Ohio man pleads guilty to bank and wire fraud

Author name

Institution affiliation

White collar crimes are those crimes that are committed by high-ranking business professionals and administrators for monetary gains (Johnston, 2014). These criminals are present in every sector of the economy and through their planned undertakings they are engaged in illegal activities. This essay aims to analyze the one famous white-collar crime of 2019 in which Enron chief executive Jeffrey Skilling imploded the company with his criminal activities. The analysis of the scandal involves the analysis of the nature of the fraud and its damage to society and its social policies (Tonry, 2011). Moreover, the critic will cover the handling of the scandal and different recommendations for controlling similar crimes in the future.

Skilling is the former Enron chief executive who was once among top rungs of America's corporate ladder. He was embellishing the pages of glossy business magazines when he was filed for bankruptcy in 2001. He was arrested for assisting the transformation of the regional pipeline operator into the country’s major trader of gas and energy. He had committed the largest corporate bankruptcy fraud in US history amounting more than 40 billion dollars in outstanding debt. Skilling was working in Enron which was a gigantic company that was creating liquid markets. Initially, in the early 1980s, the company was piping gas around the US. However, with time, it industrialized into a kind of market maker for energy merchandises. The future of this transformation was not known. Though apparently with the help of abundant accountancy engineering it was making vast profits after this transformation.

Skilling was the native of Pittsburgh, Pennsylvania. He was initially working as a consultant with McKinsey and Co. and the joined Enron in the early 1990s. He worked hard and got the position of CEO for six months. Then in 2001, he quitted the job on account of his personal reasons. During his working at Enron, he went for market-to-market accounting that was anticipating the future profits based on the present value instead of historical cost. As a result of Skilling fraud, Houston-based energy trader collapsed, resulting in the loss of thousands of people jobs. He sold most of his $60 million pickets in the company when he was about to reassign.

He made a plan to trade the bandwidth and considered it as a fungible and useful thing. This planning turned out to be one of the wickedest tragedies in US corporate history. It deceptively enhanced returns initially but then resulted in millions of losses. At first, it made profits of nearly $1 billion there was a 45 percent increase. He was making use of thousands of staff and their savings as well as their hopes in this transformation. The reason behind the collapse of the company was that bandwidth was not a trading commodity. He was charged with 19 counts of conspiracy, fraud and insider trading. This includes 12 counts of securities fraud, five counts of making false statements to auditors, one count of insider trading and one count of conspiracy in 2006. He surrendered to the Federal Bureau of Investigation. He was ordered to have a penalty of about 45 million dollars in assets that were also including his home.

Owing to federal felony charges regarding Enron's downfall, he got imprisonment of 24 years. He was released after 12 years of prison and was also resentenced for 12 years. When the Supreme Court of the United States overheard arguments in the petition of his case, it relocated the case back to the subordinate court for resentencing (Morgan, 2019). He was not convicted for only a single charge. He was involved in fraud activities by transforming the company bandwidth. In this plan, he made huge investments on the part of the company and its employees. His novel ideas were that the company did not need any assets. Therefore, he promoted the company's aggressive investment strategy. This strategy turned him as the largest wholesaler of gas and electricity. His strategy resulted in $27 billion traded in a quarter and $132 million during a single year. When he left Enron, after one month he also sold nearly US$60 million, which was his stake in the company. As a result of this activity, prosecutors claimed that he sold that with the use of inside information of Enron's imminent bankruptcy. Skilling made huge payments to his main attorney named, Daniel Petrocelli.

Skilling was an executive and was gaining huge success at his time. He was involved in the fraud with millions of savings from employees and business. No one can even think of this fraud can be committed by him (Morgan, 2019). He through his conspiracy made illegal plans of frauds that resulted in the bankruptcy of the company. Skilling once described his idea as a software program for oil and gas investors. His claim was that idea was in initial stages and individuals investors had to sign non-disclosure agreements while investing. Therefore, with this idea, he changed the Enron from a heavy assets company into an asset-light company. The aim of this strategy was not the company profit but for personal profit. When there came a time when Skilling had an idea about the bankruptcy of the company he got resigned leaving the company in the trouble.

The basic philosophy behind his idea was ‘Richard Dawkins' book The Selfish Gene. He considered money and fear as the basic motivations behind every task. On working over his idea, he established the performance review committee (PRC) in his organization. PRC was required to grade employees and lower grades employees were required to quit the job. However, Dawkins rejected the interpretation of the Skilling philosophy about the book.

 During the investigations, huge accounting irregularities were seen in the company. Chief Financial Officer Andrew Fastow faced many questions such as related to the fall of company assets. Moreover, the U.S. Justice Department task force was also in action to detect this fraud. They were investing in the Skilling whether he knew about glitches at the company before his sudden leaving or not. Skilling during investigation claimed to know nothing. In addition, Skilling’s defense attorney, Daniel M. Petrocelli also claimed that his client conviction was based on honest services fraud. He was doing all the things to make his company profit and there was no personal benefit of him in this fraud. However, a federal jury found him guilty and sentenced him for 19 out of 28 criminal counts (Morgan, 2019). Former Chairman of Eron, Kenneth Lay was also found guilty but he died before he could be penalized. Consequently, Skilling got the longest sentence of any of the Enron culprits.

This scandal not only affected the company but also the city of Houston that took many years to regain its boastfulness. In addition, 4000 Enron employees got affected by this fraud. They not only lost their jobs but also their incomes and huge saving that they invested in the company. The adverse effects of the scandal, require authorities to keep a check over these kinds of frauds and warn employees of all organizations not to be included in any deceptive practices. Moreover, these white collar criminals once identified must be given severe punishments to set an example for others.

 References

Morgan, R. (2019). Jeffrey Skilling released from prison after 12 years. Retrieved from https://nypost.com/2019/02/22/jeffrey-skilling-released-from-prison-after-12-years/

Johnston, M. (2014). *Corruption, contention, and reform: the power of deep democratization*. Cambridge University Press.

Tonry, M. (2011). *The Oxford handbook of crime and criminal justice*. Oxford University Press.