**IT Infrastructure Management**

**Week 15 Assignment**

1.Explain in detail about world com scam.

Answer 1:  The WorldCom scam was one of the biggest accounting frauds in history, involving the manipulation of financial statements to hide losses and inflate earnings. [The scam was perpetrated by the senior executives of WorldCom, a US-based telecommunications company that was once the second-largest long-distance phone service provider in the country1](https://en.wikipedia.org/wiki/WorldCom_scandal)[2](https://www.investopedia.com/terms/w/worldcom.asp).

The scam began in 1999, when WorldCom faced financial difficulties due to the dot-com bust and the decline in demand for telecom services. Instead of reporting the true financial situation, WorldCom’s CEO Bernard Ebbers and CFO Scott Sullivan devised a scheme to boost the company’s stock price and maintain its credit rating by falsifying its accounting records. They did this by:

* **Improperly capitalizing expenses**: WorldCom transferred billions of dollars of operating expenses, such as network maintenance and line costs, to capital accounts, where they were treated as long-term assets rather than current expenses. This reduced the reported expenses and increased the reported earnings before interest, taxes, depreciation, and amortization (EBITDA)[1](https://en.wikipedia.org/wiki/WorldCom_scandal" \t "_blank)[3](https://internationalbanker.com/history-of-financial-crises/the-worldcom-scandal-2002/).
* **Inflating revenues**: WorldCom recorded revenues from uncompleted or non-existent transactions, such as swapping network capacity with other telecom companies or booking revenues from its own subsidiaries. This increased the reported revenues and net income[1](https://en.wikipedia.org/wiki/WorldCom_scandal)[3](https://internationalbanker.com/history-of-financial-crises/the-worldcom-scandal-2002/).

The scam was uncovered in June 2002, when Cynthia Cooper, the vice president of internal audit at WorldCom, discovered over $3.8 billion of fraudulent balance sheet entries after conducting an investigation into the company’s accounting practices. She reported her findings to the board of directors, who then notified the Securities and Exchange Commission (SEC) and the public. The SEC launched a formal inquiry into WorldCom’s accounting irregularities and filed civil fraud charges against the company[1](https://en.wikipedia.org/wiki/WorldCom_scandal)[2](https://www.investopedia.com/terms/w/worldcom.asp).

The revelation of the scam shocked the financial markets and triggered a massive sell-off of WorldCom’s shares, which plunged from over $60 in 1999 to less than $0.10 in 2002. WorldCom filed for Chapter 11 bankruptcy protection in July 2002, with over $41 billion of debt, making it the largest bankruptcy in US history at that time. The bankruptcy affected millions of investors, employees, customers, suppliers, and creditors of WorldCom[1](https://en.wikipedia.org/wiki/WorldCom_scandal)[2](https://www.investopedia.com/terms/w/worldcom.asp).

The scam also led to criminal investigations and prosecutions of several WorldCom executives and auditors. Ebbers was convicted of securities fraud, conspiracy, and false filings in 2005 and sentenced to 25 years in prison. He died in 2020 while on compassionate release due to ill health. Sullivan pleaded guilty to fraud charges in 2004 and testified against Ebbers in exchange for a reduced sentence of five years in prison. He was released in 2009. Five other former WorldCom executives also pleaded guilty to various charges and received prison sentences ranging from one month to five years[1](https://en.wikipedia.org/wiki/WorldCom_scandal)[2](https://www.investopedia.com/terms/w/worldcom.asp).

WorldCom emerged from bankruptcy in 2004 under a new name, MCI Inc., after restructuring its operations and finances. In 2006, MCI was acquired by Verizon Communications for $8.4 billion[1](https://en.wikipedia.org/wiki/WorldCom_scandal)[2](https://www.investopedia.com/terms/w/worldcom.asp).

The WorldCom scam exposed the weaknesses and failures of corporate governance, auditing standards, regulatory oversight, and ethical conduct in the US business sector. [It also prompted reforms and regulations to prevent similar frauds from happening again, such as the Sarbanes-Oxley Act of 2002](https://en.wikipedia.org/wiki/WorldCom_scandal).

2.Discuss in about World com Scandal.

Answer 2: The WorldCom scandal was a case of massive accounting fraud that occurred in the US telecom company WorldCom from 1999 to 2002. The company’s senior executives, led by CEO Bernard Ebbers, manipulated the financial statements to hide losses and inflate earnings, resulting in over $11 billion of overstated assets. The fraud was exposed in 2002 by the company’s internal auditors and led to the largest bankruptcy in US history at that time. Ebbers and other executives were convicted of various crimes and sentenced to prison

3.What is meant by whistleblowing?

Answer 3: Whistleblowing is the act of revealing information about illegal, immoral, or unethical activities within an organization, usually to the public or to the authorities. [Whistleblowers are motivated by a sense of public interest and often face retaliation or risks for exposing wrongdoing1](https://www.britannica.com/topic/whistleblower)[2](https://en.wikipedia.org/wiki/Whistleblower).

Some examples of whistleblowers are:

* [Edward Snowden, who leaked classified information about the US government’s surveillance programs in 20131](https://www.britannica.com/topic/whistleblower)[2](https://en.wikipedia.org/wiki/Whistleblower).
* [Karen Silkwood, who exposed safety violations at a nuclear plant in 1974 and died in a suspicious car accident1](https://www.britannica.com/topic/whistleblower)[2](https://en.wikipedia.org/wiki/Whistleblower).
* [Cynthia Cooper, who uncovered the accounting fraud at WorldCom in 2002 and helped to bring down the company1](https://www.britannica.com/topic/whistleblower)[3](https://legal-dictionary.thefreedictionary.com/Whistleblowing).

Whistleblowing can have positive or negative consequences, depending on the context and the outcome. Some benefits of whistleblowing are:

* It can expose and prevent corruption, fraud, waste, or harm to the public or the environment[1](https://www.britannica.com/topic/whistleblower)[2](https://en.wikipedia.org/wiki/Whistleblower).
* It can promote accountability, transparency, and integrity in organizations[1](https://www.britannica.com/topic/whistleblower)[2](https://en.wikipedia.org/wiki/Whistleblower).
* It can protect the rights and interests of whistleblowers and other stakeholders[1](https://www.britannica.com/topic/whistleblower)[2](https://en.wikipedia.org/wiki/Whistleblower).

Some challenges of whistleblowing are:

* It can be difficult to obtain evidence or proof of wrongdoing[1](https://www.britannica.com/topic/whistleblower)[2](https://en.wikipedia.org/wiki/Whistleblower).
* It can be risky or dangerous for whistleblowers and their families or colleagues[1](https://www.britannica.com/topic/whistleblower)[2](https://en.wikipedia.org/wiki/Whistleblower).
* It can be costly or time-consuming to pursue legal action or protection[1](https://www.britannica.com/topic/whistleblower)[2](https://en.wikipedia.org/wiki/Whistleblower).

4.Explain in brief about Tyco International.

Tyco International was a multinational company that provided security, fire protection, and flow control products and services. The company was founded in 1960 and grew through acquisitions of various businesses in different sectors. Tyco International was involved in a major accounting scandal in 2002, when it was revealed that its former CEO and CFO had looted the company of more than $600 million through fraud, theft, and misuse of funds. [The scandal led to the conviction and imprisonment of the executives and the breakup of the company into four independent entities in 2007](https://en.wikipedia.org/wiki/Tyco_International)