In *Extraordinary Circumstances: The Journey of a Corporate Whistleblower*, Cynthia Cooper quickly reveals herself to be surprisingly open-hearted about the multi-billion-dollar WorldCom fraud that she exposed in 2002.

The author, who will be speaking at Augustana College on Thursday, treats her subjects as people rather than villains, which plays into what she hopes to accomplish with her book.

"I felt strongly that there were such valuable lessons that could be gleaned and shared, particularly with the next generation," she said in an interview last week. "With professionals, but also with students."

Frauds start small, the book argues, and the people who perpetrate them can be decent people who get trapped by their bad decisions.

The first chapter begins at a 2001 baby shower for Scott Sullivan (then WorldCom's chief financial officer) and his wife Carla at the house of the company's controller, David Myers. "Recently, they adopted a beautiful baby girl, their only child and the reason for our celebration," Cooper writes of the Sullivans. "Carla has been in and out of hospitals, battling diabetes, and has come close to death several times. Many of us know about her struggles with her health. The office has been buzzing with excitement at their good news."

The book then lays out the scene in October 2000, when the fraud began. The company's largest expense item is inexplicably hundreds of millions of dollars higher than expected, and after some hand-wringing, Sullivan makes a choice. "Scott is at a dangerous crossroads," Cooper writes. "He rationalizes that the cost of telling the truth is too high [to the company]. In any case, there must be an error, he thinks, and it'll surely correct itself the following quarter. Change the numbers, he instructs David. Reduce line-cost expense so that the company can meet earnings guidance. ‘While [Scott] didn't believe that this was the right and appropriate thing to do,' David later recalled, he said ‘this is what we needed to do at the time.'"

Cooper - one of three whistleblowers named *Time*'s 2002 Persons of the Year - is no apologist for WorldCom executives. As the company's vice president for internal audit, she risked her job by secretly chasing down fishy accounting entries.

"At one point," she said, "when I had identified these unusual accounting entries, and took those to the chairman of the audit committee, he told me not to ask for support for these entries, and that he would talk to the CFO [chief financial officer], and he believed that the CFO would have a good explanation for those entries. ... I had a dual reporting structure. I reported administratively to the CFO, and I reported functionally to the audit-committee chairman. And the CFO had already asked me to delay our audit. So basically I had the two people I reported to asking me not to continue. ... The lesson here is that sometimes your values can collide. And loyalty to superiors is an important value, and ... these were two men that I had great respect for. So I had to make a decision ... ."

Even without Cooper, it's likely that some fraud would have been exposed at WorldCom. The Securities & Exchange Commission had started an informal inquiry into the company, Cooper said, but "they were not looking at capital expenditures or line costs, the area where we identified a portion of this fraud."

Cooper's team uncovered fraud totaling $3.8 billion, and $11 billion in fraud were eventually discovered.

In essence, Cooper learned that WorldCom was improperly classifying one normal business expense as a capital cost, and therefore treating it on the books as an asset and spreading its cost over time. That accounting trick made the company appear profitable to its board, its employees, its community, and its investors.

Cooper stressed that the WorldCom fraud did not lead to the company's collapse; that was accomplished through a reckless and unsustainable acquisition strategy (roughly 60 companies over two decades) and the diminished health of the dot-com and telecommunications industries.

"When those bubbles burst, a lot of those companies began going bankrupt and canceling their orders with WorldCom, and AT&T, and others, leaving the industry burdened with unpaid debt and also excess telecom capacity," Cooper said. "So all these big telecom players had spent billions of dollars expanding their telecom networks" without adequate revenue to pay for them.

"Neither the fraud nor discovery of the fraud caused the downfall of WorldCom from a business perspective," she said. "The fraud masked the true extent of the problem." Basically, the fraud was perpetuated to prop up the company's stock price.

By disguising the company's financial condition, the fraud cost investors. "You had a lot of shareholders that purchased and held stock not knowing that the company was much less profitable," Cooper said. "Many Mississippians had invested a lot of their retirement and savings in WorldCom because it was the only Fortune 500 company located here."

She added: "Behind every fraud, there are so many stories of people who lost everything, and innocent people who lost jobs, as well."

Cooper seems genuinely interested in the decisions people make, and how they go wrong. She notes in an early chapter of *Extraordinary Circumstances* that Bernie Ebbers - WorldCom's co-founder and the CEO under whom the fraud occurred - once left a job "because the factory sales manager was asking him to lie to customers about delivery dates for factory products."

Extraordinary Circumstances isn't artful. The autobiographical sections often don't feel germane, and the choice to write the book in present tense is sometimes awkward. (Cooper makes a habit of setting the scene like this: "It's May, 2000.")

But it's not a lazy book, and Cooper justifies her decisions in the context of her educational mission. "I've written the book in the present tense," she said, "because I wanted young people to be able to feel that they were there with me, in that place, at that time, and to really challenge them to think about the decisions that they may have made along the way, and how these events might have impacted not only them but their families and their co-workers."

The book is sufficiently vivid to accomplish that goal. "The phone goes dead," she writes of a March 2002 call she received while getting her hair done. "As I return to the stylist's chair, I mull over the call. Why is Scott acting like this? If you're an auditor, and someone is acting hostile and out of character, you want to find out why. ... Does he have something to hide?"

Extraordinary Circumstances climaxes with a *gotcha* encounter with Controller Myers, who seemed to be waiting to get caught. Cooper's team, she said, had decided that "we would work our way up the chain of command until we determined whether there was support for these entries."

When she finally got to Myers, she recounts in the book, he calmly tells her: "We probably shouldn't have capitalized the line cost. But once it was done the first time, it was difficult to stop. I've felt uncomfortable with these entries since the first time they were booked."

Cooper noted that the lessons of WorldCom - and the Enron fraud with which it's often remembered - aren't limited to ethics. She sees the WorldCom fraud as part of a long tradition of economic promise, over-building, and bust. "Really it was history repeating itself," she said.

Between 1866 and 1873, roughly 35,000 miles of track were built in the United States in a transcontinental railroad boom, but the industry's fortunes quickly fell, with 89 of 364 railroads going into bankruptcy. As with telecommunications, Cooper said, investors and imitators followed a business model built on false assumptions.

And there are even parallels with the current subprime-mortgage crisis, Cooper said.

"When these bubbles burst, they expose excessive risk-taking," she said. "And we see the same thing in the housing market."

Cynthia Cooper will speak at 6:30 p.m. on Thursday, April 10, in Augustana College's

Centennial Hall (3703 Seventh Avenue in Rock Island). The public lecture is free.