

# [Worldcom and reliant should be charged with felonies](https://assignbuster.com/worldcom-and-reliant-should-be-charged-with-felonies/)

WorldCom and Reliant Should be Charged With Felonies When a corporation's actions result is a significant loss to individuals, shareholders, or other stakeholders it may be due to the illegal actions of its management or officers. In the cases of WorldCom and Reliant Energy, the losses were massive, widespread, and accomplished with the company's officers knowledge that the activity was illegal. It's significant to note that the actions were taken to benefit the company and a substantial loss was incurred by customers and ultimately shareholders. According to the United States Department of Justice (USDOJ), " Under the doctrine of respondeat superior, a corporation may be held criminally liable for the illegal acts of its directors, officers, employees, and agents" (USDOJ, 2003). With respect to the USDOJ's definition of corporate crime, in the case of Reliant Energy and WorldCom, the companies were liable for the actions of its officers due to a failure to prevent their actions and allowing a culture that promoted the illegal activity.
In the case of Bernie Ebbers, it's hard to imagine a scenario in which he was not aware of the dealings of his subordinates. In addition , he did nothing to affect the methods that WorldCom did business. He had no system in place for oversight or compliance and this placed the corporation as guilty as its officers. As the DOJ has indicated, " management is responsible for a corporate culture in which criminal conduct is either discouraged or tacitly encouraged' (USDOJ, 22003). This was further exacerbated by the WorldCom CEO's insistence on his innocence and refusal to be totally forthcoming in the matter. If there was not a willingness to cooperate, the corporation should be charged as if it was an individual for securities fraud, and filing false reports. Throughout the trial, the defense, " contended that Mr. Ebbers was in the dark about the fraud" and " Ebbers denied discussing any element of the fraud with Mr. Sullivan" (Belsen, 2005). The act of stonewalling places the corporation at risk of prosecution.
Reliant Energy was no less culpable than WorldCom in its case of fraud and corruption. With a six count indictment against four of its officers, it paints a picture of a culture of greed that was operating unchecked within the highest levels of the company. The indictment states, " Reliant Energy Services allegedly reaped millions in illegal profits" (USDOJ, 2004). This places the corporation as liable under the DOJ's guideline that the officer's actions, " were intended, at least in part, to benefit the corporation" (USDOJ, 2003). That there were six counts against four officers also indicates that there was lack of compliance and a culture at Reliance that approved illegal marketing fraud.
In the cases of WorldCom and Reliant Energy, the corporations were both guilty of felony fraud and securities violations for their failure to provide an environment that discouraged illegal activity. In the case of WorldCom and the trial of Ebbers, there was never a denial that the fraud took place. WorldCom was guilty for Ebber's lack of oversight. Reliant has the problem of four officers who were acting solely for the profit of Reliance. Though they may have also personally benefited by an increase in stock prices or bonuses, the primary motivation was to increase the profit for the company. These actions show a disregard for maintaining an environment free of illegal activity and a willingness to profit by corrupt business practices. This makes the corporations guilty as if they were individuals and subject to restitution, rehabilitation, and fines.
References
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