

8/3/39

ROSE MANUFACTURING COMPANY

Clue to proof that payroll submitted by Rose Manufacturing Company of \$1,800.00 may be false and inaccurate:

1. While inspection of the plant records of Rose Manufacturing Company was being made, Irving O. Rosen, in the presence of Inspector Raymond Lewis and Accountant Bernard Sullivan, made the following statement:

He said that immediately prior to October 24, 1938, there was a great demand by all jobbers and customers for shade pulls as there was a threatened rise in prices as a result of the Wage and Hour law in the entire industry. He said it is therefore safe to assume that when the Act went into effect he had little or no stock whatsoever. He said this was true of all the firms in the industry and that he knows, as far as his firm is concerned, he was practically empty on stock.

In checking the invoices from October 24, 1938 to July 31, 1939, a very careful analysis of each and every invoice revealed that the total sales value of shade pulls produced in this period amounted to \$19,235.93. By relating the sales price to the labor cost of the item it is safe to say that the labor costs were 25% of the sales value. I arrive at this figure by the following proof:

1. During the time that Rose Manufacturing Company was paying 13¢ a gross to its homeworkers, it was receiving 45¢ a gross for the cotton shade pulls. Labor represents approximately 30% of the selling value. Later, the selling value was raised to 52½¢ and the homeworkeer still received 13¢ a gross. This labor cost represented 25% of the sales price. Later, Irving O. Rosen increased the sales price to 65¢ and increased his labor cost to 15¢ a gross. This represents a little less than 25% of the sales price. When Irving O. Rosen paid 16¢ a gross for his cotton shade pulls, he was receiving 60¢ to 65¢ a gross for this product. On the rayon material, Mr. Rosen received, for paying his homeworkers 15¢ a gross, 75¢, later \$1.00 and then \$1.05 a gross for his rayon shade pulls. These figures represent approximately 15% to 18% of the sales price.

From these general figures and realizing that without a further check into the situation cotton was produced and sold in greater

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quantity than the rayon material, it is safe to assume that the labor costs represented 20% of the selling price. These are rough figures and are not stated for presentation before any Grand Jury, but just as a clue for further analysis. Assuming that 20% is the figure to be used; if the firm did \$19,235.93 during the period from October 24, 1938 to July 31, 1939, the homework payroll for this period should be at least one-fifth of that, or \$3,847.19. The payroll submitted by Rose Manufacturing Company for its entire homework payroll, which includes also its tassel workers who were paid a much higher hourly rate than the shade pull homeworkers and who were included for this entire period, amounts to eighteen hundred and some odd dollars. I, therefore assume from this very rough analysis of the situation that there is definite falsification of records and that the restitution figure of eighteen hundred dollars should be completely disregarded until a careful study is made of these invoices. The figure is definitely nearer four thousand dollars than two thousand dollars, and restitution should be agreed upon only with an eye to the larger figure.

There is also \$12,000 in stock on hand.

RAYMOND LEWIS,
Inspector.