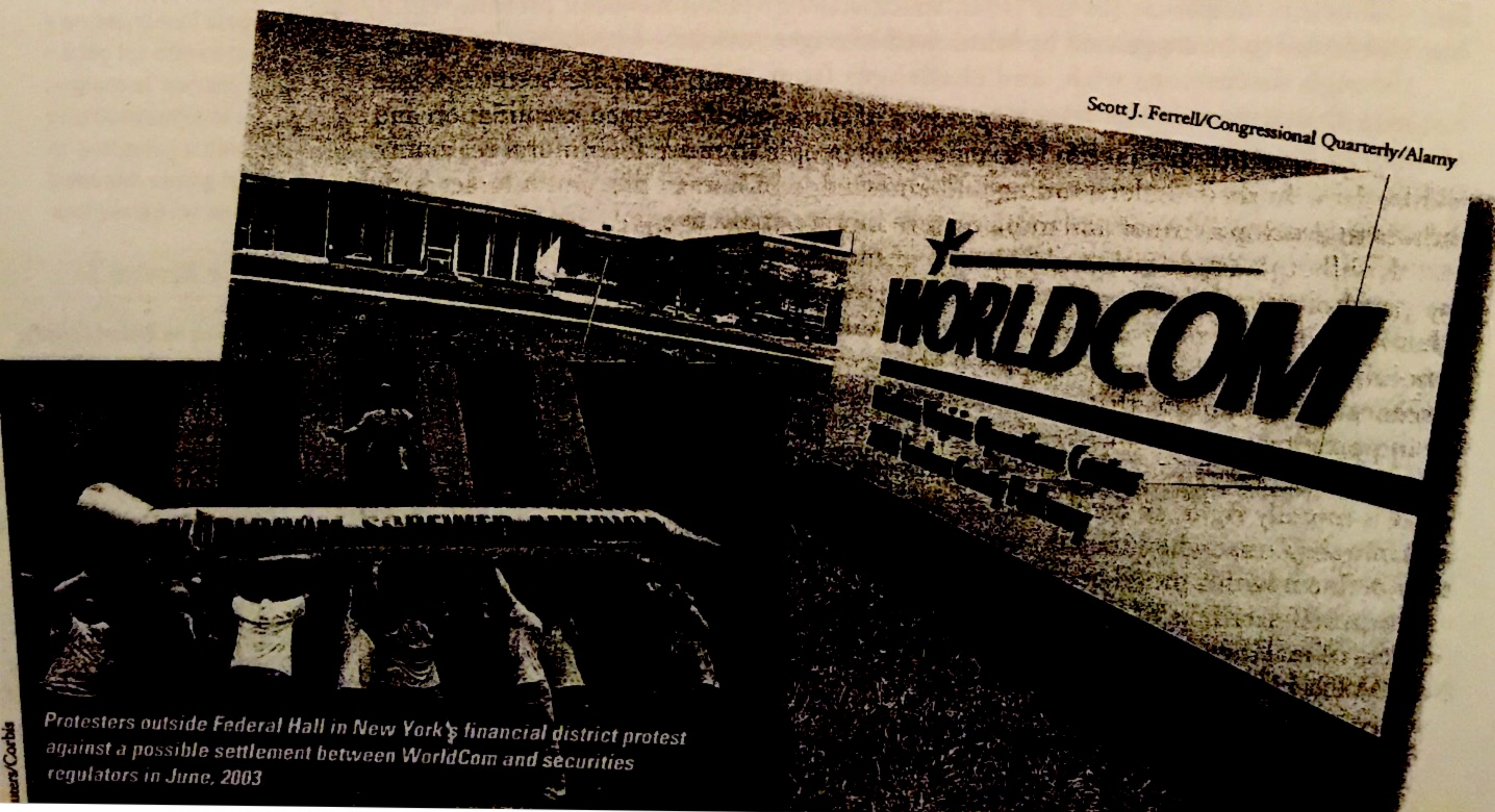


WorldCom's Whistleblower

In March 2002, when WorldCom was struggling to coordinate and integrate the complex mess created by the 65 companies it had acquired, WorldCom's then highly respected chief financial officer, Scott Sullivan, moved \$400 million from a reserve account and recorded it as "income" in the company's public financial reports. Alerted to this, Cynthia Cooper, the perfectionist head of WorldCom's internal audit department, began to secretly examine the company's books at night. She soon discovered that Scott Sullivan (named a "best CFO" by *CFO Magazine* in 1998) and David Myers, WorldCom's controller, for years had publicly reported billions of dollars as "capital expenditures" when they were really operating costs, ignored uncollectible receivables, and reported as "income" what were really reserve funds, and did all this with the help of Arthur Andersen, the company's auditor and accounting firm. Though angrily threatened by Sullivan, and risking her job and career, on June 20, 2002, an apprehensive Cooper courageously met with the audit committee of WorldCom's board of directors and told them what had been going on. On June 25, WorldCom's directors announced the company had inflated

its profits by over \$3.8 billion—an amount later raised to \$9 billion—in the greatest accounting fraud in history. Sullivan and Myers were arrested; WorldCom shareholders lost \$3 billion; 17,000 WorldCom workers lost their jobs; Arthur Andersen was shut down for shredding evidence of other accounting frauds at other firms. Even today, many WorldCom managers and employees do not speak to her and she sometimes cries. Says Cooper: "There is a price to be paid. [But] it comes back to the values and ethics that you learn The fear of losing my job was secondary to the obligation I felt."

1. Which of Kohlberg's six stages of moral development would you say that Cynthia Cooper had reached? Explain.
2. Do her actions and motives support or undermine Carol Gilligan's views? What would you say is unique about her or what she did?
3. How does William Damon's theory of moral identity apply to Cynthia Cooper?



Protesters outside Federal Hall in New York's financial district protest against a possible settlement between WorldCom and securities regulators in June, 2003