown of data (information). I used NVivo10 data analysis software for the data analysis. Bernard (2013) and Robinson (2014) explained that data analysis entails classification, the arrangement of things, persons, and events. The process also involved a chronological and categorical review and coding of data in a meaningful, value-creating manner to answer research questions and address research problems. Data analysis consisted of a pattern description, theme mapping, analysis, coding, and interpretation (Bernard, 2013; Robinson, 2014). I conducted an in-depth interview with five retail company managers. The five retail company managers answered some probing interview questions that center on issues of the internal control system, business culture, business traditions, growth, and profitability. The in-depth interview provided an avenue for asking specific questions regarding potential difficulties to using efficient internal control systems (McDermud et al., 2013). The Nvivo 10 data analysis software may have some limitations but remains an efficient tool to extract codes from interview data (Robinson, 2014).

The use of semistructured interviews and data organization resulted in the emergence of pattern and themes using Moustakas' (1994) modification of van Kaam's (1996) method. I used the modified van Kaam method to listen accurately and transcribe the participants' experience, and code expression accurately about the experience under question. Furthermore, the modified van Kaam method identified three major factor or strategies, including time, space, and the person that influenced this case study data analysis. Additionally, according to Yin (2014), data source triangulation supported the

van Kaam (1996) method. The method was useful to me to achieve completeness and robustness of data that can vary based on the time of collection. Sutton and Austin (2015) posted that analysis of phrases, terms, pattern, and themes is helpful in gauging how much the participants understand the research questions. I used interview questions to explore further the degree to which the participants understood the topic of the research. Tsang (2014) indicated that weaknesses are inherent in research work. This research was not exempt from such issues, and my responsibility was to assure that this study was free from any material research weakness.

Data transcription followed a process of replaying (recorded) taped interview to become more familiar with recorded information. The process repeated as often as necessary (Robinson, 2014). The transcription process removed all appearance of bias and preconceived notion about what transcription code will denote. Data transcription into Microsoft Word text involves the use of a keyboard entry. All the files and recording of the transcription resided in a protective folder for safety purpose. I did put a sizeable number of the transcripts into Nvivo 10, and applied the data source triangulation in the completion of the transcription (Yin, 2014). Code development was dependent on how members respond to interview questions. The codes featured colors, and each color represented the frequency of phrases, statement, experiences the participants expressed (Tsang, 2014; Yin, 2014). The final part of the transcription process involved the submission of the transcripts and interpretation to participants to member-check.

Coding, Reduction, and Themes

In the process of collecting, analyzing, and transcribing data, an emergence of recurring participant experiences could occur (Robinson, 2014; Yin, 2014). Any recurring experience was marked, and processed for reduction. Further reduction of participant recurring experience was achievable by determining the degree to which such experience impact the phenomenon under consideration (Mcdermud et al., 2013; Robinson, 2014). After reduction, some experiences remained, and I applied a strategy of clustering to those remaining experience. In addition, the existing codes, theme identification, and NVivo10 data analysis software was useful in finding themes that inform the study.

Triangulation

Houghton, Casey, Shaw and Murphy (2013), described triangulation as the use of multiple data source in a research work to achieve consistency. To establish, and crosscheck the consistency of data, Yin (2014) suggested that the use of multiple sources of data called data triangulation was paramount. Triangulation involves the collection of data using interview, observation, and case study for example (Yin, 2014). After collection of data, the process of analysis and interpretation took place. The process is normally repetitive to arrive at a result that supports or refutes the research objective (Tsang, 2014). For purposes of data triangulation, I conducted document reviews as well as observed the implementation of internal control at the operations. Of utmost importance was the need to match participant interview responses with the archival records and spot-check of internal control processes as the processes occurred. In this study, data triangulation strategies were necessary to cross-check, enrich, and strengthen

data. As stated earlier, data triangulation was a suitable strategy that I used to establish and confirm consistency, validity, and reliability of this study (Houghton et al., 2013).

Reliability and Validity

Good research is one that meets a certain standard, criteria or attribute (McDermund et al., 2014). Two major strategies measure this standard, namely reliability and validity. These two measurement criteria factored into my doctoral study for quality measurement.

Reliability

Consumers of research work and participants can depend on the result of the research because of the strength of the data. Unreliable or questionable data would elude the study (McDermud et al., 2013). Accurate confirmation of participant responses in the study is very important so that other researchers may find and use that stability and strength when further research becomes necessary (Jamshed, 2014). To ensure dependability, I selected a research design, with instruments, and followed an appropriate process that could lead to a dependable result. After the confirmation, dependability becomes one of the qualities of the study. Furthermore, the different resources that constituted a part of the tools for the study remained an integral part of the study. Robinson (2014) indicated that other researchers should find uniformity among studies that follow the same path, especially if those studies use the same resources. Reliability of research work was a test of dependability, consistency, and credibility of all the activities to which the research consist (Jamshed, 2014; Robinson, 2014).

The important fact remains that a study represents a crucial part of learning in the field of that research (Yin, 2014). Credibility refers to content validity, a situation that refers to how researcher and participants communicate to capture participants experience and perspective (Bernard, 2013). I conducted a face-to-face interview to collect the quality data that was suitable for the study by following proper interview protocol. Knowledge from that study was usable to society because of its quality, and characteristics are known as credibility (Yin, 2014). Using multiple angles to ensure scientific standardization of research content would make a study credible. Therefore, in this study, I used quality data and data source triangulation to ensure credibility. I used Nvivo10 software, logbooks, and tape recorder to ensure an accurate procurement of member experiences; this was another method of ensuring credibility. By using data triangulation, and member check strategies, participants and readers of the research can gauge the credibility of the result. Participants can easily evaluate the efficiency of the research process (Bernard, 2013; Thompson, 2013).

Validity

Validity was the total ideas and actions researchers, peers, and even research consumers take to determine research truthfulness, correctness, usefulness, and contributions (Sutton & Austin, 2015). The strategy of triangulation, clarification of researcher's bias, participatory modes, and peer reviews are useful in ensuring that research quality was attainable (Yin, 2014). Validity also encompasses transferability and confirmability. These strategies became part of my study to ensure the production of a quality study (Thompson, 2013).

Confirmability was the process of how a research result can get some support concerning the accuracy of the study (Houghton et al., 2013). Though a research work might have similarities with other studies, the study should have an element of uniqueness. To ensure conformability, I put in place audit strategy suggested by Guba and Lincoln (1994). Guba and Lincoln (1994) identified the following six audit steps which if followed will result in the confirmability of research work. The audit steps that are part of an audit strategy includes (a) strong quality data, (b) data reduction and analysis. Others are data reconstruction and synthesis, process notes, material associated with the research, and equipment that will form part of the research (Robinson, 2014). I would also allow another researcher to investigate my entire work, using the above-identified audit strategy. Employing the above strategies would result in an easy transferability and acceptance of the research result by peers.

The fact remains that some results from a study (if not all) could apply to other inquiries. The degree to which the study becomes usable or transferable to other contexts constitutes transferability (Guba & Lincoln, 1994). Transferability could give research, stronger usability than it would otherwise achieve (Jamshed, 2014). Readers and research users would be in a position to determine the transferability of this study. I provided the basis for portability. To accomplish portability, I gave an accurate explanation of the details of the study process, situation, methods, the type of data, analysis, and the result. I also provided participant demography and geographical location for the future. Substantive information about the research enabled readers to compare the research with a similar study that is familiar to them. Such comparison will enable the readers of the

research to form a wise opinion. Transferability would arise from a reader's understanding of the verbiage, numbers, descriptive statistics, and other presentation elements in the study (Trafimov, 2014). The result of the study was a tool that retail company managers could use to achieve portability by adhering to all research principals that factor in the elements of reliability and validity.

Transition and Summary

This qualitative single case study could provide managers with the strategies that can address adequate internal control system issues (Arham, 2014). Section 2 of this proposal included the following elements, the restatement of the purpose statement, the role of the researcher, participants, research method, and the research design. Other parts of the section are population and sampling, ethical research, data collection instruments, group and organization techniques. Data analysis, reliability, and viability are contents of the section. The final part of the section included designs and methodologies that assess retail company owners and manager's perceptions of internal control systems. Section 3 will include the following, results of the finding of the study, and application of the research to professional practice. In addition, Section 3 will include the implications for social change, recommendations for action, recommendation for further study, reflections, and the study conclusion.

Section 3: Application to Professional Practice and Implications for Change

The problem I addressed in this research pertained to the strategies retail company managers normally use in strengthening internal control systems. Retail companies face many management problems and challenges (Andre et al., 2014), including challenges such as losses from theft, fraud, embezzlement, and pilferage because of ineffective internal control systems. Weak internal control results in companies' inability to maximize business advantages, strategies, and other business benefits that could accrue to them. Strong internal control systems can help to position these companies to identify and minimize risk and losses quickly (Darrat et al., 2014). This section of the study includes the presentation of findings, and discussions of its implications for professional practice and social change. This section also includes recommendations for action, recommendations for further research, reflection, a summary, and a conclusion.

Introduction

The purpose of this qualitative case study was to explore the strategies that company managers use to strengthen internal control systems. Data for the study came from company managers who have retail industry experience. Findings emerged from one-on-one, in-depth interviews. The questions were open-ended to allow ample latitude for capturing answers that could include rich and thick data. This study, including the overarching research question and interview questions, met requirements for the approval of Walden University's Institutional Review Board before I began data collection. During data collection, I used a coding system to protect participants' privacy and rights. In the process of the interviews, I gathered participant demographics to ensure

they had adequate background knowledge and experience in the area and topic of the study. The primary research question was: What strategies do retail company managers use to strengthen internal control systems?

Five participants took part in the study. Their responses to Interview Questions 1, 4, and 5 led to the emergence of 11 themes, while their responses to Interview Questions 2, 3, and 6 through 12 resulted in the emergence of 15 additional themes, for a total of 26 themes. Eighteen of the 26 recurring themes became noticeable from the beginning of the interviews and throughout the follow-up interview sessions. With 12 questions and five interviewees, the richness and thickness of the data was evident and quickly led to saturation.

Presentation of the Findings

The findings are the result of data I collected from face-to-face, open-ended, in-depth interviews that were primarily designed to answer the research question: What strategies do retail company managers use to strengthen internal controls? Five participants took part in this qualitative single case study. Their responses resulted in 26 emergent themes. Of the 26 themes, 18 (69%) were related to the decision making on how to design, implement, and evaluate the success and failure of internal control systems. Contemporary business trends underscore the differences between historical and current business practices in relation to internal control (Blackburn et al., 2013). The differences and gaps reflect the demands from modern economic activities. This research led me to the elements required to address the problem posed by lack of internal control knowledge and use. Finally, the participants agreed that retail companies have the

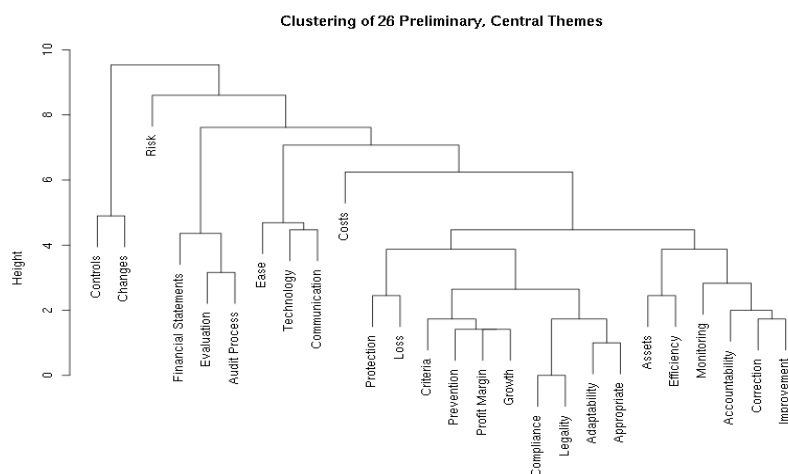
potential for higher earnings and growth if they identify and minimize risk damages using effective internal control systems.

Identifying Themes

In this study, I investigated the strategies retail company managers use to strengthen internal control systems. Yin (2013) stated that it is necessary for a researcher to find a common theme that makes up the phenomenon. Anderson (2014) posited that researchers must develop, structure, and determine the meaning of core data. After the interviews, I grouped, structured, and formatted the responses of the participants to form a transcript of 26 themes listed below. In addition, I clustered the themes as shown in Figure 5.

Controls	Costs
Changes	Monitoring
Financial Statements	Accountability
Evaluations	Loss
Audit Process	Improvement.
Ease	Compliance
Technology	Legality
Communication	Adaptability
Protection	Appropriate

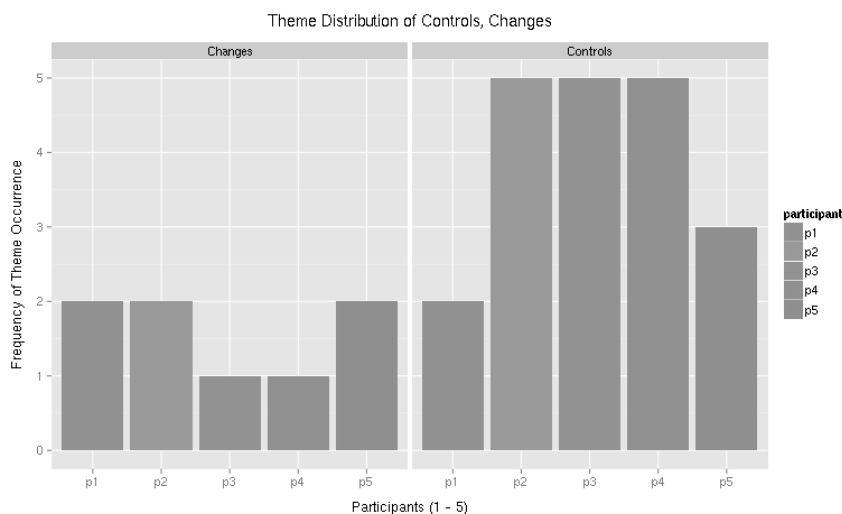
Figure 5. Central theme cluster.



Interpreting Findings by Theme

The cluster diagram shows the degree of similarity and dissimilarity between each central theme with respect to its frequency of co-occurrence in participant responses to each question. In other words, the clustering shows the underlying relationship between each central theme as implied by the participants' responses. For instance, the clustering of *technology*, *communication*, and *ease*, implies that a connection existed between the three clusters and the participants. A deeper look at the responses then revealed the nature of the connection within this cluster. Figure 6 is the same cluster diagram, but this time highlighting the clusters of interest with respect to the overall research question. A deeper look at each cluster of interest manifests in the graphs below. Each graph represents one cluster and shows the distribution of themes within that cluster. Each bar indicates how the five participants' responses contributed to the cluster of interest.

Figure 6. Controls and changes.



Theme 1: Controls

As evident in the graph, all participants remarked on the need for change in controls. In particular, the participants' responses reflected the need for change with respect to issues and deficiencies. Participant 3 summarized all the participant sentiments well in stating that issues and deficiencies "result in changes in control elements, control systems, and personnel." Participant 5 cautioned that control in all aspects may not necessarily benefit business operation. Participant 3 added that control must always remain the same, irrespective of place and time, suggesting that prior business practice should not negate control mechanisms

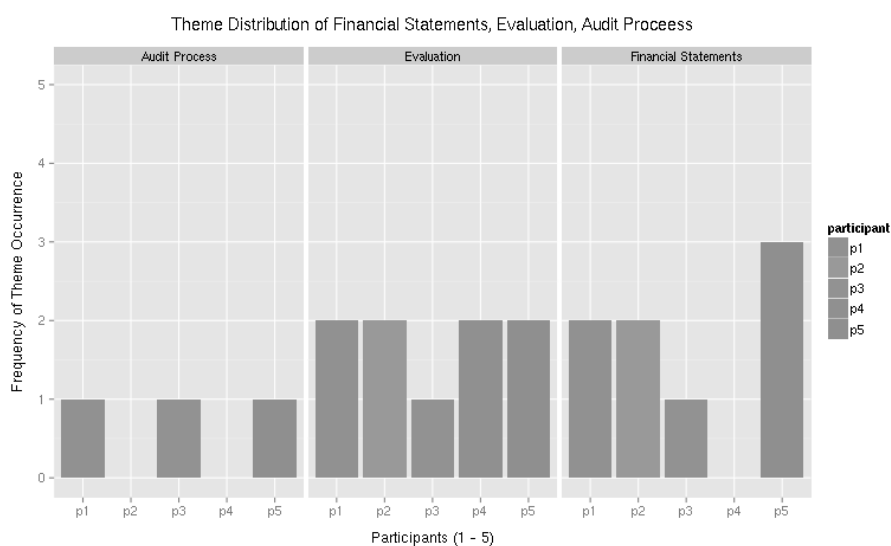
Theme 2: Changes

The ongoing need for changes requires new tools for combating in combating deficiencies and issues and consequently strengthening an organization's internal control system (Bogani, 2014). Participant 1 stated that change is necessary. For example, if a

company switches from a manual system to a technological system, would the switch be called a bad move if the change improved operations? All the participants agreed that change was a factor requiring a favorable consideration when evaluating the issue of internal control change in direct contrast to what prior literature suggests.

Figure 7. Audit process, evaluation, and financial statements

Theme 3: Audit Process



The central, preliminary theme within this cluster was *audit process*. A deeper examination of participant responses revealed that audit process is an important tool in the review of control systems (Gottschalk, 2014). Participant 5 remarked that among the tools used in evaluation of internal control function effectiveness, the audit process is very remarkable. Participant 3 agreed and stated that the audit process remains one of the best tools his company has employed to tackle the problems of internal control deficiency. Participant 4 also stated that personnel feedback tends to indicate that the

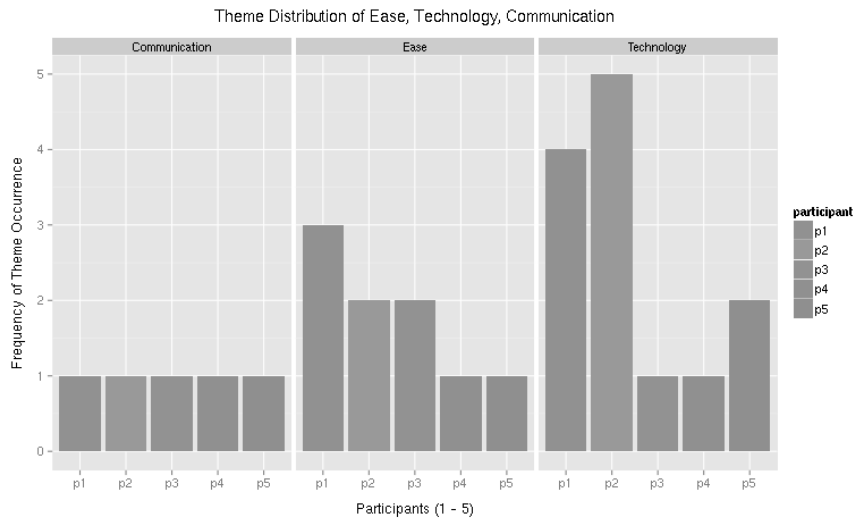
audit process was among the more significant developments in internal control application, unlike the prior period.

Theme 4: Evaluations

Figure 7 shows a unanimous emphasis on *evaluation*, indicating that all participants considered evaluation to be a key tool in understanding and reviewing control systems. The specific methodology of evaluation, however, differed among those of financial statements that constituted the primary means of reviewing control systems and performance. Only three out of five participants included the use of the audit process, two of whom included it as a methodology alongside the use of other tools. Law (2014) stated that evaluation must be constant to avoid unforeseen disruptions of current strategies. Participant comments underscored the importance of evaluation as an internal control system implementation dynamic.

Theme 5: Financial Statements

In response to a question on performance evaluation, Participant 4 offered a perspective that was not offered by the other participants. Specifically, Participant 4 associated the evaluation of control systems with an error-free financial statement. Participant 2 stated that an error-free financial statement could be the best tool in accessing the movement of cash and other tangible assets (Kermis & Kermis, 2014). While Participant 1 agreed with Participant 2, she added that financial statements could be subject to manipulation to represent the preparer's desire. Her statement contrasted with the periodic evaluation highlighted in the responses of the other four participants detailing past period practices.

Figure 8. *Communication, Ease, and Technology*

Theme 6: Technology

The general sentiment in participant responses leaned heavily toward the use of technology in the design and implementation of control systems. Technology itself, as Participant 5 stated, connects personnel, structures, and control measures, and helps in maintaining efficiency. Other participants noted that technology facilitates much needed job separation, and also made the association with personnel. In other words, technology eases and facilitates the design and implementation of control systems. In the past, most internal control activities were manual (Othman & Ali, 2013).

Theme 7: Ease

Following *technology*, emphasis was on *ease*. As Participant 1 stated, “ease in the design and make, ease of use.” This means the removal of complexity and facilitation of operations. For easy, faster, and less cumbersome operation, Ayagre et al. (2014)

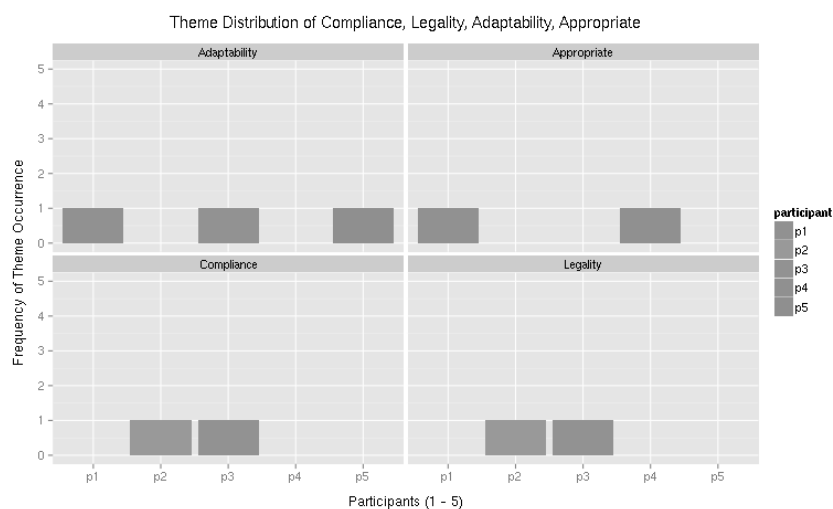
suggested the application of technology. The reason most company managers do not use internal control systems, said Participant 2, was that systems were not easy to use.

Participant 4 reported that most company employees agreed that complex control systems make the work harder.

Theme 8: Communication

Participant 4 noted the use of technology in the production of proper documentation needed to design and implement control systems. Hunt (2014) stated that improved internal control systems improve communication. Participant 2 stated that a relationship existed between communication, technology and ease. Participant 5 agreed with Participant 2 regarding the need for good communication among all workers but suggested that effective communication as a control strategy is made possible by good technology systems that are easy to design and implement. In other words, technology eases and facilitates the design and implementation of communication as internal control systems. Chen (2014) suggested a big difference exists between the past and the present in terms of how communication continues to improve. In discussing communication, virtually all participants alluded to compliance, legality, adaptability, and the appropriateness of process. These elements became clear as I processed the data.

Figure 9. *Compliance, Legality, Adaptability and Appropriateness*



The graph above reveals participant perceptions on this theme to be both limited and dissimilar. In other words, each theme occurred once, and the occurrence of each theme in this cluster was inconsistent among the participants. Such variation is indicative of the differences in participant perceptions.

Theme 9: Compliance

A general association some participants did not subscribe to occurred among the four aforementioned central themes. For example, Participants 2 and 3 share similar perceptions regarding *Compliance* and *Legality*, which the remaining three participants do not share. Both participants 2 and 3 noted the importance of complying with rules, laws, policies, and consequences. The issue of compliance and legality remained a challenge in the design and implementation of control systems as well as in the strengthening of pre-existing control measures. Participant 5 stressed the need for companies to comply with all rules and regulations. Compliance to internal control rules and regulations affected profitability and constituted reason for business failures (Kabue & Aduda, 2017).

Theme 10: Legality

Notwithstanding the differences in participant perceptions, Participant 4 highly stressed that legality of activities must remain an important business aspect. Participant 3 stated that many companies get into trouble by ignoring the legality of company activities. Persons (2014) suggested that the laws that govern business practice remain an internal control practice, and company managers must be aware of the legality of every activity whether in the past or present. Participants 1, 3, and 5 all stated that company

managers should build adaptable legal control systems as a way of addressing weaknesses in control structures.

Theme 11: Appropriate

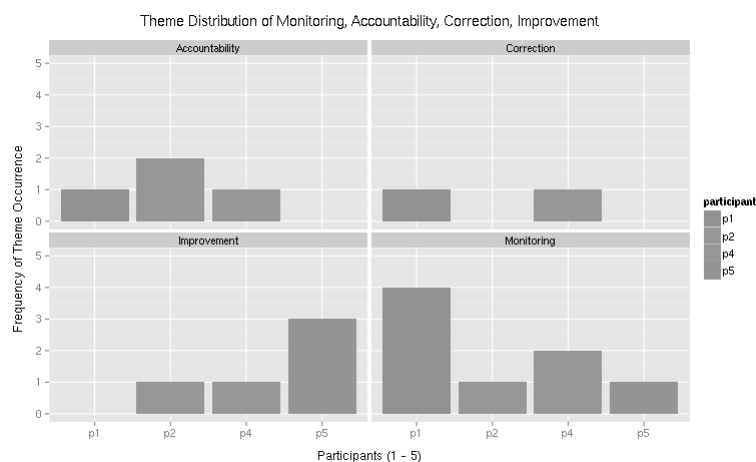
Participants 1 and 4 noted that appropriateness of control structures was important. Not all control structures would fit all business types. The clustering of these central themes presents various perspectives on the need for an understanding of how organizations and managers should address weaknesses in control structures. Persons (2014) indicated that past practice should not be the yardstick for measuring the future because what benefited past practice may not benefit present or future. Participant 2 rather asked questions about spending and appropriate budgeting. Participant 3 noted that many companies do not ask the question of what is appropriate in the operations of their companies, and the companies consequently fail.

Theme 12: Adaptability

Participant 3 noted that the introduction of an internal control system must be such that some degree of adaptability is maintained. Participants 2 and 5 agreed with this perception while noting that all control systems design and implementation must be adaptable. Participant 4 stated that non-adaptable control systems are subject to malfunction and failure. Annaraud et al. (2014) suggested that internal control systems adaptability must reflect past activities and represent present use. Lack of adaptability of control systems could weaken business effort to strengthen its activities. Participant responses revealed that the weakening of business antecedents revealed had other nuances such as monitoring problems, accountability lapses, correction issues, and

process improvement challenges. I captured the nuances in the process of analyzing adaptability issues.

Figure 10. Accountability, correction, monitoring and improvement



Theme 13: Accountability

A key aspect to maintaining internal control system reliability is the theme of *Accountability* (Lin & Yu, 2015). Participants 2 and 4 both associated accountability with the organization's personnel. Past business practice revolved around personnel and how well and fast routine activities took place. Participant 2 expressed the need for management to address personnel feedback to maintain an efficient control system. In particular, Participant 1 expressed that personnel feedback "helps to improve control elements, control systems, and makes personnel accountable." Participant 3 stated that accountability is a driver of operational success.

Theme 14: Correction

Participants 1 and 4 expressed that feedback would be and have been useful in correcting control system errors. The feedback comes from personnel as they help

management decide on control measures. Participant 1, in addition, suggested that feedback, as an internal control strategy helps to sustain evaluations. Santanu et al. (2013) emphasized the importance of correction as a response not only to internal control deficiency, but also to organizational strategy drawback. Participant 3 stated the purpose of personnel feedback would be to maintain a check and balance between management's decision on control measures and the personnel who would be responsible for adhering to those measures.

Theme 15: Monitoring

Interestingly, Participant 3 did not have any responses aligning with this cluster. Participant 2 expressed a somewhat divergent sentiment. According to Participant 2, the purpose of monitoring remains to identify general operational effectiveness, identify, and minimize risk quicker. Participant 4 represents a population that primarily associates reliability of controls with risk assessment, minimization, and checks and balances. Prior literature showed that monitoring remains an important internal control strategy in both the past and present. Yang and Koo (2014) indicated that uncorrected internal control deficiency could be the reason a company goes into bankruptcy.

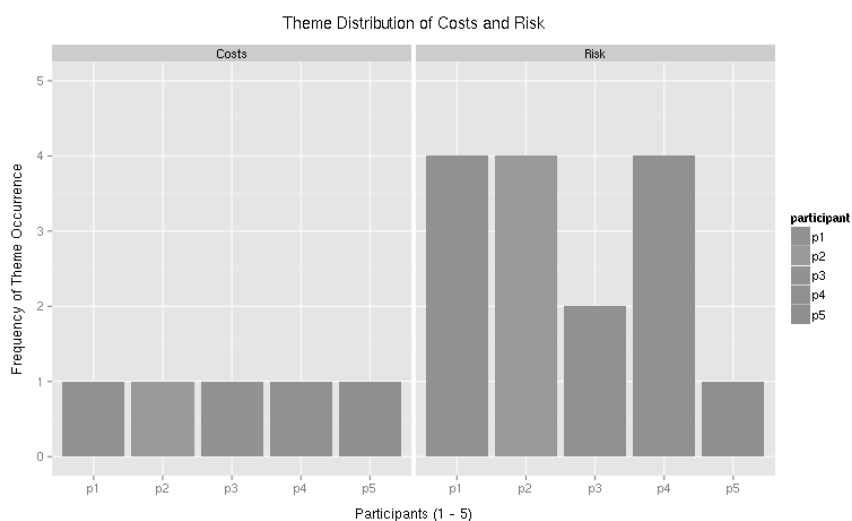
Theme 16: Improvement

Other central preliminary themes emerged including *Improvement*. Participant 4 suggested that past results should not be indicative of present or future performance. However, Participant 4 suggested the improvement of every business operation and activities. Otherwise, the business becomes a failure. Participant 2 and 3 agreed with this assertion, contending that improvement of a business is well evaluated, monitored, and

corrections are made on a timely basis. Foster and Shastri (2015) indicated that improvement was a factor that affects internal control strategies is reflective of the business earnings or bottom line.

Aside from the five, aforementioned emergent theme clusters. The most dissimilar of these themes were *Costs* and *Risk*. These two themes ended up on branches of their own in the cluster diagram, indicating a distant association with the other branch, but ultimately no direct correlation between themselves and other central, preliminary themes. I created the graph below to illustrate the distribution of these two themes across all five participants.

Figure 11. Costs and Risk.



Theme 17: Costs

As the graph above reveals, a consensus among participants pertained to costs and control systems. As stated by Participant 3, "costs impact overall budgets". Any impact in budgets consequently affects the scope and depth of management's decision-making

capabilities. This translates over to control systems in such a way that it "determines what control systems and control elements to install," as stated by Participant 4. Chen (2016) stated that costs have always been the major reason why some businesses maintain some degree of internal control system and some do not. All the participants agreed that design and implementation costs, equipment, and personnel costs represent huge operational expenses. Some companies chose to incur such costs and others try to avoid incurring such costs. Prior literature review showed how time does not affect costs, and Carol (2015) stressed the importance of costs consideration as an integral internal control strategy factor.

Theme 18: Risk

Unlike *Costs*, however, *Risk*, represented some variety among participant responses. Participants mentioned *Risk* at different points of the interview. However, a consensus in perception regarding the risk assessment, identification, and management was noticeable. All the participants agreed that risk is the major reason businesses implement internal control systems. Understandably from these two central preliminary themes, control systems are limited by costs, and risk identification and risk reduction are benefits of control systems, which can in turn be impaired by the limitation originating from costs. Risk is the over-arching factor behind the design and implementation of all internal control systems either in the past or in present (Amba, 2014; Weller, 2017).

Findings Confirm, Refutes, or Extends Knowledge

Internal control system remains an important business strategy (Jaggi & Mitra, 2013). Participants in this study indicated that for every five successful businesses, four

have a strong and effective internal control system. A well designed, properly implemented control system has the tendency to help a business achieve its objective (Darrat et al., 2014). Participants stated that they have the operational, and management experience to suggest to businesses, regardless of size to endeavor to put in place a well-designed internal control system. Compatible job description, reliable control elements, use of applicable technology, constant evaluation, and monitoring are some of the approaches businesses can adapt to internal control systems; this adaptation is less than 100% fool proof (Ayam, 2015). However, this fact does not negate the many benefits of having an effective control system in place. A participant suggested that a business would only need to institute strict compliance rules, enforce compliance with applicable laws, adopt a system of constant evaluation and monitoring, and watch what happens to their bottom line.

The Conceptual Framework Intersect

The findings of this study are consistent with the conceptual framework that spells out how businesses can design and implement an internal control system that can help them grow and become profitable. Law (2014) stressed the need for businesses to be able to have a system that enables it to identify risk quickly and take action. Carter et al. (2012) described internal control as a sum of business actions that enable the business to not only identify operational risk, but to minimize risk and loss, and also be prompt in doing so. The importance of effective internal controls is not an effort in futility. The findings tend to support the fact that internal control systems do not only constitute an

integral part of a business activity, but could also be the difference between failure and success (Treadway, 1992).

The Existing Literature Intersect

Response from all the participants in this study showed consistency with existing literature about the fact that an effective internal control system facilitates a high degree of business security (Treadway, 1992). Participants expressed a positive approach about the need to strengthen businesses with strong control tools and other factors that will aid their operation including innovative technology. Existing literature on the subject of internal control systems points out that an effective internal control system is a necessary strategy that every business needs. The swift identification of risks is a major benefit of good control systems (Gottschalk, 2014). Amba (2014), Carol, (2015), and Kabue and Aduda (2017) are among contemporary voices on the subject of internal control systems, highlighting the advantages and drawback of internal control systems. In proper perspective, according to Annaraud et al. (2014) internal control systems cannot be all things to all businesses. The control system is not 100% fool proof because sometimes, the success or failure of control activities is dependent on the type of control element or the implementation dynamics. Changes in control elements and implementation mechanism are constant, consequently necessitating a continued study of the subject matter including this study. Future study of the subject matter is certain because of uncertainty not only of business activities but also of technology (Lin & Yu, 2015).

Demographic Findings

Five experienced company managers took part in this study. The knowledge and experience of the participants manifested in their composure and demeanor throughout the process. The table below shows participants gender, position, and years in business.

Table 1.

Participant Demographics

Participants	Gender	Position	Year of Experience
SP1	Male	S/ Director	21
SP2	Female	Director	17
SP3	Male	Manager	23
SP4	Male	Owner/Manager	24
SP5	Female	Manager	9

Note: Demographics helped in delineating qualified and unqualified prospects. The information on this table contains the specifics of the different cadre of the eventual participants.

Applications to Professional Practice

The findings of this study could be a tool business managers can use to build and strengthen their businesses in terms of security. With a sustainable security system, a business can grow and become profitable. Internal control systems constitute a positive business strategy every manager needs for all types of business regardless of size. Therefore, the application to professional practice included lending support for an innovative technology, identifying, protecting, minimizing risk, and helping to sustain growth and profitability. In addition, the encouragement of investment, building trust

among workers, inspiring consumer confidence, projecting good public image, and good corporate citizenship are all part of application to professional practice.

A business that implements strict internal control systems has the tendency to grow, and become profitable. A profitable business that practices good ethics regarding compliance with general rules and regulations is a source of revenue to the government. With an effective internal control system, the possibility for operational efficiency, which in turn leads to business research, growth, and profitability, is attainable.

Implications for Social Change

The implications for social change may include the collective sensitivity to financial improprieties. When a local retail store deploys effective internal control systems, the employees who reside in the local area will act out the internal controls mentality. The interaction of such community members with other dwellers within the community will result in mutual absorption of conscious application of internal control principles in their routine activities. The profitability of such local retail locations will increase local community activity, as the retailer would be in a position to donate toward community activism.

A profitable business hires employees, pay their workers well, and the workers spend their money in the community, pay taxes other local financial obligations. Wit the tax revenue, the community improves in domestic activities. Finally, the philosophy of internal controls will permeate the community's fabric and lead to an elevated social status of members of the community. With an effective internal control system, the

possibility for operational efficiency, which in turn leads to business research, growth, and profitability, is attainable.

Recommendations for Action

The findings of this research included a basis for managers to take action that protects business activities that builds up and strengthens their businesses. Managers are encouraged to view internal control as an important part of their business plans. Managers must not allow costs to be the reason a business does not have effective internal control systems. Managers are encouraged to optimize, and maximize the potentials of modern technology in their internal control design and implementation. Yan (2015) took the position that managers must monitor, and regularly evaluate internal control systems to maintain operational efficiency. In addition, Santanu et al. (2013) charged managers to remain active in all things concerning how to strengthen business activities, stating that they can achieve this objective by putting in place an effective internal control system. Action items will include disseminating the results through literature publications, conferences, internal control workshops, professional seminars, and training events.

Recommendations for Further Research

The findings of this study include a recommendation encouraging future research on the subject of the internal control system. In addition, the study provided the basis for future research on the topic that includes an effort to integrate technology applications. Future research work on the subject matter should include all models, functions and workings of an internal control system must be a part of every manager's curriculum

(Treadway, 1992). Future research efforts also should revolve around how each integral part of internal control systems can become efficient as well as how to use internal control systems to close the risk loopholes business entities experience on a daily basis.

Reflections

This research on the topic of internal control systems was informative. The research process was a great opportunity for me to learn the workings of business internal control systems. Looking back to the time when I was a novice in the conduct of research, many lessons about scholarly activity, including how to integrate research parts to produce a complete study has proven obtainable. A noticeable level of knowledge on how to find and use scholarly writings remains a great achievement. With the good research knowledge, conducting research would no longer constitute a problem. Designing and conducting research, executing the diverse functions such as setting up interviews, coding, transcribing, analyzing, finding patterns and themes, and summarizing research reports would hereafter appear routine. The research process entails skill and knowledge that would be useful in future research activities.

Conclusion

The purpose of this qualitative case study was to explore the strategies company managers use to strengthen internal controls systems. Internal control systems as an integral part of the business operational plan could be the reason some businesses are successful while others are not (Treadway, 1992). A major function of this business strategy is to aid in the identification of business risk and losses as well as how to mitigate such situations (Jaggi & Mitra, 2013).

Most businesses have failed to maximize the potential benefits effective internal controls systems offer. The reason behind this drawback could be (a) managers have no knowledge of the workings of internal control systems, (b) the managers cannot effectively implement the systems, or (c) because of costs or affordability. Whatever the reason, it is necessary that managers understand that business operation can improve, and efficiency is achievable through the implementation of effective internal control systems. Fourie and Ackermann (2013) argued that using effective control systems could provide a competitive edge to business. Darrat et al. (2014) posited that the use of internal controls could give a business an economic advantage.

As the use of internal control systems become important, many company managers will face some pressure to produce a positive bottom line. The main problem facing most companies and their managers is a lack of knowledge of the workings of internal control systems (Hayek et al., 2014). Internal control systems are relevant to business operational and management efforts. No business can operate without strategizing on its profitability, growth, and stability. This is achievable with a strong control system.

The problem addressed in this research was how company managers use internal control systems. A qualitative case study design was used to explore internal control strategy. Open-ended interview questions served to collect data from five company managers, and the data collected underwent coding. The analytical process involved transcription using the NVivo 10 data analysis package and the Van Kaam method. The participant's responses were consistent with existing literature on the importance of

internal control systems. Saturation became possible through extra probing during interviews as well as scheduling follow-up interviews. Moreover, continued interviewing and re-interviewing of participants led to exhaustive collection of data until successive interviewees provided no new information. Consequently, those repetitive responses produced no further meanings or value.

Most of the participants indicated that the benefits of internal control systems remain important to the growth, and profitability of the business. All the participants agreed that the benefit of a strong internal control system out-weighs the disadvantages. Some of the participants, however, indicated that the reason some managers turn their back on the use of internal control system was *costs*, while some of the managers argued that business size and knowledge of the systems might be the reason. Furthermore, all of the participants suggested more training so that employees and managers might have the knowledge of the workings of internal control. All participants indicated that they were in support of tailoring internal control systems to the needs to business size.

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