

Leroy Kauffman Review for 3/4/08

Title: "Extraordinary Circumstances: The Journey of a Corporate Whistleblower"

Author: Cynthia Cooper

Publisher: John Wiley Inc., 2008

Price: \$27.95

Length: 367 pages

Reading time: 8 hours

Reading rating: 8 (1 = very difficult, 10 = very easy)

Overall rating: 4.0 (1 = average, 4 = outstanding)

"People don't wake up and say, 'I think I'll become a criminal today.' Instead, it's often a slippery slope and we lose our footing one step at a time." Thus begins "Extraordinary Circumstances: The Journey of a Corporate Whistleblower," Cynthia Cooper's book about her journey from a young woman in rural Clinton, Miss., to a leading figure in the \$11 billion WorldCom corporate fraud case.

The story starts as Ms. Cooper is graduating from high school in Clinton. After completing a master's degree in accounting at the University of Alabama-Tuscaloosa, she launched her career in Atlanta with short hitches at Price Waterhouse and Deloitte Haskins & Sells, as well as a stint at T<sup>2</sup> Medical, attempting to balance life as a wife, mother and working professional. Ultimately, the marriage did not work out and she found herself, with a small daughter, moving back to Mississippi. Her next job was with LDDS (Long Distance Discount Services) at an hourly wage and a workspace wedged between two cubicles in the walkway.

Rewind to the early 1960s, when a young Canadian came south to attend Mississippi College in Clinton. Bernie Ebbers had tried several jobs before coming to the college. He would end up staying in Mississippi, working several jobs before buying his first business, a motel. Eventually, Ebbers would join with several investors to form LDDS, later known as WorldCom.

At the time, LDDS was a new player in a rapidly changing market of reselling telecommunication services. As WorldCom, it embarked on an ambitious growth strategy fueled almost entirely by acquisitions. In less than 20 years, Ebbers would complete some 70 acquisitions, one of which was MCI.

Growth begat expectations of growth and therein lay the challenge for management at WorldCom. The market was acting as if double-digit growth would continue in perpetuity, and WorldCom management didn't want to disappoint. Much of the hype was actually about growing capacity, not growing demand. Miles of fiber cable were laid and capacity was increasing at double-digit rates, but traffic growth and demand were lagging.

WorldCom, now publicly traded, was releasing quarterly earnings expectations, and meeting those expectations was a necessary condition for success in the capital markets. Accounting procedures used to meet expectations (shifting expenses to the balance sheet) was where people began to lose their footing on the slippery slope. What was hoped to be a short-term fix to a

short-term problem was actually the first steps onto a downward spiral from which many did not return undamaged.

“Extraordinary Circumstances” chronicles the descent along that slippery slope, the discovery of irregularities and the challenges faced in uncovering and reporting these problems to the appropriate authorities. The book is written in language that allows people unfamiliar with accounting procedures to follow the events as they unfold.

It is a story of intrigue, of working late and discretely in back rooms to avoid detection, and of not knowing who could be trusted with the findings. It is a story of Cooper, the vice president for internal audit at MCI WorldCom, suddenly being a national figure dealing with Washington lawyers and congressional hearings. It is a story of Cooper being true to herself and her convictions, even when she was not sure what lurked ahead. And, she would now have an additional title – “whistleblower.”

As the fraud was unfolding, Cooper continually reflected on her situation, saying “Make sure to separate emotion from business.” The separation of emotion from business can be difficult when it involves your friends, people you’ve grown up with and see in church every Sunday. Cooper concludes that she would take the same path again. “But doing the right thing doesn’t mean there will be no cost to others, your family or yourself.”

You can hear more about Cynthia Cooper’s story on Tuesday, March 11, at Western Carolina University as part of the Chancellor’s Speaker Series, co-sponsored by the WCU College of Business. She will meet in an informal discussion setting that afternoon with WCU students, followed by the public address “WorldCom Warnings: What Went Wrong and Corporate Governance Lessons Learned” at 7 p.m. Both events will be held in WCU’s Fine and Performing Arts Center. Admission to the evening program is free of charge. To reserve a seat, call (828) 227-2479.

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N. Leroy Kauffman is head of the accounting, finance and economics department in the College of Business and associate professor of accounting at Western Carolina University, where he teaches cost and managerial accounting. For previously reviewed books, visit our Web site at [www.wcu.edu/cob/](http://www.wcu.edu/cob/).