

10 Worst Corporate Corruption Scandals In U.S. History

No matter the specifics of our individual lives, it's likely many corporations play a central role. Whether they employ us or provide us needed goods and services, it's tough today to avoid doing business with major corporations. That's why the violation of public trust that's all too common in corporate corruption (<https://www.geoffreygnathanlaw.com/criminal-charges/corruption/>) scandals is so disturbing to everyone, even those not directly affected.

Here's a look at some of the biggest offenders in American corporate history.

Bernie Madoff

For modern Americans, Madoff is the poster child of corporate greed. Through a Ponzi scheme lasting nearly two decades, Madoff defrauded his investment clients of billions of dollars. He eventually was convicted of 11 federal crime charges (<https://www.geoffreygnathanlaw.com/criminal-charges/federal-crimes-lawyer/>) and sentenced to 150 years in prison after confession to the largest-ever known Ponzi scheme.

To date, nearly \$12 billion of the \$17.5 billion principal investment has been returned to those Madoff defrauded. He remains incarcerated in a federal prison in North Carolina.

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Enron

The staggering collapse of a fast-rising energy company, Enron, shook the financial world to its core in the early 2000s. Multiple internal schemes had for years inflated the value of the company while hiding the massive debt it was incurring. By the time the company declared bankruptcy in December 2001, its stock price had lost nearly all of its value, falling from a high of \$90.75 to just 26 cents. The company's shareholders lost nearly \$75 billion in just a few years before the company filed for bankruptcy.

Three former Enron executives were sentenced to prison. Kenneth Lay, the founder and former CEO, died of a heart attack before sentencing and CFO Andrew Fastow got out of prison in 2011. Former CEO Jeffrey Skilling is expected to get out of prison in 2028.

Adelphia Communications Corp.

In one of the largest cases of financial fraud ever at a publicly traded company, in 2002 the Securities and Exchange Commission charged multiple executives at Adelphia Communications Corp., then the nation's fifth-largest cable TV provider, with hiding billions of dollars in debt from the company's books. The SEC also determined that the executives, mostly members of the same family, used company money to fund their lifestyle, to the tune of more than \$100 million.

The men were accused of concealing more than \$2.3 billion in debt, and that revelation was enough to send the company into bankruptcy. Two family members, John and Tim Rigas, were sentenced to prison.

ImClone (aka, Martha Stewart)

This insider trading (<https://www.geoffreygnathanlaw.com/criminal-charges/insider-trading/>) scandal is notable mostly for who was eventually ensnared in it – the cooking and homemaking idol Martha Stewart, who eventually was served prison time over her role. The scandal began when Samuel Waksal, the founder of biotech startup ImClone, got a warning that the Food and Drug Administration was about to reject the company's colon cancer drug. Waksal, along with other executives and stockholders, proceeded to dump millions of dollars worth of the company's stock, reportedly more than \$70 million worth, ahead of the FDA's official announcement.

Waksal was convicted of insider trading, and Stewart was convicted of lying to investigators about why she'd sold her ImClone stock.

Qwest Communications

The former CEO of Qwest Communications, a major cable company, and eight other former officials and employees were charged with multiple federal crimes, including fraud and insider trading, for their roles in misleading shareholders, investors and the public about the company's financial health. The group was accused of committing fraud valued at more than \$3 billion.

Joseph Nacchio, the former CEO, was sentenced to jail time, and he served about six years, being released in 2013.

WorldCom

Once a major telecommunications company, WorldCom is now synonymous with the very notion of corporate financial fraud. According to investigators, WorldCom had for years lied about income and cash flow by listing expenses as investments. This served to inflate the appearance of profits to the tune of \$3 billion in 2001 alone and helping the company record more than a billion in profit instead of taking what should have been a loss.

CEO Bernard Ebbers was sentenced to 25 years prison, and WorldCom's ex-CFO received a lesser sentence in exchange for testifying against Ebbers.

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Facebook

While not an outright financial fraud and, so far, not drawing any criminal or civil charges, Facebook's acknowledgement in 2016 that the social networking monolith had inappropriately given user data to Cambridge Analytica was just the latest privacy scandal the corporation faced since it came online in the early 2000s. It's believed that at least 80 million users' profiles and personal information were shared with Cambridge Analytica.

This still-developing scandal is a major threat to Facebook, which is being investigated by the Federal Trade Commission, according to multiple news reports.

Theranos

In promoting what she said would be a revolution in blood testing, Theranos CEO Elizabeth Holmes helped drive her company's total value to more than \$9 billion. The only problem? Their technology didn't actually work.

In 2018, Holmes and other executives were charged by federal authorities with perpetrating a massive fraud, and Holmes eventually settled her case with the Securities and Exchange Commission, though, according to news reports, other charges may be pending against Holmes and others.

Cendant

In an accounting fraud scheme that defrauded investors of \$19 billion, the ex-chairman of Cendant, a real estate and travel services company, was convicted of multiple federal charges. Walter Forbes was released from prison in 2018 after serving about 11 years.

Federal authorities alleged that Forbes and his company lied on financial statements, inflating the company's earnings by more than \$250 million. At the time, the \$3.3 billion restitution Forbes was required to make was the largest ever, though that was eventually overtaken by the Bernie Madoff case.

Volkswagen

Though it's largely absent from the headlines today, Volkswagen is currently embroiled in a scandal surrounding the automaker's inclusion of hardware aimed at evading environmental standards around the world.

To date, multiple lawsuits have been filed and criminal charges pursued against employees and executives in the scheme in which VW has acknowledged that it was knowingly engineering some cars to get around emissions standards. VW has agreed to pay billions in settlements and has issued recalls of tens of thousands of vehicles.

Conclusion

While many of the scandals on this list ended with companies going bankrupt and millions of people losing their jobs, many of the firms here are still going strong. While it's necessary to continue being vigilant against out-of-control corporate interests, perhaps there's hope that companies can turn around their cheating ways.

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