

How Following Orders Can Harm Your Career

Asked by her bosses to make false accounting entries, a midlevel accountant balked, then caved. Her solid career took a sudden turn in a very sorry direction.

[Susan Pulliam](#) - CareerJournal

Betty Vinson has always kept her life well ordered. She posts one list on the refrigerator of what she needs to buy at Wal-Mart and another for the grocery store. She keeps a list of the clothes she wears to work so she doesn't repeat outfits too often. The daughter of the former owner of a small typewriter shop, she is known among her friends for her spicy Texas chili.

In 1996, she took a job as a midlevel accountant at a small long-distance company. Five years later, her solid career took a sudden turn in a very sorry direction. Today Ms. Vinson, 47 years old, is awaiting sentencing on conspiracy and securities-fraud charges. She has begun to prepare her 12-year-old daughter for the possibility that she will go to jail.

The long-distance company grew up to be telecom giant WorldCom Inc., which melted down last year in an \$11 billion fraud, the biggest in corporate history. Asked by her bosses there to make false accounting entries, Ms. Vinson balked -- and then caved. Over the course of six quarters she continued to make the illegal entries to bolster WorldCom's profits at the request of her superiors. Each time she worried. Each time she hoped it was the last time. At the end of 18 months she had helped falsify at least \$3.7 billion in profits. Ms. Vinson refused to talk about her work for WorldCom or the case against her.

Ms. Vinson and two colleagues ended up confessing their accounting sins to federal officials in a Courtyard Marriott hotel room. As the investigation got rolling, she hoped to be considered a witness. When the Justice Department shifted the case midstream from Mississippi to more-aggressive prosecutors in New York, she became a target.

Ms. Vinson's story is a cautionary tale for good corporate soldiers everywhere who find themselves ordered to do something wrong. In a recent speech to Wall Street executives, James Comey, the U.S. attorney prosecuting Ms. Vinson's case, said that "just following orders" is not an excuse for breaking the law. As Ms. Vinson's experience at WorldCom shows, sometimes it's hard to tell right from wrong in the heat of a workplace battle. And when an employee's livelihood is on the line, it's tough to say no to a powerful boss. Ms. Vinson wasn't alone in these predicaments. In a report issued this month, investigators hired by the company's new board found that dozens of employees knew about the fraud at WorldCom but were afraid to speak out.

Love of Math

Ms. Vinson played on the high-school tennis team here in her hometown and translated her love of math into an accounting major at Mississippi College. She lived at home and spent the

summers working in her father's typewriter shop, which eventually closed after computers came into vogue.

Shortly after she graduated in 1978, she married Tom Vinson, her college sweetheart. Ms. Vinson took a series of positions at a small savings bank in Louisiana and then the Resolution Trust Corporation, there and in Kansas City. The couple moved home to Jackson in 1996, when Ms. Vinson got a job in the international accounting division at WorldCom making \$50,000 a year.

The Vinsons moved to a quiet, manicured neighborhood on the outskirts of Jackson. They attended their daughter's soccer games, took on home-improvement projects and played with Cupcake, their curly-haired mutt. In her spare time, Ms. Vinson taught Sunday school and devoured John Grisham novels.

When she joined WorldCom, it was a small long-distance company on the verge of becoming a star of the Wall Street telecom boom. Ms. Vinson developed a reputation for being hardworking and diligent. She was known as a loyal employee who would "do anything you told her," says a former colleague. Many nights after dinner, she would retreat to her den to work on WorldCom's books until nearly midnight. On vacations, she squeezed in some work on her laptop.

Within two years, Ms. Vinson was promoted to be a senior manager in WorldCom's corporate accounting division, reporting to Buford Yates. In her new job, she helped compile quarterly results, along with 10 employees who reported to her. She analyzed the company's operating expenses and loss reserves, amounts put aside to cover certain kinds of expenses.

Mr. Yates, known as Buddy, had been recruited to join WorldCom in 1997 by David Myers, the company's controller. They had worked together at Lamar Life Insurance in Jackson. Also working for Mr. Yates was Troy Normand, a Baton Rouge, La., native, who oversaw accounting for the company's fixed expenses, such as property, plants and equipment.

Ms. Vinson's work world began to change in mid-2000. With the telecommunications industry in a severe slump, Chief Executive Bernard Ebbers and Chief Financial Officer Scott Sullivan informed Wall Street in July that the company's results for the second half of the year would fall below expectations. That warning turned out to be far too mild.

The company had a looming problem: Its huge line costs -- fees paid to lease portions of other companies' telephone networks -- were rising as a percentage of the company's revenue. Those numbers were carefully monitored by Wall Street. Then in the third quarter of 2000, the company was hit with \$685 million in unpaid bills, after some of its small customers went belly-up.

Scrambling to Account

Inside the accounting department, a scramble ensued to try to reduce expenses on the company's financial statements enough to meet Wall Street's expectations for the quarter. But Ms. Vinson, Mr. Normand and Mr. Yates were able to scrape together only \$50 million, far from the hundreds of millions it would take to hit the company's profit target.

In October, Mr. Yates convened a meeting with Ms. Vinson and Mr. Normand in the accounting department, which occupied a corner of the fourth floor at WorldCom's headquarters. He told them that Mr. Myers and Mr. Sullivan had asked them to dip into a reserve account set aside to cover line costs and other items for WorldCom's telecommunications unit, fish out \$828 million and use it to pay other expenses, according to people familiar with the meeting. In doing so, they would reduce expenses for the quarter and boost earnings. An attorney for Mr. Myers didn't return phone calls.

Ms. Vinson and Mr. Normand were shocked by their bosses' proposal and the huge sum involved. All three accountants were worried that the adjustment wasn't proper, according to the people familiar with the conversation. Under accounting rules, reserves can be set up only if management expects a loss in the unit where the reserve is established, and there must be a good reason to reduce them. The transfer would violate those rules, the accountants believed, because there was no business reason for depleting the reserve account.

Ms. Vinson and Mr. Normand told their boss that the transfer wasn't good accounting, according to a person close to Ms. Vinson. Mr. Yates replied that he wasn't happy about it either. But he said that Mr. Myers had assured him that it would never happen again and that he had agreed to go along. Finally, so did Ms. Vinson and Mr. Normand. They made the transfer.

David Schertler, a lawyer who now represents Mr. Yates, says that his client was put in an "untenable" position by his bosses. "I think that Vinson, Normand and Yates are all low-level players in this who wound up being the victims of unscrupulous higher managers," he says.

Afterward Ms. Vinson suffered pangs of guilt. On Oct. 26, the same day the company publicly reported its third-quarter results, she told Mr. Yates that she was planning to resign. Mr. Normand felt similarly, according to the person close to Ms. Vinson and others.

Word of the mutiny in the accounting department reached Mr. Ebberts. After a conference call with analysts, he approached Mr. Myers in a corridor and vowed that the accountants would never again be placed in such an uncomfortable position, says a former employee. Reid Weingarten, Mr. Ebberts's lawyer, declined to comment for this story.

Several days later, Mr. Sullivan tried to talk Ms. Vinson and Mr. Normand out of resigning. The two accountants, who had met the CFO only a few times before, took seats on a sofa in his office's large seating area. Mr. Myers and Mr. Sullivan sat in two chairs facing them, according to two people familiar with the meeting.

Mr. Sullivan explained that he was trying to fix the company's financial problems. Think of it as an aircraft carrier, he said, according to the people familiar with the meeting. He continued, in their account: We have planes in the air. Let's get the planes landed. Once they are landed, if you still want to leave, then leave. But not while the planes are in the air.

Ms. Vinson listened silently. Mr. Normand said that he was worried he would be held liable for making the accounting changes. But Mr. Sullivan assured him that nothing they had done was illegal and that he would assume all responsibility, according to two people familiar with the

meeting. He noted that the company had just cut by half its projections for the fourth quarter, and that the accounting switch wouldn't be repeated. Mr. Sullivan's attorney, Roy Black, declined to comment for this story.

By the time Mr. Sullivan stopped talking, Ms. Vinson's resolve to quit her job was wavering, according to the person close to her. That night, she told her husband about the meeting and her worries over the accounting. Mr. Vinson, who is a printing-equipment salesman, didn't fully understand his wife's accounting concerns, but he urged her to quit. He already was unhappy about the long hours she was putting in at WorldCom.

But after further thought, Ms. Vinson decided against quitting, says the person close to her. She was the family's chief breadwinner, earning more than her husband's roughly \$40,000 a year compensation. The Vinsons depended on her insurance. She was anxious about entering the job market as a middle-age worker.

Though Ms. Vinson still worried about the accounting issues, she began to rationalize her decision to comply with her bosses' request, according to the person close to her. After all, Mr. Sullivan had been heralded as one of the top chief financial officers in the country. If he thought the transfer was all right, who was she to question it?

Back in the office, Ms. Vinson told Mr. Yates that she had changed her mind about quitting. They commiserated about how hard it would be to leave their jobs and probably Jackson, where it wasn't easy to find well-paying work, according to a person familiar with the conversation. Mr. Normand also changed his mind about leaving WorldCom.

By the end of the first quarter of 2001, it was clear Ms. Vinson would have to prepare another bad financial report. As the company's revenue fell, its line costs, as a percentage of revenue, were well above the company's 42% goal. Again, Ms. Vinson and her colleagues searched for costs they could reduce. But this time they could find no large pools of reserves to transfer to solve the profit shortfall. The gap was a whopping \$771 million.

As the situation grew dire, a troubling solution was ordered up by Mr. Sullivan, according to a former WorldCom employee. Rather than count line costs as part of operating expenses in the quarterly report, they would shift \$771 million in line costs to capital-expenditure accounts, according to SEC filings. The shift would boost the company's bottom line. That's because operating expenses, such as salaries and benefits, are subtracted from income as they occur, reducing a company's current profit. Capital expenses are subtracted from income over long periods of time.

When Mr. Yates told Ms. Vinson about the \$771 million transfer, she was shocked, according to the person close to her. While the accounting maneuver in October had been questionable, she believed this transfer was even less defensible. Accounting rules make clear that line costs are to be counted as operating leases, which can't be delayed by calling them capital expenses.

In fact, Mr. Yates initially had refused to execute the plan when Mr. Myers told him about it, according to a person close to Mr. Yates. And in turn Mr. Myers, the controller, had argued to

Mr. Sullivan that the transfer could not be justified, says a former employee. But Mr. Myers eventually passed the order down the line to Mr. Yates after he was persuaded by Mr. Sullivan that the transfer was WorldCom's only way out of its troubles, according to the former employee.

When the order landed on Ms. Vinson's lap she felt trapped, the person close to her says. Threatening again to resign wasn't going to help. And she was still reluctant to quit without another job. She and Mr. Normand met with Mr. Yates in his immaculate office to talk about their concerns, but nothing was resolved, according to a person close to Mr. Yates.

That night Ms. Vinson reviewed her options with her husband, the person close to her says. She decided to put together a resume and begin looking for a job. She didn't think about retaining a lawyer or talking to the SEC, says this person. She hadn't really started to think about the ramifications of her actions.

At WorldCom, the wheels were already in motion to transfer the line costs. Ms. Vinson reluctantly went along. It fell to her, Mr. Normand and Mr. Yates to figure out into which of five capital accounts they should transfer the costs. As they considered the options, Mr. Myers walked into Ms. Vinson's office and the group commiserated about how unhappy they were about the transfers. Still, they agreed they had to keep bailing water for the time being, according to a person familiar with the conversation.

Ms. Vinson then made the entries transferring the \$771 million, backdating the entries to February by changing the dates in the computer for the quarter, according to court and SEC documents.

Recurring Dilemma

Ms. Vinson faced the same dilemma in the second, third and fourth quarters of 2001. Each quarter she, Mr. Yates and Mr. Normand scraped together small amounts of liabilities that legitimately could be lowered for the quarter, hoping that they wouldn't be required to make a large questionable adjustment. But each quarter they found themselves in the same uncomfortable spot, and wound up making giant and fraudulent entries. In the second quarter, they transferred \$560 million to the capital accounts. In the third quarter it was \$743 million, and in the fourth quarter it was \$941 million.

Ms. Vinson began waking up in the middle of the night, unable to go back to sleep because of her anxiety, says the person close to her. Her family and friends began to notice she was losing weight and her face took on a slightly gaunt look. At work she withdrew from co-workers, afraid she might let something slip, says the person close to her.

In early 2002, she received a promotion, from senior manager to director, along with a raise that brought her annual salary to about \$80,000, according to a former WorldCom staffer.

Meanwhile, she and her two co-workers were increasingly distraught. Mr. Yates decided to look for a lawyer, according to a person close to him. Through a cousin, he got the name of Joseph Hollomon of Jackson, a former federal prosecutor in Mississippi. Mr. Yates met with Mr. Hollomon, but unsure of what to do, didn't retain him immediately.

Ms. Vinson continued to cling to the notion that each transfer would be the last, says the person close to her. That hope was dashed in late April 2002. Ms. Vinson, Mr. Normand and Mr. Yates had just finished putting together the financial reports for the first quarter, which included an \$818 million transfer of line costs. Shortly afterward, they made a discovery that spurred them finally to take action.

Mr. Normand and Mr. Yates were talking about WorldCom's 2002 financial plan, a copy of which Mr. Sullivan had circulated. Mr. Normand flipped his copy over and began scribbling on the back. Mr. Normand handed his calculations to Mr. Yates, says a person close to Mr. Yates. It suddenly was clear to both men that the line-cost transfers would have to continue at least through 2002, because there was no other way the company would be able to make its projections, say several people familiar with the discussion.

The two men shared their discovery with Ms. Vinson and they all agreed that they had had enough, say two people familiar with their decision. Ms. Vinson vowed to begin looking for a new job, says the person close to her. Mr. Yates decided to launch a job search as well and Mr. Normand decided to quit but ask for a severance package, according to internal documents and one of the people close to Mr. Yates.

They made another pact as well: They would refuse to make any more improper accounting entries. Over the next few days, each of them met with Mr. Myers to tell him of their plans and their decision to make no more transfers.

In March, the SEC made a request for information from WorldCom because it was suspicious about the company's good financial results. The company's head of internal auditing, Cynthia Cooper, started asking Mr. Myers and others about certain accounting decisions, and the entries made by Ms. Vinson and Mr. Normand.

On the afternoon of June 17, Ms. Cooper and Glyn Smith, another auditor, walked into Ms. Vinson's office and asked her to justify the transfers. Ms. Vinson said she couldn't, and told them that the amounts were provided to her by Mr. Yates and Mr. Myers. She suggested that Ms. Cooper talk to them, according to internal documents released by Congress. Moments later, Ms. Cooper and Mr. Smith were in Mr. Yates's office asking the same questions. He sent them to see Mr. Myers, according to the documents.

Ms. Vinson, Mr. Yates and Mr. Normand were in a panic, say people familiar with the situation. Mr. Yates called the other two into his office and suggested they all meet with Mr. Hollomon, the lawyer he had been referred to, according to a person close to Mr. Yates. On Thursday, June 20, at Mr. Hollomon's downtown office, they agreed on a plan: They would meet with regulators and prosecutors, tell them everything and hope for leniency. The three each contributed \$10,000 to retain Mr. Hollomon.

Mr. Hollomon had the three accountants sign a so-called proffer agreement with prosecutors, stating what the three were willing to tell them. Although there was no written agreement that they wouldn't be prosecuted, several lawyers involved say the Mississippi U.S. attorney's office

had told Mr. Hollomon that the accountants would likely be viewed as witnesses, not targets of the probe.

But Mr. Hollomon warned his clients that "all bets were off" if the case was moved to the Manhattan U.S. attorney's office, which has a long history of aggressively prosecuting high-profile business cases. The Mississippi office often emphasizes gaining cooperation from witnesses rather than targeting them for prosecution, according to several lawyers.

On Monday afternoon, Mr. Yates, Mr. Normand and Ms. Vinson left their offices one at a time and drove to a Courtyard Marriott in Jackson. They told their story to an official from the SEC, an FBI agent and an assistant U.S. attorney.

WorldCom's problems were about to explode into public view. On June 25, the day after the meetings at the Marriott, the SEC got a call from WorldCom's lawyers with a shocking disclosure: Ms. Cooper and her fellow auditors had found \$3.8 billion in fraudulent accounting entries. The following day, the SEC charged the company with accounting fraud.

Though the Mississippi U.S. attorney's office had initially taken the lead on the case, the U.S. attorney's office in Manhattan began to play a more dominant role. Soon, Mr. Hollomon's fears were realized. In July, after a turf war with Mississippi, the Justice Department granted jurisdiction to the Manhattan U.S. attorney's office and it quickly became clear that the New York prosecutors had a different take on the accountants.

Mississippi U.S. Attorney Dunn Lampton said he was "disappointed" he didn't remain involved. He wouldn't discuss his initial plans for the case. "Deciding who to prosecute is one of the toughest decisions a prosecutor faces," he says.

Soon, Ms. Vinson's hopes that she would continue to be viewed as a witness were dashed. On a flight to Mississippi after an interview with prosecutors in New York, Mr. Hollomon told Ms. Vinson that he was concerned that they were focusing on the fact that she had made her own decisions about which capital expense accounts she transferred the line costs into. He thought prosecutors might draw the conclusion that she hadn't simply been following orders.

Mr. Hollomon told her that Mr. Myers was cooperating with prosecutors, who now suspected that Ms. Vinson and the other accountants from the beginning had been instrumental to making the scheme work, according to the person close to Ms. Vinson.

On Aug. 1, Ms. Vinson received a call from Mr. Hollomon telling her that the prosecutors in New York would probably indict her. In the end, they viewed the information Ms. Vinson had supplied at the Courtyard Marriott as more of a confession than a tip-off to wrongdoing, people familiar with the case say.

Crying, she called her husband, who was on a business trip, and reached him at the airport in Atlanta to tell him that charges against her were imminent. Within hours, she was fired because of the expected indictment. The only thing she was allowed to take with her was a plant from her desk.

On Aug. 28, Mr. Sullivan and Mr. Yates were indicted, and Ms. Vinson and Mr. Normand were named as unindicted co-conspirators in the scheme. Mr. Myers pleaded guilty to three felony counts and Mr. Yates soon pleaded guilty to one count of securities fraud and one count of conspiracy to commit securities fraud.

Ms. Vinson and her husband tried to think of a way out of their predicament. Unable to afford the legal bill that would result from a lengthy trial, Ms. Vinson decided to negotiate a guilty plea as well. They hoped to cut a deal that wouldn't include a prison sentence.

On Oct. 10, the U.S. attorney's office announced that Ms. Vinson and Mr. Normand had pleaded guilty to two criminal counts of conspiracy and securities fraud, charges that carry a maximum sentence of 15 years in prison.

At a court hearing, Ms. Vinson answered U.S. Magistrate Judge Andrew Peck's questions so meekly that he asked her to speak up. Mr. Hollomon held a microphone close to her as she read a statement admitting that she had started making the illegal entries in October 2000. "I was very concerned about the order to make the adjustment," she said. Ms. Vinson was released on a bond secured by \$25,000 of equity in her home. She is now working as an accountant for a large Kentucky Fried Chicken franchise.

Her sentencing is scheduled for February.

Postscript: As of October 1, Ms. Vinson is cooperating with federal prosecutors and has not yet been sentenced. Ms. Vinson, as well as Mr. Ebbers, Mr. Sullivan, Mr. Myers, Mr. Yates, and Mr. Normand, were recently charged in a criminal complaint by Oklahoma's attorney general.