

# Worldcom scandal

Business



The elements of pressure and rationalization were very apparent in how WorldCom Controller David Myers recounted the events that led to his eventual conviction for Securities Fraud. The pressure that he felt from CFO Scott Sullivan was the ultimate driving force that propelled him to commit acts which he otherwise thought were questionable. Myers held Sullivan to the highest esteem that when the latter casted doubt on the results of their accounting, he questioned his own capability in what he and his team were able to come up with. Sullivan declared unilaterally that the margin was wrong and that they had to adjust it according to his personal projections. He was submitted to a lot of pressure from his boss and from the impending time on which he has to smooth things over. Myers described it aptly, “When pressure is applied to a human being, you never know what the outcome is going to be” (Ernst & Young LLP). When looking for an accounting slip-up proved to be futile the second time, he remained repugnant to the call of his moral code that something was wrong. This continued up to a third time that Myers had already permitted himself to actively take part in the fraud. Rationalization came from Myers’ loyalty to Sullivan. He had his own hesitations but his admiration for Sullivan’s intelligence gave way to actually appreciating things objectively.

Myers could have done a number of things before submitting to the wishes of WorldCom’s CFO. The first time was the definitive moment that could have saved him his career and even his freedom. He did not want to disappoint a person he thought too highly of that he forego of his natural instinct that was pointing him to the obvious fact that something was wrong with the company inherently. The first quarter when he said that he was intimidated into thinking Sullivan was right and that there may have been something

wrong, they actually repeated the accounting process and it produced the same results. Myers was indubitably certain that he was right but he feared losing his boss' good graces. He should have submitted the problem to an auditor or even two, including an independent one. Despite the impending deadline for them to release the financial statements, this should not have been a justification to abstain from what he knew to be the most prudent thing to do. The findings of an objective third party should have convinced his boss that he was right in the first place and separated his loyalty from actual figures.

I do not adhere to the idea that there is a difference between aggressive accounting and outright fraud. This is just a matter of semantics which is perhaps still attributable to Myers' rationalization process as part of the Fraud Triangle. Myers knew that something was not right from the outset but he never heeded the calls of his morals and ethics. Saying that he did not know he was committing fraud remains wishful thinking. He was aware but he was already in too deep that he had no choice but to believe the web of lies he was led to fabricate. That persistent voice in our head that keeps on nagging us that something is off is the best sign to ascertain that we are crossing unacceptable conduct. There are all too many instances in real life to teach us what is right from what is wrong. When you are moved by something other than what you know to be in tune with your conscience, then you recognize you are crossing a line.

#### Reference

Ernst & Young LLP, "WorldCom" 2 Apr. 2014. <http://www.youtube.com/watch?v=hXSWAK0K5L4> (16 Feb. 2014).

<https://assignbuster.com/worldcom-scandal/>