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BETTY VINSON, CYNTHIA COOPER, AND MORAL COURAGE: A CASE STUDY IN ACCOUNTING ETHICS AT WORLDCOM

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I. INTRODUCTION

On 21 July 2002 the second largest telecommunications company in the U.S., WorldCom, Inc., applied for bankruptcy protection. WorldCom failed because of the bad business decisions of its executives to manipulate earnings with improper accounting entries. The key executives involved in the fraud were CEO Bernard Ebbers and CFO Scott Sullivan. The accountants who were pressured by Ebbers and Sullivan to prepare improper accounting entries included Director of General Accounting Bufford Yates, Controller David Meyers, Director of Legal Entity Accounting Troy Norman, and Director of Management Reporting Betty Vinson. Each was convicted of securities fraud and received federal jail sentences, including billionaire Bernie Ebbers who received a 25-year sentence in federal prison.² Betty Vinson received a 5-month jail sentence.

Another key player in this sad story of greed and conflicting loyalties is Vice President of Internal Audit Cynthia Cooper, a whistleblower who with two other internal auditors, Gene Morse and Glyn Smith, doggedly investigated and revealed the fraud to WorldCom's audit committee.

In this case study you will read about the ethical pressure faced by Betty Vinson and Cynthia Cooper as they each balanced conflicting loyalties between family, employer, and profession. Betty first balked then caved to the pressure and ruined her career; Cynthia did not cave and was named one of three "Persons of the Year" by *Time Magazine* in 2002 for her moral courage at WorldCom (Lacayo and Ripley 2002).

¹ Teaching notes are available from christensend@suu.edu.

² For an excellent summary of the WorldCom scandal, see the formal indictment of Scott Sullivan and Bufford Yates, available at <http://fl1.findlaw.com/news.findlaw.com/hdocs/docs/worldcom/ussullivan82802ind.pdf>.

II. PART 1 - ACCOUNTING FRAUD AT WORLDCOM

Read “A Staffer Ordered To Commit Fraud Balked, Then Caved” (Susan Pulliam, *The Wall Street Journal*, 23 June 2003, p. A1), available online from ProQuest Newspapers at <http://proquest.umi.com/pqdweb?did=350159681&sid=2&Fmt=3&clientId=1670&RQT=309&VName=PQD>.

Write a one-page essay with two paragraphs. In the first paragraph, summarize the ethical problem faced by Betty Vinson, a CPA and Director of WorldCom’s Management Reporting Division. In the second paragraph, describe how Betty responded to her ethical dilemma, assuming she was a Certified Management Accountant and a member of the Institute of Management Accounting (IMA). Include references to specific standards in IMA’s *Statement of Ethical Professional Practice*, available at http://www.imanet.org/about_ethics_statement.asp.

III. PART 2 - WHISTLE BLOWERS AT WORLDCOM

Read “Uncooking the Books: How Three Unlikely Sleuths Discovered Fraud at WorldCom” (S. Pulliam and D. Solomon. *The Wall Street Journal*, 30 October 2002, p. A1), available online from ProQuest Newspapers at <http://proquest.umi.com/pqdweb?did=227936861&sid=3&Fmt=3&clientId=1670&RQT=309&VName=PQD>

Write a one-page essay with two paragraphs. In the first paragraph, summarize the ethical problem faced by Cynthia Cooper, a CPA and manager of internal auditing at WorldCom. In the second paragraph, describe how Cynthia responded to her ethical dilemma, assuming she was a Certified Management Accountant and a member of the Institute of Management Accounting (IMA). Include references to specific standards in IMA’s *Statement of Ethical Professional Practice*, available online at http://www.imanet.org/about_ethics_statement.asp.

IV. PART 3 – MORAL COURAGE AND FIRST PRINCIPLES

Moral courage is the courage to be moral – to act with fairness, respect, responsibility, honesty and compassion even when the risks of doing so are substantial. R. Kidder (2005) indicates that “moral courage does not back us fearfully into dangerous corners so much as draw us inexorably toward first principles. Done right, it is less about hazards and obstacles than about virtues, standards, and rightness – the courage to be moral.”

Read “Moral Courage - A White Paper” by R. Kidder and M. Bracy (2001) available online at http://www.globalethics.org/pub/moral_courage_11-03-2001.pdf. In a one-page essay, define what moral courage means to you, and illustrate it with the bad example set by Betty Vinson and the good example set by Cynthia Cooper. Make specific references to one or more of IMA’s “first principles” listed in IMA’s Statement of Ethical Professional Practice, available online at http://www.imanet.org/about_ethics_statement.asp.

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