



ANDERSEN

Report to the Audit Committee
Year Ended December 31, 2001



February 6, 2002

Note: This presentation is intended solely for the information and use of management and the Audit Committee of the Board of Directors of WorldCom, Inc. and is not intended to be used by anyone other than those specified parties.

February 4, 2002

Audit Committee of the Board of Directors WorldCom, Inc.

Clinton, Mississippi

Members of the Audit Committee:

Over the next few days we will be completing our audit procedures on WorldCom, Inc.'s consolidated results of operations and financial position, as well as, WorldCom Group and MCI Group as of and for the year ended December 31, 2001. At the February 6th meeting we will be prepared to discuss with the Committee the results of our audit procedures and respond to any questions. In addition, we will discuss with the Committee certain matters, including our independence as external auditors of the Company, which is required by professional standards and the Securities and Exchange Commission.

We will be prepared to respond to questions from the Committee and management about the enclosed materials on February 6th. Of course, we will be pleased to address any questions you have prior to that time. We look forward to meeting with you next week.

Very truly yours,

ARTHUR ANDERSEN LLP

Melvin Dick

Purpose of Our Report

- Summarize our audit approach and audit results for the year ended December 31, 2001
- Discuss our views regarding WorldCom's key accounting principles and practices, transaction processes and judgments and estimates used in the preparation of the WorldCom, Inc., WorldCom Group and MCI Group financial statements
- Communicate matters required by professional standards
- Provide an opportunity for the Audit Committee to ask questions of us as part of discharging their due diligence responsibility



Overall Summary of Results

- WorldCom, Inc. and WorldCom Group and MCI Group balance sheets and income statements are fairly presented in accordance with accounting principles generally accepted in the United States.
- Work is in progress on review of financial statement disclosures and other information to be included in the WorldCom, Inc. Annual Report and SEC filings.



Required Communications to the Audit Committee – Quality of the Company’s Financial Reporting

Significant Accounting Policies

- There were no significant changes in accounting policies in the current year.
- We noted no significant or unusual transactions, or material transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

- Accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.
- We are satisfied as to the reasonableness of management’s current judgments regarding such estimates in the context of the financial statements taken as a whole, based on our knowledge of management’s process for making such judgments, inquiries of management and others regarding such matters, and other audit procedures applied during our engagement.
- Those items representing particularly sensitive accounting estimates are discussed in the following slides.




WorldCom Key - Accounting Principles and Practices

- Revenue Recognition
- Affiliated Transactions
- Capitalization of Internal Use Software
- Income Taxes
- PP & E - Proper Capitalization of Assets
- Pensions
- Long-Term Asset Valuation
- Securitization of Receivables
- Earnings Per Share
- Comprehensive Income
- Segment Disclosure
- Valuation of Assets - Foreign Currency Translation
- New Accounting Standards
- Business Combinations
- Stock Options






WorldCom Key - Accounting Principles and Practices

Area	Assessment
<ul style="list-style-type: none">• Revenue Recognition• Affiliated Transactions• Capitalization of Internal Use Software• Income Taxes• PP & E - Proper Capitalization of Assets• Pensions• Long-Term Asset Valuation• Securitization of Receivables• Earnings Per Share• Comprehensive Income• Segment Disclosure• Valuation of Assets - Foreign Currency Translation• New Accounting Standards• Business Combinations• Stock Options	




Process Effectiveness Assessment - Transaction Processes

- We have held updated discussions with members of management and performed testing related to key transaction processes in order to assess their effectiveness in preventing a material misstatement in the financial statements and to determine whether or not any significant changes have occurred.
- In forming our assessment of each process, we determined whether management has adequate controls to prevent a material error in the financial statements as a result of a failure to properly:
 - capture transactions
 - process data
 - record data in the general ledger
- In assessing the effectiveness of each process in preventing a material misstatement in the financial statements, we have utilized the following scale:
 -  Process is effective
 -  Process is effective, however certain process improvement opportunities were identified
 -  Process is ineffective






WorldCom Key - Transaction Processing Areas

Area	Assessment
<ul style="list-style-type: none">• Revenues<ul style="list-style-type: none">- Revenue Assurance- Revenue Adjustments- Customer Setup- Management reports • Line Costs<ul style="list-style-type: none">- Line Cost Accrual- Line Cost Disputes- Line Cost Allocation Report • Property Plant & Equipment<ul style="list-style-type: none">- Capitalization of Assets- Capitalization of Internal Use Software • Financial Reporting Process<ul style="list-style-type: none">- Consolidation- Post-closing adjustments- Preparation of financial statements – in process- SEC filings – in process	




Process Effectiveness Assessment - Key Judgment and Estimate Processes

- We have reviewed management's process for formulating each key judgment and estimate in order to assess its effectiveness in preventing a material misstatement in the financial statements. We have updated these procedures on a quarterly basis through discussion and analytical reviews and through our preliminary and final testing.
- In forming our assessment of each process, we considered the following:
 - is management using the proper data to formulate the particular judgment or estimate (e.g., historical bad debt rates, historical data, trends, etc.)?
 - does the Company have controls in place to ensure that the data utilized has integrity?
 - is management using the data in the proper way (i.e., rendering an appropriate conclusion)?
- In assessing the effectiveness of each process in preventing a material misstatement in the financial statements, we utilized the following scale:
 -  Process is effective
 -  Process is effective, however certain process improvement opportunities were identified
 -  Process is ineffective




WorldCom Key - Judgments and Estimates

<u>Area</u>	<u>Assessment</u>
<ul style="list-style-type: none">• Allowance for Doubtful Accounts• Accrued Line Costs• Line Cost Disputes• Purchase Accounting• Income Tax Reserves• Legal Reserves and Contingent Liabilities• Asset Depreciable Lives• Impairment of Long-Lived Assets	



WorldCom Judgment and Estimate Processes

Judgment or Estimate	Description	Process Changes	Discussion and Other	Assessment	Residual Audit Risk
Allowance for Doubtful Accounts	The Company maintains reserves designed to cover amounts in accounts receivable which will not be collected.	None	<p>Initial reserves are provided based upon a historical average of net write-offs in relation to billings; additional amounts are provided for conservatism or alternatively via specific reserves.</p> <p>Various analytical measures are employed to assess the adequacy of the reserve.</p> <p>The Company performs a "look-back" test which compares reserves to subsequent net write-offs to determine the accuracy of the reserve estimation process.</p>		None Noted




WorldCom Judgment and Estimate Processes

<u>Judgment or Estimate</u>	<u>Description</u>	<u>Process Changes</u>	<u>Discussion and Other</u>	<u>Assessment</u>	<u>Residual Audit Risk</u>
Line Cost Accrual	<p>Line costs represent charges from LECs for leased lines or traffic termination.</p> <p>Line costs as a percentage of revenues have remained flat at 41.9% on a YTD basis.</p> <p>Line costs are allocated between the WorldCom Group and MCI Group based on minutes of use and revenues.</p>	None	<p>Accruals are based on metered traffic as determined by WorldCom.</p> <p>Disputed amounts are reserved for separately see discussion below.</p>	●	None
Line Cost Disputes	Generally, WorldCom accrues 100% of LEC billed amounts prior to dispute resolution.	None	LEC under billing dispute amounts are maintained for a period of 12 months and are reversed on a monthly basis.	●	None



WorldCom Judgment and Estimate Processes

Judgment or Estimate	Description	Process Changes	Discussion and Other	Assessment	Residual Audit Risk
Purchase Accounting	<p>In conjunction with the Company's numerous purchase transactions the Company has recorded goodwill and intangible balances of approximately \$46 billion. This amount, included in intangibles, represents the largest single asset on the balance sheet and represents excess of purchase price over net assets acquired coupled with unfavorable commitments pursuant to APB 16.</p> <p>Goodwill is divided between the tracked entities based on the respective fair values at date of acquisition.</p> <p>The Company is conducting impairment reviews of all intangible assets and expects to complete this assessment in accordance with the provisions of SFAS No. 142.</p>	None	<p>In the current year, the Company recorded approximately \$5 billion of goodwill additions related primarily to the Intermedia transaction. We worked with the Company to ensure that these additions were recorded properly with respect to authoritative accounting literature.</p> <p>Consistent with the provisions of SFAS No. 142, the Company anticipates disclosing an impairment charge range in conjunction with the 2001 Form 10-K.</p>		None



WorldCom Judgment and Estimate Process

Judgment or Estimate	Description	Process Changes	Discussion and Other	Assessment	Residual Audit Risk
Income Tax Reserves	Reserves are established as necessary for any tax audit exposures.	None	The Company evaluates the need for reserves related to any tax exposures for U.S. federal, foreign, state and local, property, excise, and sales and uses taxes.	●	None
Legal Reserve and Contingent Liabilities	Reserves are established as necessary for legal and regulatory matters.	None	The Company monitors the statues of pending and threatened legal and regulatory matters and provides reserves and/or disclosures based on the expected outcome.	●	None
Asset Depreciable Lives and Impairment	The Company's largest tangible assets relate to the network. Changes in technology over the past years requires management to periodically analyze assigned depreciable lives to determine their appropriateness.	None	We completed a benchmark study with industry standards and found that the Company's lives compared favorably with that of the industry averages.	●	None



Required Communications to the Audit Committee

Audit Adjustments

- We will provide a list of all audit adjustments and discuss both recorded and passed adjustments at the Committee meeting.

Disagreements with Management

- There were no disagreements with management on financial, accounting and reporting matters which, if not satisfactorily resolved, would have been material to the financial statements or which might cause a modification of our auditors' report.

Irregularities or Illegal Acts

- We are not aware of any irregularities or illegal acts committed by the Company or its employees.

Consultation by Management with Other Accountants

- We are not aware of any consultations by management with other independent public accountants during the year about auditing or accounting matters.

Difficulties Encountered in Performing the Audit

- We encountered no significant difficulties in performing our audit procedures to date.

Major Issues Discussed with Management Prior to Appointment

- No major issues were discussed with management in connection with our appointment as auditors, including the application of generally accepted accounting principles or generally accepted auditing standards.



Required Communications to the Audit Committee

Communications Regarding Internal Controls

- Our review of internal controls was made for the purpose of determining the required scope of our audit procedures, not to render a separate opinion regarding the Company's internal control structure.
- There were no material weaknesses in internal controls noted in our testing and evaluation.

Auditor's Responsibility for Other Information in Documents Containing Audited Financial Statements

- We will review the non-financial information included in the Form 10-K (including management's discussion and analysis of financial condition and results of operations) for consistency with information contained in the audited financial statements.

Communications Regarding Auditor Independence

- We are not aware of any issues related to Arthur Andersen's independence that occurred during the Company's fiscal year through the date of this meeting other than those disclosed in the attached letter, which also describes the scope of our services provided during fiscal 2001.

