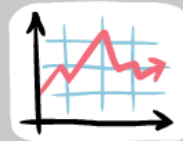




# Thunderbird-Improving the Online Experience Web Performance Analytics

## Thecasesolutions.com



July 2001



100%

**Altruism**  
 David Clark #1 Blogger on December 2, 2001  
 20,000+ signatures for their cause of \$1.25 billion  
 (overhead costs)  
 The case solutions website closed, selling their stock  
 to a private equity firm (David Clark's former partner)  
 because of a lawsuit to prevent a merger.

**Cost**  
 The case solutions website was launched in 2001  
 with a budget of \$1.25 million  
 The website was built on a custom platform  
 that was not scalable  
 The website was built on a custom platform  
 that was not scalable  
 The website was built on a custom platform  
 that was not scalable

**What went wrong?**

- Poor website accounting software choice
- Poor website design
- Poor website marketing
- Poor website content
- Poor website navigation
- Poor website security
- Poor website hosting

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**Punishments**

- Poor website accounting software choice
- Poor website design
- Poor website marketing
- Poor website content
- Poor website navigation
- Poor website security
- Poor website hosting

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**Fraud Uncovered**

- California lawsuits led to public disclosure of Enron
- Stock prices began to fall
- August 14th, 2001 Jeff Skilling resigned
- August 15th, 2001 Sharon Williams told Kenneth Lay about Enron's accounting problems
- November 8th, 2001 Enron disclosed it's accounting irregularities to the world

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**The Smartest Guys in the Room**

- \* Kenneth Lay, Chairman and CEO
- \* Jeffrey Skilling, President and CEO
- \* Andrew Fastow, Executive Vice President and CFO
- \* Erwin Snyders

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**Fraud Triangle**

**Opportunity**  
 "The Enron case was a classic case of a company with a high level of opportunity."

**Pressure**  
 "The Enron case was a classic case of a company with a high level of pressure."

**Rationalization**  
 "The Enron case was a classic case of a company with a high level of rationalization."

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**Cover Up**

- Cash was not regularly flowing to the company
- Cash was not regularly flowing to the company
- Cash was not regularly flowing to the company
- Cash was not regularly flowing to the company

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# Enron

- \* Formed from a merger between Houston Natural Gas and InterNorth
- \* Renamed Enron in 1986 with corporate headquarters located in Houston
- \* Largest marketer of natural gas and electricity
- \* 7th largest company revenue in America
- \* Pricing restrictions were eased allowing gas to be bought from any seller
- \* Enron created the gas bank

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# What went wrong?

- Used creative accounting methods to trick investors
  - Special Purpose Entities
  - Mark to Market accounting
- Types of fraud:
  - Corruption
  - Asset Misappropriation
  - Financial Statement Fraud

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# The Smartest Guys in the Room

- \* Kenneth Lay, Chairman and CEO
- \* Jeffrey Skilling, President and CEO
- \* Andrew Fastow, Executive Vice President and CFO
- \* Enron Traders



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# Fraud Triangle



## Opportunity:

- \*Stock options gave employees incentives to increase earnings

## Pressure:

- \*Ranked employees from 1 - 10
- \*Gave bonuses to the highest and cut the lowest
- \*New innovative ideas were failing

## Rationalization:

- \*Arthur Andersen checked off on everything
- \*Everyone was making money

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# Cover Up

- Continuously and regularly falsifying the books and financial statements
- Arthur Andersen checked off on the fraudulent practices and financial statements
- David Duncan, the engagement partner on Enron's audit authorized Arthur Andersen employees to shred hundreds of Enron documents



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# Fraud Uncovered

- California blackouts led to public disapproval of Enron
- Stock prices began to fall
- August 14th, 2001 Jeff Skilling resigned
- August 15th, 2001 Sharon Watkins told Kenneth Lay about Enron's accounting problems
- November 8th, 2001 Enron disclosed its accounting irregularities to the world

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# Punishments



Kenneth Lay :

- \*Died before sentencing
- \*Conviction was overturned

Jeffrey Skilling:

- \*Found guilty of 19 counts of security and wire fraud
- \*Sentenced to 24 years

Andrew Fastow:

- \*Charged with securities fraud, wire fraud, mail fraud, money laundering, and conspiracy
- \*Took a plea agreement to reduce his sentence

John C. Baxter, Vice Chairman:

- \*Agreed to testify against Enron
- \*Killed himself prior to the trial

Arthur Andersen:

- \*David B. Duncan permanently suspended from practicing as an accountant
- \*Three partners on the Enron audit suspended from being accountants

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