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Embezzling from MCI easy, ex-con says

By Joe Napsha
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Walter Pavlo Jr., jailed for embezzling \$6 million from MCI Communications Inc. in 2001, said his bosses' lax supervision made it easy to steal.

"As long as they received information they thought was good, they were pleased," Pavlo said Wednesday prior to telling members of the Pittsburgh Chapter of the Association of Fraud Examiners about his role in fraud at MCI.

It was easy, Pavlo said, because of an internal oversight system that was loose at best, and because of the need to please his bosses, who pressured him to keep unpaid bills off the books.

"The more that I was able to do (illegal), the more I was accepted," he said.

After his illegal get-rich-quick scheme was discovered, Pavlo, 45, pled guilty to embezzlement and served 2 1/2 years in federal prison.

Saying he is not a terrible person and does not look like a "criminal," Pavlo issued a warning: "It can happen to anyone."

In the early 1990s, Pavlo, a West Virginia University graduate raised in Parkersburg, W.Va., rose to oversee a collections department at MCI that handled \$2 billion in bills each year.

When pressure mounted to keep bad debts off MCI's books, Pavlo said he responded by concocting a scheme with a friend. That friend posed as an "angel investor," pretending to cover the bills of some of MCI's worst customers -- such as phone-sex companies that racked up huge bills but didn't pay. In return, the duo convinced those customers to make payments into an offshore account in the Cayman Islands, controlled by Pavlo and the friend. In less than a year, they milked the customers for \$6 million in cash. Pavlo said his share was about \$700,000.

The scheme worked until internal auditors caught a discrepancy in payments. That prompted Pavlo to quit MCI in 1997, but auditors did not quit on the investigation.

Pavlo found the fall from grace costly. His wife divorced him while he was in prison. He eventually had to declare bankruptcy.

Last year he wrote a book, "Stolen Without A Gun," that detailed his

experiences.

Now on the speaking circuit, Pavlo praised legislation adopted in response to corporate fraud cases such as Enron and WorldCom -- the Sarbanes-Oxley Act of 2002 -- as a good effort to prevent accounting abuse.

"But you can't legislate ethical behavior," he said.

To prevent a recurrence of such fraud "the big thing is ... to put stopgaps and controls in place," said James Fellin, a certified fraud examiner, president of the local chapter of the fraud examiners, and managing director of The Nottingham Group LLC, Downtown.

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