

MID-LEVEL ACCOUNTING AND FINANCE MANAGERS' PERCEPTIONS OF THEIR FAMILIARITY WITH SOX WHISTLEBLOWER PROTECTION LAWS

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ABSTRACT

This paper examines the self-reported ratings of mid-level accounting and finance managers who responded to a survey regarding their familiarity with the SOX whistleblower protection laws and related issues. The mid-level managers rated their awareness of SOX through employer organized training and from employee policy manuals. The managers also rated their perception of employer's commitment to the whistleblower protection laws, willingness to whistle-blow if they identified a wrongdoing, and knowledge of steps for initiating a whistleblower claim. The results of the analysis indicate that mid-level managers are mostly familiar with the SOX whistleblower protection laws; however, they do not receive adequate corporate-sponsored awareness training, and do not perceive their employer organizations to be particularly committed to the SOX Whistleblower protection laws. In addition, most mid-level managers are willing to whistle-blow if they identify a wrongdoing or abuse, but many do not know the steps and procedures for initiating a whistleblowing claim.

Keywords: Whistleblowing; Sarbanes Oxley Act of 2002; Corporate Governance; Regulation; Institutional Practices

INTRODUCTION

Over a decade and a half ago, the United States Congress passed the Sarbanes Oxley Act (hereafter as SOX) of 2002 to curtail losses by U.S. businesses due to corporate financial crimes. A major component of SOX is the whistleblower protection provision for employees of public and private companies who divulge information regarding corporate fraud, misconduct, illegal acts, and violations of federal securities

laws. Macey (2007) defines whistleblowing as an act of reporting wrongdoings in an organization to internal or external authority capable of sanctioning the wrongdoers.¹

The SOX whistleblower protection provision encourages corporate internal employees to divulge wrongdoing information to internal and external authorities without fear of retaliation for volunteering the information. Specifically, the whistleblower protection legislation grants special privileges to whistleblowers to sue for damages and attorney fees if an employee believes that an employer took retaliatory actions against the employee for whistleblowing (Venkataraman and Watkins 2008). However, there is limited research to suggest that mid-level corporate accounting and finance managers are generally familiar with the whistleblower protection laws or that they have received SOX awareness training on whistleblowing from employers. Similarly, there is limited research to affirm whether individual managers in a company know how committed their employer organizations are to the whistleblower protection laws, and/or even how willing they would be to whistle-blow if they witnessed wrongdoings and abuse, or how familiar and knowledgeable they are with the procedures and steps to file a claim if the employer retaliated.

Examining these issues is important in a number of ways. First, the SOX whistleblower protection legislation requires organizations to adopt a code of business ethics and to educate employees about the organization's whistleblower protection programs (Venkataraman and Watkins 2008). The legislation also mandates organization to set up internal apparatus to receive, review, and solicit employee reports or complaints concerning observed management misconduct, illegal activities, fraud, or ethical violations (Salem and Franze, 2003). For audit related issues, SOX requires Audit Committees to be involved in establishing and monitoring whistleblower programs for reporting, recording, tracking, and acting on information provided anonymously by employees (Eaton and Akers 2007). Second, the Association of Certified Fraud Examiners 2018 Annual Report to the Nation notes that frauds are more likely to be detected anecdotally by tips than by audits, internal controls, or by any other professionally designed means. For example, the ACFE reported that tips from employees accounted for 45% of detected fraud cases in the 2018 report (ACFE 2018).

Because mid-level accounting and finance managers are in the frontline of corporate transactions, they are also more likely to see or witness wrongdoings in the accounting and financial business processes that may lead them to provide tips or to whistle-blow. Thus, the question that arises is whether mid-level accounting and finance managers are familiar with the whistleblower protection laws that protect those who might provide tips for wrongdoing in the organization. If mid-level corporate accounting and finance managers are not or are less familiar with the whistleblower protection laws, they lack this essential tool of corporate governance that helps to reduce corporate fraud, illegal acts, or wrongdoings that management may hide from auditors and other stakeholders.

¹ Eaton and Akers (2007) describe internal whistleblowing to entail reporting an observed wrongdoing to a source within the organization, and external whistleblowing as reporting whistleblowing information to a party outside the organization

Wu (2005) concluded that stronger corporate governance serves as a preventative measure as well as a deterrent for fraud and corruption.

In this study, we examine self-reported results of mid-level accounting and finance managers who rated their familiarity with the SOX whistleblower protection laws, amount of corporate sponsored awareness training received on the whistleblower protection laws, and their perception of employer organizations' commitment to whistleblower protection laws. The results indicate that mid-level managers are mostly familiar with the SOX whistleblower protection laws, however, they do not receive much corporate-sponsored whistleblower awareness programs from their employer, and they do not perceive their organizations to be particularly committed to the SOX whistleblower protection laws. Most mid-level managers self-reported a willingness to whistle-blow if they identified a wrongdoing or abuse, but many do not know the steps and procedures for initiating a whistleblowing claim.

The current study adds to a growing body of whistleblowing literature in accounting and auditing. This body of research finds that there are ample legislative and popular guidance on how management can establish and maintain a quality whistleblower program.

BACKGROUND LITERATURE AND HYPOTHESES

Familiarity with the SOX Whistleblower Protection Laws

The whistleblower protection laws offer some of the newest tools for corporate governance meant to empower employees to report fraud, misconduct and illegal acts of management to Board of Directors, law enforcement, regulatory bodies, or local media for rectifying the situation without the fear of retaliation from management. Prior studies suggest that one in five US employees possess personal knowledge of workplace fraud while about forty-six percent of US workers indicate that employees would report fraud or management misconduct if they could remain anonymous (ACFE, 2018). Most employees desire to remain anonymous when reporting wrongdoings by management because they fear retaliation by management (Slovin, 2006). Consequently, if employees were familiarized with the SOX whistleblower protections laws, they would readily decide when and whether to report misconduct and abuse to authorities without the fear of retaliation or victimization. Employees can familiarize themselves with the SOX whistleblower protection laws by hearing about the SOX laws or reading to gain a good understanding of the SOX Act. Employees can also participate through employer-sponsored training seminars and workshops, reading company policy manuals or guidelines, or serving as a SOX expert.

Section 806 of SOX Act of 2002 - Protection for Employees of Publicly Traded Companies Who Provide Evidence of Fraud appears to provide the safety net for employees to report management's wrongdoings. Section 806 paragraph (a) of the Sarbanes Oxley Act states that "Public companies including their officers, employees, contractors, subcontractors and agents may not "discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee in the terms and conditions of employment because of any *lawful act* done by the employee." The term "lawful act" pertains to disclosures "providing information or assistance in the

investigation of conduct that the employee reasonably believes violates securities laws or regulations. The disclosure can be made to “a federal regulatory or law enforcement agency, a member of Congress, a congressional committee, a supervisor within the employer company, or any person at the employer with the power to ‘investigate, discover, or terminate misconduct” (Salem and Franze, 2003). Additionally, Section 806 protects an employee who aids in any proceeding that involves securities fraud or fraud against shareholders.

Whether managers are experienced or not, they couldn't possibly discuss the origin of SOX in isolation of the financial scandals of the early 2000s, and the whistleblowing protection laws that arose from those events, whether in academic or professional setting. Given the extensive worldwide media exposure of accounting scandals that rocked US companies, including the demise of Enron and WorldCom and the accounting firm of Arthur Andersen in the last decade (Harrast & Mason-Olsen 2007), mid-level managers and employees at small to medium companies can be expected to be familiar with the whistleblower protection laws. Based on the preceding, the following hypotheses are proposed.

H1a: The proportion of Mid-level managers who rated themselves as *familiar* with SOX whistleblowing and whistleblowing protection laws will be higher than the proportion of those who rated themselves as not familiar.

Confidence in Self-Rating

If employees are familiar with the SOX whistleblower protection laws that protect their actions, they should also be confident in their own rating of familiarity with the SOX whistleblower protection laws. Employees who are confident with their familiarity level regarding whistleblower protection laws would be more likely to report management misconduct without the fear of retaliation. Regardless of the level of familiarity regarding whistleblower protection laws, employees should be confident in their ratings of their own familiarity. Prior research on self-perceived ability suggests that auditors, accountants, and individuals are able to self-assess their own effectiveness and abilities in performing tasks (Bandura, 1997; DeCoster and Rhode 1971; Luft and Libby, 1993). Auditors and managers are also able to justify their decisions or actions, as they constantly do as part of their day-to-day job performance. For example, auditors have to justify such judgments as to why a client is a going concern risk, why a client's accrual for additional allowance for bad debts should or should not be accepted, or why a certain transaction should be capitalized or expensed. Auditors and individuals also justify actions that may lack definitive applicable authoritative guidance (Kennedy, Kleinmuntz, and Peecher, (1997) such as judgments drawn from individual-specific experience.

Thus, it appears that once auditors take actions, they are bound to justify the correctness of their decisions. Peecher (1996, page 126) defines justification as the act of providing evidence to support decisions. Thus, the practice of justification is positive in that it enhances confidence as well as individual's responsibility to assess their self-abilities. Hence, the *pooled* confidence ratings of mid-level managers will correlate with

their ratings of familiarity. Accordingly, the following hypothesis is tested regarding mid-level manager's confidence in their own ratings.

H1b: Mid-level managers' rating of their own *confidence (pooled) of familiarity* will be positively correlated with their rating in H1a.

Employer Sponsored Whistleblower Awareness Training

Brickey (2003) notes that the Sarbanes-Oxley Act of 2002 included objectives for improving accounting oversight, strengthening auditor independence, requiring more transparency in corporate financial matters, eliminating analyst conflicts of interest, and requiring greater accountability from corporate officials. These goals suggest that corporations would be proactive in training their employees on the essence of whistleblowing and how to whistle-blow. Similarly, Section 301 of SOX requires audit committees to assist corporations in which they serve to implement whistleblowing programs as part of antifraud programs. In particular, Section 301 paragraph 4(b) of the Sarbanes Oxley Act states, "Each audit committee shall establish procedures for the confidential, anonymous submission by the employees of the issuer of concerns regarding questionable accounting or auditing matters." Furthermore, this provision compels audit committees to develop reporting mechanisms for the recording, tracking, and acting on information provided by employees anonymously and confidentially (Eaton and Akers, 2007).

Another important provision of SOX is Section 1107. This provision offers protection to employees at both public and private companies for making an honest disclosure of a possible Federal offense to a law enforcement officer. While Section 806 addresses whistleblowing of fraud and wrongdoing against shareholders, Section 1107 of SOX applies to whistleblowing on wrongdoing involving violations of any Federal law (Salem and Franze, 2003).

Finally, the passage of the Dodd-Frank Wall Street Reform and Consumer Protection (Dodd-Frank Act of 2010) should prompt organizations to offer whistleblowing awareness training to their employees. The Dodd-Frank Act of 2010 provides significant monetary award of up to 30 percent of the sanctions-based amount to the whistleblower. With this size of award, the likelihood that potential whistleblowers would report wrongdoings should increase if employees became more aware of the SOX whistleblower protection provisions. Consequently, it is reasonable to assume that management will provide various training opportunities for employees, first, to allow them to become aware of the whistleblower protection laws, and second, to allow them to become familiar with how to proceed if a situation warrants a whistleblowing action. However, to what extent mid-level management personnel of small to medium companies are receiving awareness training on the whistleblower protections laws is debatable, leading to the following hypotheses:

H2a: The proportion of Mid-level managers who rated themselves as receiving employer-sponsored awareness training on SOX whistleblowing and whistleblowing protection laws will be lower than the proportion of employees who rated themselves as not receiving.

H2b: Mid-level managers' rating of their own confidence (pooled) that they received employer-sponsored awareness training will be positively correlated with their rating in H2a.

Organizations' Commitment to Whistleblowing and Whistleblower Protection laws

An organization's commitment to the whistleblowing protection programs can be defined as the entity's commitment in establishing and promoting a system of reporting of wrongdoing and the establishment of anti-retaliation program that protects employees who come forward with reports (Roberts, Olsen, and Brown, 2009). A business entity's commitment to a whistleblowing program can manifest itself by the manner that the entity encourages the reporting of wrongdoing, and by the manner that management acts on the reports and protects employee from retaliation for reporting wrongdoings. In one survey of employee attitudes, respondents indicate that an entity committed to a whistleblowing program is likely to have a code of conduct policy stressing a culture of integrity and management involvement in the crafting whistleblowing program and procedures. The survey also indicates that management should stress the value of compliance with government policies and regulations and communicate the benefits of the program to employees through awareness programs, training, other means (Wortley, Cassemartis, and Donkin, 2008). Thus, employees can easily perceive whether their organization is committed to whistleblowing programs by the way and manner the commitment is communicated top and down the organization or the lack of that communication. An employee perceives the level of his or her employer commitment to whistleblower programs through an organization's sponsored awareness programs, training, workshops, and other communications designed to bring attention to the importance the organization attaches to whistleblowing programs. Given the numerous headlines that suggest that organizations attempt to retaliate against employees who engaged in whistleblowing, mid-managers are more likely to rate lower their employer organizations' commitment to whistleblowing programs, thus leading to the following hypotheses:

H3a: The proportion of Mid-level managers who rated themselves as perceiving that their *organization is committed* to the SOX whistleblowing and whistleblowing protection laws will be lower than the proportion who rated themselves as perceiving that their *organization is not committed*.

H3b: Mid-level managers' rating of their own *confidence (pooled)* that *their organization is committed* to the SOX whistleblowing and whistleblowing protection laws will be positively correlated with their rating in H3a.

Willingness to Whistle-blow on Management Wrongdoing.

Prior research, as discussed in the literature review section, suggests that Congress intended for the whistleblowing protection laws to be an integral part of Sarbanes Oxley enforcement. As an example, Section 1107 SOX protects employees of both public and private companies in instances when the employee makes an honest disclosure of a possible Federal offense to a law enforcement officer, including reports of wrongdoing involving any Federal law, not just fraud against shareholders (Salem and Franze, 2003).

Dworkin (2007) posits that the SOX regulation appears to protect whistleblowers by providing anonymity to whistleblowers, establishing criminal penalties for retaliation against whistleblowers, and defining channels of whistleblowing. However, Dworkin (2007) also suggests that these provisions give the illusion of protection for whistleblowers without effectively providing it. There are cases of employees who have sued employers of wrongful termination due to whistleblowing activity and have received dismal outcomes. Dworkin (2007) noted that virtually no whistleblower who sued due to retaliation has successfully obtained remediation under the Sarbanes-Oxley Act thus supporting this notion. As a result, many employees may have little to no incentive to tell others about fraud that has occurred in the organization (Johnson, 2007). However, Rice (2015) notes that employees would whistle-blow because they wanted to stop unethical or illegal actions within their organizations. Faunce (2007) further notes that employees more often than not come forward, confront, or log formal complaint regarding the wrongdoing or illegal activity, while Gino and Bazerman (2009) reports that employees would whistle-blow if they noticed a drastic decline in ethical behavior in the workplace. Consequently, it appears that mid-level corporate managers would rate high their likelihood to whistle-blow if they identified wrongdoing or abuse. This assertion leads to the following hypotheses:

- H4a:** The proportion of mid-level managers who rated their *willingness to whistle-blow* if they identified wrongdoing or abuse will be higher than the proportion of those who rated themselves as not willing.
- H4b:** Mid-level managers' rating of their own *confidence (pooled) in their willingness to whistle-blow* will be positively correlated with their rating in H4a.

Familiarity with Procedural Steps for Initiating Whistleblower Claims

The procedures for filling a claim when an employee believes that the employer organization has retaliated for whistleblowing is complex, while the remedies provided to whistleblowers for filing a claim are inadequate (Dworkin, 2007). First, there is a 90-day statute of limitation for filing a claim after the employee becomes aware of such retaliatory action.

Second, the employee should be certain that his or her employer took retaliatory actions against the employee in response to a "lawful act."² Third, the individual must file the complaint in writing, via mail, fax, or hand delivery. The complaint must contain the name, address, and phone number of the person filing the complaint; the names and addresses of the company and person who are alleged to have violated the SOX provisions; and sufficient detail to allege the *four* elements of a *prima facie* violation. These elements include: 1) the employee engaged in a protected activity or conduct; 2)

² The term "lawful act" pertains to disclosures "providing information or assistance in the investigation of conduct that the employee reasonably believes violates securities laws or regulations to a federal regulatory or law enforcement agency, a member of Congress, a congressional committee, and of their supervisor within the company, or any person at the employer with the power to 'investigate, discover, or terminate misconduct'" (Salem and Franze, 2003).

the employer knew or suspected that the employee engaged in the protected activity; 3) the employee suffered an unfavorable personnel action; and 4) the circumstances were sufficient to raise the inference that the protected activity was a contributing factor in the unfavorable action (OSHA, 2019).

Whistleblower retaliation complaints are filed with the office of Occupational Safety and Health Administration (OSHA, 2019). Although, the United States Department of Labor maintains the Office of the Whistleblower Protection Program, the responsibility to investigate claims filed under Section 806 rests with the Occupational Safety and Health Administration.

This office is “designed to regulate employment conditions relating occupational safety and health and to achieve safer and more healthful workplaces throughout the nation” (Occupational Safety and Health Administration [OSHA], 2019). An employee can file a complaint with OSHA and allege that an employer has violated the SOX whistleblower provisions for the following retaliatory actions: “discharge or layoff, blacklisting, demoting, denial of overtime or promotion, disciplining, denial of benefits, failure to hire or rehire, intimidation, reassignment affecting prospects of promotion, reduction in pay or hours” (OSHA, 2006). However, the prospective whistleblower is required to ensure that the Sarbanes-Oxley Whistleblower Protection laws protect the activity for which they are seeking the claim for retaliation.

It should be noted that whistleblower retaliation complaints could take years before they are resolved. For example, it can take up to five years before a complaint can be resolved and the employee may face several financial and emotional difficulties (Dworkin, 2007). An example is the case of *Welch v. Cardinal Bankshares Corp.* David E. Welch was the CFO of Cardinal Bankshares who refused to certify the financial statements of the organization because of the company’s audit practices and potential insider trading (Dworkin, 2007). After informing the CEO and the auditor of his concerns, Welch was fired in 2002. At that time, Welch filed a claim with OSHA to have him reinstated as the CFO of Cardinal Bankshares. After multiple decisions and appeals from both the Department of Labor administrative law judge (ALJ) and Administrative Review Board, Welch appealed the most recent ruling of the ALJ to the U.S. Court of Appeals for the Fourth Circuit. In August 2008, the Court of Appeals for the Fourth Circuit affirmed the ruling of the Administrative Review Board (ARB) and denied the remedies sought by David Welch. During the five-year appeal process, Welch had difficulty finding employment and had exhausted his personal finances and retirement accounts (Dworkin, 2007). Given the complexities of seeking claims after being retaliated against for whistleblowing, the following question lingers: how familiar are mid-level corporate managers with the steps to initiate a whistleblower claim? The preceding discussion leads to the following hypotheses.

- H5a:** The proportion of Mid-level managers who rated themselves as *familiar with the procedures and steps* for initiating a whistleblower claim will be lower than the proportion of employees who rated themselves as not familiar.
- H5b:** Mid-level managers' rating of their own *confidence (pooled)* as being *familiar with the procedures and steps* for initiating a whistleblower claim will be positively correlated with their rating in H5a.

Does the Experience of Mid-level Managers Matter in Rating Familiarity or Awareness?

The financial scandals of the early 2000s and the US Congress actions that followed through the Sarbanes-Oxley Act of 2002 (SOX) were widely publicized. Employees of various entities at that time and prospective students since then have been inundated with news stories, documentaries, and publications of the financial scandals and the SOX Act. Accordingly, it does not appear that familiarity with SOX or the SOX whistleblower protection laws will depend on the experience of an individual based on the number of years that the individual has worked in a company. The more likely situation is that an employee is either familiar with the whistleblower protection or is not. Therefore, the number of years in experience of mid-level managers should not impact how they should rate their familiarity with the SOX Whistleblower protection laws, or whether or not an employer company sponsors a SOX awareness training or not, whether or not they perceive their employers' commitment to the whistleblowing protection laws, etc.

RESEARCH METHODS

Participants

One hundred and twenty-one accounting and finance managers in mid-level positions at various organizations in the Midwest region of the United States participated in this study. The average total experience of the managers was 9.12 years. Individual manager's experience ranged from one year to 43 years. Fifty-six mid-level managers had more than six years of experience on the job while 65 mid-level managers had five years or less years of experience on the job. Further, 62 managers were men and 59 managers were women. Summary demographics and participant characteristics are tabulated in Table 1³.

Survey Procedure

Each participant received a survey instrument with a cover letter and accompanying instructions for completing the research instrument.

The survey instrument began by instructing the participants that the study was examining their awareness and familiarity with the Whistleblower Protection laws passed by the US Congress as part of the Sarbanes-Oxley Act of 2002. The instrument further stated that information provided would be kept anonymous, and the information would not identify the participant in any way, and that only aggregate information would

³ All Tables and Panels are shown at the end of the paper.

be reported. The instructions assured the participants that they could discontinue the survey at any time for any reason. This is to ensure that each participant completed the survey instrument without any perceived notion of pressure to do so. The instrument contained five questions (each with a Part A and Part B) to which a participant provided a response. Part A of the instrument asked participants to indicate how familiar they were with the SOX Whistleblower protection laws as posited in each of the five questions on the instrument. Part B of each question asked the participant to indicate how confident they were with their response to each of the questions in Part A.

More specifically, for Part A, the participants were asked to rate how familiar they were with the SOX Whistleblower Protection Laws by selecting one of either a “YES”, “NO”, or “Don’t Know” options for each question provided. For Part B, the participants were asked to rate their confidence in the rating given in Part A by checking the appropriate confidence ratings provided such as “Not Confident”, “Somewhat Confident”, or “Very Confident”. These requirements served to control for two elements.

The first was to calibrate the confidence of the participant in answering the “YES”, “NO”, or “Don’t Know” questions. The second was to discourage any participant from robotically providing answers to any of the survey questions without fully processing it. The confidence scores, therefore, are used as covariates for the awareness ratings. The rest of the survey instrument collected demographic information about the participant’s gender, age, certifications, and position in their organization, years of experience, and years of specialized experience (in and outside accounting).

Variables

Dependent Variable

Two dependent variables are reported in this study. The first dependent variable is the *PROPORTION* (henceforth *PROP*) of participants who responded to Part A (YES, NO, or Don’t Know) questions. The five questions asked about the following:

- (1) familiarity with and awareness of the Sarbanes- Oxley Act of 2002 (SOX) Whistleblower Protection laws,
- (2) corporate sponsored awareness training on the whistleblower protection laws,
- (3) perceived employer commitment to the whistleblower protection laws,
- (4) Readiness to whistle-blow if they witnessed wrongdoing in their company, and
- (5) familiarity with steps to initiate a whistleblower claim.

The scores for measuring the *PROP* dependent variable were determined as follows: If a participant answered a “YES” to any of the five questions label with part A, the value of 1 is was assigned to the “YES” response, otherwise, the value of 0 is was assigned a “NO, or Don’t Know” response. This scoring system was repeated for each of the five questions in part A.

The second dependent variable, *CONFIDENCE* (henceforth *CONF*) measured participants’ underlying confidence when responding to Part A (Yes, No, or Don’t Know) questions. As coded in Part A, the scores for measuring the *CONF* (*CONFIDENCE*)

variable in Part B were similarly coded with a 1 if a participant selected “Very Familiar (or A lot of Training, Heavy Mention of Commitment, or Very Confident)” to questions that solicited a participant’s confidence in rating Part A questions, otherwise a value of 0 (zero) was assigned to a participant’s response that indicates either “Not Familiar”, “No mention of Commitment”, “No training or No awareness”, or “Not Confident.” Again, this scoring system was repeated for each of the five questions that measured “*CONFIDENCE*” in Part B of the instrument.

Independent Variable

The mid-level managers’ *experience (henceforth EXP)*, a constructed variable, is the primary independent variable in this study. The *EXP* variable was manipulated as “New Manager” and “Expert Manager.” Mid-level managers who had a total number of years worked between one to five years are grouped together as “New Managers” while mid-level managers who had total number of years worked greater than five years are grouped as “Expert Managers.” The cut-off in the years worked between New and Expert managers is somewhat arbitrary; however, it can be posited that an individual with six or more years working experience should be far more experienced than one with less than five years working experience. The role of the *EXP* variable is simply to serve as an initial pre-hypothesis analysis for testing whether mid-level managers’ rating of familiarity with the Sarbanes-Oxley Whistleblowing Protection Laws would be independent of the mid-level managers’ number of years of experience. As noted earlier, any discussion of the origins of SOX and the related laws could not happen without discussing the financial scandals that preceded its enactment. Accordingly, familiarity with SOX and the whistleblowing laws would be independent of the level of a manager’s level of experience.

RESULTS

Initial Pre-Hypothesis Testing Analysis: An initial pre-hypothesis testing analysis on the experience variable was performed to ensure that the participants’ ratings are consistent and appropriate with expectation. Given the extensive publicity accorded the Sarbanes-Oxley Act Whistleblower Protection Laws following the financial scandals, the number of years mid-level managers have worked should not influence how they rated their familiarity and awareness of the SOX whistleblowing protection or how they perceived the amount of corporate-sponsored awareness training received from their employers. Also, the number of years a mid-level manager has worked should not affect how they perceived the level of their organizational commitment to the SOX whistleblowing protection laws, or their individual willingness to whistle-blow when they identify a wrongdoing/abuse. Similarly, the mid-level managers’ number of years’ experience should not affect the mid-level managers’ familiarity with the steps and procedures for initiating a whistleblower claim. As stated earlier, these managers were not immune to familiarization with scandals, news, etc., regardless of their experience level.

Consistent with the expectation, the Chi-square results presented in Table 2, Panel A and Panel B show no statistical difference between Expert mid-level managers’ experience and New mid-level managers experience in rating awareness and familiarity

with Sarbanes-Oxley whistleblowing protections laws ($\chi^2=0.0487, df=1, p > 0.8253$). There was also no experience- based difference in the mid-level managers rating of the amount of employer-sponsored SOX awareness training received ($\chi^2=0.1753, df=1, p > 0.6754$) or their *perceived* organization commitment to SOX whistleblowing protection laws ($\chi^2=0.5248, df=1, p < 0.4688$). Neither was there an experience-based difference in the willingness to whistle-blow when wrongdoing or abuse is identified ($\chi^2=0.0043, df=1, p > 0.9478$), nor in the familiarity with steps and procedures to process a whistleblowing claim ($\chi^2=1.3937, df=1, p < 0.2378$). Thus, as expected, *experience* has no effect on the mid-level managers' ratings with respect to the SOX issues discussed in this study.

Hypotheses Testing

The results of the Chi-square tests of the hypotheses performed on of the mid-level managers' familiarity and confidence ratings of the various aspects of the SOX whistleblowing protection laws examined in this study are presented in Table 3. As shown in Panel A, the proportion of mid-level managers who rated their familiarity with the SOX whistleblowing protection laws is significantly higher than those not familiar with the SOX whistleblower protection laws ($\chi^2=37.099, df=1, p < 0.0001$). The proportions were 77.69 versus 22.31. Thus, the result provide support for H1a that more mid-level managers will be familiar with the SOX whistleblower protection laws. However, for H1b, there is no significant positive correlation between the mid-level managers' rating of familiarity with their rating of their own confidence in rating their familiarity ($r=0.0209, p > 0.8199$) as presented in Panel B. This suggests that mid-level managers, though familiar with the whistleblower protection laws, are still unsure about total familiarity with the SOX whistleblowing protection laws. They are probably not confident because they were not receiving adequate institutional training about the SOX regulations in order to increase their confidence level in their understanding of whistleblower laws.

The results also show support for H2a namely: that the proportion of mid-level managers who indicated receiving employer-sponsored awareness training on the SOX whistleblowing protections will be lower than those who did not (35.54 versus 64.46). The result is statistically significant ($\chi^2=10.124, df=1, p < 0.0015$) as shown in Panel C. The results suggest that more than two-thirds of the participants' employer corporations offer inadequate employee awareness training on the SOX whistleblowing protection laws. H2b is also supported. There is a significant positive correlation between the mid-level managers' rating of their own confidence in rating that they received employer sponsored awareness training on SOX whistleblowing protection laws ($r=0.2281, p < 0.0119$) as presented in Panel D with the rating of whether or not they received awareness training. These results strengthen the proposition that mid-level managers who received training were more confident about their familiarity with SOX whistleblowing protection laws than those who did not.

Chi-square and correlation tests were also performed to test how mid-level managers perceive their organizations' commitment to the SOX whistleblowing protection laws (test for H3a). Panel E shows a statistically significant higher proportion of mid-level

managers who perceived that their organizations have no organizational commitment to the SOX whistleblowing protections laws ($\chi^2=21.496$, $df=1$, $p < 0.0001$). The resultant proportions were 71.07 versus 28.93. However, as Panel F shows, there was no statistical positive correlation in the mid-level managers' rating of their confidence, with their ratings of their organizations' commitment to the SOX whistle-blowing protection laws ($r=0.071$, $p > 0.9383$). This result suggests that while mid-level managers perceive that their employer organizations lack commitment to the SOX whistle-blowing protection laws, they are not confident in those perceptions.

H4a is also supported by the results presented in Table 3 Panel G. The proportion of mid-level who are willing to whistle-blow when wrongdoing is identified is statistically higher than the proportion of mid-level managers who are not willing to whistle-blow ($\chi^2=7.942$, $df=1$, $p < 0.0048$). The resultant proportions were 62.81 versus 37.19. H4b is also supported. There is a statistical positive correlation of mid-level managers' rating of their confidence in their willingness to whistle-blow when wrongdoing is identified ($r=0.2408$, $P < 0.0078$) as in Panel H shows with their ratings of willingness to whistle-blow. This result shows that many mid-level managers are confident that they would whistle-blow if they identified a wrongdoing or abuse.

Finally, the results support H5a that more mid-level managers would be less familiar with the procedures and steps to initiate a whistleblowing claim ($\chi^2=10.124$, $df=1$, $p < 0.0015$) as presented in Panel I. The proportions of those who know the steps or procedures for filling a Whistleblowing claim are 35.54 versus 65.46 who do not know the steps. In addition, there is a negative non-significant statistical correlation between the mid-level managers rating of their confidence in their familiarity with the steps to initiate a whistleblowing claim ($r=-0.0415$, $P > 6506$) as shown in Panel J with their ratings whether they are familiar with the steps and procedures for initialing whistleblowing. This result does not show a discernible or credible relationship between the mid-managers' rating of their familiarity or lack of familiarity with the steps and procedures for processing or initiating a whistleblower claim.

SUMMARY AND CONCLUSIONS

In this study of corporate mid-level managers' familiarity with the Sarbanes-Oxley Whistleblower protection laws, most mid-level managers were found to be familiar with the SOX whistleblowing protection laws. However, mid-level managers also indicated that they received little corporate-sponsored awareness training on the SOX whistleblower protection laws, and that they do not believe their employer organizations are actively committed to the whistleblower protection laws. The mid-level managers were very sure that they would blow the whistle when and if they identified a wrongdoing or abuse at work; however, many do not know what steps or procedures to take to initiate and process a whistleblower claim if they suffered a retaliation for whistleblowing.

These findings point to three issues. The first is that the results are encouraging from one perspective; mid-level managers who are in the frontline of corporate transactions and who are likely to see or witness wrongdoings are familiar with the SOX

whistleblowing protection laws, and would not hesitate to whistle-blow if they identify a wrongdoing or abuse. This evidence is encouraging because it indicates that mid-level managers possess some essential tools of corporate governance to help reduce corporate frauds or illegal acts that management may be inclined to hide from the auditor or stakeholders. However, as the results indicate, mid-level managers are not confident because they may not be receiving adequate institutional training about regulations in order to increase their confidence level in their understanding of whistleblower laws.

The second issue is the finding that corporations are not expending resources to have essential employees trained to become aware of the SOX whistleblower protection laws. Additionally, employees perceive their companies as not having a visible organizational commitment to the SOX whistleblower protection laws. This may imply that corporations may be neither actively encouraging nor discouraging whistleblowing.

The third issue is that mid-managers are not aware or familiar with the requisite steps and procedures for initiating and processing a whistleblower claim. Apparently, mid-level managers do not know the complexities, limitations and the nuances of filing a whistleblower claim. For example, it appears that they are unaware that a whistleblower claim can take many years to resolve and it may not go their way at the end of the process. For example, in the Welch of the *Welch vs. Cardinal Bankshares Corp.* case, it took more than five years before the case was resolved and Mr. David E. Welch, the plaintiff or whistleblower, still lost the case.

CORPORATE IMPLICATIONS

Organizations should develop formal whistleblowing policies in order to create the conditions necessary for the effective management of whistleblowing. Training should be a major piece of articulating the organization's policy. The training should be tailored to address lessons learned from prior compliance incidents or even publicized practices of other organizations. In an effort to increase company confidence in its satisfaction that employees understand and are confident in their understanding of the policies, management may consider testing employees on what they have learned in training and then retrain employees who fail even portions of the test. As found in this study, mid-level managers did not consistently rate their confidence level as high. It is possible their nonconfidence level was because they were not receiving institutional training about regulations that could have increased their confidence level in their understanding of whistleblower laws. Not having a policy is quite naïve on the part of management because it sends a signal that management does not see the importance for such a policy. It is inevitable that organizations may be faced with some kind of negative event that can be avoided by proper training. The legal trends developing in the business and government make whistleblowing policies an imperative piece of an organizations' overall ethics code. Hardly can one read the newspaper or watch television without hearing of a new scandal that is made known by a whistleblower.

An important implication is that the whistleblower policies should provide standard guidelines within which an organization responds to the ethical or moral concerns of

their employees. To succeed, policies must have the commitment of top management and must be communicated to employees. Several other implications are worth noting.

1. *Management and Employee Training:* Organization management may express concern or an interest about improving the ethical climate within their organizations but do not know how to do it. Employees may also not be familiar with proper whistleblowing protocol or may not be confident in what they think they know. Therefore, training costs will be incurred for both levels.
2. *Employee Support:* Effective whistleblowing policies may improve the ethical climate by increasing employees' confidence that their ethical concerns will be taken seriously. Installing policies that ensure that employees' right to free speech is not violated is necessary. For successful employee support, management may also require training on how to enforce and promote the whistleblower policies.
3. *Practical Organizational Commitment:* Obviously, more is required of an organization than the mere writing of policy and distributing it to employees. Management must take proactive steps to improve its organizational ethical climate. Such a step requires whistleblowing policies that are widely distributed and motivated by the desire to treat employees fairly.
4. *Legal Necessity:* Increasing statutory protection including court decisions that protect whistleblowers suggests that it is a legal imperative that an organization develop an internal whistleblowing policy. Whistleblowers may be protected from negative effects emanating from their choice to whistle blow. A well-articulated and enforced policy will legally protect the organization as well.
5. *Organizational Reputation:* The reputation of the organization suffers when employees choose to whistle blow outside of the organizational process. The financial performance of the company may be affected as well. Preventing or averting public disclosure of whistleblowing can be mitigated by adequate training and establishment and support of effective policies.
6. *Ethical Imperative:* A commitment to high standards of ethical conduct through such policies is just the first step. Periodic communication to employees of the policy is equally crucial. Periodic training sessions should be conducted to acquaint or remind employees with ethical dilemmas unique to the organization.

Writing a policy, adopting it, and then going on with business as usual will do nothing to protect an organization or to improve employee conduct. The policy must reflect the real commitment of an organization to support employee compliance with SOX whistleblower activities without retaliation. It should also encourage employees with concerns to discuss them internally rather than externally; and create an overall environment within which employees have the opportunity and desire to behave ethically and responsibly. Short of this, the high "costs" associated with adverse effects of whistleblowing may cripple the organization.

LIMITATIONS

Like many other behavioral studies, this study has a number of limitations. One limitation is that the study included mid-level managers from the mid-west region only. This creates a research opportunity that extends to multi-regions and various types of

corporations including local, state, and federal governments. Larger corporations may have more resources for corporate citizenship activities. The study also did not involve managers from financial and accounting firms who are big players and may have larger pool of resources to devote to SOX awareness training programs.

Another limitation is the plausible effect that a manager could have fixated his/her familiarity of the whistleblower laws on a specific (subsection) provision. However, the additional analysis performed on manager experience on familiarity would have highlighted this difference, but no such result was found. These limitations might have had an impact on the overall outcome if a wider pool of participants was engaged. However, this investigation seems to be a pathway or eye-opener to future research on raising awareness of the benefits of adequate training regarding SOX and other whistleblowing topics. Finally, in the context of this study, it is important to recognize that legislative issues are constantly changing.

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Table 1*Participants Demographic Characteristics*

Participants	N (n=121)	%
Gender		
Female	59	48.78
Male	62	51.22
Age		
21-25 years	25	20.66
26-30 years	33	27.27
31-35 years	31	25.61
36-40 years	16	13.22
40-45 years	8	6.6
45-50 years	3	2.4
Over 50 years	5	4.1
Experience		
Average years of total experience	9.12	
Manager Expertise		
Expert Manager (Over 5 years total experience)	56	46.28
New Manager (1 - 5 years total experience)	65	53.72
Area of work concentration		
Accounting	67	55.37
Financial	32	26.45
Others	22	18.18

Table 2

Panel A: Result of Chi-square Test and Descriptive Statistics by Experience on Sarbanes-Oxley Whistle-Blowing Protection Laws

	Not Familiar with SOX	Familiar with SOX	No Awareness Training	Awareness Training	No Organization Commitment	Organization Commitment
Expert Manager	13 (48.15%)	43 (45.75%)	35 (44.87%)	21 (48.84%)	38 (44.19%)	18 (51.43%)
New Manager	14 (51.85%)	51 (54.26%)	43 (55.13%)	22 (51.16%)	48 (55.81%)	17 (48.57%)
χ^2	0.0487		0.1753		0.5248	
df	1		1		1	
P-Value	0.8253		0.6754		0.4688	

Panel B: Result of Chi-square Test and Descriptive Statistics by Experience on Sarbanes-Oxley Whistle-Blowing Protection Laws

	No Whistle-blow on Wrongdoing	Whistle-blow on Wrongdoing	Not Familiar with Steps to File Claim	Familiar with Steps to File Claim
Expert Manager	21 (46.67%)	35 (46.05%)	33 (42.31%)	23 (53.49%)
New Manager	24 (53.33%)	41 (53.95%)	45 (57.69%)	20 (46.51%)
χ^2	0.0043		1.3937	
df	1		1	
P-Value	0.9478		0.2378	

Table 3

Panel A (H1a): Result of Chi-square Test and Descriptive Statistics for Familiarity with Sarbanes-Oxley Whistle-Blowing Protection Laws

Familiarity with SOX Whistleblowing Protection laws	Frequency	Percentage	DF	χ^2	P-Value
Not Familiar	27	22.31	1	37.099	0.0001
Familiar	94	77.69			
Total	121	100			

Panel B (H1b): Result of Correlation of Managers' Rating of Familiarity with Sarbanes-Oxley Whistle-Blowing Protection Laws and their Confidence in Rating their Familiarity.

Familiarity with SOX Whistleblowing Protection laws	N	Mean	SD	R	P-Value
Pooled Familiarity with SOX	121	0.7769	0.4181	0.0209	0.8199
Confidence in Familiarity with SOX laws	121	0.1239	0.3309		

Panel C (H2a): Result of Chi-square Test and Descriptive Statistics for Employer Sponsored Awareness Training in Sarbanes-Oxley Whistle-Blowing Protection Laws

Employer Sponsored Awareness Training in SOX	Frequency	Percentage	DF	χ^2	P-Value
No Awareness Training Received	78	64.46	1	10.124	0.0015
Awareness Training Received	43	35.54			
Total	121	100			

Panel D (H2b): Result of Correlation of Managers' Rating of Perceived Employer Sponsored Awareness Training on Sarbanes-Oxley Whistle-Blowing Protection Laws and their Confidence in their rating of Perceived Employer Sponsored Awareness Training.

Employer Sponsored Awareness Training in SOX	N	Mean	SD	R	P-Value
Pooled Awareness Training Received on SOX Whistleblowing laws	121	0.3554	0.4806	0.2281	0.0119
Confidence in Awareness Training Received with SOX laws	121	0.4959	0.2179		

Panel E (H3a): Result of Chi-square Test and Descriptive Statistics for Perceived Employer Commitment to Sarbanes-Oxley Whistleblowing Protection Laws

Perceived Organization Commitment to SOX Laws	Frequency	Percentage	DF	χ^2	P-Value
No Employer Commitment	86	71.07	1	21.496	0.0001
Employer Commitment	35	28.93			
Total	121	100			

Panel F(H3b): Result of Correlation of Managers' Rating of Perceived Organization Commitment to Whistle-Blowing Protection Laws and their Confidence in Rating their Perceived Organization Commitment.

Perceived Organization Commitment to SOX Laws	N	Mean	SD	R	P-Value
Pooled Commitment to SOX Whistleblowing laws	121	0.2893	0.4553	0.0071	0.9383
Confidence in Commitment to SOX Whistleblowing laws	121	0.0826	0.2765		

Panel G (H4a): Result of Chi-square Test and Descriptive Statistics for Willingness to Whistle-blow if Wrongdoing is Identified

Willingness to Whistle-blow for Wrongdoing	Frequency	Percentage	DF	χ^2	P-Value
No Willingness to Whistle-blow	45	37.19	1	7.942	0.0048
Willingness to Whistle-blow	76	62.81			
Total	121	100			

Panel H (H4b): Result of Correlation of Managers' Rating of Willingness to Whistle-blow if Wrongdoing is Identified and their Confidence in Rating of Willingness to Whistle-blow.

Willingness to Whistle-blow for Wrongdoing	N	Mean	SD	R	P-Value
Pooled Willingness to Whistle-blow	121	0.6281	0.48532	0.2408	0.0078
Confidence in Willingness to Whistle-blow	121	0.7933	0.4065		

Panel I (H5a): Result of Chi-square Test and Descriptive Statistics for Familiarity with Steps to initiate a Whistleblowing Claim

Familiarity with Steps to File a Whistle-blowing Claim	Frequency	Percentage	DF	χ^2	P-Value
Not Familiar with Steps	78	65.46	1	10.124	0.0015
Familiar with Steps	43	35.54			
Total	121	100			

Panel J (5b): Result of Correlation of Managers' Rating of Familiarity with Steps to File a Whistle-blowing Claim and their Confidence in Rating of their Familiarity with Steps to File a Whistle-blowing Claim.

Familiarity with Steps to File a Whistle-blowing Claim	N	Mean	SD	R	P-Value
Pooled Familiarity with Steps to File a Whistle-blowing Claim	121	0.3554	0.4806	-0.0415	0.6506
Confidence in Steps to file a Whistle-Blowing Claim	121	0.2809	0.4513		