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WorldCom Lawsuit Against Andersen Gets Go-Ahead

AccountingWEB US - *Jul-1-2003* - A district judge in Mississippi has ruled that WorldCom has a green light to proceed with a class action lawsuit against now-defunct public accounting firm Andersen.

Andersen attempted to get the lawsuit dismissed, claiming there was no wrongdoing in its audit of WorldCom. WorldCom accounted for billions of dollars in telecom costs as long-term investments, spreading the cost over as many as 40 years, rather than writing off the expense currently. Andersen claims it was not consulted about the method of accounting for the costs and that WorldCom officials hid information from Andersen auditors. WorldCom subsequently filed for bankruptcy, the largest such filing in U.S. history.

WorldCom is suing Andersen for failing to properly review and investigate the events that led to the massive accounting fraud.

While U.S. District Judge Denise Cote ruled that the case against Andersen can proceed, at the same time the judge dismissed claims against individual Andersen partners Melvin Dick and Mark Schopper who headed the WorldCom audit. In addition, claims against Andersen's umbrella organization and its UK affiliate were dismissed.

Previously, a restraining order had been [issued](#) preventing Andersen from destroying documents related to the WorldCom issue.

In related news, the General Services Administration has [begun](#) proceedings to suspend WorldCom from performing government contracts. The federal government has given WorldCom more than \$770 million in business since the company announced its bankruptcy. Citizens Against Government Waste President Thomas A. Schatz commented that government agencies must consider "a company's business ethics and integrity" when awarding government contracts. "The fact that the phones may work is not the only issue affecting MCI/WorldCom's ability to do business with the federal government," he said

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