

ENRON SCANDAL (2001)

COMPANY

Houston-based commodities, energy and service corporation



WHAT HAPPENED

Shareholders lost **\$74 billion**, thousands of employees and investors lost their retirement accounts, and many employees lost their jobs.



MAIN PLAYERS

CEO Jeff Skilling and former CEO Ken Lay



PENALTIES

Lay died before serving time; Skilling got **24 years in prison**. The company filed for bankruptcy. Arthur Andersen was found guilty of fudging Enron's accounts.



HOW THEY DID IT

Kept huge debts off the balance sheets.



HOW THEY GOT CAUGHT

Turned in by internal whistleblower Sherron Watkins; high stock prices fueled suspicions.



FUN FACT

Fortune Magazine named Enron "America's Most Innovative Company" for six years in a row prior to the scandal.



WORLDCOM SCANDAL (2002)

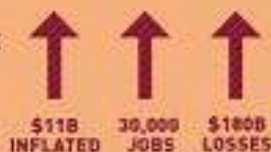
COMPANY



Telecommunications company; now MCI, Inc.

WHAT HAPPENED

Inflated assets by as much as **\$11 billion**, leading to 30,000 lost jobs and \$180 billion in losses for investors.



MAIN PLAYER

CEO Bernie Ebbers

HOW HE DID IT

Underreported line costs by capitalizing rather than expensing, and inflated revenues with fake accounting entries.



HOW HE GOT CAUGHT

WorldCom's internal auditing department uncovered **\$3.8 billion** in fraud.



PENALTIES

CFO was fired; controller resigned, and the company filed for bankruptcy. Ebbers **sentenced to 25 years for fraud**, conspiracy and filing false documents with regulators.



FUN FACT

Following the scandal, Congress passed the Sarbanes-Oxley Act, introducing the most sweeping set of new business regulations since the 1930s.



TYCO SCANDAL (2002)

COMPANY

tyco

New Jersey-based
blue-chip Swiss security systems company

WHAT HAPPENED

CEO & CFO stole \$150 million
and inflated company income
by \$500 million.



MAIN PLAYERS

CEO Dennis Kozlowski and
former CFO Mark Swartz



HOW THEY DID IT

Siphoned money through
unapproved loans and fraud-
ulent stock sales. Money was
smuggled out of the company
disguised as executive bonuses
or benefits.



HOW THEY GOT CAUGHT

SEC and Manhattan D.A. investigations
uncovered questionable accounting practices,
including large loans made to Kozlowski
that were then forgiven.

PENALTIES

Kozlowski and Swartz were
sentenced to **8-25 years in prison**.
A class-action lawsuit forced
Tyco to pay **\$2.92 billion** to investors.



8-25 YEARS



2.92 Bill.

FUN FACT

At the height of the scandal Kozlowski
threw a **\$2 million birthday party**
for his wife on an island, complete
with a Jimmy Buffett performance.



HEALTHSOUTH SCANDAL (2003)

COMPANY

HEALTHSOUTH

Largest publicly traded health care
company in the U.S.

WHAT HAPPENED

Earnings numbers were allegedly
inflated \$1.4 billion to meet
stockholder expectations.



MAIN PLAYER

CEO Richard Scrushy

HOW HE DID IT

Allegedly told underlings to make
up numbers and transactions
from 1996-2003.



HOW HE GOT CAUGHT

Sold \$75 million in stock a day
before the company posted a huge
loss, triggering SEC suspicions.



PENALTIES

Scrushy was acquitted of all 36
counts of accounting fraud, but
convicted of bribing the governor
of Alabama, leading to a 7-year
prison sentence.



FUN FACT

Scrushy now works as a
motivational speaker and
maintains his innocence.

**NOT
GUILTY?**

FREDDIE MAC SCANDAL

(2003)

COMPANY

Federally backed mortgage-financing giant



WHAT HAPPENED

\$5 billion in earnings were misstated.



MAIN PLAYERS

President/COO David Glenn, Chairman/CEO Leland Brendsel, ex-CFO Vaughn Clarke, former Sr. VPs Robert Dean and Nazir Dossani



HOW THEY DID IT

Intentionally misstated and understated earnings.



HOW THEY GOT CAUGHT

An SEC investigation.



PENALTIES

\$125 million in fines and the firing of Glenn, Clarke and Brendsel.



FUN FACT

1 year later, Fannie Mae, the other federally backed mortgage financing company, was caught in an equally stunning scandal.



Fannie Mae

AMERICAN INSURANCE GROUP SCANDAL (2005)

COMPANY

Multinational insurance corporation



WHAT HAPPENED

Massive accounting fraud to the tune of \$3.9 billion was alleged, along with bid-rigging and stock price manipulation.



MAIN PLAYERS

CEO Hank Greenberg

HOW HE DID IT

Allegedly booked loans as revenue, steered clients to insurers with whom AIG had payoff agreements, and told traders to inflate stock prices.

HOW HE GOT CAUGHT

SEC regulator investigations, possibly tipped off by a whistle-blower.



PENALTIES

Settled with the SEC for \$10 million in 2003 and \$1.64 billion in 2006, with a Louisiana pension fund for \$115 million, and with 3 Ohio pension funds for \$725 million. Greenberg was fired, but has faced no criminal charges.



FUN FACT

After posting the largest quarterly corporate loss in history in 2008 [\$61.7 billion] and getting bailed out with taxpayer dollars, AIG execs rewarded themselves with over \$165 million in bonuses.



LEHMAN BROTHERS SCANDAL (2008)

COMPANY LEHMAN BROTHERS
Global financial services firm

WHAT HAPPENED

Hid over **\$50 billion** in loans disguised as sales.



MAIN PLAYERS

Lehman executives & the company's auditors, Ernst & Young



HOW THEY DID IT

Allegedly sold toxic assets to Cayman Island banks with the understanding that they would be bought back eventually. Created the impression Lehman had \$50 billion more cash and \$50 billion less in toxic assets than it really did.

HOW THEY GOT CAUGHT

Went bankrupt.



PENALTIES

Forced into the largest bankruptcy in U.S. history. SEC didn't prosecute due to lack of evidence.



FUN FACT

In 2007 Lehman Brothers was ranked the #1 "Most Admired Securities Firm" by Fortune Magazine.



BERNIE MADOFF SCANDAL (2008)

COMPANY
Bernard L. Madoff Investment Securities LLC, a Wall Street investment firm founded by Madoff

WHAT HAPPENED

Tricked investors out of **\$64.8 billion** through the largest Ponzi scheme ever.



MAIN PLAYERS

Bernie Madoff, his accountant, David Friehting, and Frank DiPascalli

HOW THEY DID IT

Investors were paid returns out of their own money or that of other investors rather than profits.



HOW THEY GOT CAUGHT

Madoff told his sons about his scheme; they reported him to the SEC. He was arrested the next day.



PENALTIES

150 years in prison for Madoff + \$170 billion restitution. Prison time for Friehting and DiPascalli.



FUN FACT

Madoff's fraud was revealed just months after the 2008 U.S. financial collapse.

SAYTAM SCANDAL (2009)

COMPANY

Indian IT services and
back-office accounting firm



WHAT HAPPENED

Falsely boosted revenue
by **\$1.5 billion**.



MAIN PLAYER

Founder/Chairman Ramalinga Raju

HOW HE DID IT

Falsified revenues, margins
and cash balances to the tune
of 50 billion rupees.



HOW HE GOT CAUGHT

Admitted the fraud in a letter
to the company's board of directors.



PENALTIES

Raju and his brother charged with
breach of trust, conspiracy, cheating
and falsification of records. Released
after the Central Bureau of Investigation
failed to file charges on time.

FUN FACT

In 2011 Ramalinga Raju's wife
published a book of his existentialist,
free-verse poetry.



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THE 10 WORST

Corporate Accounting Scandals of All Time

Corporate malfeasance has earned a place among the defining themes of the last decade-and-a-half, helping give birth to the present global recession and the Occupy Wall Street movement. Here's a look back at the who, what, when and how of some of the worst corporate accounting scandals.