

C. L. KELLEY

Mr. James H. Brier

T. H. Donaldson

Visit to Tyler, Texas UNIBESTOS Plant

October 31, 1968

In an effort to determine the reason or reasons for the \$20,000 shortage of Amosite Asbestos at Tyler I made an inspection of the operation from the time the fibers are received until the time they are charged into production.

It is evident from everything that I could learn that this shortage has been accumulating slowly over a period of approximately 2-1/2 years. Prior to the realization that a problem existed, the method of accounting for fiber usage was through the use of a form (Daily Fiber Usage Report) which was prepared by the Feeder, i.e., the operator who actually opens the bags and begins the productive process. This report is prepared for each machine for each shift. At the end of the shift the number of empty bags are counted and inserted at the bottom of the report. When a discrepancy existed between the number of bags charged by the Feeder and the number of empty bags, the Feeder's report was accepted and became part of our accounting records for the period. Over the years many discrepancies between the two figures have been noted. It is the opinion of our plant manager and plant accountant that the Feeders have simply neglected to put the appropriate check mark on their report from time to time over many shifts extending back over the previously mentioned period of time. The confirmed shortage amounts to 2,301 bags, primarily grade D11. This approximates 77 bags per month over the indicated period of short reporting. This averages out to about one bag per shift. In viewing their operation it is not too difficult to imagine that a Feeder could easily overlook a bag from time to time.

Corrective measures have been instituted by the plant manager beginning with a new report, Record of Bagged Material Taken from Warehouse Stock, which has been adopted effective October 21. This is a weekly report which will be prepared by the lift truck operator who removes bags of raw asbestos from stock and delivers them to the Feeders. At the end of the first week's use of this report, the results indicated that the correlation between the warehouse stock disbursement and Feeder requisitions showed, contrary to expectation, that the Feeder had charged more material to his operation than the warehouse delivery report showed. In my opinion this could have resulted from two situations - (1) the Feeders could have been made aware of the current problem and, consequently, checked off a few extra bags to atone for past omissions, and (2) there may have been some initial confusion in balancing the number of unopened bags at the beginning and end of the week at the feeding machines.

When the Tyler management reviewed the results of the use of the report after one week and noted the discrepancies, they immediately added an additional control feature in that the content of each lift truck delivered will be checked by the supervisor in charge of the particular shift. It would appear that we now have three independent methods in accounting for the usage of asbestos. I have asked that we receive each week the results of the three separate counts. They should very shortly be in near agreement. I believe that, within the next few weeks, the differences of the past months will be

THIS DOCUMENT WAS NOT A RECORD OF
PPG INDUSTRIES, INC. DID NOT COME FROM
IT'S FILES AND CANNOT BE AUTHENTICATED
BY PPG INDUSTRIES, INC.

BB 0023709

5104

narrowed down to the point where we will have nearly total agreement. If each of the people responsible for the reporting becomes aware of the importance of the situation and the fact that we are insisting upon accuracy, there would appear to be no valid reason for continued discrepancies.

I thoroughly investigated the controls and procedures for accounting for the inbound shipments of fibers to ascertain if our counts were true and correct. We control from this office the accounting for asbestos until it reaches the plant gates. All shipping papers and supplier invoices are received through Pittsburgh and costs are transferred to Tyler. Therefore, we know exactly the quantities for which we have been charged by our supplier and we have certified "on board" bills of lading indicating the receipt of the proper quantities by the master of the vessel carrying our material. Further, we obtain appropriate dock receipts and inland bills of lading showing the number of bags consigned to Tyler. Any discrepancies at this point are handled with our insurance carrier, as we are fully insured from the port of departure to our plant. Therefore, we have complete control until the material is physically unloaded at Tyler.

I was advised that the outside labor force that is brought in to unload these materials has left a lot to be desired, particularly until very recent times. This unloading has always been done at night and will continue to be done at night for two reasons - (1) we do not have the automatic trucks available in the daytime, and (2) in the summer months the heat is so oppressive that an unloading crew could not be obtained. The type of crews that we have gotten from Manpower have, for the most part, consisted of derelicts and others of this ilk. Some of these men have arrived for work in a drunken condition, fights have taken place among them, and the output per man had been extremely low. These people had been under the impression that all they were to do on a night shift was to unload a car of asbestos, charge for eight hours, and take off. The Tyler management has instituted a program whereby Manpower is paid per bag. This incentive keeps the men working fully through the entire shift with the result that we are getting perhaps twice as many bags unloaded than in the past. The count is made by the driver from Manpower who operates the lift truck and supervises the crew. Theoretically he does not know how many bags are loaded in a car, but in actual practice his experience would indicate to him that a car normally contains 800 bags. It is possible that his count could be shaded by this knowledge. However, I don't think that our shortage lies in this area, since we are getting consistently good counts at our Port Allegany operation, which is handled by our own people. The law of averages would indicate that shortages from the ship would apply to both locations.

I reviewed the accounting controls which have been established by Mr. Snavely for reporting the receipts and disbursements of the asbestos. The controls are good and adequate, but they are dependent upon accurate and complete reports from production. Ed Snavely and his accountant, Miss Martin, have gone back through all of their raw material disbursement records for a period of three years and have re-checked their summary sheets mathematically. They have checked all of the postings to their inventory records and are satisfied that this shortage is not a result of an accounting error. I reviewed their method of maintaining these records and have no criticism of any nature in this regard. I believe they are doing an excellent job, and there is no necessity for any change in this area of the operation.

I discussed in broad general terms the problem of properly accounting for asbestos with Mr. L. Trnovac, General Auditor of Union Asbestos, without revealing any special situation or actual indicated shortage. Lou has been an old friend of Pittsburgh Corning both during the purchase of the UNIBESTOS business and with certain mutual accounts where we have both extended credit. He informed me that the problem of properly reporting asbestos usage existed in the days that they operated this business. They had learned that there was a tendency for the operators to "requisition" raw asbestos from stock without recording same. This took place primarily at night and on weekends. It seems that in certain sizes they obtain better results by using a higher proportion of raw material and cutting back on scrap. Lou also suggested that our raw material mix reports could indicate a possible excess use of raw asbestos. However, Ed Snavely had already checked this factor and found no deviations from the normal percentages.

In summary, it is my opinion that the shortage has been isolated to bad reporting by the Feeders over an extended period of time. Steps have been taken to rectify this situation. We will receive each week copies of the three independent reports so that we may be apprised as to the progress or lack of progress in the establishment of a sound reporting system. For your added information I have attached a copy of the Daily Fiber Usage Report and a copy of the new Record of Bagged Material Taken from Warehouse Stock Report.

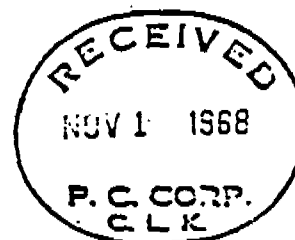
The people at Tyler were extremely cooperative, most informative, and did everything possible to make my visit worthwhile. I believe that my having visited with them and having gone through the entire plant operation with Van and Ed will have a beneficial effect on all concerned in the reporting function in that they thoroughly realize the gravity of the situation.



T. H. Donaldson

THD:tss

cc: Mr. C. L. Kelley ✓
Mr. F. R. Maston



BB 0023711

5105

THIS DOCUMENT WAS NOT A RECORD OF
PPG INDUSTRIES, INC. DID NOT COME FROM
IT'S FILES AND CANNOT BE AUTHENTICATED
BY PPG INDUSTRIES, INC.