



Chapman, Spira & Carson, LLC

Another Business for the Big Five

In one of the stranger one of the stranger bits of accounting that the Big Five engages in, we have the auditing of overseas factories in order to tell if they are treating their workers in a human manner and are paying them a living wage. PricewaterhouseCoopers is the largest accounting firm analyzing this data, they do over 6,000 of these audits a year for among other companies. Nike, and they have recently been charged by Dara O'Rourke, an M. I. T. professor with having a corporate bias. Included in the rap on Pricewaterhouse is the fact that they have a tendency to overlooks carcinogenic chemicals that the workers were exposed to, 80 hour work weeks that they were obliged to put in, falsified timecards that tended to underestimate the hours put in by employees and missing health and safety features that were intended to protect workers from external problems.

These audits have become increasingly important to consumer groups as they have become more interested in analyzing the human side of the manufacturing business. Colleges have also become intensely interested in the process in order to insure that improprieties do not occur in the manufacture of their own branded merchandise which is often produced in the Pacific Rim. Student groups have now started criticizing the audit entire audit process as a self fulfilling for the Universities and corporations.

The New York Times on 9/28/2000 in an article by Steven Greenhouse said that "Professor O'Rourke, who has inspected more than 100 Asian factories for the World Bank and various United Nations organizations, called on universities and companies to demand more rigorous monitoring efforts. He criticized Pricewaterhouse inspectors for failing to identify that workers in a garment factory in Seoul, South Korea, used a spot remover containing benzene, a carcinogen. When he visited a factory outside Jakarta, Indonesia, he found that the firm's inspectors had overlooked the same problem during an earlier inspection. He also faulted the firm's monitors for not noting that the labor union at a Shanghai garment factory was, like most Chinese unions, controlled by

management. And he criticized the inspectors for failing to note that little information was given on chemicals used in the factory and that some workers did not wear proper gloves, masks or whose while doing dangerous tasks or handling dangerous materials.”

Most of the people that read the report by O'Rourke were taken somewhat aback by the report and indicated that they were previously unaware of a pro-management bias by Pricewaterhouse in this type of study. But some indicated that the accounting giant was not being paid to create bad publicity occur for their own clients. Thus, most of those contacted thought the process to be much needed but of little real benefit when the very outcome that the client fears the most, being labeled a sweatshop producer was being determined by their own accounting firm who they were paying. Hardly the kinds of conflicts that are likely to build consumer confidence.