

WorldCom and the collapse of ethics: A case study in accounting fraud and corporate governance failure

Aror Tina A ^{1,*} and Mupa Munashe Naphtali ²

¹ *Peter Tobin School of Business, St. John's University, New York.*

² *Hult International Business School.*

World Journal of Advanced Research and Reviews, 2025, 26(02), 3773–3785

Publication history: Received on 09 April 2025; revised on 25 May 2025; accepted on 27 May 2025

Article DOI: <https://doi.org/10.30574/wjarr.2025.26.2.1632>

Abstract

WorldCom fraud case is a good example of corporate malfeasance and delinquency of governance and controls. WorldCom was one of the world's largest telecommunication companies facing the biggest scandal of earning manipulation, where it was alleged to have inflated its earnings by more than \$11 billion. The top management, Bernie Ebbers, the chief executive officer, and Scott Sullivan, the chief financial officer, conducted this fraud through manipulations such as identifying operating expenses as capital expenditure and fiddling with bad debt provisions. This fraud was first masked through financial scheming that deceived investors, regulators, and auditors.

The scandal's essence here was lax corporate governance, which was based on business management goals oriented and driven solely by the excessive growth of corporate profits and stock price without regard to the legal concerns and the shareholders' interest. The acquisition policy that the Company adopted, together with the high tendency to meet financial goals that could easily be described as unsavory, made it easy for executives and employees of the Company to indulge in unethical financial practices (Eliel et al., 2025). They contributed significantly to such fraud, which took place unnoticed for years. This includes the Board of directors and the external auditors. The other party that became a subject of discussion was the auditors, namely Arthur Andersen, who lacked skepticism in handling their duty and could not detect fraud in the accounting department.

The impact of the WorldCom scandal also manifested itself in organizational repercussions, which made WorldCom bankrupt, as well as the changes at the legislative level that occurred after the scandal, the Sarbanes-Oxley Act. They should not forget internal controls, ethical approaches, and professional standards in fighting and preventing fraud in financial organizations. It also raises the issue of outdated audit practices and the absence of adequate measures for organizations that can help prevent embezzlement before losses accumulate. The features associated with the WorldCom case clearly illustrate that corporate fraud is a reality in business and that ethics plays a critical function in any business.

Keywords: Accounting; Collapse; Corporate; Ethics; Governance; Fraud

1. Introduction

Ethical values provide the foundations on which a civilized society is based on. Without them, civilization collapses (Smith & Smith, 2014, p. 1). Individuals who are ethical consistently aim to make the right decisions regardless of the situation. Though they may not always achieve this goal, their intentions are sincere. Their actions are usually not intended for self-interest or personal gain, and they are usually accountable for their actions.

* Corresponding author: Aror Tina A

"The purpose of ethics in business is to direct businessmen and women to abide by a code of conduct that facilitates, if not encourages, public confidence in their products and services. In the accounting field, the American Institute of Certified Public Accountants (AICPA) maintains and enforces a code of professional conduct for public accountants (Osagioduwa & Ogbonmwan, 2022). The Institute of Management Accountants (IMA) and the Institute of Internal Auditors (IIA) also maintain a code of ethics. Professional accounting organizations recognize the accounting profession's responsibility to provide ethical guidelines to its members" (Smith & Smith, 2014, p. 1). "The ethical issues faced daily by organizations and their employees are neither always straightforward nor easy to resolve. Results of unethical behavior by accounting/audit professionals, and the impact of ethics upon organizations, are a topic of growing concern in corporate boardrooms around the world" (Oseni, 2011, p. 1).

"WorldCom Incorporated was once one of the world's largest telecommunications companies and a core dividend-paying stock that many retirees held in their portfolios. But in less than a decade the Company became a symbol of accounting fraud and a warning to investors that when something appears to be too good to be true, it probably is. Founded in 1983, WorldCom's growth is largely attributed to acquisitions, with one of the largest acquisitions taking place in 1998, where it acquired MCI communications at \$40 billion (Buckweitz & Noam, 2024). Under the leadership of the CEO, Bernie Ebbers, the Company managed to acquire over sixty telecommunication companies between 1985 to 1995. WorldCom employed a variety of accounting tricks to inflate its revenues and cash flow. Between mid-1999 and mid-2002, it was discovered that the Company's CEO, Bernie Ebbers, the Chief Financial Officer, Scott Sullivan, the controller of budget, David Myers, and the general accounting director, Buford Buddy, used fraudulent schemes to hide WorldCom Inc.'s deteriorating state and give the impression that the Company was doing well" (The Finance Weekly, 2021, p. 1).

"Businessmen Murray Waldron and William Recktor established Long Distance Discount Service (LDDS) in 1983 as a reseller of long-distance services. Early investor Bernard Ebbers, a former motel chain owner from Mississippi, became the Chief Executive in 1985 and made the company public in 1989. LDDS officially renamed itself WorldCom in 1995 (Taub 2021). Throughout the 1990s WorldCom grew tremendously through the acquisition of over 60 communication companies primarily purchased with WorldCom stock. The \$37 billion merger with MCI in 1998 represented the largest merger in history at that point in time. The merged entity became the second largest long-distance carrier (1998–2002) and controlled over half of all Internet traffic in the United States and half the emails worldwide. By 2001, WorldCom owned one-third of all the data cables in the United States. United States and European regulators blocked a subsequent merger attempt by WorldCom and Sprint in 2000. The failed merger signified the beginning of the end for WorldCom" (Kuhn & Sutton, 2006 P. 1).

WorldCom faced financial difficulties as long-distance rates and revenue decreased, leading to the Company accumulating debt and expenses. This put a strain on the Company's financials and affected its ability to meet key performance indicators and earnings projections. The telecom industry considers the line cost expenditure-to-revenue ratio as a critical performance indicator, and WorldCom had a lower expenditure-to-revenue ratio of 42 percent than their competitors. However, the Company faced difficulties in maintaining that standard over the years fraud was occurring. "To meet analysts' expectations, the management engaged in financial manipulation to create an appearance of revenue growth, cost reduction, and overall profit. WorldCom perpetrated one of the largest corporate frauds in U.S. history, worth \$11 billion. "WorldCom's management utilized various techniques to mask their financial condition, but four drove the major material misstatements: (1) categorizing operating expenses as capital expenditures, (2) reclassifying the value of acquired MCI assets as goodwill, (3) including future expenses in write-downs of acquired assets, and (4) manipulating bad debt reserve calculations. The cumulative impact of the four techniques resulted in enhanced perceptions of financial position and viability by reducing the key E/R ratio and boosting overall net income from operations" (Kuhn & Sutton, 2006, p. 3).

"WorldCom initially discovered, and announced, that its financial personnel had improperly transferred \$3.852 billion from line cost expenses to asset accounts during 2001 and the first quarter of 2002. Later WorldCom announced additional line cost accounting irregularities that, when combined with the first announcement, totalled \$6.412 billion in improper reductions to line costs. In total, from the second quarter of 1999 through the first quarter of 2002, WorldCom improperly reduced its reported line costs (and increased pre-tax income) by over \$7 billion" (Beresford et al, 2003, p. 9).

2. The WorldCom Strategy

A review of the WorldCom case shows that the Company engaged in financial statement fraud. This type of fraud involves senior management deliberately misrepresenting a company's financial statements, either by omitting or exaggerating information to create a more favorable impression of the Company's financial position, performance, and

cash flow. Financial statement fraud is committed to achieve certain ends, such as personal gain, keeping the business afloat, or maintaining a leadership position within the organization (Sinebe, 2024). "Fraudsters attempt to inflate the perceived worth of the Company to make the stock appear more attractive to investors, to obtain bank approvals for loans and/or to justify large salaries and bonuses when compensation is tied to company performance. Regardless of the motive, financial statement fraud causes problems with current and potential investors and shareholders. It can result in large-scale reputational damage as well as serious sanctions from regulators e.g., the U.S. Securities and Exchange Commission (SEC) and even arrests" (Beaver, 2022, p. 1).

"In the 1990s, the principal business strategy of WorldCom's Chief Executive Officer, Bernard J. Ebbers, was growth through acquisitions. The currency for much of that strategy was WorldCom stock, and the success of the strategy depended on a consistently increasing stock price (Ray, 2022). WorldCom pursued scores of increasingly large acquisitions. The strategy reached its apex with WorldCom's acquisition in 1998 of MCI, a company more than two-and-a-half times WorldCom's size (by revenues). Ebbers' acquisition strategy largely came to an end by early 2000 when WorldCom was forced to abandon a proposed merger with Sprint Corporation because of antitrust objections. WorldCom's continued success became dependent on Ebbers' ability to manage the internal operations of what was then an immense company, and to do so in an industry-wide downturn (Mthembu, 2024). He was spectacularly unsuccessful in this endeavour. He continued to feed Wall Street's expectations of double-digit growth, and he demanded that his subordinates meet those expectations. But he did not provide the leadership or managerial attention that would enable WorldCom to meet those expectations legitimately. Ebbers presented a substantially false picture to the market, to the Board of Directors, and to most of the Company's own employees. At the same time, he was projecting, and then reporting, continued vigorous growth, he was receiving internal information that was increasingly inconsistent with those projections and reports. Moreover, he did not disclose the persistent use of non-recurring items to boost reported revenues. Ebbers was aware, at a minimum, that WorldCom was meeting revenue expectations through financial gimmickry (Mthembu, 2024). Yet he kept making unrealistic promises and failed to disclose the existence of these devices or their magnitude. Ebbers directed significant energy to building and protecting his own personal financial empire, with little attention to the risks these distractions and financial obligations placed on the Company that was making him one of the highest paid executives in the country (Naphtali et al., 2025). It was when his personal financial empire was under the greatest pressure—when he had the greatest need to keep WorldCom's stock price up to avoid margin calls that he could not meet—that the largest part of the fraud occurred. And it was shortly after he left that it was discovered and disclosed" (Beresford et al, 2003, p. 5).

"WorldCom began classifying operating expenses as long-term capital investments in 2000. Generally Accepted Accounting principles (GAAP) dictate that operating expenses must be immediately recognized in the period incurred, unlike capital expenditures, which may be capitalized as assets and depreciated over their useful life. Deferment of these costs artificially inflated reported net income and misled financial statement users. The payments to lease phone network lines from other companies (i.e., allowing access to their networks) are commonly referred to as 'line costs' and represent the numerator in the E/R ratio (Mazet, 2021). The fraudulent capital expenditures resulted from manual reclassification of existing operating expense account balances and inappropriate recording of future line-cost transactions. The MCI merger provided WorldCom another opportunity to defer expenses. Management reduced the book value of MCI assets by several billion dollars and simultaneously increased the value of goodwill by a balancing amount. The related goodwill would be amortized over a significantly longer period than that for normal asset depreciation based on estimated useful lives of the respective assets. At the time of the fraud, GAAP permitted amortization of goodwill over 40 years. This scheme enabled WorldCom to spread the cost of the MCI assets over a longer period by recognizing a smaller amount of expense each year and overstating net income. In addition to the MCI goodwill scheme, WorldCom employed fraudulent accounting to numerous other corporate acquisitions. The Company wrote-down millions of dollars in acquired entities' assets resulting in excess charges against current earnings—generally referred to in the earnings management literature as "taking a big bath" by absorbing costs at one point where they are not unexpected nor predictable by the markets to improve future financial reports. The excess charges related to costs other than those related to the assets that were being written down. The net effect was to create larger losses for the current quarter (i.e., the big bath) to improve the picture presented through financial reports in future quarters (Kim et al., 2024). WorldCom wished to create the false impression that expenses were declining over time in relation to revenue. Users of the statements were essentially deceived into believing there would be better performance in future periods, maintaining upward pressure on the value of WorldCom's stock" (Kuhn & Sutton, 2006, p. 3 & 4).

The culture and tone of management at WorldCom are believed to have been influenced by the Company's aggressive growth strategy. The Company was focused on rapid expansion and becoming the top player in the telecommunications industry, placing financial performance above all else. Studies have indicated that prioritizing financial performance could be a significant contributing factor to financial statement fraud (Lotfi et al., 2022). This culture is believed to have placed significant pressure on employees to meet financial targets and encouraged them to engage in unethical practices

to meet those targets. This culture was reinforced by CEO Bernie Ebbers, who was known for his aggressive leadership style and his focus on financial results. Ebbers set high financial targets for the Company and was known to be intolerant of failure or underperformance. This created a culture where employees were willing to take significant risks to meet those targets, even if it meant engaging in fraudulent accounting practices. The organization's culture of aggressive performance was amplified by the Company's Chief Financial Officer (CFO), Scott Sullivan, who oversaw the organization's accounting practices. Sullivan was said to be an exacting and meticulous executive, who put considerable pressure on the accounting team to attain financial targets. WorldCom's aggressive growth strategy and the intense pressure to achieve financial targets created a culture that prioritized financial performance over everything else (San, 2023). This culture, in my opinion, played a role in the Company's decline and the unethical and fraudulent practices that were prevalent within the organization.

3. The Principal Characters in the WorldCom Case

In my opinion, WorldCom lacked robust internal controls, and top management failed to provide adequate accountability and oversight functions. These shortcomings were compounded by a weak governance structure, which created an environment that facilitated the fraudulent activities of the culpable management and staff within the organization.

"The fraud was implemented by and under the direction of WorldCom's Chief Financial Officer, Scott Sullivan. As business operations fell further and further short of financial targets announced by Ebbers, Sullivan directed the making of accounting entries that had no basis in generally accepted accounting principles to create the false appearance that WorldCom had achieved those targets. In doing so he was assisted by WorldCom's Controller, David Myers, who in turn directed the making of entries he knew were not supported. This was easily accomplished, because it was apparently considered acceptable for the General Accounting group to make entries of hundreds of millions of dollars with little or no documentation beyond a verbal or an e-mail directive from senior personnel. There is clear evidence that Ebbers was aware of certain practices Sullivan and Myers used to inflate reported revenues" (Beresford et al, 2023, p. 6).

"The main character in the WorldCom fraud was the former chief executive officer, Bernie Ebbers. The former chief finance officer Scott Sullivan was his accomplice. Ebbers borrowed over \$365 million to allegedly cover losses in the stock. The amount was not repaid. Additionally, he secured huge loans from the Company for personal investments. These included the purchase of a Canadian ranch" (IvyPanda, 2022, p. 1).

The principal characters in the WorldCom fraud case were Bernie Ebbers the CEO of WorldCom, who was behind the Company's growth and expansion. He was found guilty of conspiracy and securities fraud and sentenced to 25 years in prison. Scott Sullivan was the CFO of WorldCom and was responsible for overseeing the Company's accounting practices. He was also found guilty of conspiracy and securities fraud and sentenced to 5 years in prison. David Myers was the controller of WorldCom and was responsible for overseeing the Company's accounting practices (Çakalı, 2022). He pleaded guilty to securities fraud and was sentenced to 1 year in prison. Buford Yates was the director of general accounting at WorldCom and was responsible for overseeing the Company's accounting practices. He pleaded guilty to securities fraud and was sentenced to 1 year in prison. Arthur Andersen, WorldCom's accounting firm, was found guilty of obstructing justice by destroying documents related to the case (Turunen, 2024). The firm later dissolved because of the scandal. "Bert Roberts was particularly well suited to provide independent judgment but did not do so. He was the former Chief Executive Officer of MCI, had extensive experience and stature in the industry, had the title of Chairman of the Board of Directors of WorldCom, and was paid more than \$1 million a year. Yet he was generally passive at Board meetings and exerted little influence" (Beresford et al, 2003, p. 284). "Betty Vinson a former WorldCom mid-level accounting manager went along with the fraud because her superiors told her to do so believing it was a one-time action. She pleaded guilty in October 2002 to participating in the financial fraud at the Company and was sentenced to 5 months in prison and 5 months house arrest" (Mintz & Miller, 2023, p. 3).

4. The Composition of the Board of Directors and their Role in the WorldCom Fraud

A weak board of directors characterizes all the companies with major accounting frauds in the early part of the 2000's (Mintz & Miller, 2023, p. 111). The downfall of WorldCom exposed more than just financial fraud; it also shed light on a significant breakdown in corporate governance. The Board was deemed ineffective, transparency was lacking, internal controls were weak, and the auditor failed to fulfill their responsibilities. The Board's composition and investigative reports confirmed the Company's poor management and weak governance, with a clear absence of accountability and integrity from the top management team.

"The Board and its Committees did not function in a way that made it likely that they would notice red flags. The outside Directors had little or no involvement in the Company's business other than through attendance at Board meetings. Nearly all the Directors were legacies of companies that WorldCom, under Ebbers' leadership, had acquired. They had ceded leadership to Ebbers when their companies were acquired, and in some cases viewed their role as diminished. Ebbers controlled the Board's agenda, its discussions, and its decisions. He created, and the Board permitted, a corporate environment in which the pressure to meet the numbers was high, the departments that served as controls were weak, and the word of senior management was final and not to be challenged" (Beresford et al, 2003, p. 30). "Ebbers was autocratic in his dealings with the Board, and the Board permitted it. With limited exceptions, the members of the Board were reluctant to challenge Ebbers even when they disagreed with him. They, like most observers, were impressed with the Company's growth and Ebbers' reputation, although they were in some cases mystified or perplexed by his style. This was Ebbers' Company. Several members of the Board were sophisticated, yet the members of the Board were deferential to Ebbers and passive in their oversight until April 2002 (Sheikh, 2024). The deference of the Compensation Committee and the Board to Ebbers is illustrated by their decisions beginning in September 2000 to authorize corporate loans and guaranties that grew to over \$400 million, so that Ebbers could avoid selling WorldCom stock to meet his personal financial obligations. This was not the first occasion on which Ebbers had overextended himself financially and borrowed from the Company: he had done so in 1994 as well. On neither occasion did anyone on the Board challenge Ebbers with respect to his use of WorldCom stock to extend his personal financial empire to the point that it threatened to cause involuntary liquidation of his stock. The approach of the Board, as one member characterized his own view, was to say nothing to Ebbers because they thought Ebbers was a grownup and could manage his own affairs—even though Ebbers' management of his own affairs involved the use of Company funds, eventually to the tune of hundreds of millions of dollars (Beresford et al, 2003, p. 32).

From 2000 to June 2002, the Board of Directors of WorldCom consisted almost entirely of individuals who had been owners, officers, or directors of companies that WorldCom had acquired over the preceding decade. As a result, some had enjoyed very great financial benefits from Ebbers' deals (Sheikh, 2024). The Directors during this period were the following: Clifford Alexander, Jr., James Allen, Judith Areen, Carl Aycock, Max Bobbitt, Bernard Ebbers, Francesco Galesi, Stiles Kellett, Jr., Gordon Macklin, John Porter, Bert Roberts, Jr., John Sidgmore, Scott Sullivan, Lawrence Tucker, and Juan Villalonga. The longest-standing members were Aycock and Ebbers, who had both invested in LDDS and joined the LDDS Board in 1983 (Beresford et al, 2023, p. 264 & 265).

Boards are often made up of insiders and independent members. Insiders are major shareholders, founders, and executives. Independent directors do not share the ties that insiders have. They are chosen for their experience managing or directing other large companies. Independents are considered helpful for governance because they dilute the concentration of power and help align shareholder interests with those of the insiders (Gupta et al., 2022). A board of directors should consist of a diverse group of individuals, including those who have skills and knowledge of the business and those who can bring a fresh perspective from outside of the Company and industry (Zhuwankinyu et al., 2023). The Board must ensure that the Company's corporate governance policies incorporate corporate strategy, risk management, accountability, transparency, and ethical business practices (Chen, 2023)

It is a requirement that most of the board members of an organization are independent directors. A director can be said to be independent when they do not have any significant association with the Company, whether through their direct involvement or affiliation as a partner, shareholder, or officer of an organization with ties to the Company. I believe the composition of the Board of WorldCom was largely not independent as almost all the members were from top management of the companies acquired by WorldCom, and in my opinion, there was hardly any independent director. This is in addition to the position of Chairman of the Board which was largely who can be said to have been inefficient at WorldCom.

Corporate governance is a combination of policies, processes, and rules that direct and controls how organizations act. It helps define the relationship between shareholders, management, the Board of Directors, and other key stakeholders. Good corporate governance fosters a culture of integrity and leads to a positive performing and sustainable organization. "Good governance signals to the market that an organisation is well managed and that the interests of management are aligned with other stakeholders". (Zhang, 2021, p. 1).

WorldCom's bylaws provided that either the Chairman or the Chief Executive Officer could preside at Board meetings, "if requested to do so". These ambiguous provisions in the bylaws did not clarify who would make the request, and, in practice, the Chief Executive Officer, Ebbers, presided at Board meetings and determined their agenda. Roberts held the position of Chairman from 1998 until his resignation in 2002 (Beresford et al, 2023, p. 266). The bylaws' open-ended clause is believed to have provided leeway for interpreting and implementing the clause on who could chair meetings

in the absence of the Chairman. Ebbers took advantage of this opportunity with the silent approval of the board members, enabling him to carry out his plans without any hesitation.

"Bernie Ebbers controlled the Board's agenda, its discussions, and its decisions. The Board did not function as a check on Bernie Ebbers and he created a corporate environment in which the pressure to meet the numbers was high, the departments that served as controls within the Company were weak, and the word of senior management was final and not to be challenged. The Directors had several tools available to increase the chances of detecting acts of corporate wrongdoing that may be filtered by top management (Onesti & Palumbo, 2023). Among them were the following: maintaining enough involvement in the Company's business to enable the Board to exert some control over the agenda; ensuring the presence of strong "control" functions within the Company; communicating throughout the Company the value of high ethical standards; having some familiarity and direct contact with people throughout the Company (as well as suppliers and customers); and keeping a close and open relationship with the outside auditors. The WorldCom Board and its Committees were simply out of touch with the Company below the level of Ebbers and Sullivan. Indeed, to the extent they sent signals to employees, those signals were counterproductive" (Beresford et al, 2003, p. 283).

As the WorldCom accounting crisis demonstrates, a company's executives may make or ruin it, and there are many other examples of executive leadership gone wrong. A good leader is more than an eloquent speaker or inspiring motivator – he or she empowers employees to do their jobs effectively and keep the organization going in the right direction (The Finance Weekly, 2021).

5. Audit Risks Identified in the WorldCom Case

"Financial statement fraud does not occur in a vacuum. It is enabled by the absence of an ethical culture. Oftentimes, a culture is created and a tone at the top established that presents the image of a company willing to do whatever it takes to paint a rosy picture about financial results. Effective oversight and strong internal controls give way to greed, moral blindness and inattentiveness to the important details that help to prevent and detect fraud (Zhong et al., 2024). As with most situations in business, the desire to succeed crowds out ethical behaviour. Those in the way are pressured to be team players; go along just this one time and in the end compromise their values" (Mintz & Miller, 2023, p. 109).

Fraudulent financial reporting need not be the result of a grand plan or conspiracy. It may be that management representatives rationalize the appropriateness of a material misstatement, for example, as an aggressive rather than indefensible interpretation of complex accounting rules, or as a temporary misstatement of financial statements, including interim statements, expected to be corrected later when operational results improve. In alignment with the fraud triangle, three conditions generally are present when fraud occurs (Kagias et al., 2022). First, management or other employees have an incentive or are under pressure, which provides a reason to commit fraud. Second, circumstances exist—for example, the absence of controls, ineffective controls, or the ability of management to override controls—that provide an opportunity for a fraud to be perpetrated. Third, those involved can rationalize committing a fraudulent act. Some individuals possess an attitude, character, or set of ethical values that allow them to commit a dishonest act knowingly and intentionally. However, even otherwise honest individuals can commit fraud in an environment that imposes sufficient pressure on them. The greater the incentive or pressure, the more likely an individual will be able to rationalize the acceptability of committing fraud.

The Board and the Audit Committee did not function in a way that made it likely that red flags would come to their attention. Boards are indisputably reliant on information they receive from others. However, they must create the environment and the opportunities that give them the best chance of learning of issues requiring their attention (Cosma et al., 2021). The WorldCom Board and the Audit and Compensation Committees were distant and detached from the workings of the Company.

The major red flag that should have been detected by the auditors was the shifting of some line charges by WorldCom from operating expenses to capital investments. Line charges are the fees long-distance companies like WorldCom and its MCI subsidiary pay to local phone companies to transport and connect calls (Russo, 2021). Line charges should be deducted on the Company's income statement each quarter, like other operating expenses such as salaries or rent. (An income statement shows how much a company earns and spends). Instead, WorldCom treated some line charges like a long-term capital investment. By shifting line charges to the balance sheet, WorldCom posted a profit instead of a loss (Pender, 2002).

In addition to the line charges shifted, WorldCom gave former CEO Bernie Ebbers \$400 million in loans and loan guarantees so he would not have to sell his stock in the Company. Ebbers had margin loans against the stock, so when the share price started plummeting, he either had to cough up more money or sell the stock. The compensation

committee of WorldCom's Board approved the loans to Ebbers at interest rates just over 2 percent. The chairman of the compensation committee was venture capitalist, Stiles Kellett Jr. In 2001, Ebbers invested more than \$5 million in Virtual Bank, one of Kellett's start-ups. Virtual Bank's Web site lists WorldCom as a strategic partner (Pender, 2002).

Kellett being on the Board was a conflict of interest and should have been noted by the auditors. This is in addition to the unusual accounting practices, and financial performance of the Company at a period when the industry was facing challenges. The huge loans to the CEO, the large compensation packages given to the Executives of the Company should have also alerted the auditor about WorldCom's accounting malpractices which would have indicated that something was wrong. The fraud case shows the importance of auditors being alert to red flags that may indicate potential fraud or other accounting irregularities. The auditors should have been more diligent in assessing and addressing the risks associated with the above red flags.

Fraud also may be concealed through collusion among management, employees, or third parties. Collusion may cause the auditor who has properly performed the audit to conclude that evidence provided is persuasive when it is, in fact, false (Bizzotto & De Chiara, 2025). For example, through collusion, false evidence that controls have been operating effectively may be presented to the auditor, or consistent misleading explanations may be given to the auditor by more than one individual within the entity to explain an unexpected result of an analytical procedure. As another example, the auditor may receive a false confirmation from a third party that is in collusion with management. Although fraud usually is concealed and management's intent is difficult to determine, the presence of certain conditions may suggest to the auditor the possibility that fraud may exist (PCAOB AS 2401).

"WorldCom's legal departments and its Internal Audit department were not structured in ways that would make them effective as a control of management wrongdoing. Even at the Board level, it was not until weeks after the Compensation Committee caused the Company to lend tens of millions of dollars to Ebbers that any lawyer at the Company was informed of it. In such an environment, it is not surprising that employees distressed by the accounting irregularities did not think of the legal departments as logical avenues of recourse. The Board did not create these conditions, but it should have been aware of them and concerned about them. Internal Audit, of course, ultimately did succeed in revealing the financial fraud that had been occurring for several years. The Chairman of the Audit Committee, Max Bobbitt, supported Internal Audit when it began having conflicts with Sullivan in early 2002, and as it was pursuing the investigation that brought to light the capitalization of line costs (Youssef et al., 2023). This was the right way to interact. Internal Audit accomplished this despite a structure that we believe had four serious weaknesses. First, it reported to the Chief Financial Officer for many purposes. This made it more difficult for Internal Audit to challenge the Chief Financial Officer and may have deterred employees from going to Internal Audit with their concerns about the accounting entries. Second, it had (until early 2002) limited its efforts to operational audits and left financial issues to the outside auditor. This meant that an important internal control over the accounting process was absent, there was no year-round review, and the input of employees with their own perspective and information sources was eliminated from the control process. It is striking that when Internal Audit began looking at financial issues in late 2001 and early 2002, two of its first audits (Wireless bad debt reserves and capital expenditures) found serious problems. Third, the Audit Committee's role in Internal Audit's activities was very limited. It reviewed the list of audits scheduled for each year and was provided general updates and summaries of information that Internal Audit thought important. However, the Audit Committee did not play a substantial role in setting priorities or in the follow-up on problems found during its audits. Fourth, WorldCom's Internal Audit department was understaffed and under budgeted when compared to peers in the industry. According to a 2002 Institute of Internal Audit Benchmarking Study comparing the Internal Audit department at WorldCom to those at other telecommunication companies that was shown to the Committee in May 2002, WorldCom had more employees and higher revenues per auditor than its competitors by a huge margin—nearly twice as many employees per auditor, and more than three times the revenues per auditor. Even allowing for some difference because Internal Audit performed only operational audits, this disparity reflected a serious under allocation of resources" (Beresford et al, 2003, p. 286 & 287).

Mintz & Miller 2023, describe explicitly how the internal audit function in an organization should work and how a person of integrity can put a stop to financial fraud citing the experience of Cynthia Cooper, the director of internal audit at WorldCom when the fraud was discovered. In April and May 2002, Gene Morse, an auditor at WorldCom, couldn't find any documentation to support a claim of \$500 million in computer expenses. Morse approached Cooper, who instructed Morse to continue with the review. A series of obscure tips led Morse and Cooper to suspect that WorldCom was cooking the books. Cooper formed an investigation team to determine whether their hunch was right. The team discovered \$3.8 billion of misallocated expenses and phony accounting entries (Porter, 2025). The CFO, Scott Sullivan was approached but he gave them dissatisfactory explanations, so Copper went to the audit committee of the Board. The committee also interviewed Sullivan but they also did not get a satisfactory answer. A member of the committee advised Cooper to approach KPMG, the new external auditors, with the evidence she had gathered, and the fraud was

confirmed. Cooper demonstrated how ethical and courageous people ought to act, in the face of wrongdoings (Cooper, 2021). The ethical behavior and bravery of Cooper in the face of wrongdoing is the expectation of Accountants in the profession. Coopers was not afraid to lose her job and put the interest of the stakeholders in WorldCom above her self-interest.

6. The Audit Firm

"Accounting is regarded as one of the professions which monitors and controls the financial information within an organization. The great organizational debacles and collapses during the last decade have made stakeholders skeptical about the role of accountants. The role of accountants in terms of abiding by ethics and good corporate governance is not only important for the insiders of an organization but also equally important for the outsiders" (Suhaib et al, 2014, p. 1).

An auditor's role is to form an opinion about whether the financial reports are free from material misstatements including fraud. The auditing standards issued by the AICPA and PCAOB provide the requirements for the conduct of an audit, which are intended to provide reasonable but not absolute assurance that the final reports are accurate and reliable. Auditors should approach matters objectively and independently, with inquiring and incisive minds. Professional skepticism is required by auditing standards. "A key element of due care is professional skepticism, which means to have a questioning mind and critical assessment of audit evidence" (Mintz & Miller, 2023, p. 27).

"The AICPA Code is the foundation for ethical judgements in accounting. The Code links exercising sensitive and moral judgements to professional conduct. Personal values or virtues link to ethical sensitivity and judgement. Ethical reasoning enables professional accountants to sort out consequences, evaluate rights of stakeholders and ensure that decisions are just and fair to those who rely on the accounting profession to maintain the accuracy and reliability of financial reports" (Mintz & Miller, 2023, p. 176). The audit failure in WorldCom can be attributed to a lapse in professional judgement, The AICPA rules of conduct were violated because of a lack of independence and objectivity. "The principles in the code state that "members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism (AICPA 0.300.030.01,2014). The responsibility to the public overrides the responsibilities to the clients or those who hire and pay them. Public interest includes those who rely on financial statements for lending, investing and pension decisions" (Mintz & Miller, 2023, p. 25).

Paragraph .02 of AS 1001, Responsibilities and Functions of the Independent Auditor of the PCAOB states, "The auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. This section establishes requirements and provides direction relevant to fulfilling that responsibility, as it relates to fraud, in an audit of financial statements (PCAOB AS 2401).

"Due professional care requires the auditor to exercise professional skepticism. Because of the characteristics of fraud, the auditor's exercise of professional skepticism is important when considering the fraud risks. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor should conduct the engagement with a mindset that recognizes the possibility that a material misstatement due to fraud could be present, regardless of any experience with the entity and regardless of the auditor's belief about management's honesty and integrity. Professional skepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud has occurred (Hamshari et al., 2021). In exercising professional skepticism in gathering and evaluating evidence, the auditor should not be satisfied with less-than-persuasive evidence because of a belief that management is honest" (PCAOB AS 2401).

I believe the external auditors, Arthur Anderson, were negligent in their role as auditors to the Company. They were in breach of the principles of Codes on Objectivity and Independence (0.300.050) & Due Care (0.300.060) of the AICPA and codes AS 1015, Due Professional Care in the Performance of Work, AS 2115, Identifying and Assessing risks of Financial Misstatements and AS 2401 Consideration of Fraud in a Financial Audit of the PCAOB.

"Arthur Andersen's involvement, being the Auditors of WorldCom would have been to find the irregularities in the Company's accounts. The level of complexity of the fraud found in WorldCom was more of judgement as opposed to those complex issues raised through Enron (who Arthur Anderson also audited), yet they were still missed (D'Antonio, 2021). However, following their failure at Enron, WorldCom switched to KPMG as their auditing firm. The resulting implication for Arthur Andersen is that it lost public trust and was implicated in the frauds of both Enron and WorldCom due to not fulfilling their duties" (Francis, 2013, p. 6).

"Andersen appears to have missed several opportunities that might have led to the discovery of management's misuse of accruals, the capitalization of line costs, and the improper recognition of revenue items. For their part, certain WorldCom personnel maintained inappropriately tight control over information that Andersen needed, altered documents with the apparent purpose of concealing from Andersen items that might have raised questions, and were not forthcoming in other respects. Andersen, knowing in some instances that it was receiving less than full cooperation on critical aspects of its work, failed to bring this to the attention of WorldCom's Audit Committee. "Andersen employed an approach to its audit that it itself characterized as different from the "traditional audit approach". It focused heavily on identifying risks and assessing whether the Company had adequate controls in place to mitigate those risks, rather than emphasizing the traditional substantive testing of information maintained in accounting records and financial statements. This approach is not unique to Andersen, and it was disclosed to the Audit Committee. But a consequence of this approach was that if Andersen failed to identify a significant risk, or relied on company controls without adequately determining that they were worthy of reliance, there would be insufficient testing to make detection of fraud likely". "Despite the limited procedures Andersen employed, its work papers indicate that it had opportunities to detect improprieties. It was Andersen's responsibility to overcome those obstacles to perform an appropriate audit, and to inform the Audit Committee of the difficulties it faced, but it did not do so" (Beresford et al 2003, p. 25 - & 28).

In my opinion, the external auditors (Arthur Anderson) were complicit in the WorldCom fraud case. They were sued in a class action and were charged. I think in addition to this, they should have been held liable for negligence (failure to take proper and reasonable care, causing injury or loss to another person) under the common-law liability. "Common-law liability is described as requiring the auditor to perform professional services with due care which can be said to have existed if the auditor can demonstrate having performed services with the same degree of skill and judgement possessed by others in the profession" (Mintz & Miller 2023, p. 403).

Part of the problem at WorldCom was that the outside auditor, Arthur Andersen, used a nontraditional approach to auditing, the WorldCom report said. Instead of performing tests to verify WorldCom's numbers across the Board, Andersen focused heavily on assessing WorldCom's internal controls and concentrated on areas where it saw risks (Hilzenrath, 2003, p. 9).

"Auditors typically receive data from clients that present only a "snapshot" of the financial reporting system. The external audit rarely provides information facilitating timely decisions for management, creditors, investors, or auditors (Pramukti, 2024). While auditors increasingly work to spread the audit work throughout the year, the bulk of business process and information technology (IT) controls testing, as well as high-level financial analytics, are still conducted during third quarter interim testing prior to the detailed end-of-year substantive-based test procedures. The result is a concentration of activity during a short timeframe, making time very precious. Any delay caused by the client (intentional or unintentional) or the auditor due to poor planning/estimation can cause the auditor to reevaluate planned audit procedures and consider reducing the level of auditing. Continuous auditing represents a means to alleviate this time pressure" (Kuhn & Sutton, 2006, p. 6)

"There were several corporate frauds in the early 2000, which led in 2002 to the passing into law of the Sarbanes-Oxley (SOX) Act. "The focus of the Act has been on improving the quality and transparency of financial reporting as well as interpretation by professional securities analysts. CEOs and CFOs are required to certify that financial statements plus supplemental disclosure is truthful and reliable, that the information given to external auditors is complete and fair (Section 302), that the financial statements comply with statute and fairly report the financial condition and results of the operation (Section 406). Management is responsible for establishing and maintaining an adequate internal control structure and procedure for financial reporting (Section 404) and the annual report must disclose any material weakness identified by management. Furthermore, it attempts to promote more effective business practices through corporate codes of ethics, requiring companies to disclose whether they have a code of ethics for senior financial officers (Section 406). The name of the financial expert on the audit committee must also be disclosed (Section 407)" (Fabrizio, 2017, p. 12).

7. Conclusion

Integrity is a fundamental trait of character that enables a certified Public Accountant to withstand client and competitive pressures that might otherwise lead to the subordination of judgement (Mintz & Miller, 2023, p. 103). A person of integrity will act out of moral principle and not expediency. That person will do what is right, even if it means a loss of job or client. Accountants may be pressured by superiors to manipulate financial results. Internal and external auditors may have to deal with pressures imposed on them by employers and clients to put the best face on the financial statements regardless of whether they conform to generally accepted accounting principles (GAAP). It is the ethical

value of integrity that provides the moral courage to resist temptation to stand by silently while a company misstates its financial statement.

"One of the key traits of a professional is adherence to a rigorous set of ethical guidelines. Accountants deal with the intimate financial details of individuals and organizations. Some can execute million-dollar transactions, and others assist with safeguarding retirement funds of cab drivers and social workers. Ethical codes are the fundamental principles that accounting professionals choose to abide by to enhance their profession, maintain public trust and demonstrate honesty and fairness. People who join organizations and secure the credentials to present themselves to the public as CPAs or Certified Internal Auditors (CIAs) strive to protect the reputation of the profession. Ethics in accounting includes both strict adherence to guidelines and careful assessment of unique situations where professional judgment is necessary. Understanding the ethical frameworks for independence, integrity, confidentiality, and professional competence can guide decision-making and help preserve the reputation of the field" (UWF, 2022, p. 1).

I accede to Mintz & Miller 2023's notion that regulation in the accounting profession is a necessary but insufficient condition to ensure ethical and professional behaviour occurs. Ethics education on an ongoing basis, is an essential ingredient through courses in college and in continuing professional education, such as has been included as a core course to obtain this degree in Risk and Financial Advisory. The key is for organizations to develop an ethical culture to support ethical behaviour by setting an ethical tone at the top.

References

- [1] Ferri Di Fabrizio, L. (2017). The Pattern of Fraudulent Accounting: Ethics, External Auditing, and Internal Whistle-Blowing Process. *Journal of Governance and Regulation*, Vol 6(1), pages 12-25. https://doi.org/10.22495/jgr_v6_i1_p2
- [2] IvyPanda. (2022). Fraud at WorldCom Company. IvyPanda website. Accessed on April 22, 2023. <https://ivypanda.com/essays/fraud-at-worldcom-company/>
- [3] Mintz, S., and B. Miller. (2023). *Ethical Obligations and Decision Making in Accounting: Texts/Case* (6th edition). Mc Graw Hill.
- [4] Mintz, S. M. (2006). Accounting ethics education: Integrating reflective learning and virtue ethics. *Journal of Accounting Education*, Volume 24, Issues 2–3, 2006, ISSN 0748-5751, Pages 97-117. <https://doi.org/10.1016/j.jaccedu.2006.07.004>
- [5] PCAOB. (2002). AS 2401: Consideration of Fraud in a Financial Statement Audit. Public Company Accounting Oversight Board website. Accessed on April 23, 2023. <https://pcaobus.org/oversight/standards/auditing-standards/details/AS2401>
- [6] Suhaib, A., Muhammad Y., Anjum S., Kamran A., Nasir M. (2014). Impact of Unethical Behavior on Accounting Practices. *Journal of Basic and Applied Scientific Research*, ISSN 2090-4304, 4(7)36-43. Accessed on April 23, 2023. [https://www.textroad.com/pdf/JBASR/J.%20Basic.%20Appl.%20Sci.%20Res.,%204\(7\)36-43,%202014.pdf](https://www.textroad.com/pdf/JBASR/J.%20Basic.%20Appl.%20Sci.%20Res.,%204(7)36-43,%202014.pdf)
- [7] Zhang, J. (2021) What is Corporate Governance and Why it is Important? Accessed on April 20, 2023. Accru website. Accessed on April 25, 2023. <https://www.accru.com/blog/what-is-corporate-governance-and-why-is-it-important/>
- [8] Osagioduwa, L. O., & Ogbonmwan, E. E. (2022). Professional Accountants Codes of Ethics and the Public Sector Experience. *The Journal of Accounting and Management*, 12(3). <https://www.dj.univ-danubius.ro/index.php/JAM/article/view/2132>
- [9] Buckweitz, J., & Noam, E. M. (2024). Media Ownership and Concentration in the United States of America 1984-2022. Available at SSRN 4913438. <https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=4913438>
- [10] Taub, J. (2021). *Big dirty money: Making white collar criminals pay*. Penguin.
- [11] SINEBE, M. T. (2024). DETERMINANTS OF FINANCIAL STATEMENTS' FRAUD AMONG LISTED NON-FINANCIAL FIRMS IN NIGERIA (Doctoral dissertation, Delta State University, Abraka). https://www.researchgate.net/profile/M-Sinebe/publication/390404258_DETERMINANTS_OF_FINANCIAL_STATEMENTS'_FRAUD_AMONG_LISTED_NON-FINANCIAL_FIRMS_IN_NIGERIA_Being_a_Dissertation_written_in_the_Department_of_Accounting_Faculty_of_Management_Sciences_and_presented_to_the/links/67ecb61be8041142a15ddc42/DETERMINANTS-OF-

FINANCIAL-STATEMENTS-FRAUD-AMONG-LISTED-NON-FINANCIAL-FIRMS-IN-NIGERIA-Being-a-Dissertation-written-in-the-Department-of-Accounting-Faculty-of-Management-Sciences-and-presented-to-th.pdf

- [12] Ray, K. G. (2022). Mergers and acquisitions: Strategy, valuation and integration. PHI Learning Pvt. Ltd. <https://books.google.com/books?hl=en&lr=&id=CdGjEAAAQBAJ&oi=fnd&pg=PP1&dq=The+currency+for+muc+h+of+that+strategy+was+WorldCom+stock,+and+the+success+of+the+strategy+depended+on+a+consistently+increasing+stock+price.+WorldCom+pursued+scores+of+increasingly+large+acquisitions&ots=43vpPAY5nW&sig=4TnpIBDcurVZglq4wT27yh0gRs>
- [13] Mthembu, B. J. (2024). Towards Improved Mechanisms to Hold Auditors and Auditing Firms Accountable for Money Laundering in South Africa: A Policy and Legislative Review. <https://uniselinus.education/sites/default/files/2025-03/bongani%20mthembu.pdf>
- [14] Mazet-Sonilhac, C. (2021). Information frictions in credit markets. Available at SSRN 3969990. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3969990
- [15] Kim, K. H., Oler, D., & Oler, M. (2024). Big Bath and Earnings Manipulation. Available at SSRN 4884343. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4884343
- [16] Lotfi, A., Salehi, M., & Lari Dashtbayaz, M. (2022). The effect of intellectual capital on fraud in financial statements. *The TQM Journal*, 34(4), 651-674. <https://www.emerald.com/insight/content/doi/10.1108/tqm-11-2020-0257/full/html>
- [17] San, L. T. (2023). Seven Deadly Sins of Organizational Culture: Lessons from Some of the Most Infamous Corporate Failures. CRC Press. https://books.google.com/books?hl=en&lr=&id=BsXSEAAAQBAJ&oi=fnd&pg=PT12&dq=WorldCom%27s+aggressive+growth+strategy+and+the+intense+pressure+to+achieve+financial+targets+created+a+culture+that+prioritized+financial+performance+over+everything+else.+&ots=flX5hPWXn-&sig=qVQHr3jAUaiNbNz43G_Hk5bkB2U
- [18] Çakalı, K. R. (2022). Agency problem in corporate governance: Worldcom case. *İşletme*, 3(1), 15-31. <https://dergipark.org.tr/en/pub/isletme/issue/65926/1018945>
- [19] Turunen, E. (2024). Enron crisis: corporate deception, regulatory failures, and lessons learned. https://lutpub.lut.fi/bitstream/handle/10024/167522/Turunen_Eetu_final_thesis.pdf?sequence=1
- [20] Sheikh, F. (2024). Challenging Accounting Fraud and the Corporate Psychopath Accountant Through Blockchain Technology (Doctoral dissertation, University of Salford (United Kingdom)). <https://search.proquest.com/openview/4cdd0ab859f31e285e675d1f0e9e2b89/1?pq-origsite=gscholar&cbl=2026366&diss=y>
- [21] Gupta, A., Wowak, A. J., & Boeker, W. (2022). Corporate directors as heterogeneous network pipes: How director political ideology affects the interorganizational diffusion of governance practices. *Strategic Management Journal*, 43(8), 1469-1498. <https://onlinelibrary.wiley.com/doi/abs/10.1002/smj.3375>
- [22] Onesti, G., & Palumbo, R. (2023). Tone at the top for sustainable corporate governance to prevent fraud. *Sustainability*, 15(3), 2198. <https://www.mdpi.com/2071-1050/15/3/2198>
- [23] Kaggias, P., Cheliatsidou, A., Garefalakis, A., Azibi, J., & Sariannidis, N. (2022). The fraud triangle—an alternative approach. *Journal of Financial Crime*, 29(3), 908-924. <https://www.emerald.com/insight/content/doi/10.1108/JFC-07-2021-0159/full/html>
- [24] Cosma, S., Schwizer, P., Nobile, L., & Leopizzi, R. (2021). Environmental attitude in the board. Who are the “green directors”? Evidences from Italy. *Business Strategy and the Environment*, 30(7), 3360-3375. <https://onlinelibrary.wiley.com/doi/abs/10.1002/BSE.2807>
- [25] Russo, K. (2021). Competition Makes Dealing with Carriers More Complex. In *The Network Manager's Handbook*, Third Edition (pp. 159-170). Auerbach Publications. <https://www.taylorfrancis.com/chapters/edit/10.1201/9781003069409-13/competition-makes-dealing-carriers-complex-kimberly-russo>
- [26] Bizzotto, J., & De Chiara, A. (2025). Accurate audits and honest audits. *The Journal of Law, Economics, and Organization*, ewaf006. <https://academic.oup.com/jleo/advance-article-abstract/doi/10.1093/jleo/ewaf006/8114762>

- [27] Youssef, E. M., Zakaria, O. U. L. A. H. C. E. N., & Mhammed, T. O. R. R. A. (2023). Internal Control An Attempt At Definition. *International Journal Of Applied Management And Economics*, 2(03), 027-051. <https://ijame.com/index.php/IJAME/article/view/16>
- [28] Porter, P. J. (2025). Patriots for Profits: An Investigation into the Crimes and Mismanagement of American Manufacturing Corporations during the First World War Era (Master's thesis, Harvard University). <https://search.proquest.com/openview/6d3221c0ea62d3f9c0f28a5651175b4a/1?pq-origsite=gscholar&cbl=18750&diss=y>
- [29] Cooper, J. M. (2021). Reason and emotion: Essays on ancient moral psychology and ethical theory. <https://www.torrossa.com/gs/resourceProxy?an=5622922&publisher=FZ0137>
- [30] Hamshari, Y. M., Ali, H. Y., & Alqam, M. A. (2021). The relationship of professional skepticism to the risks of auditing and internal control, and the discovery of fraud and core errors in the financial statements in Jordan. *Academic Journal of Interdisciplinary Studies*, 10(2), 105-105. https://www.researchgate.net/profile/Mohammad-Alqam-2/publication/349853923_The_Relationship_of_Professional_Skepticism_to_the_Risks_of_Auditing_and_Internal_Control_and_the_Discovery_of_Fraud_and_Core_Errors_in_the_Financial_Statements_in_Jordan/links/639dc5f640358f78ebf8dde3/The-Relationship-of-Professional-Skepticism-to-the-Risks-of-Auditing-and-Internal-Control-and-the-Discovery-of-Fraud-and-Core-Errors-in-the-Financial-Statements-in-Jordan.pdf
- [31] D'Antonio, R. (2021). The WorldCom fraud under the COSO framework analysis. <https://unitesi.unive.it/handle/20.500.14247/7894>
- [32] Pramukti, A. (2024). Internal Audit versus External Audit: A Qualitative Perspective. *Golden Ratio of Auditing Research*, 4(2), 78-88. <https://www.goldenratio.id/index.php/grar/article/view/392>
- [33] Pender, K. (2002, June). CORPORATE SCANDALS / WorldCom's fraud was simple and blatant but hard to spot. SFGate website. Accessed on 26th April 2023. <https://www.sfgate.com/business/networth/article/CORPORATE-SCANDALS-WorldCom-s-fraud-was-simple-2801923.php>
- [34] Beresford D., Katzenbach N., Rogers C.B. Jr. (March 2003). Report of Investigation by The Special Investigative Committee of the Board of Directors of WorldCom, Inc. Security and Exchange Commission website. Accessed on April 18, 2023, <https://www.sec.gov/Archives/edgar/data/723527/000093176303001862/dex991.htm>
- [35] Hilzenrath, S. D. (June, 2003). The Company's directors were all too often a passive rubber stamp for management and especially Mr. Ebbers. The Washington Post website. Accessed on April 20, 2023. <https://www.washingtonpost.com/archive/business/2003/06/16/the-companys-directors-were-all-too-often-a-passive-rubber-stamp-for-management-and-especially-mr-ebbers/05f02228-86fd-43a6-bb99-1a01bd38fd9/>
- [36] Kuhn, R. & Sutton, S. (December, 2006). Learning from WorldCom: Implications for Fraud Detection through Continuous Assurance. *Journal of Emerging Technologies in Accounting*. Vol 3, 2006, pages 61 – 80. Accessed on April 23, 2023. https://www.researchgate.net/profile/Steve-Sutton/publication/220010876_Learning_from_WorldCom_Implications_for_Fraud_Detection_through_Continuous_Assurance/links/544e5b5a0cf26dda08900d32/Learning-from-WorldCom-Implications-for-Fraud-Detection-through-Continuous-Assurance.pdf
- [37] Oseni, A. I. (2011, August). Unethical Behavior by Professional Accountant in an Organization. Globethics website. Accessed on April 18, 2023. <https://repository.globethics.net/handle/20.500.12424/3707419>
- [38] Francis, A. (2013, February). Business Ethics Management Case Studies: WorldCom Accounting Scandal. MBA Knowledge Base website. Accessed on April 15, 2023. <https://www.mbaknol.com/business-ethics/case-study-worldcom-accounting-scandal/>
- [39] Teacher, Law. (2013, November). Principle and Practice of Corporate Governance. Law Teacher website. Retrieved on April 18, 2023 from <https://www.lawteacher.net/free-law-essays/company-law/principle-and-practice-of-corporate-governance.php?vref=1>
- [40] Smith, M. & Smith, K.T. (2014, December). Business and Accounting Ethics. ResearchGate website. Accessed on April 18, 2023. https://www.researchgate.net/publication/269708843_Business_and_Accounting_Ethics
- [41] The Finance Weekly. (September 2021). The Rise and Fall of WorldCom C-Suite Executives. The Finance Weekly website. Accessed on 17th April 2023. <https://www.thefinanceweekly.com/post/the-rise-and-fall-of-worldcom-s-c-suite-executives>

- [42] Beaver, S. (2022, April). Financial Statement Fraud: Detection & Prevention. NetSuite website. Accessed on April 18, 2023. <https://www.netsuite.com/portal/resource/articles/accounting/financial-statement-fraud.shtml>
- [43] University of West Florida. (2022, June). The Importance of Ethics in Accounting. University of West Florida website. Accessed on April 18, 2023. <https://getonline.uwf.edu/business-programs/mba/accounting/ethics/>
- [44] Hayes, A. (2022, December). The Rise and Fall of WorldCom: Story of a Scandal. Investopedia website. Accessed on 13th April 2023, <https://www.investopedia.com/terms/w/worldcom.asp#toc-who-was-to-blame>.
- [45] Chen, J. (2023, March). Corporate Governance Definition: How It Works, Principles, and Examples. Investopedia website. Accessed on April 20, 2023. <https://www.investopedia.com/terms/c/corporategovernance.asp>
- [46] Zhong, H., Yang, D., Shi, S., Wei, L. and Wang, Y. (2024) 'From data to insights: the application and challenges of knowledge graphs in intelligent audit', Journal of Cloud Computing, Springer. Available at: <https://link.springer.com/article/10.1186/s13677-024-00674-0>
- [47] Zhuwankinyu, E., Moyo, S., Chivasa, C., & Ncube, S. (2023). E-Wild Life Alert: Tackling the Human-Wildlife Conflict Problem. E-Wild Life Alert: Tackling the Human-Wildlife Conflict Problem. <https://digitalcommons.kennesaw.edu/cgi/viewcontent.cgi?article=1120&context=acist>
- [48] Eliel, K., Zhuwankinyu, T., Mavenge Moyo, & Mupa, M. (2025). Leveraging Generative AI for an Ethical and Adaptive Cybersecurity Framework in Enterprise Environments. <https://www.irejournals.com/formatedpaper/1706753.pdf>
- [49] Naphtali Mupa, M., Tafirenyika, S., Nyajeka, M., Moyo, T., & Zhuwankinyu, K. (2025). Machine Learning in Actuarial Science: Enhancing Predictive Models for Insurance Risk Management. <https://www.irejournals.com/formatedpaper/1707214.pdf>