

WHISTLEBLOWING: WHO, WHAT, WHEN, WHERE, WHY & HOW?

Lynn H. Clements

The whistleblower provisions of the Sarbanes-Oxley Act have finally been tested by David Welch, the former CFO of the Bank of Floyd who claims he was fired for declining to sign off on certifying statements. The impact of whistleblowing on the employer and the employee can be tremendous. This paper explores the nature of whistleblowing and the stereotypical whistleblower, whistleblowing channels and motivations, and the diverse responses to whistleblowing in different countries and in different industries.

I. Who?

They sounded the alarm about their employers' wrongful behavior, and made history in the process. Cynthia Cooper dug deep into the records of WorldCom (now MCI), and found artificially boosted profits. Sherron Watkins sent a six-page memo to Enron CEO Kenneth Lay detailing her concerns about deceptive accounting practices at Enron. She resigned in November 2001 after receiving almost no work and a substantial decrease in pay for months. Watkins considers herself "a company loyalist" (Colloff 2003, 123). Barron Stone informed state regulators of the overcharging of utility customers at Duke Energy, and an investigation was triggered that forced accounting changes at

Duke. Marta Andreasen was suspended from her job at the European Commission after refusing to sign the 2001 financial accounts, because she believed the budget was not under control. Joe Speaker, acting CFO at Rite Aid in 1999, disclosed to the SEC the unethical practices of overvaluing inventories, payments of bills from special reserves, and not recording millions of dollars of expenses.

Many ordinary people are put in the same position as these well-known whistleblowers. Some report wrongdoing internally, some externally. Some anonymously, others publicly. One universal truth remains: all whistleblowers act at moral risk to themselves, and most pay a heavy price (Alford 2001.)

In a year-long discussion group of twelve whistleblowers, all but one lost both his or her job and career, eight lost their homes, seven lost their families, and many suffered from alcoholism and depression at some point after blowing the whistle (Alford, 2001, 403). "The average whistleblower is a fifty-five year old engineer who now sells computers at Radio Shack. Divorced and in debt to his lawyer, he lives in a one-bedroom rented apartment and does not have a retirement plan" (Alford 2001, 403).

Dr. Lynn H. Clements, CPA CMA CFM Cr.FA CFE is Associate Professor at Florida Southern College in Lakeland, Florida.