

Latest accounting scandal puts WorldCom on brink

JACKSON, Miss. (AP) — WorldCom Inc., the nation's No. 2 long-distance company, slid toward bankruptcy Wednesday after disclosing what could be the biggest case of crooked accounting in U.S. history, and President Bush vowed to "hold people accountable."

The news, disclosed late Tuesday, sent telecommunications stocks and other shares plunging on Wall Street. It was the latest in a series of accounting scandals that have shaken investors' faith in corporate America.

Bush said he was "deeply concerned" about some of the accounting practices in corporate America and called "outrageous" the disclosure that WorldCom had hidden \$3.8 billion in expenses.

"We will fully investigate and hold people accountable for misleading not only shareholders but also employees as well," he said at an economic summit in Alberta, Canada.

Bush said the Securities Exchange Commission would

investigate, and the Justice Department could step in. The SEC had already been looking into lending and accounting practices at the Mississippi-based company, which owns the MCI telephone company.

Analysts said the former Wall Street darling could declare bankruptcy within the week as lenders call in millions in loans. WorldCom said it will start laying off 17,000 people — about 20 percent of its global work force — on Friday.

"If loans are called, in order to avoid an immediate shutdown, leaving lots of customers in the lurch, they'd have to file for bankruptcy," said Alec Ostrow, a partner in the bankruptcy law firm of Salomon, Green & Ostrow in New York.

The Dow Jones average fell as much as 200 points and slipped below 9,000 for the first time since October before recovering to post only a slim loss. The Nasdaq traded below its post-Sept. 11 closing low but also rebounded to record a small gain. Trading was halted in the two

stocks representing WorldCom's business. WorldCom Group, which represent the company's data and commercial telecommunications services, last traded at 83 cents, down from a 52-week high of \$16.06. MCI Group stock, which tracks its consumer long-distance business, last traded at \$1.68, down from a high of \$17.33 in the last year.

In a statement Tuesday, WorldCom said its board of directors had found \$3.8 billion was wrongly listed on its books as capital expenses in 2001 and 2002. That means WorldCom may have actually lost millions of dollars when it reported profits.

John Sidmore, who was appointed WorldCom's chief executive on April 29, said the board was "shocked" by what it found.

The company said it had fired Scott Sullivan, its chief financial officer. Sullivan could not be reached for comment; his telephone number in Boca Raton, Fla., was not published.

Arthur Andersen, which was WorldCom's accountant during the period in question, said its work was in compliance with SEC standards, and it suggested Sullivan was to blame.

"Important information about line costs was withheld from Andersen auditors by the chief financial officer of WorldCom," Andersen said in a statement.

Andersen is already considered doomed. The accounting firm was convicted earlier this month of obstruction in the Enron debacle and has lost scores of clients.

WorldCom's sudden fall comes at a time when the nation is dealing with a rash of corporate scandals, from Enron to Tyco International, Global Crossing and Adelphia Communications, which filed for bankruptcy Tuesday.

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SOURCES: Associated Press; Yahoo.com; Commodity Systems Inc.; Quote.com AP

Menos Infinity



RANDAL FORD • THE BATTALION

Senior animal science major Megan Cutting studies for a test while relaxing in the Menos Infinity sculpture in the Halbouty and engineering courtyard Wednesday afternoon. The sculpture, which

was created in 1992 by Hans Van Bovenkemp, is named Menos which means spirit. The twenty-six foot tall sculpture is designed to embody a sense of stillness and endlessness.

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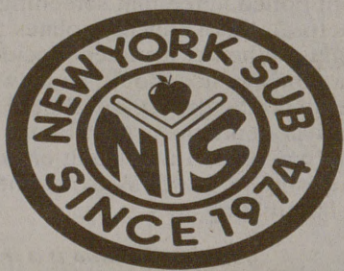
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