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Authority 785007  
By NND NARA Date 12/18

**Report First Part on the Auditing of the  
Business Books and Proofs of the Austrian  
Sugar Industry A.G., Wien I, Elisabethstr.18**

**Auditor  
Engineer  
Gunn, S. Walker**

This audit took place by order of Dr. Rudolf Freiherrn  
Von Rosenfeld-Waldheim during the time April 20 until May 20, 1938  
in the offices of the aforementioned company.

1. It was the purpose of this audit to find out whether  
the business books agreed with the legal decrees and whether all  
expenditures are approved.

2. Whether the balance includes the whole business of  
the company and was made out on the consideration of the legal  
prescriptions with regard to tax matters with the care of an  
ordinary business man.

3. Whether the business results of the balance complied  
with facts.

For the leg of material this report was divided into two  
parts, the first part includes item 1 and 2 while item 3, the se-  
cond part of the report, will explain the business economic inves-  
tigation. The enclosures to the individual reports are appended.  
The following report is being made out by myself on the carried out  
investigation of the business years 1937/38 until 1937/38 on the  
basis of the books and documents of the company and on the explana-  
tions and the proofs submitted by Director Victor Pfeiffer.

**REPORT**

Documents for the auditing investigation (all books of  
the company) .....

For the auditing of the business account only the books  
for last four years were taken into consideration as the auditing  
of the last annual balance was carried out by special investigation,  
the commission for the Making out of Statutes.

**LEGAL CONDITIONS**

The Oesterreichische Sugar Industry A.G. has its home in  
Wien I, Elisabethstrasse 18. The factory is located in Markt a.  
d. Leitha. The share capital amounts according to the last balance  
sheet of July 31, 1937 to S 10,000,000 in 20,000 bearer shares at  
par value of S 125.- per share. The last increase of the share ca-  
pital from S 8,000,000 S to 10,000,000 S was agreed upon in the last  
general regular meeting of September 7, 1935 through conversion of  
reserves in the amount of S 2,000,000.-. The conversion was made out  
in a way that the par value of the individual shares was increased  
from 100.- S to 125.- S. ....

On occasion of the annexation of Austria to the German  
Reich, the former cashier of the company, Dr. Viktor Misch, was  
appointed Director of this company, according to letter of March  
18, the current year. At the same time he was also chosen into the  
Board of Administration and was also appointed as Chairman Adminis-  
trator. Since May 10 of the current year, Director Rudolf Baumgartner  
is Chairman Administrator. Furthermore Executive Managers have been  
made in the Board of Administration. The business has always begun

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with August 1st and closes down 31 July of each year.

ACQUISITION OF THE A.G. FUER LANDWIRTSCHAFTLICHE

BETRIEBE.

Among others there were also in possession of the company the shares of the A.G. fuer Landwirtschaftliche Betriebe, the offices of which are located in the same building in which the offices of the Sugar Industry. The shares of this company, i.e. 20,000 shares were bought during the time December 22, 1931 till July 31, 1932 from miscellaneous owners for the total price of \$ 1,200,000.00, by the Oesterreichische Zucker Industrie. Therefore, the average price for one share of the A.G. fuer Landwirtschaftliche Betriebe, amounted to \$ 60.00.

The banking institution Auzpitz Lieben & Co., acquired on December 22, 1931 7,796 shares at a total price of \$ 382,000.-. Member of the Board of Administration Wilhelm Loew bought on July 31, 1932 2,207 shares at \$ 80.- = \$ 176,560.-. The proofs of the documents of the Oesterreichische Zucker Industrie A.G. do not show by whom the remaining shares were purchased. In the year 1932 the shares of the A.G. fuer Landwirtschaftliche Betriebe were written off to \$ 1,000,000.- and in the year 1934 a further \$ 100,000.- were written off so that the shares of the A.G. fuer Landwirtschaftliche Betriebe appear in the last balance of Oesterreicher Zucker Industrie A.G. and \$ 900,000.

Furthermore, it would have to be mentioned that the A.G. fuer Landwirtschaftliche Betriebe is in possession of 40,000 shares out of 50,000 shares of the Vereinsmolkerei A.G. Wien. So that the Oesterreicher Zucker Industrie A.G. is through the share possession of the A.G. fuer Landwirtschaftliche Betriebe, also owner of the Vereinsmolkerei A.G. Wien.

1. Concerns bookkeeping and documents.

General.

Investigation of the business books and proofs it was ascertained that not only repeatedly erasures in the books but also changes in the text of the documents were carried out. To illustrate this fact reference is made to cash voucher 384 of November 25, 1934 belonging to the voucher 384 of January 20, 1935 (Enclosure No.1) six bottles of radiator fluid were bought. To make the bookkeeping as unclear as possible there were several times accounts transfer carried out; also it could be ascertained that in the books of the Oesterreicher Zucker Industrie the credit accounts of the members of the Board of Administration were booked to the debit of the business calculation while in the books of the A.G. fuer Landwirtschaftliche Betriebe these credit accounts were booked as money payments to the persons concerned.

There also were several times invoices which were made out by a supplying firm for the purpose of an advance payment booked as real bills and the amount was taken out of the cash to the debit of the business calculation. Special reference is being made to the fact that this manipulation, which would be called fraud, began to a greater extent in the year 1931 when the group Auzpitz Lieben, after the breakdown of the banking house Auzpitz Lieben & Co., had acquired the share majority through purchase of the shares from this banking institution.

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According to letter of September 16, 1931 from Dr. Rudolf Bienenfeld addressed to the Oesterreichischer Zucker Industry A.G., Dr. Bienenfeld supports information that he had to hand over as follows the shares of the Oesterreichischer Zucker Industry taken over from Rothmilla, Oesterreichischer, Credit Anst fuer Handel und Gewerbe Eskompte Gesellschaft and from Auzpitz Lieben & Co.

from Dr. Arthur Loew	20,180 shares
" Ferdinand Bloch-Bauer	6,990 shares
" Gustav Bloch-Bauer	2,820 shares
Total	30,074 shares

At the breakdown of the banking house Auzpitz Lieben & Co., the Oesterreichischer Zucker Industry A.G. had, according to the minutes of June 28, 1937 and according to a letter of June 28, 1937 from Dr. Ludwig Braxler, granted an allowance of \$ 1,442,452.80. According to these minutes there was still a remainder of \$ 114,746.22 outstanding. Also an allowance of \$ 20,000 granted for this amount according to aforementioned minutes.

In the following years there were various book entries made to the debit of the business calculation but these amounts were not cancelled but taken out by Karl Bloch-Bauer presumably for own purposes or graft. Therefore, not only the business results were made worse by these manipulations and as a result of this less taxes were not paid, but also the shareholders had to suffer damage for these amounts taken out.

To make the bookkeeping as unclear as possible it may be for tax reasons or to be able to book illegal drawings from the cash various accounts and methods were used. The endments for these accounts took place in the form that partial amounts were directly booked to the accounts concerned to the debit of various business accounts, and partly through the fact that amounts were credited to these accounts as payments. For various expenditure items only insufficient proof is available. These insufficient proofs do not show signatures of receivers of payment but only the initials of the member of the Board of Administration Karl Bloch-Bauer or another person (?).

In order to illegally restore money from the cash they used fictitious invoices or double accounting of advance payments. Further they withdrew money from the cash in such a way that incoming money resulting from reimbursement of excess payments was not booked at all. Further they illegally took the interest reimbursement of the Laenderbank, which according to a statement of Director Praeffler, Director Karl Bloch-Bauer had these amounts which were reimbursed each half year, paid to himself personally by the Laenderbank.

#### ERASURES

The purpose of all these manipulations was obviously to use various amounts for another purpose than the one which was stated and also to make the business accounts appear smaller for tax reasons so that through these smaller taxes had to be paid. Erasures and changes in the text and the carrying out of wrong book entries were not only used as false proofs but also several times erasures and changes in the text took place as, for instance, in the ledger, page 18, of the Nov. 6, 1937, the text was left out. On page 181 of the same ledger on the account of transfer Anna's Zucker Handel, an acquaintance of President Bloch-Bauer, the text on December 11, 1937 and on the same account on November 25, 1937 also the amount has been erased. (Other incidents were cited).

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On March 14, 1936 there is also the text erasing, but it was done badly that one could see that formerly there was the word "payment".

### Management of Cash

(Incidents cited were changes in the figures when the books were made.)

### Futures

It can not be ascertained how far such futures business were carried out in the business books of the company with regards to this the following book entries were made in years 1929/30. ....

### Hidden Accounts

#### Hidden Account of President Ferdinand Bloch-Bauer

The following hidden accounts were carried for his account: "August Mueller, Praha" (See enclosure 5). The endorsement of this account took place by transfer in Czech Crowns. In February 1929 according to cash ledger, page 138 of February 14, 1929, there is a payment of \$ 45,000 to August Mueller shown. The bill comes from the Boden-Cranst and reads "to Ferdinand Bloch-Bauer". The turnover on this account amounts to 2,000,000 Crowns, that is \$ 420,000.

#### R. Bloch-Bauer, Vienna (enclosure 6)

This account begins with balance carried forward on August 1, 1927 in the amount of \$ 74,116.44 or \$ 524,060.05. Furthermore, the Swiss France account R. Bloch-Bauer Vienna which appears on August 1, 1927 was a balance carried forward in the amount of Swiss France 100,311.11 or \$ 137,448.00. Both of these aforementioned accounts were liquidated on December 31, 1927 and on the same day the account R. Bloch-Bauer, New York was opened at \$ 100,000.-, that is \$ 707,400.-. The liquidation of this account took place through payment on Nov. 29, 1929 (see enclosure 6.) No interest are accounted on the account R. Bloch-Bauer, New York. According to the documents discovered No. 341 of July 21, 1929 there were \$ 32,267.32 paid for interest for R. Bloch-Bauer, New York to the debit of the interest account. This document is only signed by the former Director, Dr. Fitcher. To the hidden account for "Verkaufsgesellschaft Der N.O. Kautzer Fabriken, Wien, Ayrtrung-Ruston-Kont 1928/29". (Enclosure 7), \$ 201,721.- were accredited to the debit of the Ruston account on July 30, 1928. The text says \$0,000 a book 1931/32. The entries in the text took place on the basis of document No. 129 in the primary notes, page 104. In November and December 1932 and on February 1, 1933 there took place drawings to the debit of this account. The referring cash bills are partly signed by Ferdinand Bloch-Bauer and partly by Karl Bloch-Bauer. These bills do not show the signature of the person who has actually received the money.

A further hidden account is to be found in the balance account 18 on page 222 (enclosure 8) under the name "Verkaufsgesellschaft Ruston-Kont 1928/29". This account was opened on July 21, 1929 with \$ 112,000.-. The transfer in the books of this account was carried out into two special accounts, one, \$ 72,000.- paid according to bill No. 129 for freight and transporting expenses and according to bill No. 130 for Rabbits Freight \$ 40,000.- under the same bill number. The aforementioned amount total \$ 112,000.- was drawn out during the

time November 30, 1932 till June 30, 1933 in four partial amounts. The bills referring to these show the initials of Karl Bloch-Bauer. Furthermore, there exists a hidden account under the name A.G. fuer Landwirtschaftliche Betriebs-Konten (enclosure 9), which on July 31, 1933 according to primary note document 193 entered to the debit of the Betriebs account. Also the drawings to the debit of this account took place in four partial amounts during the time November 16, 1932 to December 7, 1932. The bills referring to these are signed by Ferdinand and by Karl Bloch-Bauer. No corresponding account was found with the A.G. fuer Landwirtschaftliche Wien.

Hidden Account - Director Karl Bloch-Bauer

He used the account Karl Berger Wien which was opened on May 24, 1933 with payment of \$ 60,000.- (enclosure 10). This account remained unchanged until January 4, 1933. On this day a further \$ 5,000.- were accredited to this account according to Wiener Kasse, page 18. From this total amount of \$ 65,000.- there were \$ 60,000.- drawn out in three partial payments during the time October 30 until November 17, 1932 and the remaining balance of \$ 5,000.- is still open according to balance account. A further hidden account for Karl Bloch-Bauer was carried under the name Karl Baumann (enclosure 11). This account was opened on January 19, 1932 with the payment of \$ 12,000.- though the account was increased to \$ 90,000.- through investments during the years 1932, 1933 and 1934. On January 28, 1936 \$ 80,000.- were taken out. The remaining balance of \$ 10,000.- was on March 28, 1933 by order of the Comptroller Manager, Mr. Melak, used for the covering of a cash debit of Ferdinand Bloch-Bauer. A further hidden account for Director Karl Bloch-Bauer was carried under the name Kurt Bruegler, Bern (enclosure 12). This account begins on January 2, 1930 with investment of Sw.Frs. 10,000.00, that is \$ 18,000.-. This account was increased to Sw.Frs. 45,192.- that is \$ 61,736.31 (as of May 26, 1933) through further investments in the years 1930 and 1931 and also through a crediting of the interests. On May 28, 1933 this credit account was drawn out at once. While the interest for starting the second quarter 1931 were always accredited to the account on July 31 and December 31, 1930 and July 31, 1931, the payment of interest took place direct through the cash. The interest amounted to \$ 3,366.38.

Hidden account of Dr. Gustav Bloch-Bauer.

For Dr. Gustav Bloch-Bauer the account Gaston Bracquard, Brussel was carried. This was a Konto septes Schilling account (enclosure 13) and dollar account (enclosure 14). Before August 1, 1927 the Konto septes was carried with the balance of \$ 16,337.80 (enclosure 14-a) and was drawn out on December 31, 1927 with \$ 10,337.80. The Schilling account begins on August 1, 1927 with a balance of \$ 20,000.00 and was also drawn out on December 31, 1927. The dollar account begins on August 1, 1927 with a balance of \$ 25,000. that is \$ 177,712.80. A payment of \$ 17,000.- took place on December 31, 1927 and a transfer of \$ 25,000.- took place on October 9, 1928 to this account. The highest state of this account was August 1, 1929 with \$ 40,000.- that is \$ 425,887.56. This account was drawn out in various partial amounts in the year 1930 and 1931. On March 2, 1931 the equivalent of \$ 44,000.- that is \$ 316,083.00 was booked under expenditures as transfer. No account accounts of interest appear on this account, but a bill that is cash bill 149 of July 31, 1929, was found according to which \$ 2,500.00 and \$ 700.00, that is \$ 3,200.00 (enclosure 15) were paid out for interest to Gaston Bracquard Brussel. This bill does not show any drawings and was booked direct to the debit of the interest account. After cancellation of the dollar account Gaston Bracquard, Brussel on March 2, 1931, the account Schweizer Bankverein Brussel was the continuation. This account was opened on March 2, 1931 with the payment of Sw.Frs. 200,000.-

that is \$ 110,100.- as of February 28, 1931. The highest state of this account was on August 1, 1930 with \$ 307,347.50. Repayments were started in October 1930 and on December 17, 1930 the account was closed when the last repayment of \$ 72, 289.50 was made.

Furthermore, another hidden account was carried for Dr. Gustav Block-Sauer under the name of Franz Franz Wien (enclosure 18). This account was started on December 20, 1931 with the payment of \$ 400,000; after this account was drawn out into lots on June 7, 1933, \$ 80,000.- were paid in again. On October 21, 1933 this account plus interest was drawn out and the account was cancelled.

#### Hidden Account for Mrs. Rita Georg

According to enclosure 10, three hidden accounts were carried for Mrs. Rita Georg. The account Rita Joseph Berlin was opened on January 15, 1931 as an investment of \$ 5,000.20, that is \$ 21,937.60.

Another account was opened in the name of Goldmann Sachs & Co., New York on 27 August 1931 with the payment of \$ 2,000.-, that is \$ 63,913.68. --- After the cancellation of the account Goldmann Sachs & Co., November 11, 1933, of the account was changed to Rudolph Josephi and the state of the account as of April 1, 1933 after various investments and repayments had taken place was \$ 8,281.82.

#### Hidden Account of Fritz Stockinger, Minister of Commerce

For the firm Fritz Stockinger, the account "Johann Gabler Vorn.Jakob Geary" was carried. For Stockinger personally an enabling account was opened on the books of the company in name Franz Gradler Vienna on January 4, 1930 with an investment of \$ 40,000 (enclosure 21).

#### Illegal Drawings

The payment for the above mentioned hidden accounts were made partly in cash, partly by crediting interest or remittances. These amounts, which were credited under the title cash seem to be amounts which were booked in the form of fictitious invoices, accounts of double advance payments, payments of freight charges for which there exist no proofs, payment of fictitious invoices for sacks and sacks, etc. Further these amounts seem to have been taken from the fictitious payments which were supposed to have been paid for reimbursement of drainage works, repairs of boat scales, for payments to various big and small boat grooves. All these proofs don't show any signature which could be considered as correct receipt, chiefly the initials of Karl Block-Sauer. On examination of the proofs which show the remark "Payment of freight charges" it was ascertained by the freight book that freight amounts shown in the proofs concerned were never paid and that they are therefore fictitious items.

The particulars of these illegal accounts can be seen in the enclosures No. 22 to 26 for the years concerned. The tax authorities were informed and the part of these accounts already on April 7, 1933 of the balance and of April for the purpose of cancelling the cooperation cancellation of all these illegally obtained amounts was carried out in the books of the company to the credit of Rudolph Josephi and Korte (enclosure 21-2). The amounts illegally drawn out to

The debit of the corporation account on the basis of fictitious invoices amounted in the individual business years to, according to enclosure 29, as:

1923	1923/20	\$	4,000.--
1924	1923/21	"	1,000.--
1924	1923/22	"	297,188.--
1925	1924/23	"	230,227.84
1926	1925/24	"	418,848.18
1927	1926/25	"	408,981.83
1928	1927/26	"	427,244.06
	1928/27	"	1,000.--
1929	1928/27	"	348,439.43
	1929/27	"	28,417.43
1930	1929/28	"	27,208.02
Total		\$	2,813,417.77

Remarks to the business year 1929/30:

In the year 1928 according to document 373 of Nov. 22, 1928 there were \$ 2,800.-- under the title of freight compensation Zucker Fabrik and according to document 379 of Nov. 23, 1928 for freight compensation Siegenhorf \$ 1,000.-- shown as cash expenditure. The corresponding proofs show only signature of Karl Bloch-Bauer.

Explanation for year 1930/31:

According to proof 390 there are two documents available under one number on Oct. 24 and 27, 1930 which show the remark Propaganda by order of President Ferdinand Bloch-Bauer, \$ 2,500.-- signature illegible. Further without any text he signed as aforementioned \$ 2,500.-- to come to \$ 5,000.--.

Explanation of business year 1924/25:

According to document 105 of May 2, 1930 there was an amount of \$ 1,000 account to the debit of the operation account without any explanation.

Explanation of business year 1926/27:

Besides the cash entries which are shown in enclosure 29 there were booked through the primary note and cancelled in the year 1930.

For best expenses	\$ 10,661.01
For saks and packing material	\$ 27,786.42
Total	\$ 38,447.43

Therefore these two entries are also to be separated. The way in which these illegal withdrawals were carried out as well as the way in which they were accounted, is to be seen from the enclosed so that it is not necessary to show them here once again. Reference is being made to the double accounting of advance payments.

In the year 1926 to 1927 there was an amount of \$ 4,000.-- accounted to the debit of the account for best expenses, for advertising costs according to proof 391 of September 1926. The original proof is only signed by Karl Bloch-Bauer. It is conceivable that a receipt for \$ 25,000.-- for best advertising is appended to this original proof. This receipt shows the signature of Koller (see enclosure 7).

Reimbursement of Excess Freight Not Booked

The Oesterreicher Bundesbahnen granted various reimbursements of which two amounts were not booked in the cash book according to enclosure 31 were reimbursed but not booked \$ 5,488.- on November 3, 1933. On January 10, 1934 the Postsparkasse received the amount of \$ 28,000.- according to voucher 36/373. This amount, however, was not booked at the Postsparkasse. On 11 January 1934 the check was written out amounting to \$ 132,000.- but on the Postsparkasse's account only \$ 103,000.- were booked whereby the amount of \$ 29,000.- disappeared. All together \$ 34,388.- for reimbursement for excess freight were not booked. Interest reimbursement of the Laenderbank was not entered in the books. The Laenderbank reimbursed semi annually interest which in the individual years amounted according to statements of Director Pfeifer (enclosure 32) 1933/34 \$ 15,268.07

1934 - 35	\$ 19,076.09
1935 - 36	\$ 80,904.38
1936 - 37	\$ 14,862.30

Total \$ 130,210.54

These amounts were withheld from the cash in the way that according to statements made by Director Pfeifer, Karl Bloch-Bauer had the Laenderbank paying him personally semi-annually these sums and did not deliver them to cash of the company.

Charity Contributions

The amounts paid out by the company under the title "Charity Contributions" are considerable higher in the large individual years. They amounted, for instance, according to enclosure 33 in 1927 till 1933 to \$ 21,376.46.

Enclosure 33 - 1927-33	21,376.46	Whereof goes to the share of the Central Charity Contribution Fund
" 34 - 1933-34	10,806.87	
" 35 - 1934-35	139,817.88	107,800.-
" 36 - 1935-36	144,618.88	95,872.-
" 37 - 1936-37	208,488.-	173,316.-

Especially large are the payments made to the Central Charity Contribution Fund. It would have to be found out for which purpose these Charity Contributions were used. (This Contribution Fund is said to be administered by the Leipzig Lundenburger).

It also would be interesting that Dr. Emil Hoffmannsthal received contributions of \$ 2,000.-, as Dr. Hoffmannsthal belonged to the Board of Directors of the shareholders society, which society represented the interests of the small shareholders the contribution given to the aforementioned persons seemed to have served for special purposes.

(The following paragraph disclosed contributions to a fund which campaigned for reelection of Schussnig).

Paragraph 2

Subject: Bookkeeping with reference to tax payments:

As it can be seen from the aforementioned explanation the deterioration of the balance results which were made through fictitious invoices and other manipulations are also of influence to the tax payments. This is not only tax concealment, but also subvention. This



refers not only to the tax conditions of the company, but also especially to the tax conditions of the individual members of the Board of Administration and those persons which received payments under hidden names. It would have to be investigated by the tax authority whether the same was done as well as all the other owners of hidden accounts declared their interests from the accounts with the company and whether they paid the taxes referred heretofore as, for instance, income and rent and capital taxes. The tax concealment and evasion took place in the way that not only fictitious invoices were entered in the books for the purpose of falsifying balance results but also in the form that when estimating the stocks the value were put in at a very low rate or that individual items of the stocks were not taken into consideration at all.

The following breakdown shows what differences there exist in the valuation of the stock:

Business Year	Actual Inventory according to valuation of the factory	Balance sheet Figures	Under valuation in Percentage
1932 - 33	5,203,166.96	4,375,275.61	13.070
1933 - 34	5,407,644.93	5,214,312.83	9.366
1934 - 35	9,400,976.14	8,402,119.55	10.746
1935 - 36	12,877,561.22	10,169,367.55	18.800
1936 - 37	9,825,146.21	7,180,734.27	18.642

If the company informed the tax administration in its answers of the fact that the inventory was estimated at the rate of 5 percent below the market price and that no other depreciations from those values took place this is not true, as it can be seen from the foregoing breakdown the undervaluation amounts to approximately 9.5% to 18.8% in the individual years.

Furthermore, it has to be taken into consideration that the estimation basis of the individual tax years was made smaller because of illegal withdrawals and fictitious entries which have been mentioned in the first part of this report. According to the cooperation tax payment order a copy of which is enclosed the former taxation basis would have to be increased not only for the undervaluation in the inventory estimation, but also for the illegal withdrawals, as follows:

Encls- ure No	For Year	Basis for the taxation according to pay order	Accounts for which the estimation basis was reduced		
			Ficti- tious Items	Int. not booked	Reimb. for excess int. not booked
1936	1936/39	1,140,000.-	4,000.-	-	-
1939	1939/41	800,000.-	5,000.-	-	-
1940	1941/42	3,254,000.-	307,182.-	-	-
1941	1942/43	2,379,700.25	229,233.94	-	-
1942	1943/44	2,547,000.-	412,522.18	14,358.07	34,489.-
1943	1944/44	25,700.10	-	-	-
1944	1944/45	3,503,077.01	403,281.53	19,076.09	-
1945	1945/46	5,550,000.-	497,044.05	89,004.20	-
	1946/47	-	242,847.26	14,242.30	-

The cooperation tax item which in this way was not delivered to this government, without taking into consideration undervaluation

of the inventory, amounts to \$ 665,509.25 for the time 1928-30 until 1935-37. No final estimation is available for the last year. Large statements of accounts and explanations are enclosed to the former answers but the aforementioned fictitious debits and illegal withdrawals for which the estimation basis was reduced are not mentioned.

On April 8, 1938 a partial correction of the corporation taxes for the year 1934-35, 1935-36, 1936-37 was made by the company in appeal to the tax administration. On the basis of this appeal (see enclosure 1 of the Interim Report No. 1), the tax authority increased the original estimation basis of the year 1935-36 from  
3,256,600 by  
420,067.36  
3,746,667.36

The differences from cash proceeds and interest reimbursement which were not entered in the books as ascertained in the course of this revision, are not yet included in this correction. These accounts, as well as differences of the other years, were only later in the beginning of May declared by the company to the tax authorities but not only is the corporation tax seen to have been reduced for the aforementioned accounts but also the income tax declarations of the persons in question were seemingly made out incorrectly. As today it is not any more to be ascertained who received the bribes and grafts from the illegal withdrawals, it has to be presumed that these withdrawals must be added to the income of the family Bloch-Bauer. The same is to be said with regard to the crediting of interests for the hidden accounts if they are not contained in the tax declarations of the individual persons.

SUMMARY

The total bookkeeping can by no means be considered as regular bookkeeping because of irregularities, erasures and washings which were made especially in the years prior to 1931, furthermore because of false book entries and repeated concealments. For the aforementioned reasons this bookkeeping also can not be considered as fully able to bring proof. Some manipulations are of a kind that one can call them fraud against the State and the shareholders. The founder of all these manipulations seemed to have been Karl Bloch-Bauer. He was described by employees as being rough, selfish, always thinking of his own advantage, one who does not take into consideration his surrounding, also seemed to have forced his employees, by constantly threatening them with dismissal, to carry out such manipulations. According to information given him, Karl Bloch-Bauer was able to visit Schussnig, Stockinger and other members of the government without previous notification. The aforementioned person was able therefore under the protection of the former system government and it would have been in vain to enter a claim under the former system under these circumstances. It is to be explained by the aforementioned reasons that when the employees did know of these manipulations and did not ask for legal proceedings against the persons concerned. It has to be said that only through the detailed explanations given by Dr. Victor Pfeifer and the other employees, it was possible to carry out the investigation of the business books of the years 1927/28, 1937/38 in this considerably short time. It was possible to bring a part of the shares of the company to foreign countries only due to the fact that Karl Bloch-Bauer as counsel could always bring over the binders luggage which was not to be controlled; thus the removal of property to foreign countries was simplified. The tax authorities will have to find out to what extent the tax concealments and the defrauding by the persons concerned was carried out.

According to statements given by Director Pfeifer large amounts are said of having been given to Mrs. Belfuss and the children of Belfuss. It could be ascertained that Stockinger and neither

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received advertising costs (11,000 pounds), reference to this  
and also in this report, the government has an unfair charge  
for the bills and the shareholders for their dividends in the follow-  
ing amounts:

1. For the 1. year withdrawal in the amount of \$ 2,518,417.77
2. For not booked reimbursement of amount  
Freight \$ 24,100.-
3. For interest not booked \$ 100,510.04
4. For a difference from the figures which  
is not any way to be ascertained

Finally, it is to be remarked that through these manipulations not  
only the government and the shareholders did we suffer damage but  
that also the whole economy had to suffer through this operation.  
As it is proved in the second part of this report on the operation  
around the sugar price could have been reduced without the least  
price having to be reduced. Through this a service would have been  
rendered not only to the agricultural but also to the whole economy.

The Auditor  
Engineer Guido Valcher  
Vienna, May 20, 1938.

Lordsburgstrasse 108/20  
Phone 2-47000

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