

Article: 10 Biggest Frauds In History

Forbe's List of the 10 Biggest Frauds In Recent US History

We looked at investor losses, Securities & Exchange Commission and Department of Justice enforcement actions and private lawsuits, as well as societal impact, to come up with our picks for the ten biggest frauds in the U.S. of the past quarter century.

Lehman Brothers

Investment bank Lehman, with \$600.0 billion in assets, failed in late 2008. It was the largest bankruptcy in history and a spark to the worldwide financial crisis. A bankruptcy examiner's report concluded there were claims against its top executives for fraud, but neither the SEC nor the DOJ have so far filed charges. Dick Fuld, the last CEO of Lehman, is widely considered the "Most Hated Man in America".



Fannie Mae

During the financial crisis, the firm verged on collapse and the government seized control of them in 2008 and forced out CEO Daniel Mudd. So far, the company has cost taxpayers more than \$150.0 billion, the largest bailout of the financial crisis. Executives are charged with securities fraud for misleading investors about the extent of the mortgage giant's holdings of higher-risk mortgage loans.



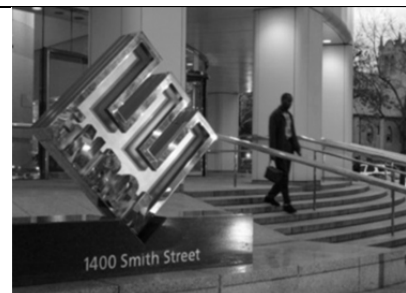
WorldCom

The 2002 fraud-induced bankruptcy of the telecom company wiped out a firm that once had \$103.0 billion in assets on its books. The resulting securities class action lawsuit payout is the second largest since 1995. Former CEO Bernard Ebbers was convicted of fraud and is doing 25 years in federal prison.



Enron

The energy company's bankruptcy in 2001 after allegations of massive accounting fraud wiped out \$78.0 billion in stock market value and led to the collapse of Arthur Andersen and the passage of the Sarbanes-Oxley Act of 2002. The class action settlement that resulted was the largest of all time. Former President Jeff Skilling is serving a 24 year sentence.



Bernard Madoff

New York money manager Bernard Madoff's \$65.0 billion Ponzi scheme, the largest fraud ever by an individual, was exposed in December 2008 when Madoff, now doing 150 years in prison, confessed to his sons. The case led the SEC, which missed several opportunities to stop the fraud, to focus on Ponzis and investment advisor fraud.



MF Global

The brokerage firm, led by former Goldman Sachs Chairman and former New Jersey Senator and Governor Jon Corzine, had \$41.0 billion in assets before failing in October 2011. That put MF Global at on the list of ten largest bankruptcies. A year later, billions in customer assets were still missing and no SEC or DOJ charges had been filed.



Cendant

Shortly after the company was created by the merger of CUC and HFS in 1997, a massive, decade long accounting fraud at CUC was uncovered. It was estimated to have cost investors \$19.0 billion, and was the largest fraud prosecuted by the SEC to that date. Securities class action lawsuits settled later for more billions. A judge sentenced former chairman Walter Forbes to 12 years in federal prison.



Qwest Communications

Qwest's stock traded as high as \$64 in 2000 before plummeting in 2002 to less than \$1 because of a multiyear accounting fraud. The SEC and DOJ probe was prompted by a whistleblower letter. CEO Joseph Nacchio forfeited millions for insider trading and went to jail. As a result of that scheme, Qwest fraudulently recognized over \$3.0 billion of revenue. Investors only got back pennies on the dollar.



Tyco International

CEO Dennis Kozlowski (pictured) and his CFO soaked Tyco for millions in unearned bonuses and loans from 1996 until 2002. Both are still in jail. Tyco agreed to pay \$2.9 billion to a class of defrauded shareholders.



HealthSouth

In March of 2003, the SEC accused CEO Richard Scrushy of overstating earnings by at least \$1.4 billion over four years. Scrushy was acquitted of all charges but later went to jail on a separate charge of bribing Alabama's governor. Fifteen former executives, including all five of its recent CFOs, pleaded guilty to accounting fraud.



Excel Project: 10 Biggest Frauds in History



Type Data

- Type the data shown below

	A	B	C	D	E
1	10 Biggest Frauds in History				
2	Forbe's List of the 10 Biggest Frauds In Recent US History				
3					
4	Company	Year	Size (in Billions)	Executive	In Jail?
5	Lehman Brothers	2008	600	Dick Fuld	No
6	Fannie Mae	2008	150	Daniel Mudd	No
7	WorldComm	2002	103	Bernard Ebbers	Yes
8	Enron	2001	78	Jeff Skilling	Yes
9	Bernard Madoff	2008	65	Bernard Madoff	Yes
10	MF Global	2011	41	Jon Corzine	No
11	Cendant	1997	19	Walter Forbes	Yes
12	Qwest Communications	2002	3	Joseph Nacchio	Yes
13	Tyco International	2002	2.9	Dennis Kozlowski	Yes
14	HealthSouth	2003	1.4	Richard Scrushy	Yes

Format Spreadsheet

- Change font for entire spreadsheet to Cambria 12pt
- Change font for first line of title to 18pt bold; merge and center over cells A1 to E1
- Bold second line of title; merge and center over cells A2 to E2
- Underline the column headings in cells A4 to E4; center text; wrap text
- Change column width for column A to 30
- Change column width for columns B, C and E to 10
- Change column width of column D to 20
- In cell C16 sum up the numbers in cells C5 to C15; Type the word "Total" in cell B16
- In cell C17 calculate the average of the numbers in cells C5 to C15; Type the word "Average" in cell B17
- Format numbers in column C to \$ with 1 decimal
- Put your name in the bottom right footer of the page

Create a Column Chart

- Select cells A4 to A14 and C4 to C14
- Click "Insert" and then select "Column" under chart options; select the first type of column chart (2D Cluster)
- Select the "Design" tab under ChartTools and then select "Move Chart"; select "New Sheet"
- Add a title that reads "10 Biggest Frauds in History"

Print

Print your spreadsheet and your chart