MINUTES OF THE REGULAR MEETING OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF WORLDCOM, INC.
March 6, 2002

A Regular Meeting of the Audit Committee of the Board of Directors of WorldCom, Inc. (the "Company") was held on Wednesday, March 6, 2002 at 4:00 p.m. (EST) at the WorldCom office located at 1133 19th St NW in Washington, conference room # 1204.

Mr. Max Bobbitt, Chairman of the Audit Committee, called the meeting to order.

Members Present

Audit Committee: Mr. Max Bobbitt, Mr. Francesco Galesi, and Mr. Jim Allen were present. Ms. Judith Areen joined the meeting via conference.

Andersen: Mr. Melvin Dick and Mr. Kenny Avery were present.

WorldCom: Mr. Scott Sullivan and Ms. Cynthia Cooper were present. Ms. Stephanie Scott joined the meeting via conference.

Minutes Approved

Mr. Bobbitt asked if there were any changes to the September 10, 2001 or February 6, 2002 minutes. Mr. Jim Allen noted one correction to the minutes. Mr. Bobbitt stated that pending that correction, the minutes would be approved as submitted. A motion was made and accepted to approve the revised minutes.

Mr. Sullivan stated that Ms. Scott would discuss the 10-K draft previously provided to them. Ms. Scott asked if there were any comments related to the 10-K draft. Mr. Bobbitt stated that the Company's security interest in the collateral supporting the CEO loan would be perfected in 30 days. Ms. Areen inquired whether an 8-K would be required and whether the Audit Committee should make its motion to the Board subject to any new information arising from the ongoing review of the CEO loan.

After a discussion period, Mr. Bobbitt made a motion that the Audit Committee recommend to the Board of Directors that the audited financial statements be included in the Company's annual report on Form 10-K for the year ended December 31, 2001, to be filed with the Securities and Exchange Commission. The motion was unanimously approved.

Ms. Scott excused herself from the remainder of the Audit Committee Meeting after concluding discussion of her agenda items.

Mr. Bobbitt asked Mr. Avery to discuss any Andersen items on the agenda.

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Andersen Discussion Items

Mr. Avery discussed items in the Andersen presentation – Audit Committee Quality of Earnings Discussion, Year Ended December 31, 2001 as follows:

- Mr. Avery noted that pursuant to existing rules and the Committee's charter – Committee members are required to discuss the quality, not just acceptability, of the Company's accounting principles and underlying estimates in the financial statements. To assist the Committee members with this requirement, Andersen has developed a framework to facilitate discussion.

- Mr. Avery discussed issues, which the Audit Committee should consider related to substance, verifiability, clarity, consistency, comparability, earnings persistence, and disaggregated information. See issues detailed in the March 6, 2002 Audit Committee Package.

Mr. Jim Allen stated that the members of the Audit Committee had to rely on Andersen and Management to provide them with relevant information.

Ms. Judith Areen stated that she had a copy of the questions that Warren Buffet recently suggested Audit Committee Members ask the Company's public accountants. Ms. Areen asked if Andersen were solely responsible for preparing the company's financial statements would they be prepared in the same manner selected by Management. Mr. Avery responded yes.

Mr. Allen stated that he had asked Mr. Avery a question in the prior Audit Committee Meeting related to debt covenants and did not feel comfortable that Andersen had completed the debt covenant work based on the answer that Mr. Avery provided. Mr. Dick stated that the debt covenant work had been completed and that the Company was in compliance with all covenants.

Mr. Bobbitt then asked Ms. Cooper to discuss the Internal Audit items outlined in the agenda.

Internal Audit Discussion Items

First,
Staffing Changes:

- Ms. Cooper presented an organization chart and discussed staffing changes and stated that one auditor had recently resigned to accept another position and that at least two additional employees would be severenced with the upcoming reduction in force.

- Mr. Jim Allen asked if the Company should consider increasing the audit staff. Mr. Sullivan stated that the Finance organization was not included in the previous severance since his organization had not grown, but that Finance would be impacted with the upcoming severance.

- Mr. Sullivan indicated that Mr. Ebbers had proposed a 50% reduction in internal audit compensation expense but that the final decision was to limit the reduction to 10%. He indicated that preparation of the Executive Report as well as the Commissions Audit is consuming significant audit resources. Ms. Cooper stated that moving the preparation of the Executive Report into Ron Beaumont's organization would allow four persons who are dedicated part time to completion of the report to work full time on audit.

- Mr. Sullivan asked if Mr. Ebbers would be comfortable with moving the report. Ms. Cooper indicated that Mr. Ebbers stated that he was comfortable with moving the report as long as he continued to receive the same level of reporting monthly.

- Mr. Bobbitt asked Ms. Cooper to work with Mr. Beaumont to migrate report preparation by April 1st.

2002 Proposed Internal Audit Plan: Ms. Cooper stated that:

- She was submitting the 2002 Proposed Internal Audit Plan (Plan) for Audit Committee approval.
- Internal Audit solicited feedback from Senior and Executive Management across the Company in developing the Plan, and Mr. Sullivan and Mr. Ebbers had reviewed and approved the Plan.
- The Plan may change during the year based on new areas of risk identified and special requests from Executive Management.
- The time required to complete the Commissions audit, migrate the Executive Report compilation to Ron Beaumont's organization, and special requests from Executive Management will impact completion of the 2002 Plan.
- As in prior years, the scope of internal audit work focuses heavily on operational effectiveness and efficiency, systems and internal controls.
- There are a significant number of follow-up audits included in the Plan intended to help ensure that key recommendations are implemented.

Ms. Cooper asked whether Andersen or the Audit Committee proposed any changes to the scope of internal audit work or the audits listed on the 2002 Plan. No changes were proposed and Mr. Bobbitt stated that the 2002 Plan was approved as submitted.

2001 Audits Completed: Ms. Cooper stated that 37 projects have been completed since January 1, 2001. The number of audits completed has decreased due to resources focused on the Commissions audit.

Executive Summaries for Key Audit Reports: Ms. Cooper reviewed the summary of key issues and recommendations outlined in section 5 of the March 6, 2002 Audit Committee Binder, and stated that copies of the full audit reports are available.

Ms. Cooper discussed Internal Audit's work in the following areas: Commissions, Web Hosting Revenue Integrity, Switch Access, EDS IT Outsourcing, Wireless General Controls, Domestic Line Cost, Capital Spending, Executive Report, International – Revenue Realization, International - Asia Pac Fraud Investigation, and International - Switched Voice Payment and Dispute Process.

Commissions: Ms. Cooper discussed the key issues and recommendations outlined in the Audit Committee Binder related to Commissions including the key causes and circumstances surrounding each commission overpayment, and stated that:

- She was updating them on the commissions fraud audit work that was reported on in the September 10, 2001 Audit Committee meeting.
- Since the Wall Street Journal article, Internal Audit has received numerous calls and letters alleging sales employee fraud and is in the process of investigating.
- Audit has identified key internal controls related to systems, processes and procedures that should to be implemented to prevent future occurrences of sales employee fraud and commission

overpayments.

- Audit is holding meetings with various groups across the Company to help facilitate implementation of the key internal controls identified. Several key controls have already been implemented. Examples include migrating to a single commission system and implementing system controls to disallow payment on non-majors revenue location codes.

- Testing and quantifications are still in progress and will be reported at the next Audit Committee meeting. A significant portion of the overpayments has never been paid out and is fully recoverable from sales employee banks since commissions are capped each month.

- Some of the commission overpayments identified were driven by Sales employee fraud while other commission overpayments were a result of missing internal controls or system deficiencies.

- Of the accounts associated with commission overpayments, the only account that had a known revenue impact was OMNI. Two OMNI circuits were closed to billing and billed approximately $14 million over 10 months. The circuits were subsequently cancelled. The revenue impact was a timing issue as the full $14 million was credited.

Mr. Jim Allen asked if the Company had given any thought to rethinking the commission plans and methods/reasons for payment. Mr. Sullivan stated that Ron Beaumont was working to simplify and consolidate many of the plans and that commission payments will be dramatically reduced in 2002.

Mr. Bobbit excused himself from the Audit Committee Meeting to attend another Committee meeting.

Wireless General Controls: Ms. Cooper discussed the issues and recommendations outlined in the Audit Committee Binder and stated that:

- This review is the second of two audits completed in Wireless. The first audit released in May 2001 discussed the significant delays in customer billing and number of customer calls to Customer Service which were blocked and delayed. Ms. Cooper stated that Jon Stupka indicates the billing is now current, however there are still problems with blocked and delayed customer calls.

- The Wireless audit focused on reviewing the adequacy of systems and operational internal controls to minimize subscription fraud and no pay customers impeding collectibility. Controls supporting wireless order activation are not adequate and should be strengthened as quickly as possible to reduce intake of fraudulent and no pay customers. Delayed billing, subscription fraud and lack of key controls within Wireless have impacted collectibility.

- Network Services reporting to Ron Beaumont and Wireless Operations Review Staff reporting to Mr. Stupka have performed detailed testing which indicates bad debt losses due to delayed billing, inadequate controls, and direct sales channel subscription fraud.

- Mr. Stupka's testing focuses primarily on no pay customers. Network Services testing focuses on subscription fraud. The group has reported significant direct sales subscription fraud based on testing incoming orders for the Dallas Center and individual cases that they have investigated.

- Network Services coordinates with Legal and Human Resources to investigate reported cases of suspected wireless subscription fraud. Their testing resulted in 72 terminations and four prosecutions in 2000 and 15 terminations and three prosecutions in 2001.

- Sales rep misrepresentation and subscription fraud relating to the following have resulted in terminations and prosecutions: accounts set up with stolen identities (person billed for cellular service that someone else is using), stolen equipment, credit bypasses, second and third lines credit approved for a legitimate customer are activated for a non-legitimate customer (three phone credit approval policy).

Ms. Cooper noted that Mr. Stupka provided the written status included in the Audit Committee Package and that several key points everyone should review include:

- The accounts receivable balance and increased accounts receivable exposure due to delayed billing, subscription fraud and no pay customers
- Charts related to credits, fraud, accounts receivable and bad debt
- Ms. Cooper stated that Mr. Stupka indicates that while he has implemented some key controls outlined in the status, there is still a great deal of work to be done; and that as controls improve, Management will have visibility into the true profitability of the unit

Mr. Jim Allen asked Mr. Sullivan whether or not the Company had compared operating efficiency to other carriers. Mr. Sullivan stated that Wireless is one of the most significant problem areas for the Company today and that the Company should not be in the business. Mr. Sullivan stated that the margins are tight. Ms. Cooper stated that Mr. Stupka's analysis shows a 5% industry margin assuming that a Company bills accurately and timely and has strong collection efforts.

Next,
Ms. Judith Areen asked that Andersen be excused from the meeting so that the Audit Committee could have a discussion with Management. Mr. Melvin Dick and Mr. Kenny Avery excused themselves.

Mr. Francesco Galesi, Ms. Judith Areen, Mr. Jim Allen, Mr. Scott Sullivan and Ms. Cynthia Cooper continued with discussions.

The meeting was adjourned at approximately 5:00 p.m. (EST) on this the 6th day of March 2002.

Submitted by:
M. Bobbitt

Max E. Bobbitt
Chairman