

KIM EMIGH, WORLDCOM WHISTLEBLOWER - A CASE STUDY IN ACCOUNTING ETHICS AT WORLDCOM

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OBJECTIVE TO INCREASE MORAL AWARENESS, MORAL JUDGMENT, AND MORAL COMMITMENT

About two weeks before internal auditors at WorldCom began questioning capital expense adjustments, the *Fort Worth Weekly* (cite below) published the story of Kim Emigh, who was fired for questioning inappropriate accounting practices at WorldCom.

The article first caught the attention of Mark Abide, the director of property accounting at WorldCom. On May 21, Mr. Abide forwarded the article to Glyn Smith on the internal audit staff, with a note saying that the allegations of the accounting misdeeds by Emigh were 'worth looking into' (Krim 2002).

The internal auditing team, headed by Cynthia Cooper, met on May 29 to discuss the article and the results of a recent audit concerning overcharges by a group of contractors. At that meeting, the auditors focused on manipulations to the company's capital expenses. "The internal audit team resolved to make tracking down the adjustments a top priority. ... Within a month the auditors had discovered that \$3.9 billion in operating costs were improperly accounted for as capital expenses" (Malone 2002). Later, in a comment to the *Fort Worth Weekly*, Mr. Emigh is quoted as saying "It's a pretty amazing world. It just shows that a little bit of determination and standing up for what's right can accomplish more than I ever imagined" (Malone 2002).

REQUIRED

Read "Accounting for Anguish" by Gale Reaves ([Fort Worth Weekly](#), May 16, 2002), the story of an early whistleblower in the WorldCom scandal. Click the link below to access the article. If you cannot access the article by clicking the link, try entering the web address into your web browser.

Write a two-page essay (12 point font, 1-inch margins, double spaced) that describes the ethical dilemma and moral courage of Kim Emigh. In the first page, describe the accounting principle that WorldCom was violating, the ethical dilemma faced by Kim Emigh, and answer the question, "Are internal accountants obligated to protect the public from misleading public financial reports?" In the second page, speculate on the value or principle that Kim Emigh defended by blowing the whistle,

and answer the question: Can one person's stand for a principle or value make a difference?

"Accounting for Anguish" (G. Reaves, [Fort Worth Weekly](http://www.fweekly.com/content.asp?article=3159), 16 May 02)
<http://www.fweekly.com/content.asp?article=3159>

**TEACHING NOTES TO
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Teaching notes are only available in the password-protected version of this paper.

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