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**The Accounting Profession Goes to War:  
Accounting Contributions to World War II**

A Dissertation

Presented in Partial Fulfillment of the Requirements

For the Degree of Doctor of Philosophy

In the School of Accountancy

The University of Mississippi

Mark Ernest Jobe

December 3, 2010

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## **ABSTRACT**

The World War II era ushered in a period of dynamic upheaval in American society. To safely navigate the stormy seas of commerce and governance, men of integrity, ability, and leadership were essential. Time and again, the nation turned to accountants to chart the proper course. And the accounting profession responded to the war and all its concomitant demands in a most splendid fashion. While the accounting profession was actively engaged in promoting the war effort, the war was exerting its own influences by shaping the duties, demands, and prestige of the accounting profession.

The profession responded to the war by yielding its young men to the armed services, while older, seasoned accountants served in a host of critical capacities within the War Department, war industries, and governmental agencies. Whether in uniformed service or in civilian advisory capacities accountants advanced the nation's war aims, and augmented the rising tide of the profession's prestige.

In addition to the efforts of individual accountants, the accounting societies through their leadership, committees, and publications went to great lengths to facilitate the smooth running of the nations' war-time economy. The leaders, through both word and deed, allayed fears, provided direction and inspiration, and constantly prodded accountants to greater service. Societal committees provided timely information and advice to governmental agencies, to congressional committees, and to accountants plagued by a host of new accounting complexities brought on by the war. Finally, through their publications, the accounting societies informed, guided, and honored accountants in their service to the nation.

The war led to many changes in the accounting profession. Those in public practice were forced to reevaluate long-held notions of who could be an accountant, and of how auditing work should be performed. Through the G.I. Bill, the accounting profession received a flood of new talent in the postwar years. The war also enlarged avenues of opportunity for the profession in tax, consulting, auditing, and governmental fields in which accountants demonstrated their talent, dexterity, and wisdom in support of their nation. Their success in these areas significantly expanded the accounting profession's influence and prestige in America.

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## LIST OF ABBREVIATIONS

AAA	American Accounting Association
AAF	Army Air Forces
AAPA	American Association of Public Accountants
AGF	Army Ground Forces
AIA	American Institute of Accountants
ASF	Army Service Forces
ASCPA	American Society of Certified Public Accountants
ASWA	American Society of Women Accountants
AWSCPA	American Woman's Society of Certified Public Accountants
CAP	Committee on Accounting Procedure
CPA	Certified Public Accountant
NACA	National Association of Cost Accountants
NACPA	National Association of Certified Public Accountants
NYSSCPA	New York State Society of CPAs
OCS	Officer Candidate School
OPA	Office of Price Administration
OPM	Office of Production Management
SEC	Securities and Exchange Commission
TSCPA	Texas Society of Certified Public Accountants
WPB	War Production Board

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# CHAPTER I

## INTRODUCTION

America has suffered through a depression, audit failures, and an unprovoked attack, which propelled the country into war. The auditing profession has been weighed in the balance and found lacking. New rules for audit practice are now in place. The United States is committed to a war with no clear ending in sight. Its soldiers are in distant lands fighting against fanatical opposition. Although the preceding sentences appear to be current news of the first decade of the twenty-first century, they are not. The Americans of the era being discussed are of a generation that will be known as the greatest generation – the war is World War II. “The past does not repeat itself, but it rhymes,” a quote oft attributed to Mark Twain, is most appropriate for the scene under consideration.<sup>1</sup>

Staff shortages, tax complexities, audit failures and navigating clients through endless government regulations are not only a problem for today’s accounting firms. Many of these issues were anticipated in complexity and preceded in magnitude by the events that unfolded during the 1930s and 1940s. From the late 1930’s to the mid 1940’s, the accounting profession was overwhelmed with requests for assistance in managing the multifaceted issues of the day, including numerous ramifications from preparing the country for war. During the 1930’s the accounting community faced many difficult issues including: the ever increasing complexity of the nation’s tax system, the mandated requirements for reporting and liability under the 1933 and 1934 SEC acts, the proper roles of accountants and lawyers in the practice of tax work, the role of women in the

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<sup>1</sup>William F. Mungleston, “Parallels in History,” *OAH Magazine of History* 14, no. 3 (2000).

profession, the understaffed nature of many firms, the advancement of the natural business year, and the near loss of rule-setting power to the SEC. As complex and thorny as these issues were, they were quickly overshadowed in the late 1930's by the need to ramp up the arsenal of democracy.

Upon election to office in 1932, President Franklin D. Roosevelt adopted an activist role for government. The Great Depression was at its height with ten million unemployed and prices steadily falling (deflation). The President understood that if the government adopted a hands-off approach to the economy, the only result would be a continuation of the status quo. His inner circle, a group of young advisors, encouraged experimentation and enhanced governmental participation in the economy. In his first 100 days in office, President Roosevelt undertook many initiatives including stabilization of banks and other credit institutions. Beginning the day after his inauguration on March 4<sup>th</sup>, 1933, President Roosevelt met with his Cabinet and by that evening had ordered a bank holiday effective from March the 6<sup>th</sup> to the 9<sup>th</sup>.<sup>2</sup> Other relief measures quickly followed on May 12<sup>th</sup> in the passage of the Agricultural Adjustment Act (AAA) that aimed to support farmers by reducing agricultural supply and relieving farm mortgage pressures and in the Federal Emergency Relief Act that offered financial aid to the states.<sup>3</sup> To encourage stability in the financial markets and to provide investor protection, Roosevelt asked the Congress to provide federal supervision that resulted in passage of the Securities Act of 1933 on the 27<sup>th</sup> of May. Over the next few years, President Roosevelt called for the formation of many government-based work-related programs, including the Works Progress Administration (WPA) and the Civilian Conservation

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<sup>2</sup> Edgar E. Robinson, *The Roosevelt Leadership 1933-1945* (Philadelphia and New York: J. B. Lippincott Company, 1955) 107.

<sup>3</sup> *Ibid.*, 109-10.



Corps (CCC). Although, many of these initiatives were later struck down as unconstitutional by the courts, this trial and error approach achieved Roosevelt's goals of reducing unemployment, stabilizing financial institutions, and restoring public confidence.

Noted economist John Maynard Keynes provided the theoretical underpinning for the government to take a proactive role in his *General Theory of Employment, Interest and Money* (1936). Employing the thinking of the day, Keynes advocated that government spending, just as business and consumer spending, creates jobs and increases commerce. More importantly for the President it provided a relevant theory for his actions. For all who would see, a key aspect of the New Deal "was full acceptance of the idea of vast federal expenditures contributing speedy recovery."<sup>4</sup>

In September of 1939, Hitler launched a surprise attack against Poland and prompted Great Britain and France to enter the fray.<sup>5</sup> In eleven weeks, beginning on April 9, 1940, the German juggernaut conquered six European nations and changed the face of Europe. Falling in rapid succession, Denmark, Norway, the Netherlands, Belgium, Luxembourg, and France yielded to the Nazi blitzkrieg.<sup>6</sup> Great Britain, shorn of much of her war equipment at Dunkirk, desperately needed material support from the United States. Although limited by specific acts of Congress,<sup>7</sup> President Roosevelt arranged for the "sale" of 50 destroyers to the British in exchange for leases of British

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<sup>4</sup> Ibid., 156.

<sup>5</sup> Ibid., 240.

<sup>6</sup> James C. Schneider, *Should America go to War?: The Debate over Foreign Policy in Chicago, 1939-1941* (Chapel Hill: University of North Carolina Press, 1989), 36.

<sup>7</sup> The Neutrality Act of 1939 allowed belligerents to purchase war material from the United States, but only on a "cash and carry" basis. The Johnson Act of 1934 also prohibited the extension of credit to countries that had not repaid U.S. loans made to them during World War I--this included Great Britain.

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<http://64.233.169.104/search?q=cache:zyRtqCibPNIJ:www.state.gov/r/pa/ho/time/wwii/81508.htm+ww+II+Churchill+lend+lease&hl=en&ct=clnk&cd=2&gl=us>.

territory in the Caribbean and Newfoundland. The “Destroyers for Bases” agreement<sup>8</sup> provided bases for U.S. naval forces and enabled Roosevelt to aid the British. Near the end of 1940, Sir Winston Churchill requested additional aid from the United States. In discussions with the President, Churchill revealed that England would no longer be able to acquire armaments on a “cash and carry” basis.<sup>9</sup> Thus, if Britain were to remain in the war, immediate action was needed. In his Fireside Chat of December 29<sup>th</sup>, 1940, the President urged the nation to support Britain, warning that the fate of America was at stake. In response to Roosevelt’s stirring “Arsenal of Democracy” speech, Congress, on March 11, 1941, passed the Lend-Lease Act that gave assistance to the allied nations under the guise of neutrality.<sup>10</sup>

While President Roosevelt clearly understood the growing threat of the Axis war machine, America was decidedly unprepared. When Paris fell in June 1940, the U.S. army lacked adequate troops (less than a quarter of a million men in uniform), supplies of war material, and funding (\$2,000,000 monthly budget for ordnance production).<sup>11</sup> In September 1940, Congress passed the Selective Training and Service Act, the first peacetime draft. Additionally, a series of appropriations provided for the funding of necessary plants and production for vital war material.

Against this backdrop, the accounting profession was called upon to provide manpower and technical assistance for the war effort. Anticipating the needs of the

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<sup>8</sup> On September 2, 1940, President Roosevelt signed a “Destroyers for Bases” agreement. Under the terms of the agreement, the United States gave the British more than 50 obsolete destroyers, in exchange for 99-year leases to territory in Newfoundland and the Caribbean, which would be used as U.S. air and naval bases.

<sup>9</sup> James C. Schneider, *Should America go to War?: The Debate over Foreign Policy in Chicago, 1939-1941* (Chapel Hill: University of North Carolina Press, 1989), 39.

<sup>10</sup> Churchill regarded Lend-Lease as a turning point in the war. June 22, 1941  
<http://www.parliament.uk/documents/upload/Churchill.pdf>.

<sup>11</sup> Colonel Edward S. Greenbaum, “The Army Works Industry,” *New York Certified Public Accountant*, June 1942, 565.

government, the American Institute of Accountants (AIA) established a special committee on National Defense in September of 1940.<sup>12</sup> The committee, initially chaired by John K. Mathieson, the President of the AIA, included, among others, such noteworthy CPAs as: T. Coleman Andrews, George P. Auld, John F. Forbes, Norman L. McLaren, Maurice E. Peloubet, Victor H. Stempf, and C. Oliver Wellington. By April 30, 1941, “ten of its nineteen committee members ha[d] been called upon for service in connection with the defense program.”<sup>13</sup> Earlier still, in June 1940, President Mathieson sent a letter to all AIA members and associates inquiring as to whether “they would be able to serve without compensation or allowance for expenses” on sundry advisory panels likely to be requested by the Advisory Commission.<sup>14</sup> The Institute provided lists of available members who were willing to assist the military, governmental entities, and civilian contractors in planning, operating, and controlling their activities. Many in the profession answered the call of duty by resigning civilian pursuits and volunteering their services to the government. These services included: direct military involvement in every major theater of the war, assistance to various governmental entities in which accountants took leading and support roles, aid and advisory services to subcontractors and private industry engaged in essential war production activities.

As the U.S. entered the War, the accounting profession faced many new challenges in addition to old problems that still lingered. Manpower shortages, though always an issue, became acute during this period.<sup>15</sup> In addition to limited manpower,

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<sup>12</sup> John L. Carey, ed., “Special Committee on National Defense,” *Certified Public Accountant* 20, no. 9 (September 1940): 8.

<sup>13</sup> C. Oliver Wellington, “Reports of the Committee on National Defense: MIDYEAR REPORT,” In *American Institute of Accountants Yearbook* 1941, (New York: AIA 1942), 128.

<sup>14</sup> John L. Carey, ed., “National Defense,” *Certified Public Accountant* 20, no. 8 (August 1940): 3.

<sup>15</sup> Wentworth F. Gantt, ed., “Wartime Problems of the Accounting Profession,” *New York Certified Public Accountant* XII, no. 7 (April 1942): 397-398.

accounting firms also faced restrictions on purchases of office supplies, equipment, and gasoline (essential for travel to clients' premises). The complexities associated with auditing and accounting for government-awarded war contracts, the expanding volume of required government forms, contracts, and reporting, and the accompanying tax complexities of reserves, renegotiations, and excess profits computations increased the need for and strain on professional accountants. The accounting profession was well suited for the tasks assigned. Thoroughly trained accountants were able to take complex government laws and regulations and translate them into viable, operational systems thus enabling the production of essential war material and selection of necessary personnel. During the course of the war, the accounting profession devoted an unprecedented amount of time to advisory roles by providing counsel and planning options to a host of governmental, quasi-governmental, and private entities.

In early 1942, the profession was called upon to tackle the complexities confronting civilian contractors in the guise of contract renegotiation and termination. Good accounting records provided a sound basis for effective control and, just as vital for the contractors, documentation essential for the reimbursements of expenses and recovery of war profits on amended contracts. Leading accounting professionals testified before Congress and its subcommittees, as new laws and amendments were proposed. Their advice and counsel resulted at times in meaningful changes and simplification in areas of control and auditing. From the fall of France in June of 1940 to 1942, America's Arsenal of Democracy swiftly increased its production of war material for U.S. and allied countries. To aid in the overwhelming demands of production, lending institutions, as well as newly formed governmental entities, provided the funding for the new plants and

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equipment that were vital for war production. The old cost-plus contracts of World War I gave way to several new financing alternatives, each of which required its own peculiarities in methods of auditing and accounting. The alternatives included cost plus a fixed fee, civilian plant ownership, and government ownership and leasing of plants to civilian contractors. As these plants were operated, one complex issue to emerge was the timely reimbursement for a portion of the contract from the government. A second issue concerned the definition of overhead and what could be allocated to a specific contract for costing purposes. Yet a third issue of complexity was the changing nature of income taxation from a class tax to a mass tax. Throughout this period the AIA and state societies of accountants repeatedly called for tax simplification.

### **Purpose of Study**

This study discloses the roles that accountants and the accounting profession played during the turbulent period of WW II. The prominent roles that many accountants played in WW II have been overlooked by prior research. Although much is known about T. Coleman Andrews, Andrew Barr, and Arthur H. Carter, their war records and the records of many of their fellow accountants remain veiled. To redress this failing, chapters 3 and 4 examine, in order, the service rendered by Accountants in Uniform and by Advisors on the Home-Front. While some accountants served in uniform or in advisory roles, many other accountants served vital consulting roles in defense industries. Chapter 5 investigates these accountants and their activities. Likewise, the professional societies of accountants were extraordinarily proactive and diligent in their support of the war effort. Their efforts are reviewed in chapter 6 – Societies at War. The war years were a time of growing influence for the profession in the realm of tax policy. Thus,

chapter 7 analyzes the profession's response to war-time taxation issues. The roles that accountants and their profession played in military service, government agencies, and the private sector reveal a significant contribution to the war and provide a lasting testament to their profession. Furthermore, these actions paved the way for the burgeoning prestige and influence of the profession in the postwar era and accordingly are addressed in chapter 8. Chapter 9 provides a concise summary and draws a number of conclusions.

### **Need for Historical Research**

[W]hoever wishes to foresee the future must consult the past; for human events ever resemble those of preceding times. This arises from the fact that they are produced by men who ever have been, and ever shall be, animated by the same passions, and thus they necessarily have the same results.<sup>16</sup>

The value of historical accounting research is revealed in the writings of notable men such as John Carey, the venerable Executive Director of the AICPA, who offers, “There are striking parallels between problems confronting accountants many years ago and those facing them today. Lessons can be learned from the failures as well as the successes of the past.”<sup>17</sup> Likewise, A. C. Littleton acknowledges, “that history is still prelude to the present, and the present is prelude to the future. Accountancy is, in part, what it now is because of what it had once been.”<sup>18</sup>

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<sup>16</sup> *Epigraph*. Niccolo Machiavelli, *The Historical, Political, and Diplomatic Writings of Niccolo Machiavelli*, trans. Christian E. Detmold (Boston, J. R. Osgood, 1882). Vol. 2. Chapter: *CHAPTER XLIII* Available from <http://oll.libertyfund.org/title/775/76156/1846852>.

<sup>17</sup> John L. Carey, *The Rise of the Accounting Profession: From Technician to Professional* (New York: American Institute of Certified Public Accountants, 1969), xv.

<sup>18</sup> A. C. Littleton, *Accounting Evolution to 1900*, 2<sup>nd</sup> ed. (New York: Russell & Russell, 1966), xvi.

Historical accounting research enables current problems and potential solutions to be vetted through the wisdom and folly of our forerunners, enabling the perceptive to engage in the former while forsaking the latter. Santayana direly warned of the consequences of forgetting the past.<sup>19</sup> Perhaps less menacing but more pertinent is the counsel of Solomon who ages ago observed, “That which has been is what will be, That which is done is what will be done, And there is nothing new under the sun.”<sup>20</sup> Accordingly, solutions for a host of accounting problems may lie buried waiting to be recovered from the depths of antiquity.

Revealing the importance of historical accounting research, Dale and Tonya Flesher comment:

The history of any field, including accounting, is dependent upon the contributions of the practitioners and theoreticians in the field. As a profession, such as accountancy, reaches a level of maturity, that maturity is supported by recognizing the contributions of the pioneers who laid the foundation on which the profession is based.<sup>21</sup>

Other fields of study commonly recognize and build upon the contributions of preceding generations. One can scarcely imagine the study of geometry without mention of Euclid, history without Herodotus or economics without Adam Smith. Equally, it is essential for accountants to recognize and build upon the foundations of their forerunners.

Recognizing this lapse, Paul Grady laments, “the accounting profession is weak in the

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<sup>19</sup> George Santayana, *The Life of Reason; or, the Phases of Human Progress* (New York: C. Scribner's Sons, 1905), 284.

<sup>20</sup> Ecc. 1:9 (New Kings James Version)

<sup>21</sup> Dale L. Flesher and Tonya K. Flesher, “Biographical Research in Accounting,” in *Doing Accounting History: Contributions to the Development of Accounting Thought*, ed. R. K. Fleischman, V. S. Radcliffe, & P. A. Shoemaker (Amsterdam; Boston: JAI 2003), 97.

study and organization of its own history . . . . We need to know more about the lives, work and thought of the leading teachers and practitioners of accounting.”<sup>22</sup>

Perhaps the primary importance of historical accounting research lies in its power to inspire others. To this A. C. Littleton agrees by indentifying one function of history as inspirational.<sup>23</sup> Machiavelli, likewise counsels, “(T)he prince should read history, and therein study the actions of eminent men, observe how they bore themselves in war, and examine the causes of their victories and defeats, so that he may imitate the former and avoid the latter.”<sup>24</sup> Perhaps no other conflict in the history of this nation provides more compelling examples of prominent accountants than does WW II.

Accounting history, like any other study of history, necessitates the examination of the setting, the actors, and the roles they played upon life’s stage. From the mid 1930’s to the mid 1940’s, events and circumstances occurred that far exceeded the control of even the Federal government. As these events unfolded and the nation prepared for war, accountants answered the call of duty by offering their services and their lives for its defense. Prominent accountants, leaders of their profession, directed from the upper echelons of government the various agencies and oversight boards necessitated by the war, while many of the younger members of the profession volunteered for or were drafted into combat duties. Unfortunately, the achievements of both groups during this time of peril have received insufficient recognition.

Likewise, the force and influence of the Second World War upon the accounting profession is immense, yet scarcely acknowledged. World War II brought to pass and or

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<sup>22</sup> Paul Grady, *Written Contributions of Selected Accounting Practitioners*, vol. 2, Paul Grady (Urbana: University of Illinois at Urbana-Champaign, 1978), 474.

<sup>23</sup> Littleton, *Accounting Evolution to 1900*, xvi.

<sup>24</sup> Niccolo Machiavelli, ch. XIV.



hastened many significant changes in the accounting profession. Consideration of these changes, which are significant and worthy of illumination, is hitherto lacking for the most part in the extant literature.

Toward the twilight of his illustrious career, John Carey, the esteemed secretary of the Institute, authored a two-volume history of the accounting profession. In the preface to his second volume, Carey acknowledges that “many interesting and important events have had to be left out – and those left in have not been described in as much depth as might be desirable . . . every chapter could be expanded into a book – and I think it would be useful to do so.”<sup>25</sup> It is noteworthy that the shortest chapter in his second volume is titled *War Years* and consists of a scant twelve pages. This dissertation attempts to recognize the roles that eminent accountants and accounting societies played during the war and in so doing answer Mr. Carey’s call for research.

## **Contributions**

A major contribution of this study is to document the various accomplishments of leading accountants during the turbulent period of WW II. Hitherto, researchers have given only scant attention to the accountants of this period. However, a large number of Accounting Hall of Fame members either directly served in or supported the war effort.<sup>26</sup> Chapter 3, *Services by Accountants in Uniform*, specifically documents the achievements and sacrifices of prominent accountants who served in the armed forces in combat and support roles. Therefore, this study of prominent accountants brings into clearer focus the scenes in which they operated and provide for all succeeding generations examples worthy of esteem and emulation.

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<sup>25</sup> John L. Carey, *The Rise of the Accounting Profession: To Responsibility and Authority, 1937-1969* (New York: American Institute of Certified Public Accountants, 1970), xv.

<sup>26</sup> See Appendix A.

Chapter 4, *Services by Advisors on the Home-Front*, demonstrates how prominent accountants, though rendered unfit for uniformed service by age or disability, strongly influenced the development of policies, plans, and accounting systems and thereby rendered impressive service to their nation. Primary contributions of this line of research are to expose the expanding influence of accountants during this time of national crisis and to uncover the basis for much of the postwar growth of the profession.

A basic contribution of chapters 3 and 4 is to provide a more comprehensive history of acclaimed accountants during the critical war-time period. History simply for the sake of history is commendable in any field. From this basic contribution another is derived, namely the promotion of the profession through the recognition of the achievements of eminent accountants.<sup>27</sup>

Many accountants served their country during WW II by working for, either directly or in consulting capacities, defense contractors— the topic of chapter 5. The complexity and variety of issues they faced were immense and unparalleled in U.S. history. They helped translate federal aims into workable plans, budgets, and programs. Unfortunately, the story of their activities, like that of accountants serving in uniform and advisory roles, is partial at best. However, their contributions include groundbreaking work in cost accounting, management systems, and logistics. These accomplishments laid the groundwork for the origination and expansive growth of many current cost and managerial accounting practices and therein offer a major contribution to the current literature.

*Societies at War*, chapter 6, exposes the role of accounting societies, in coordinating a unified response to war-time problems. Through their leaders,

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<sup>27</sup> Flesher and Flesher, “Biographical Research in Accounting”, 97.

committees, and publications, the societies provided inspiration, direction, and assistance to their memberships. Societies such as the National Association of Cost Accountants (NACA), the AIA, and many state societies of accountants labored tirelessly dealing with the inherent complexities of war and in preparing their members to do likewise.

Personalities ranging from Machiavelli to John Carey have commented on the necessity of properly understanding the past in order to gain insight to present and future problems. In this manner the study contributes to a more thorough history of the accounting profession and thereby provides a background to and insight into many current issues.

The major contribution of chapter 7, *The Profession Responds to War-time Taxation*, is to document the growing influence of the profession in the realm of tax policy. WW II hastened the advancement of the profession in its role as a policy advisor on taxation issues. Throughout this period the profession advocated tax simplification efforts and constantly fought against needless complexity. A secondary contribution can be observed by noting the key role that the AIA played as liaison between practitioners and the government. Their efforts led to increased efficiency in the administration and collection of tax revenues.

A lasting contribution from the service of accountants during WW II is reflected in the growth of their prestige and influence. Chapter 8, *the Impact of the War on PostWar Accountancy*, offers a glimpse at some of the more outstanding changes brought about in the profession. The demands of the war changed public perceptions on a wide range of issues, including women in the workplace and the natural business year. Accountants, no longer viewed as simply bookkeepers but as trusted senior-level advisors, improved accounting systems, strategic planning, and operations management.

They too were changed in this symbiotic relationship. As one is changed and honed by his experiences in life, so too was the profession of accounting by the demands of war. Thus, a major impact of the war is the high esteem accorded to those who practiced accounting and influenced both the course of the war and the behaviors of succeeding generations of accountants.

## **Methodology**

Any investigation of historical data must necessarily include the printed material that documents the relevant period. There is abundant information available for the discovery, research, and amplification of the salient contributions of the members and the societies of the accounting profession during this era. The published material includes bulletins, newsletters, newspaper articles, biographies, firm histories, governmental documents, speeches of AIA leaders, publications from prominent state and national accounting societies, divisional accounts of war actions as well as the service records of those in the military. Accordingly, a wide array of the preceding types of accounting information, including the accounting society newsletters housed in the National Library of the Accounting Profession, University of Mississippi, were examined to uncover references of members involved in WWII. Specifically, bulletins from state societies in Louisiana, Massachusetts, New York, New Jersey, South Carolina, Tennessee, Texas, Utah and the District of Columbia were examined in addition to bulletins from the national societies including the AIA, NACA, and AWSCPA. As expected, these publications revealed a host of accountants who were engaged in military or defense related services.

Interviews were conducted to obtain pertinent information about the activities of accountants during the war. In order to obtain appropriate subjects, many of the state societies of accountancy were asked to assist in identifying potential interviewees from their current membership rosters.<sup>28</sup> Other state societies ran advertisements in their publications, which not only explained the purpose of the research project but also encouraged their members to identify accountants who were active during the World War II period and willing to discuss their work during this time.<sup>29</sup> One notable example in this regard was an article written by Jorina Fontelera, the associate editor for the *Trusted Professional*, that highlighted the research program and solicited support from members of the New York State Society.<sup>30</sup> Further still, a few state societies directly contacted known veterans and encouraged them to take part in the interviews or provided contact information for their members who fit the age profile.<sup>31</sup>

These interviews provided additional perspective on the general accounting activities of the period and also revealed numerous instances of uniformed service by accountants. From January, 2010, to November 7, 2010, twenty-seven accountants were interviewed and nine were selected for inclusion in the current study.<sup>32</sup> Those selected included accountants from North Carolina, New York, Pennsylvania, Georgia, Texas, Washington, and West Virginia who in combination represented every branch of the

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<sup>28</sup> Over half of the state societies were contacted.

<sup>29</sup> State societies of Certified Public Accountants in Mississippi, Arkansas, Alabama, Tennessee, Louisiana, Oklahoma, Oregon, New Jersey, New Mexico, New York, Texas, Georgia and others agreed to run advertisements in either their online or print publications.

<sup>30</sup> Jorina Fontelera, "CPAs Recount Service During World War II," *The Trusted Professional* 13, no.19 (October 15, 2010): 2. *The Trusted Professional* is the newspaper of the NYSSCPA. This article is also available online at <http://viewer.zmags.com/publication/cca78dee#/cca78dee/2>.

<sup>31</sup> Societies in Arkansas, Pennsylvania, West Virginia, and North Carolina provided membership listings or directly contacted veterans on behalf of the researcher.

<sup>32</sup> Interviews are still ongoing.

military.<sup>33</sup> All interviews were conducted by phone and all but three were recorded. The interviews typically ranged from forty minutes to one hour. In the main, interviewees were asked to preface their war-time activities with a brief of their early childhood, education, and, if applicable, prewar career. After relating their war-time activities, the interviewees were further asked to provide a synopsis of their postwar careers. Rather than relying solely on a question and answer format, the interviewer chose a narrative format. However, to spur the consideration of important topics an outline of interview questions was loosely followed and follow-up questions were asked on important or interesting details.<sup>34</sup>

While the leading accountants of the World War II period were unavailable for interview due to the passage of time, a detailed search uncovered two videotaped interviews given by Andrew Barr. In the interviews, Mr. Barr, who later went on to serve as the Chief Accountant of the SEC, discussed his war-time service as an army intelligence officer. Additionally, a revealing transcript was uncovered that elaborated upon the war-time exploits of another leader of the accounting profession: Mr. Loyall McLaren – the 1941-42 AIA President.

In addition to interviews, freedom of information requests were submitted to the Defense department in order to obtain a more precise picture of the role played by major accounting figures of the day.<sup>35</sup> Because the statute of limitations had expired, many records of war-time service were available from the National Archives. Follow-up requests for World War II service records, which are housed in National Personnel

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<sup>33</sup> Two interviewee's are accounting Hall of Fame members: Dr. Don Edwards, and Dr. Robert Sterling.

<sup>34</sup> See Appendix J for interview questions.

<sup>35</sup> See Appendix B for the Freedom of Information Request.

Records Center in Saint Louis, Missouri led to the acquisition of information about Major General Arthur Carter, Rear Admiral N. Loyall McLaren, Colonel Andrew Barr, and Major T. Coleman Andrews.

Finally, accounting society newsletters, firm histories and bulletins, divisional accounts, and where appropriate service records and biographies were examined to provide a more in-depth history of the accountants who served in uniform during WW II and of those who served in advisory, policy making, and executive functions of governmental agencies, bureaus, and departments. These governmental units required accountants who could help plan, monitor, and document their activities. As contracts were bid and let, the accountants used their skills to assure cost control, assist with contract revisions and provide an audit trail for reimbursement and dispute resolution. Bulletins and newsletters of the various accounting societies identified many prominent accountants who served in these capacities.

In order to evaluate the role played by the state and national societies of accountants, a thorough appraisal of their newsletters and bulletins housed in the National Library of the Accounting Profession was conducted for the World War II period. These sources provide a detailed account of the scope and intensity to which the war and its promulgation pervaded and directed the actions of the societies. The leadership and committees of the largest societies spent considerable time and energy in promoting, planning for, and preparing their members to meet war-time demands. Particular attention was paid to three of the largest accounting societies (AIA, NACA, and NYSSCPA) and their publications. In addition to the publications of the major societies, the *Woman C.P.A.*, a joint publication of the AWSA and the AWSCPA and the *Texas*

*Accountant*, a publication of the Texas Society of Certified Public Accountants, were analyzed as to the extent of their war-related content. The publications of both large and small societies were selected to show the degree to which the war effort pervaded the day to day activities of accountants throughout the United States.

Information regarding accountants who worked with defense contractors was obtained from firm histories and newsletters, and biographical accounts. Major defense contractors struggled with many complexities related to contract negotiation, renegotiation, and terminations; to income taxation; to continuous report filings, and to systems development and refinements. To alleviate these problems and a host of others, accounting experts were sought and employed by industry in ever increasing numbers throughout World War II.

Perhaps most essential is the need to evaluate the impact of WW II on postwar accountancy. Firm histories and publications, society newsletters and bulletins, and select biographies provide revealing information on the growth of management services, the diversification of the profession, the advent of Continuing Professional Education (CPE), and the increasing prestige and influence of the accounting profession in the postwar era. These sources together with the information provided by interviews provide a foundation from which the war's impact was assessed.

### **Scope and Limitation**

This investigation is focused on the contributions of the accounting profession during World War II and the effects of the war upon the profession. A cursory review of the literature reveals that numerous accountants of the period were engaged in a flurry of activity related to and in furtherance of the war. Several of these leading accountants



have already been the subjects of biographies, yet the details of their service during the war years are meager at best. Hence, this study attempted to fill these gaps in the extant literature.

A major limitation of this research concerns the setting. World War II was a worldwide struggle of epic proportions that naturally involved all major accounting organizations, societies, and communities. However, this study is focused on the American setting and accordingly traces U.S. accounting activities during the preparation for and execution of WW II, by following the accounting profession, its key societies and members, and the roles they played. Thus important accounting personalities and societies in other nations were not examined.

A further limitation in the scope of this project is the death of many of the major accountants who played crucial roles during this conflict. While their biographies may remain, these typically devote only passing attention to the war period. It is sadly noted that other contributions and contributors were excluded for lack of sufficient detail or record.

### **Organization of the Dissertation**

The organization of the dissertation is as follows. Chapter 1 consists of the purpose of the study, the need for historical research, contributions, methodology, scope and limitations, and the organization of the dissertation. Chapter 2 presents the historical background. It begins with a section detailing the state of the accounting profession in America. The next sections sequentially include: the Great War (World War I), rising international tensions, America's build-up to war, neutrality acts, and war years and escalation of effort. Chapter 3 examines the service of accountants in uniform by

investigating their war-time activities. Sources for this chapter include interviews, freedom of information requests, literature searches, and archived oral histories. Chapter 4 exposes the roles played by prominent accountants who served their government as civilian advisors. Sources for this chapter include literature searches, freedom of information requests, and oral histories. Chapter 5 focuses on accountants' and the profession's efforts to aid defense contractors. Sources for this chapter include period publications, societal publications, autobiographies, and oral histories. Chapter 6 explores the role professional societies played during the war. Sources for this chapter include societal publications, committee reports, archived oral transcripts, newspaper accounts, periodicals and societal and firm histories. The accounting profession's response to war-time taxation issues is analyzed in chapter 7 based on information gleaned from interviews, literature, and oral histories. Chapter 8 investigates the lasting impact of the war on postwar accountancy by focusing on the explosive growth and influence of the profession. Once more, freedom of information requests, extant literature, and interviews were utilized as sources.

The final chapter in this dissertation, chapter 9, provides both summary and conclusions. It highlights the exploits of accountants and the accomplishments of accounting societies during the war. Similar treatment is given to the sundry impacts of the war on the postwar profession.

## CHAPTER II

### HISTORICAL BACKGROUND

What's past is prologue – William Shakespeare -- The Tempest

The impact of WW II on the accounting profession and the acclaim bestowed upon the profession from the actions of its members are more clearly understood when coupled with the historical setting of the day. Many have suggested that WW II was a continuation of the Great War (World War I). If true, then there is perhaps no better launching point into the world events and history of this period than the Great War. Accordingly, this chapter discusses the growth and development of the accounting profession, the critical events that shaped the profession and shook the world, and the actions of many of the influential leaders of this period.

The history of accounting dates back countless eons. However, this chapter concentrates, in large part, on the period dating from the Great War (1914-1918) to the close of WW II (1945). Conciseness prevents a detailed narrative of all events. Thus, a disclaimer must be offered that many critical events have been covered scarcely, if at all. Detailed volumes of accounting history have been recorded, including works by Carey, Littleton, Edwards, Previts and Merino and are enthusiastically endorsed for a greater coverage of these events.<sup>1</sup> A second constraint upon this study is derived from the

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<sup>1</sup> John L. Carey, *The Rise of the Accounting Profession: From Technician to Professional* (New York: American Institute of Certified Public Accountants, 1969), Carey, *The Rise of the Accounting Profession: To Responsibility and Authority*; A. C. Littleton, *Accounting Evolution to 1900*, 2nd ed. (New York: Russell & Russell, 1966); James Don Edwards, *History of Public Accounting in the United State* (East Lansing, Michigan: Michigan State University, 1961); and Gary John Previts and Barbara Dubis Merino, *A History of Accountancy in the United States: The Cultural Significance of Accounting*, Historical Perspectives on Business Enterprise Series, (Columbus: Ohio State University Press, 1998).

number of countries under consideration. Therefore, this investigation is limited in focus to the events and societies of the United States.

## **State of the Accounting Profession**

When does a practice or service become a profession? One would be hard pressed to trace the development of the medical profession from the origins of the first medicine man. This task is scarcely easier when considering the profession of accounting. However, if one limits the question to ‘When did the practice of accountants in the U.S. develop into a profession?’ a more precise answer may be found. John Carey, in the second of his two volumes on accounting history, described the first 50 years of the profession as a time “of organization, of foundation building, of getting ready.”<sup>2</sup> It is during this period that key events and individuals, working together, shaped the development of accounting practice and transformed accountants from technicians into professionals. While no single event can be identified with the origin of professional accounting in the United States, three efforts contributed to the recognition of accounting as a profession – organization, legislation, and education.<sup>3</sup>

### National Organization

The chief cornerstone, the effort to organize, began in earnest in 1882 with the founding of the Institute of Accountants and Bookkeepers of New York, “the earliest recognized professional accounting organization in the United States.”<sup>4</sup> The name was later changed to the Institute of Accounts. Although, the Institute admitted both public

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<sup>2</sup> Carey, *Responsibility and Authority*, xv.

<sup>3</sup> Gary John Previts and Barbara Dubis Merino, *A History of Accountancy in the United States: The Cultural Significance of Accounting*, Historical Perspectives on Business Enterprise Series, (Columbus: Ohio State University Press, 1998), 149. See also J. Edward Masters, “The Accounting Profession in the United States,” in *American Association of Public Accountants Year-Book 1914-1915*, (New York: Ronald Press Co., 1915), 139.

<sup>4</sup> *Ibid.*, 135.

and commercial accountants as members, passage of “strict, practical and technical entrance exams” was mandatory.<sup>5</sup> The Institute’s primary purpose, during the first decade of its existence, was the education of accountants. Support for this purpose came in two ways. First, institute meetings frequently covered technical and professional topics. Second, the Institute’s bulletin, *Accountics*, edited by A. O. Kittredge, included not only social items but also professional pieces covering the business environment, office management issues, and accounting topics.<sup>6</sup> The Institute also led legislative efforts. Prominent members of the Institute of Accounts, Charles Waldo Haskins, Charles Ezra Sprague, and Henry Harney, working in concert with counterparts from the American Association of Public Accountants, were active in the passage of the nation’s first CPA law in 1896.<sup>7</sup> Although the Institute of Accounts faded from prominence after the turn of the century, its goals of education and legislation were continued by a host of accounting societies.

A fifteen-year span, from 1874 to 1889, witnessed the formation of no fewer than twelve other organizations whose purpose “related to accounting activities.”<sup>8</sup> While many of these organizations dissolved over time, their publications provided professional materials to a great number of accountants and bookkeepers.<sup>9</sup> Worth noting, the proliferation of these accounting organizations and their publications served to increase public awareness of accountants and their role in society.

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<sup>5</sup> Ibid., 136-9.

<sup>6</sup> Stephen E. Loeb and Paul J. Miranti, Jr., *The Institute of Accountants: Nineteenth-century origins of accounting professionalism in the United States*, (New York: Routledge, 2004), 21.

<sup>7</sup> Previts and Merino, *History of Accountancy*, 136 – 45.

<sup>8</sup> Ibid., 136.

<sup>9</sup> Ibid.

Seeking to form a national society similar to the Institute of Chartered Accountants, several New York accountants met in December of 1886 on the premises of Barrow, Wade, Guthrie and Company.<sup>10</sup> The following year, their efforts bore fruit with the incorporation of the American Association of Public Accountants (AAPA), predecessor of the American Institute of Accounts (AIA), the name of which was later changed to the American Institute of Certified Public Accountants (AICPA). The AAPA, that in time would become the national society of the profession, represented the first strictly professional accounting association.<sup>11</sup>

#### Initial C.P.A. Legislation

The Institute of Accounts, the AAPA, and the Institute of Chartered Accountants each granted their respective members the right to identify themselves by attaching distinguishing acronyms to their names. This had the unfortunate effect of sowing confusion among the public as to the differing capabilities of accountants.<sup>12</sup> As a result, “the most formidable obstacle facing public practitioners at this time was a lack of formal legal recognition of their public practice.”<sup>13</sup> If the practice of accountancy was legally recognized and either license or title granted by the state was awarded to expert accountants, much confusion could be averted and the public protected. With this goal in mind, the AAPA and the Institute of Accounts began actively seeking ways and means to achieve this end.

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<sup>10</sup> American Institute of Accountants, *The American Institute of Accountants: Fiftieth Anniversary Celebration, 1937* (New York: Garland Pub. 1982), 3.

<sup>11</sup> Carey, *Responsibility and Authority*, 1.

<sup>12</sup> Laurel Anne Barfitt, “The Contributions of John Lansing Carey to the Profession of Accountancy” (PhD diss., University of Mississippi, 2006), 88.

<sup>13</sup> Previts and Merino, *History of Accountancy*, 138.

Operating independently, both societies introduced separate bills to the New York State legislature in early 1895. In March, the rival organizations, perceiving that neither competing bill could pass, formed a settlement committee (the “Committee of 14”) in order to reconcile the differences between the proposals.<sup>14</sup> The Committee, comprised of representatives from each society as well as prominent non-society accountants, quickly selected for advancement the Institute’s proposal that provided for professional examination and the legal title Certified Public Accountant (CPA).<sup>15</sup> It did not pass.

Undeterred, the AAPA reintroduced the proposal the following January with one major modification: the designation, CPA, would be available to any U.S. Citizen or foreign national who declared an intent to become a United States citizen.<sup>16</sup> This modification placated British accountants working in New York. Meeting the approval of both societies and, more importantly, of New York’s state legislative and executive branches, the bill became law on April 17, 1896.<sup>17</sup> With the signing of this law, New York accountants had overcome a “most formidable obstacle facing public practitioners” and “established the essential social franchise for the profession.”<sup>18</sup>

Passage of the first C.P.A. legislation produced a ripple effect. Accountants, nation-wide, began efforts to obtain similar legislation. Prominent states quickly followed New York’s lead, while less industrialized states moved at a more leisurely pace. By 1910, twenty-one other states had passed similar C.P.A. legislation. Within twenty-five years of the passage of New York’s C.P.A. law, every state in the union had

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<sup>14</sup> Ibid., 139-40.

<sup>15</sup> Ibid., 139-41.

<sup>16</sup> Dale L. Flesher, Paul J. Miranti, and Gary John Previts, “The First Century of the CPA,” *The Journal of Accountancy* 182, no. 4 (1996): 51.

<sup>17</sup> Ibid.

<sup>18</sup> Previts and Merino, *History of Accountancy*, 138, 160.

enacted legislation protecting the title of Certified Public Accountant.<sup>19</sup> In this manner, a keystone, legislative recognition was obtained for the youngest of the professions.

### State Organizations

An unintended consequence of the passage of C.P.A. legislation, at least as far as the AAPA was concerned, was the loss in prestige that this organization suffered. For a ten-year period (1896-1905), the state societies of New York, Pennsylvania, and Illinois supplanted the AAPA in its leadership role of the profession.<sup>20</sup> One of the reasons for the emergent strength of state societies was attributable to the allocation of power under the U.S. Constitution. In Great Britain, royal charter and national law were the means employed to recognize accountants as professionals and to require audits. In the U.S., on the other hand, the Constitution reserves the power to regulate professional licensing to the states.<sup>21</sup> Accordingly, state societies emerged in order to solicit, strengthen, and defend C.P.A. legislation in their respective states. That this movement occurred with rapidity is evidenced by the statement from J. E. Sterrett, Chairman of the 1904 International Congress of Accounts, who offered that “twenty societies have been formed, of which seven confine their membership to certified public accountants.”<sup>22</sup>

The New York State Society of Certified Public Accountants (NYSSCPA) organized on March 30, 1897, and held its first annual meeting on May 10, 1897.<sup>23</sup>

Charles Waldo Haskins, cofounder of Haskins and Sells, had the honor of being elected

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<sup>19</sup> Ibid., 148.

<sup>20</sup> Ibid., 188.

<sup>21</sup> Ibid.

<sup>22</sup> Joseph E. Sterrett, “Address by the Chairman,” in *Official record of the proceedings of the Congress of Accountants: Held at the World's Fair, St. Louis*, (New York: Winthrop Press, 1904), 28.

<sup>23</sup> Lybrand, Ross Bros. & Montgomery, *Fiftieth Anniversary 1898-1948* (Philadelphia: Priv. Print., 1949), 131.



as the first President of the New York State Society.<sup>24</sup> Another prominent incorporator of the New York State Society was Henry Harney, a five-term president of the Institute of Accounts.<sup>25</sup> Noticeably absent were British-born accountants. Of the fifteen charter members of the New York State Society, only three had ever been associated with the AAPA and all but one were native-born.<sup>26</sup> A second reason for the emergent strength of state societies in general and the New York state society in particular appears to have been rivalries that developed between the British dominated AAPA and American accountants. The rift between these two groups served to neutralize the AAPA's influence and growth for a number of years. Given these circumstances, it is not surprising that at the turn of the century membership in the AAPA numbered less than 100.<sup>27</sup>

The NYSSCPA was organized after the passage of the state's C.P.A. legislation. In many states, such order was not always observed. Instead, societies organized first and then lobbied for protective legislation. New Jersey followed this pattern, first organizing in January, 1898, and finally attaining C.P.A. legislation in 1904.<sup>28</sup> Likewise accountants in Chicago and Philadelphia followed this format when they gathered in March, 1897, and established their respective state associations. Upon obtaining a C.P.A. law in March of 1899, the Pennsylvania Association of Public Accountants changed the

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<sup>24</sup> Ibid., 132. Haskin & Sells, a leading accounting firm in headquartered in New York, eventually merged with Deloitte.

<sup>25</sup> Previts and Merino, *History of Accountancy*, 145, 188.

<sup>26</sup> Ibid., 188.

<sup>27</sup> Ibid., 138. See also American Association of Public Accountants, "Record of Membership," in *The American Association of Public Accountants Year-Book 1914-1915* (New York: Ronald Press Company, 1915), 34; for a chart displaying membership classifications and totals from 1986-1915.

<sup>28</sup> Previts and Merino, *History of Accountancy*, 144.

name of the association to the Pennsylvania Institute of Certified Public Accountants.<sup>29</sup> Implementing this pattern, the Illinois Association of Public Accountants secured C.P.A. legislation in 1903.<sup>30</sup> Other state societies followed in like manner. Nevertheless, vigilance was required. During the first ten years of the society's existence, the NYSSCPA fended off five attempts to undermine New York's C.P.A. law.<sup>31</sup> Other state societies experienced similar difficulties.

### Education

“In the beginning of any piece of constructive work . . . the thing of first importance is the foundation. Legislation for a profession only grants opportunity. Education must be underneath and around all our legislation and organization.”<sup>32</sup> These comments, offered by Joseph Sterrett in his role as Chairman of the first Congress of Accountants in 1904, reflected an overriding priority for many of the state societies.

Unfortunately, universities were loath to accept business subjects as “appropriate elements of a higher education curriculum.”<sup>33</sup> Therefore, proprietary schools, including those of Bryant and Stratton, Packard, and Soule, filled this void and provided the “bulk of the training and education of businessmen and accountants” in the 1800s.<sup>34</sup> However, times were changing. With the close of one century, new opportunities would open for accounting education in institutions of higher learning.

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<sup>29</sup> Joseph E. Sterrett, “Address by the Chairman,” in *Official record of the proceedings of the Congress of Accountants: Held at the World's Fair, St. Louis*, (New York: Winthrop Press, 1904), 28.

<sup>30</sup> Barfitt, “John Lansing Carey”, 62.

<sup>31</sup> Lybrand, Ross Bros. & Montgomery, *Fiftieth Anniversary 1898-1948* (Philadelphia: Priv. Print., 1949), 132.

<sup>32</sup> Joseph E. Sterrett, “Address by the Chairman,” in *Official record of the proceedings of the Congress of Accountants: Held at the World's Fair, St. Louis*, (New York: Winthrop Press, 1904), 32.

<sup>33</sup> Previts and Merino, *History of Accountancy*, 189.

<sup>34</sup> *Ibid.*, 152-3.

The New York State Society, though numbering only twenty-four members at the first annual meeting on May 10, 1897, worked feverishly holding nine meetings that first year. Their efforts soon bore fruit when on October 1, 1900, the New York University School of Commerce, Accounts, and Finance was established. When one considers the composition of the faculty, the imprint of the NYSSCPA is clearly seen. The first Dean of the School was none other than the Society's president Charles W. Haskins, and of the fifteen faculty members, six belonged to the Society.<sup>35</sup> The final factor in the establishment of the school appears to have been the guarantee of practitioners to not only serve as faculty members but also to serve as "guarantors against any and all financial loss."<sup>36</sup> This New York Society stratagem would be utilized time and again in other states.

The New York Society was not alone in its efforts. The Pennsylvania Institute continued the effort on educational fronts by offering an evening course in accountancy in 1902.<sup>37</sup> The original class of nineteen students met in the offices of members of the Institute. Lybrand, Ross Bros. & Montgomery, active in these efforts, provided facilities and half of the lecturers for the first year in the persons of William Lybrand and Robert Montgomery. Colonel Montgomery taught Theory of Accounts while Mr. Lybrand covered Practical Accounting. Classes were conducted for two years while negotiations were underway with the University of Pennsylvania. The Pennsylvania Institute, recognizing the limitations of its program due to a lack of appropriate instructional facilities, ultimately prevailed upon the University of Pennsylvania to take over the

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<sup>35</sup> Lybrand, Ross Bros. & Montgomery, *Fiftieth Anniversary 1898-1948* (Philadelphia: Priv. Print., 1949), 131.

<sup>36</sup> Previts and Merino, *History of Accountancy*, 189.

<sup>37</sup> Lybrand, Ross Bros. & Montgomery, *Fiftieth Anniversary 1898-1948* (Philadelphia: Priv. Print., 1949), 46.

accounting program. Following the model of the New York Society, members of the Pennsylvania Institute guaranteed to cover any deficit that the University might incur and thereby gained University approval.<sup>38</sup> Accordingly in 1904, the University of Pennsylvania offered its first evening class to 126 students. From this modest beginning the Wharton Evening School of Finance developed.<sup>39</sup>

Completing this trio, the Illinois Society of Public Accountants persuaded Northwestern University to initiate “a school of business and commerce” by offering guarantees against loss. On this occasion practitioners from New York, Pennsylvania, as well as Illinois agreed to serve as guarantors.<sup>40</sup> The New York formula of providing guarantors against any deficit proved popular and effective once again.

These societies were not alone in their efforts. At the turn of the century “thirteen universities and colleges offered accredited courses in accounting.”<sup>41</sup> By the close of the first decade of the new century that number had multiplied four-fold -- fifty-two colleges offered courses in accounting. In 1916, only six short years later, the number of colleges offering accounting courses had more than doubled to 116. “By 1920, most of the major universities not only had accounting courses in their curricula but were offering degrees in business administration with a major in accounting.”<sup>42</sup> Accounting, though formerly deemed inappropriate as a component of higher education curriculums, now suffered from no such misgivings. Contrariwise, the massive expansion of universities offering accounting courses provides clear evidence of the

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<sup>38</sup> Ibid., 46-7.

<sup>39</sup> Ibid., 25.

<sup>40</sup> Previts and Merino, *History of Accountancy*, 191.

<sup>41</sup> Nancy Kay Adams Humma, “An Examination of the Role of Eric Louis Kohler in the Development of the Accounting Profession” (PhD diss., Georgia State University, 1983), 18.

<sup>42</sup> Robert Bloom et al., *The Schism in Accounting* (Westport, Conn.: Quorum Books, 1994), 8.

broad acceptance of accounting as a formal study and furthermore reveals the escalating demand for accounting practitioners.

### Rival Organizations

Power abhors a vacuum, an oft quoted maxim, is no less true for accounting societies than for any other organizations, political parties, or governments. Due to the weakness of the AAPA at the turn of the century, another national society emerged – the Federation of Societies of Public Accountants. George Wilkinson, President of the Illinois Association of Public Accountants, recognized the lack of a central organization and the need for coordination between the individual societies. To further this end, Wilkinson outlined his recommendation for the coordination of all accounting societies before a meeting of the Illinois Association of Public Accountants on July 8, 1902.<sup>43</sup> With overwhelming approval, members of the Illinois Association, not only endorsed his recommendation but also appointed a committee to draft a plan for a national federation.

The committee of prominent accountants included Charles W. Haskins, Arthur L. Dickinson, and Ernest Reckitt among others.<sup>44</sup> With the draft completed, elected delegates from all of the societies gathered in Washington to consider its merits on Tuesday, October 28, 1902. On that date “the Federation of Societies of Public Accountants in the United States of America” was established, officers were elected and a constitution and by-laws were adopted.<sup>45</sup> Subsequently, the entire plan of organization was presented to the constituent societies for their approval.

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<sup>43</sup> Joseph E. Sterrett, “Address by the Chairman,” in *Official record of the proceedings of the Congress of Accountants: Held at the World's Fair, St. Louis*, (New York: Winthrop Press, 1904), 29.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

The New York State Society, the largest of all state societies, extracted one key provision before they would join. Membership in the Federation must be limited to state societies.<sup>46</sup> Individuals need not apply. This stipulation preserved state society strength and prevented the Federation from supplanting the state societies in dominance of the profession.

In an address before the first International Congress of Accountants, George Wilkinson, the Secretary of the Federation, highlighted several of the reasons behind the formation of the Federation.

The objects for which the Federation was formed may be stated briefly as follows:

To bring the several societies of public accountants into friendly contact; to encourage the formation of further societies of public accountants; to encourage State Certified Public Accountant legislation on uniform lines; to secure Federal recognition of the profession of public accountant; to facilitate the training of young members of the profession and to further the interests of the profession in other ways.<sup>47</sup>

An abiding achievement of the Federation was the instigation of the International Congress of Accountants at the 1904 World's Fair. A recurrent theme of this first conference was unification of the national societies in America. Earlier on June 13<sup>th</sup>, the New York State Society, a charter member of the Federation, withdrew its membership.<sup>48</sup> However, efforts were undertaken almost immediately -- three joint meetings taking place prior to the International Congress -- to amalgamate the national organizations. Many prominent leaders of the profession, including Robert H. Montgomery, George Wilkinson, and Arthur L. Dickinson, went on record calling for national unity. The

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<sup>46</sup> Previts and Merino, *History of Accountancy*, 191.

<sup>47</sup> George Wilkinson, "The C.P.A. Movement and the Future of the Profession of Public Accountants in the United States of America," in *Official record of the proceedings of the Congress of Accountants: Held at the World's Fair, St. Louis*, (New York: Winthrop Press, 1904), 91.

<sup>48</sup> *Ibid.*, 103.

Secretary of the Federation, George Wilkinson, who originated the idea for the formation of a Federation, appealed, “I sincerely hope we can come together with the American Association. What we want, gentlemen, for our profession is one National organization.”<sup>49</sup> Arthur Dickinson may have put it best when he offered, “it is obvious that if the accounting profession is to be united all over the country you cannot have the State of New York, which is the biggest state and has the largest number of accountants, standing outside of that movement.”<sup>50</sup>

By 1905, the conclusion of the negotiations between the AAPA and the Federation resulted in the unification of the profession under a single national body – the AAPA. These results come as no shock when the relative size of the organizations involved is considered. At the time of the Congress, the Federation consisted of eleven state societies with a total membership in excess of 200 members. However, many of these state society members may have had little if any association with the Federation. On the other hand, the AAPA listed 140 members and the New York Society, the largest of the state societies, had 100 members.<sup>51</sup> The combined influence of the New York organizations proved overwhelming.

Unfortunately for the profession, a unified national structure did not automatically lead to a unified membership. While accountants had united around a single national society – the AAPA, the profession as a whole was still divided on many issues. Within the AAPA, regional and national rivalries accompanied with legitimate differences of opinions on appropriate goals and priorities continued to create discord. Without,

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<sup>49</sup> Ibid., 118.

<sup>50</sup> Arthur L. Dickinson, “National Organization,” in *Official record of the proceedings of the Congress of Accountants: Held at the World's Fair, St. Louis*, (New York: Winthrop Press, 1904), 114.

<sup>51</sup> Wilkinson, “The C.P.A. Movement,” 102-103.

charges of monopolistic practices, worthless certifications, and subjective grading of CPA exams created disharmony for the profession as a whole.

### Reorganization

In 1916, the AAPA reorganized and rechristened itself the Institute of Accountants in the United States of America.<sup>52</sup> On January 23, 1917, this lengthy title was quickly dispatched and a more succinct designation was selected for the organization -- the American Institute of Accountants (AIA).<sup>53</sup> Although the former title (the Institute of Accountants in the United States of America) may have been distasteful, the reorganization proved even more so. The many divisive features of this reorganization further splintered accounting solidarity. Admission into the AIA would now require passage of a separate test – a CPA certificate would no longer suffice. In fact, for admission into the AIA a CPA certificate was no longer required. This provision undermined both the value of the CPA certificate and efforts to pass CPA legislation in states where lacking. In 1919, Institute Secretary A. P. Richardson officially offered that, “the standing of the Institute would be much enhanced if every practicing member were to describe himself as ‘Member of the American Institute of Accountants.’” He further indicated that “some firms have already dropped the appellation ‘certified public accountants’” in exchange for this preferred designation.<sup>54</sup> Perhaps more foul than the departure from CPA status for membership, were the stringent practice provisions – “five consecutive years of practice as a partner or sole proprietor.”<sup>55</sup> While these “reforms”

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<sup>52</sup> John L. Carey, *The Rise of the Accounting Profession: From Technician to Professional* (New York: American Institute of Certified Public Accountants, 1969), 124.

<sup>53</sup> *Ibid.*, 318.

<sup>54</sup> American Institute of Accountants, *Year-Book of the American Institute of Accountants* (New York: The Institute, 1919), 84.

<sup>55</sup> Carey, *Technician to Professional*, 317.



alienated many accountants from the national organization, they did not foment full-fledged revolt. For that a crisis was needed. And that crisis arrived in the guise of a national association.

Taking advantage of the lack of CPA legislation in the District of Columbia, the National Association of Certified Public Accountants (NACPA) incorporated there in 1920.<sup>56</sup> The NACPA promptly began issuing certificates to its members that identified them as CPAs. For a nominal membership fee anyone was permitted to join and receive the credentials regardless of their qualifications or lack thereof. The smaller rural states were particularly vulnerable to this threat due to the lack of sophistication among their citizens. By the time an injunction was obtained, in August 1922, the NACPA had issued thousands of misleading certificates.<sup>57</sup> The AIA, though ultimately successful in the courts, failed in the eyes of many practitioners for not proceeding faster against the NACPA. During this process a threshold was breached.

#### A House Divided

The AIA due to a perceived lack of regard for the CPA certificate, lack of trust by many rural state societies and lack of timely intervention in the NACPA scandal gave impetus to the formation of a rival.<sup>58</sup> As a result a more inclusive national organization, the American Society of Certified Public Accountants (ASCPA), was established on December 5, 1921.<sup>59</sup> Practitioners from the Midwest, exasperated with the AIA, formed the core of this new society and were quick to reach out to other underrepresented

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<sup>56</sup> Ibid., 281.

<sup>57</sup> Previts and Merino, *History of Accountancy*, 243.

<sup>58</sup> Ibid.

<sup>59</sup> Carey, *Technician to Professional*, 330-31; Bloom et al., *The Schism*, 10.

groups.<sup>60</sup> Under the ASCPA, all CPA's, regardless of public accounting experience, were permitted to join as full members.<sup>61</sup> Even accounting educators, initially excluded from the AIA by practice bylaws, joined under the ASCPA banner.<sup>62</sup> The only major change in the admittance policy of the ASCPA occurred in 1932. This change bolstered state societies by restricting ASCPA membership to CPAs who belonged to state societies.<sup>63</sup>

From its founding, the ASCPA rallied to defend the integrity of the CPA certificate by prohibiting its sale and promoting it as the proper designation for expert accountants.<sup>64</sup> Over time, additional objectives emerged. One of the more contentious of these, limiting the practice of public accounting solely to CPAs, was resolutely opposed by the AIA. This is hardly surprising when one considers that the membership of the Institute, at this time, consisted of both certified and non-certified public accountants.<sup>65</sup> The enmity that ensued between the two national organizations divided the profession for more than a decade. The abyss was deep and personal animosities ran high between the leaders of the national societies; so for many years no formal conciliatory efforts were made.

### Reunification

As fortune would favor, calmer minds ultimately prevailed. As in 1904, Colonel Robert Montgomery was prominent among those advocating one national society. In response to the emergence of two national societies following the turn of the century, he

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<sup>60</sup> Previts and Merino, *History of Accountancy*, 243-44.

<sup>61</sup> Bloom et al., *The Schism*, 10.

<sup>62</sup> Paul J. Miranti, *Accountancy Comes of Age: The Development of an American Profession, 1886-1940*, (Chapel Hill: University of North Carolina Press, 1990), 124. This exclusion occurred because many refused to accept the lower tier designation of associate rather than that of member.

<sup>63</sup> Carey, *Technician to Professional*, 331.

<sup>64</sup> Previts and Merino, *History of Accountancy*, 243.

<sup>65</sup> Carey, *Technician to Professional*, 330-31.

advocated “One National Federation or Association, One Society in each state and All working together for the highest ideals.”<sup>66</sup> Colonel Montgomery, ever firm in his convictions, likewise deemed the creation of the American Society a grave error. In 1923, Colonel Montgomery, acting in his capacity as President of the New York State Society, called for national unity stating, “There is no shadow of excuse for two national bodies with similar aims in the same profession. There is little excuse for two national bodies with different aims. The reasonable aims of all practitioners, members of the same profession, must be the same.”<sup>67</sup> He emphasized that efforts to establish two strong national organizations were as grave a mistake as an attempt to form two state societies and further argued that duplication could only lead to public confusion, inefficiency, and loss of prestige.<sup>68</sup> That Robert Montgomery was a former two-term president of the AAPA and “one of the most influential members of the AIA,” only enhanced the impact of his message.<sup>69</sup>

Colonel Montgomery was joined by likeminded others including Walter Staub. According to John Carey, “Staub, a key partner of Lybrand, Ross Bros. & Montgomery was an extremely competent and influential man.”<sup>70</sup> Walter Staub used his influence and status as president of the New York State Society, to begin the process of reuniting the profession.<sup>71</sup> Writing to John Forbes, the Institute’s president, Staub recommended unification with the American Society. When his request, presented at the April Council meeting, was met with resentment, Walter Staub was undeterred. He further requested

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<sup>66</sup> Lybrand, Ross Bros. & Montgomery, *Fiftieth Anniversary 1898-1948* (Philadelphia: Priv. Print., 1949), 22. Original capital lettering maintained for emphasis.

<sup>67</sup> *Ibid.*, 23.

<sup>68</sup> *Ibid.*

<sup>69</sup> Previts and Merino, *History of Accountancy*, 247.

<sup>70</sup> John L. Carey, “Early Encounters Between CPAs and the SEC,” *Accounting Historians Journal* 6, no. 1 (Spring 1979): 32.

<sup>71</sup> Carey, *Technician to Professional*, 354.

from President Forbes, and was granted, an opportunity to speak to the Council at its next meeting.

Appearing before the Council on October 16, 1933, Walter Staub, President of the New York State Society, presented firm reasons for national unity to the governing body of the Institute. Representing a society of 1,800 certified public accountants rendered great weight to his message. His call for national unity rested on four main points. First, division prevented the profession from speaking with a unified front and as evidence he pointed to the exclusion of both national societies in recent testimony before the Senate Committee on Banking and Currency.<sup>72</sup> The lone voice of the profession, Colonel Carter, then serving as president of the New York State Society of Certified Public Accountants, was the only certified public accountant invited to testify before the Committee on the proposed Securities Act of 1933. In his testimony, Carter called for the use of independent accountants in audits of registered corporations. “The fact that he took this step without consultation with the Institute pointed up some of the flaws in the profession’s organizational structure.”<sup>73</sup> Second, Staub offered that governmental officials could not perceive the need for two separate societies and as support for this claim offered comments to that effect from the chairman of the Federal Trade Commission. Third, he observed that rivalries between the two national societies precluded the timely intervention of the profession on matters of national policy. Fourth, Walter Staub identified the thorny position that dual national societies created for the state societies of the profession. The state societies were forced to maintain lukewarm relations with each in order to play favorites with neither and this greatly undermined

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<sup>72</sup> Ibid.

<sup>73</sup> John L. Carey, “Early Encounters Between CPAs and the SEC,” *Accounting Historians Journal* 6, no. 1 (Spring 1979): 33-34.

cooperative efforts. Staub offered, in confirmation of this last contention, the number of New York State Society members who were members of neither national organization – 1,151. President Staub concluded his remarks by simply requesting the appointment of a committee to further study this matter.<sup>74</sup> Finally, after much debate, a motion was made, seconded, and carried that authorized President Forbes to appoint a special committee to consider the issue of unification.<sup>75</sup> Many in the Institute firmly opposed unification efforts and were pleased by the election in 1934 of President George Armistead, who was “irreconcilably opposed to a merger with the Society.”<sup>76</sup>

Unification needed a champion, a man of vision, well respected by all practitioners. In the vanguard of the profession for thirty-three years, Colonel Montgomery, widely esteemed as the professions’ advocate, defender, and leader of the rank and file, was an obvious choice for those seeking unification.<sup>77</sup> Early in 1935, Colonel Montgomery was urged to accept the nomination for President of the AIA. The Colonel accepted on one condition -- he be allowed to run on “a clear-cut platform of merger with the Society.”<sup>78</sup> Though clearly at odds with the views of the retiring AIA president and bitterly opposed throughout his campaign, Colonel Montgomery won by an overwhelming margin in October of 1935. President Montgomery viewed his large margin of victory as nothing less than the expression of a strong desire by the membership for a solitary unified national organization.<sup>79</sup> Although already in his sixties when he took office, Colonel Montgomery, fervently worked throughout his first term to

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<sup>74</sup> Carey, *Technician to Professional*, 354-56.

<sup>75</sup> *Ibid.*, 358.

<sup>76</sup> *Ibid.*, 360.

<sup>77</sup> Carey, *Responsibility to Authority*, 3.

<sup>78</sup> Lybrand, Ross Bros. & Montgomery, *Fiftieth Anniversary 1898-1948* (Philadelphia: Priv. Print., 1949), 23.

<sup>79</sup> *Ibid.*

unite the national societies.<sup>80</sup> Near the beginning of his second term as President, in October of 1936, the merger with the American Society was accomplished and the entire profession was once more united under a single standard -- the AIA.<sup>81</sup> From that day onward, the Institute has remained unchallenged as the national society of the profession.

#### Other Organizations

Following the turn of the century, specialized organizations of public and corporate accountants began to emerge. The National Association of Cost Accountants (NACA), organized in 1919, accepted both public and corporate accountants. The Controllers Institute of America was established in 1932 in order to provide a national organization association for controllers. The Institute of Internal Auditors formed in 1941 to specifically address the specialized concerns of internal auditors. Likewise, tax practitioners organized in 1945 under the banner of the Tax Executives Institute.<sup>82</sup> By 1948, the total membership of the abovementioned societies exceeded twenty-five thousand.<sup>83</sup> Although many of these organizations were comprised of mixed groups of C.P.A.s and non-C.P.A.s, they nevertheless increased the visibility of accounting and demonstrated to the public a desire for heightened professionalism among all accountants.

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<sup>80</sup> Carey, *Responsibility to Authority*, 3

<sup>81</sup> Lybrand, Ross Bros. & Montgomery, *Fiftieth Anniversary 1898-1948* (Philadelphia: Priv. Print., 1949), 24.

<sup>82</sup> Paul Grady, *Written Contributions of Selected Accounting Practitioners*, vol. 2, Paul Grady (Urbana: University of Illinois at Urbana-Champaign, 1978), 128-29.

<sup>83</sup> *Ibid.*, 129.

## The Great War (World War I)

Archduke Franz Ferdinand, heir to the Austro-Hungarian throne, was assassinated on the 28<sup>th</sup> of June, 1914, in Sarajevo by a member of a Serbian revolutionary group.<sup>84</sup> This event incited national indignation that exploded exactly one month later when Austria, supported by Germany, declared war on Serbia on the 28<sup>th</sup> of July. Due to a network of interrelated treaties, one world power after another was drawn into the fray. The Central Powers, composed primarily of Germany, Austria-Hungary, and Turkey, squared off against the opposing forces of the Allies, led by France, the United Kingdom, and Russia. In short order many nations joined the fight on one side or the other and world-wide hostilities ensued.

Although “American public opinion predominantly favored the Allies” the United States initially resisted the sirens call to war.<sup>85</sup> However, a host of bonds linked the old and new world. Ties of lineage, language, literature, and profession bound a majority of Americans to Great Britain. Economic conditions further fostered close relations to the Allies. The Allies, before the war, were large importers of America’s trade goods. During the war, due to superior allied naval power, trade with Germany became insignificant while that with England and France increased markedly. Trade with the allies grew so that by mid-1915 the United States emerged from a depression.<sup>86</sup> To provide credit for Allied purchases, a lender was needed. On financial fronts, America’s position as a debtor nation quickly reversed itself. For the Allies, Wall Street provided massive levels of financing that enabled their continuation of the war. Faced with

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<sup>84</sup> Samuel Eliot Morison, Henry Steele Commager, and William E. Leuchtenburg, *The Growth of the American Republic*, 6<sup>th</sup> ed. Vol. 2 (New York: Oxford University Press, 1969) 357.

<sup>85</sup> *Ibid.*, 360.

<sup>86</sup> *Ibid.*, 362. From 1914 to 1916, America’s total trade to the Allied countries increased from \$825 million to \$3.214 billion.

insufficient quantities of high explosives from their own plants, the Allies by the middle of 1915 were dependent upon America to the extent that lack of “supplies from America would have lost them the war.”<sup>87</sup> Yet in the midst of all this pro-Allied sentiment, trade, and financing, the U.S. managed to maintain official neutrality.

Meanwhile, Germany responded with the two most immediate weapons at her disposal: the submarine and anti-ship mines. Great Britain and France from the outset of the war erected a naval blockade of Germany. Faced with economic starvation, Germany mined the North Sea and the Irish Sea beginning in August 1914. In February of the following year, Germany declared all the waters encompassing Great Britain a war zone and warned neutral shipping to steer clear or risk accidental attack.<sup>88</sup> Of the early war period, the most notorious sinking occurred on May 7<sup>th</sup>, 1915, when a German U-boat torpedoed and sank the Cunard liner Lusitania killing 1,100 passengers including 128 Americans. Renowned leaders, including former President Theodore Roosevelt, cried for war and the press echoed this call. On May 13<sup>th</sup>, President Woodrow Wilson, still pursuing neutrality, called for Germany to disavow, to make reparation, and to prevent the recurrence.<sup>89</sup> In early fall, the German government, sensing the increasing threat of U.S. involvement, disavowed the sinking and pledged not to sink liners without warning and without safe provision for non-combatants.<sup>90</sup> Germany abode by their pledge, for the most part, until January 1917. On the last day of the month, German officials issued formal notice to the U.S. that beginning on the first of February U-boats would shoot on sight all merchant ships within a declared “military zone around the British Isles and in

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<sup>87</sup> Ibid., 363-65.

<sup>88</sup> Ibid., 365.

<sup>89</sup> Ibid., 367.

<sup>90</sup> Ibid., 368.



the Mediterranean.”<sup>91</sup> This notice prompted a formal break in diplomatic relations between the U.S. and Germany. President Wilson, alarmed by the revelations of the “Zimmermann Note” and angered by the torpedoing of five U.S. merchant ships in March, appeared before Congress on the second of April seeking a declaration of war.<sup>92</sup>

On April 6, 1917, the U.S. Congress responded by declaring war on Germany.<sup>93</sup> By this time, the Great War had already been raging for almost three years in locations spanning the globe. Fortunately for the country, President Wilson had been preparing the nation for such a contingency since early 1916.<sup>94</sup> Preparedness parades swept Eastern cities in 1916. That summer, Congress passed a series of laws that fortified the nation’s defenses. The National Defense Act, passed on June 3<sup>rd</sup>, increased the regular army to 220,000 soldiers. The Naval Appropriation Bill followed on August 29<sup>th</sup> and provided for the manufacture of new battleships and cruisers. To secure the transport of America’s exports, Congress passed the U.S. Shipping Board Act on September 7<sup>th</sup> that provided \$50 million for the procurement or production of merchant ships. Finally, to ensure the proper administration of war industries and the efficient utilization of resources, Congress formed a Council for National Defense.<sup>95</sup> Through this Council and the various boards that were placed under its supervision during the war, accountants and industrial experts served in crucial capacities.<sup>96</sup>

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<sup>91</sup> Ibid., 373.

<sup>92</sup> Ibid., 374-76; The Zimmermann Note was a diplomatic proposal from Germany to Mexico to encouraging the former to enter the war against the U.S. It was intercepted and its contents were published in the U.S. press on March 1, 1917.

<sup>93</sup> Carey, *Technician to Professional*, 141.

<sup>94</sup> Samuel Eliot Morison, Henry Steele Commanger, and William E. Leuchtenburg, *The Growth of the American Republic*, 6<sup>th</sup> ed. Vol. 2 (New York: Oxford University Press, 1969), 370.

<sup>95</sup> Ibid.

<sup>96</sup> Congress empowered President Wilson to commandeer vital industries and resources, set prices, control distribution and operate the entire communication and transportation systems. In turn, Wilson assigned these powers to a variety of boards all administratively supervised by the Council for National

### AIA and the War to End all Wars

The outbreak of war in Europe cultivated a growing sense of urgency among influential accountants, many of whom held strong personal feelings for the Allied cause. In fact, these sentiments may have contributed to the reorganization of the AAPA in 1916.<sup>97</sup> The direction the AIA would take regarding the war effort was never in doubt. From the earliest days of the accounting profession in America, British-born accountants had provided much of the manpower. Unsurprisingly, the president of the new Institute, W. Sanders Davies, was a chartered accountant. The Institute of Accountants in the United States of America, the original title given to the reorganized AAPA, bears a strong resemblance to the title of Great Britain's premier accounting society, the Institute of Chartered Accountants in England and Wales. The governing body of the AIA, the Council, consisted of thirty-five members, ten of which were either Canadian or British by birth.<sup>98</sup> These facts suggest the obvious inclination of the Institute. The national society of the profession, the AIA, would be firmly committed to the Allied effort. Expectedly, the restructured AIA, in the hands of elite practitioners, was active in the national preparedness movement – an effort “largely led by pro-Allied elements.”<sup>99</sup>

At twilight, before the United States descended into the dark night of war, a gleam of volunteerism pervaded many of America's youngest professions. Since the executive branch of government lacked the capacity (both manpower and expertise) to efficiently mobilize America's industrial might, the government sought and actively received

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Defense. One example, the War Industries Board, was organized in the summer of 1917. Morrison, Commanger, and Leuchtenburg, *American Republic*, 377-78.

<sup>97</sup> Paul J. Miranti, *Accountancy Comes of Age: The Development of an American Profession, 1886-1940*, (Chapel Hill: University of North Carolina Press, 1990), 113.

<sup>98</sup> *Ibid.*, 116

<sup>99</sup> *Ibid.*, 113.

support from the leadership of business and professional societies. Important bureaus, including the Shipping Board and the War Industries Board, relied on a vast array of civilian experts to accomplish their purposes.<sup>100</sup>

The accounting profession shone brightly in these dark hours. During this period of national preparedness, the Institute liaised with the Council of National Defense and the Naval Consulting Board. These early contacts led to the inclusion of the Institute's defense committee as a "subcommittee of the Council of National Defense, and later as a subcommittee of the General Munitions Board."<sup>101</sup> As early as 1916, J. Porter Joplin, president of the AAPA, made note of the readiness of accountants to aid in the work of industrial preparedness and extended this offer to the chairman of the Industrial Preparedness Committee.<sup>102</sup>

When the U.S. entered into the war, many accountants mobilized to assist the war effort. At the forefront of the profession, the American Institute of Accountants (AIA) marshaled the forces of the society by employing meetings, members, publications and committees. Through these avenues the Institute endeavored to inform the profession of the urgent needs of the government, to assist in the placement of accounting experts, to advise both members and governmental agencies, and to champion those called upon to face the challenges of war.

### Members

Without delay, the AIA called upon the membership to indicate their willingness and ability to accept governmental work and approximately half of the members replied. The Institute then referred many of these members to war agencies that were seeking

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<sup>100</sup> Ibid., 16-17; 104.

<sup>101</sup> A. P. Richardson, "Accountants and the War," *Journal of Accountancy*, 24, no. 2 (1917): 112.

<sup>102</sup> Carey, *Technician to Professional*, 141.

accounting expertise. The success of this undertaking by the AIA is reflected in that “by the fall of 1917 over 100 members were employed by such agencies.”<sup>103</sup> While such a contribution may appear meager in mere quantity, its magnitude is revealed when compared with the total membership of the AIA in 1917. According to A. P. Richardson, Secretary of the Institute, the Institute consisted of only 1,100 members and 120 associates at this juncture.<sup>104</sup> One year later, in September 1918, the office records of the Institute, though only partial at best, indicated that “40 members and 2 associates are wearing the uniform of the United States or its allies and that in the civilian ranks 72 members and 3 associates are serving or have served this or allied governments in war work.”<sup>105</sup> In July of 1919, the Institute solicited all of its members in order to obtain an account of the type of services rendered to the Allies during the war. By the second of September, 367 reports were received. Excluding members who worked on Liberty loan drives or for Red Cross, Y.M.C.A., and similar drives, there still remained around “200 records of actual relinquishment of ordinary vocations to serve the government in uniform or otherwise.”<sup>106</sup>

While some accountants served in uniform, others rendered valuable service in advisory capacities. A number of the latter group provided volunteer services as Dollar-a-year men and garnered for themselves and their profession favorable recognition.<sup>107</sup> Of the former, notable accountants ranging from the twenty-five year old Eric Kohler to the forty-four year old Robert Montgomery received commissions. Kohler, who practiced

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<sup>103</sup> Ibid., 142.

<sup>104</sup> American Institute of Accountants, *Year-Book of the American Institute of Accountants* (New York: The Institute, 1918), 82.

<sup>105</sup> Ibid. The Secretary’s report revealed a decline in total AIA membership with 1119 members but only 106 associates in 1918.

<sup>106</sup> American Institute of Accountants, *Year-Book of the American Institute of Accountants* (New York: The Institute, 1919), 85-86.

<sup>107</sup> Previts and Merino, *History of Accountancy*, 237.

with Arthur Andersen's firm from 1915 to 1917, served for two years in the Quartermasters Corps holding the rank of captain.<sup>108</sup> Robert Montgomery, a private in the Spanish-American War, accepted the commission of lieutenant colonel. During the war, Montgomery's duties included serving as chief of the property appraisal section of the General Staff and, later on, as the army's representative to the War Industries Board.<sup>109</sup>

Still other accountants were called upon to give all. One of the earliest reported C.P.A.s to be killed in combat was Robert L. Cuthbert who was cut down shortly after his arrival at the front. At the outbreak of war, Mr. Cuthbert, an American citizen, relinquished his practice in New York and volunteered with the Canadian armed forces. A member of C squadron, Second King Edward's Horse, Canadian expeditionary force, Cuthbert died in the north of France on July 6, 1915.<sup>110</sup>

### Meetings

At the Institute's annual meeting in September, 1918, the war and its attendant demands upon the profession commanded much attention. In his presidential report, W. Sanders Davies expressed the gratitude of the entire membership to the many members who had served the government "either fully or in part" to bring "the war to a successful issue."<sup>111</sup> President Davies, continuing his address, offered:

Some have the proud privilege of serving in the lines in France, others back of the lines in France, and still others in various capacities at home, but no matter where a member of the Institute is serving, he has earned the thanks of those in authority, and over and over again the American Institute of Accountants has been thanked for the way in which the

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<sup>108</sup> Nancy Kay Adams Humma, "An Examination of the Role of Eric Louis Kohler in the Development of the Accounting Profession" (PhD diss., Georgia State University, 1983), 28.

<sup>109</sup> Miranti, *Accountancy Comes of Age*, 3.

<sup>110</sup> Journal of Accountancy, "Obituary," *Journal of Accountancy* 20, no. 2 (1915): 163.

<sup>111</sup> *Ibid.*, 80.

members have seen their duty and responded to the many calls made by the army, navy, treasury and various government bureaus as well as by the Red Cross, Y. M. C. A. and other war agencies.

I cannot leave this subject without offering our sincere sympathy to those of our members who have made the supreme sacrifice and whose sons now rest "Somewhere in France."<sup>112</sup>

The report of the Council, including the report of the executive committee, directly followed. The Council held one thing as certain: "the American Institute of Accountants acting as the mouthpiece of the accounting profession of the country has rendered incalculable help to the cause and in doing so has done itself a considerable benefit."<sup>113</sup> The report of the Council expressed the members' firm belief that the profession would henceforth be better understood and appreciated and noted that many governmental agencies had officially recognized the AIA. Moreover, the Council's report identified a silver lining to the war as far as the profession was concerned:

All men everywhere have been brought to understand the importance of economy and the necessity for rigid adherence to sound business principles. It is for these things that the accounting profession stands, and at last the governmental and business worlds recognize the facts.<sup>114</sup>

The Great War and its impact upon the profession were also illustrated by the papers presented at the annual meeting. Three-fourths of the papers selected for presentation at the meeting featured war-related themes. These papers entitled *The Accountants' Bit in the American Expeditionary Forces*, *Accountants in the Food Administration* and *Accounting for Cantonment Construction* were read during the meeting and subsequently published in the October and November editions of the *Journal*

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<sup>112</sup> Ibid.

<sup>113</sup> Ibid., 63, 91.

<sup>114</sup> Ibid., 91.

of *Accountancy* in their entirety.<sup>115</sup> Finally, near the close of the meeting, J. E. Sterrett was singularly recognized for his services “to the profession and nation” and upon motion, a formal expression of appreciation was recorded and delivered to him.<sup>116</sup> By honoring members of the profession who rendered valiant service and by recognizing the staggering demand for and necessity of accountants in the allied war effort, the AIA’s annual meetings served to champion the allied cause, call its members to arms, and inform the membership of various capacities in which they might render service to their nation and profession.

One arena, previously identified at the 1917 annual meeting held in Washington, D.C., involved food administration. At that meeting on September 18, 1917, “a letter from Herbert Hoover . . . was read for the information of members. The letter called for the assistance of the Institute in investigations and examinations on behalf of the food administration.”<sup>117</sup> While the tactical significance of food administration might seem trivial at best, nothing could be further from the truth. The Food Administration, headed by Herbert Hoover, was tasked with increasing domestic food supply while simultaneously decreasing consumption for the purpose of provisioning the other allied nations. This successful undertaking enabled the United States, in 1918, to treble its normal volume of exports of sugar, meats, and breadstuffs.<sup>118</sup>

One of the accountants who responded to the Hoover request was Herbert G. Stockwell, whose paper was presented at the 1918 annual meeting of the AIA and was

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<sup>115</sup> Ibid., 65-66.

<sup>116</sup> Ibid., 67.

<sup>117</sup> American Institute of Accountants, *Year-Book of the American Institute of Accountants* (New York: The Institute, 1917), 69.

<sup>118</sup> Samuel Eliot Morison, Henry Steele Commanger, and William E. Leuchtenburg, *The Growth of the American Republic*, 6<sup>th</sup> ed. Vol. 2 (New York: Oxford University Press, 1969), 379.

subsequently published in the *Journal*. Stockwell, a CPA and member of the AIA, contributed to the success of the Food Administration by organizing the auditing division for the state of Pennsylvania. His article in the *Journal of Accountancy* identified two core functions of this service. First, auditors focused on fair profit margins, “from the farmer to the consumer,” giving due weight to all inflated expenses from the effects of the war, with an eye on the elimination of profiteering. Second, and more lasting, auditors worked as advisors to “various classes of food manufacturers and merchants” instructing on proper methods of bookkeeping to the end that the “business fabric” of this sector of the economy might be improved.<sup>119</sup>

### Committees

For two days in September 1917, the membership of the American Institute of Accountants gathered in Washington, D.C. for their annual meeting. On September 18<sup>th</sup>, at the opening of the first session, W. Sanders Davies delivered the presidential report to the assembly. President Davies highlighted the effects of the war upon the national consciousness by offering, the war “has changed the whole trend of our national life and given us but one object as individuals and as a nation to which we are to devote ourselves – the overwhelming of the enemy.”<sup>120</sup> Given this attitude encompassing the nation and the profession, President Davies next outlined the executive committee’s deliberations upon the declaration of war and their resulting decision to support President Woodrow Wilson and his administration by forming a special committee on national defense. This AIA committee was in turn “constituted the accountancy committee of the General

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<sup>119</sup> Herbert G. Stockwell, “Accountants and the Food Administration,” *Journal of Accountancy* 26, no. 4 (1918): 250-52.

<sup>120</sup> W. Sanders Davies, “Report of the President,” in *Year-Book of the American Institute of Accountants* (New York: The Institute, 1917), 130.



Munitions Board of the Council of National Defense, and . . . became the accountancy committee of the War Industries Board.”<sup>121</sup> Under the auspices of this committee, the Institute secured fourteen divisional auditors from the ranks of the membership to supervise the accounting for the construction of cantonments, recommended accountants to aid the surgeon general’s department in determining appropriate levels of overhead in certain contracts, and offered its advice and counsel on a multiplicity of questions in regards to cost-plus contracts.<sup>122</sup> President Davies concluded this portion of his address by commending both the national defense committee and the membership who “at no time since the war began . . . refused the call of the institute, but in almost every case have placed themselves unreservedly in the hands of the defense committee and undertaken government assignments.”<sup>123</sup>

Other committees of the Institute also assisted in the war effort. The Institute committee on education utilized its contacts to assist the accountancy committee of the War Industries Board by identifying recent accounting graduates of schools and colleges who might “be of service as accountants for the government.”<sup>124</sup> The executive committee of the Institute sought and received extensions of time for filing income, excess profits, and capital stock tax returns from the commissioner of internal revenue. Additionally, the executive committee led efforts to clarify the classification of accountants as either practitioners of an essential or non-essential industry. Previously, a ruling of the provost marshal general was being interpreted by draft boards to the effect that accounting was a non-essential occupation. When the committee placed this issue

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<sup>121</sup> Ibid.

<sup>122</sup> Ibid.

<sup>123</sup> Ibid., 130-31.

<sup>124</sup> American Institute of Accountants, “Report of Committee on Education,” in *Year-Book of the American Institute of Accountants* (New York: The Institute, 1917), 177-78.

before the Secretary of War, the decision was reversed and it was determined that “accountants are not members of a non-essential vocation.”<sup>125</sup> In other matters, the committee on federal legislation assisted the federal government by working to facilitate the enactment of tax legislation based on sound financial measures.<sup>126</sup> The dubiousness of their success is seen in the complex provisions of the War Revenue Act, approved on October 3, 1917. This law provided for income taxes, excess profits taxes, and undistributed earnings taxes in addition to taxes based on property and its use. Nevertheless, the Institute through the *Journal of Accountancy* sought to lead practitioners to a correct interpretation of the law’s myriad provisions.<sup>127</sup>

On September 16, 1918, the Institute’s Council gathered in Atlantic City for its regular annual meeting. Toward the close of the third and final session, the war committee, “formerly known as the ‘Accountancy committee of the council of national defense’” presented its report to the council.<sup>128</sup> The war report outlined that a majority of the committee members had devoted “all or nearly all of their time to the government during the past year.”<sup>129</sup> J. E. Sterrett, who was serving as the vice-chairman of the excess profits tax review board, had been in Washington for almost nine months. Lieutenant-Colonel Robert Montgomery was currently serving as the war department’s representative “on the price fixing committee of the war industries board.”<sup>130</sup> Two other war committee members, Mr. Arthur W. Teele and Mr. Charles S. Ludlum were likewise engaged in defense work. Charles Ludlum, a partner at Haskins & Sells, was serving as a

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<sup>125</sup> AIA, *Year-Book of the AIA*, 1918, 92-93.

<sup>126</sup> AIA, *Year-Book of the AIA*, 1917, 217.

<sup>127</sup> John B. Niven, “Income Tax Department,” *Journal of Accountancy* 24, no. 5 (1917): 386.

<sup>128</sup> AIA, *Year-Book of the AIA*, 1918, 69-73.

<sup>129</sup> *Ibid.*

<sup>130</sup> *Ibid.*

U.S. representative on matters pertaining to inter-allied transactions, and Arthur Teele, who had been appointed by the quartermaster's department, was serving as a civilian member of a committee tasked with determining property accountability.<sup>131</sup> Continuing, the war report revealed that due to the demands placed upon the individual members of the committee, the committee as a body had "not been especially active, but most of the members thereof have been signally recognized by the government. . ."<sup>132</sup> The committee members were not alone in their efforts. The war committee estimated that "from 12% to 15% of the entire membership" of the Institute was serving the government either in or out of uniform.<sup>133</sup>

### Publications

During the World War I period of time, before the advent of commercial radio broadcasts, Americans relied on print media for their news. Accordingly, the Institute, through three publications, endeavored to inform the profession of the needs of the government, to advise members on how best to meet these trials, and to champion those called upon to face the challenges of war. Chief among the Institute publications was the *Journal of Accountancy* -- the official organ of the AIA whose circulation by 1918 was approaching 10,000 copies.<sup>134</sup>

Throughout the war, accountants served in many critical capacities including but not limited to their work on cost-plus contracts, income and excess profits taxes, and their

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<sup>131</sup> AIA, *Year-Book of the AIA*, 1918, 112-113.

<sup>132</sup> Ibid.

<sup>133</sup> Ibid.

<sup>134</sup> AIA, *Year-Book of the AIA*, 1919, 111.

administration and review of construction contracts and accounts.<sup>135</sup> The guidance provided in the *Journal of Accountancy* aided their efforts.

Following the declaration of war between the United States and Germany, many of the articles published in the *Journal* focused on martial aspects affecting accountants. The July 1917 edition featured the article “Navy Yard Cost Accounting.” In August an editorial entitled “Accountants and the War” appeared in the *Journal* and detailed the performance of the AIA’s defense committee. The October edition featured the “Report of the President,” which highlighted the Institute’s actions in furtherance of the war effort. An editorial entitled “War Contracts and Cost Accounting” was published in the November issue and offered extracts from the pamphlet *Uniform Contracts and Cost Accounting Definitions and Methods* that detailed numerous recommendations for contracting officers. The 1917 run of the *Journal* concluded with a December issue that contained the editorial “Banking with the Government.” This editorial not only lauded the “remarkable success” of the second Liberty loan drive but also put forward recommendations for subsequent offerings. In 1918 a similar pattern of war-related articles emerged. When taken in whole, a tremendous volume of war-related information was conveyed to the membership in addition to the recurring tax articles that appeared in every *Journal* issue under the Income Tax Department section.

The other two publications of the Institute were the *Year-Book* and the monthly *Bulletin*. The *Bulletin* was created to maintain “a personal and intimate touch between the office and all members and associates of the Institute.”<sup>136</sup> By publishing the *Year-Book*, which contained the minutes of the annual meetings, the various committee

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<sup>135</sup> Carey, *Technician to Professional*, 142.

<sup>136</sup> AIA, *Year-Book of the AIA*, 1919, 110.

reports, and the titles of articles presented at the conferences, the AIA communicated to the profession its leadership, to the membership its accomplishments, and to the nation its ability. Not unlike the national meetings, the publication of the *Year-Book* and *Bulletin* served to champion the allied cause and spur its members to action by honoring eminent members engaged in service to their nation and profession.

At the outbreak of the Great War, the Institute, though lacking the standing of older societies and great numbers of members, nevertheless, advanced the allied effort and with it the standing of the profession. The Institute, through publications, meetings and committees, bolstered the intellectual capacity of its members by educating, promoted the war effort by motivating the membership to serve, and leveraged the impact of a limited membership by uniting the profession to meet the hardships of war. Thus, the accounting profession emerged from the war greatly advanced in both prominence and public confidence – accountants were becoming well-known and well-respected.<sup>137</sup>

The accounting profession was quite fortunate to have had a unified national presence during the war. Such a structure and the marshalling of forces it enabled would prove necessary once again. Within fifteen years of the armistice that ended World War I, Adolph Hitler rose to power over Nazi Germany. Soon the accounting profession would be called upon to reprise its war-time role and the U.S. would yet again be immersed in war.

### **Rising International Tension**

During the third decade of the Twentieth century, the drumbeats of war echoed again in a crescendo of regional conflicts that culminated in World War II. In October of

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<sup>137</sup> Previts and Merino, *History of Accountancy*, 236.

1935, Benito Mussolini, dictator of fascist Italy, launched an invasion of Ethiopia.<sup>138</sup> The following year saw internal revolt and rebellion in Spain erupt into civil war as Franco, supported by German and Italian forces, fought to overthrow the Spanish Republic.<sup>139</sup> On the other side of the globe, Japanese forces invaded China in July, 1937, and landed another blow against peace.<sup>140</sup> Foreshadowing events to come, Japanese aircraft attacked and sunk the U.S. ship *Panay* on December 12, 1937. However, rather than launching the U.S. into war this incident incited many isolationists to demand the withdrawal of all U.S. forces based in China.<sup>141</sup> Roosevelt called for and received from Congress, on May 17, 1938, an expansion plan for the U.S. Navy, which would enable the simultaneous defense of both coasts in the event of war.<sup>142</sup> However, while the Naval Expansion Act was being debated, the next assault on peace occurred as Germany annexed Austria, in March and Japan began new operations in China. By September, Czechoslovakia had also fallen under Nazi rule.<sup>143</sup> On August 23, 1939, Nazi Germany and Soviet Russia announced a non-aggression treaty.<sup>144</sup> This pact paved the way for Germany's attack on Poland in September, 1939, and shattered world peace as France and Great Britain declared war on the Axis powers.<sup>145</sup>

Undeterred by the entrance of the Allied nations, the Soviet Union invaded Poland in November and assisted Germany in its downfall.<sup>146</sup> With the entrance of Britain and France, Hitler's focus shifted west in 1940 and, on April 9th, he unleashed the

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<sup>138</sup> Basil Rauch, *The History of the New Deal 1933-1938*, 2nd Ed, (New York: Octagon Books, 1975), 327.

<sup>139</sup> *Ibid.*, 330.

<sup>140</sup> *Ibid.*, 331.

<sup>141</sup> *Ibid.*, 333.

<sup>142</sup> *Ibid.*, 334-35.

<sup>143</sup> *Ibid.*, 334-35.

<sup>144</sup> Robinson, *The Roosevelt Leadership*, 240.

<sup>145</sup> Carey, *Responsibility and Authority*, 42.

<sup>146</sup> Robinson, *The Roosevelt Leadership*, 242.

German war machine. Demonstrating the effectiveness of lightning warfare, the German blitzkrieg subjugated in sequence Denmark, Norway, the Netherlands, Belgium, Luxembourg and France in eleven short weeks. As June, 1940 ended, continental Europe belonged to the Axis Powers.<sup>147</sup> With Her expeditionary forces, shorn of equipment and quickly withdrawn from Dunkirk, Great Britain braced for certain invasion. The next important development occurred on September 27, 1940, when Japan joined the Axis alliance.<sup>148</sup>

In 1941, few of the crucial actions favored the Allies. Britain's armies suffered defeat time and again to the Germans. In North Africa, spectacular victories over the Italians were turned into stunning routs when German troops arrived. British forces arrived in Greece "just in time to be chased out by onrushing Nazi tank columns. The Royal Navy managed to evacuate many of the men to nearby Crete, only to pull them out again a month later when Hitler's paratroopers seized the island by storm."<sup>149</sup> With the Balkans added to Germany's conquests, Hitler appeared ready to consolidate control over the eastern Mediterranean by seizing the Suez Canal and the oil rich Middle East.

When invasion came on June 22, 1941, it was not Great Britain, but the Soviet Union that felt the crush of German invaders. Assured by his Air Marshall that the Luftwaffe (Germany's Air force) could bomb Britain out of the war, Hitler, in a turning point of the war, attacked his former ally.<sup>150</sup>

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<sup>147</sup> James C. Schneider, *Should America go to War?: The Debate over Foreign Policy in Chicago, 1939-1941* (Chapel Hill: University of North Carolina Press, 1989), 36.

<sup>148</sup> Robinson, *The Roosevelt Leadership*, 283.

<sup>149</sup> Schneider, *Should America*, 131.

<sup>150</sup> *Ibid.*, 179.

## America's Build-up to War

The unexpected collapse of France, while shattering analogies to WW I, demonstrated the growing threat of German military might. The fall of France also led to key changes in American domestic and foreign policy. Responding to the shift in the balance of European power, Congress passed the nation's first peacetime draft and "approved a series of appropriations for the expansion and modernization of the armed forces."<sup>151</sup>

A key foreign policy adjustment came on the subject of economic aid to Britain. Great Britain, lacking the industrial capacity of German-dominated Europe and shorn of vast quantities of weaponry at Dunkirk, faced a severe dearth of many essential types of war materials and machinery. These deficiencies were further compounded by the Luftwaffe bombing campaigns beginning in August of 1940 and the increasing effectiveness of Germany's U-boat patrols in the North Atlantic.<sup>152</sup> In early September, 1940, President Roosevelt authorized the exchange of 50 obsolete destroyers to Great Britain for long-term leases of British bases in the Western Hemisphere.<sup>153</sup> This action aided Britain two-fold by providing additional protection for her convoys from the German wolf packs and by freeing-up British soldiers from the various bases for use in other theaters. Although, Great Britain, through the "cash and carry" policy, acquired vast quantities of material from the United States, those purchases required funds – funds that were rapidly dwindling.<sup>154</sup> As 1940 drew to a close, "cash and carry", as a policy of aid to Britain, was nearing the end of its viability. President Roosevelt, urged by British

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<sup>151</sup> Ibid., 38.

<sup>152</sup> Ibid.

<sup>153</sup> Ibid., 38, 50.

<sup>154</sup> Ibid., 38.



Prime Minister Winston Churchill, called for a change in American foreign policy – “cash and carry” would give way to “lend-lease.”<sup>155</sup>

Introduced into Congress on January 10, 1941, and signed into law on March 11, Lend-Lease empowered the President to supply any defensive article to any nation that the President deemed was vital to U.S. security interests.<sup>156</sup> Under Lend-Lease, the United States was now financing the allied struggle. “Lend-Lease constituted an enduring commitment of America’s full economic power to the struggle against Nazi aggression.”<sup>157</sup>

### Neutrality Acts

Lend-Lease also represented a dramatic reversal in U.S. foreign policy. In the mid 1930’s, when isolationists were carrying the day, Congress passed a series of Neutrality Acts. Ratified on August 31, the 1935 Neutrality Act required a mandatory arms embargo of all belligerents, whether victim or aggressor, and forbade U.S. vessels from transporting arms to belligerents. Unfortunately, rather than discouraging aggression, the Neutrality Act actually favored Italy when they invaded Ethiopia in October of 1935. Italy needed neither arms nor munitions. Ethiopia needed both. The Neutrality Act, while embargoing “materials used exclusively for war, and airplanes,” permitted U.S. companies to sell oil – the one commodity Italy required.<sup>158</sup>

In the summer of 1936, Spain erupted into civil war, a type of warfare unaddressed in the Neutrality Act of 1935. Contrary to “the previous rule of international law that a recognized government might buy arms to put down revolt,” the United States,

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<sup>155</sup> Ibid., 58-9.

<sup>156</sup> Robinson, *The Roosevelt Leadership*, 269.

<sup>157</sup> Schneider, *Should America*, 39.

<sup>158</sup> Rauch, *New Deal 1933-1938*, 326-7.

Great Britain, and France embargoed “the first government to fight the troops of Hitler.”<sup>159</sup> To shore up the omission in the 1935 Neutrality Act, an Act was passed on January 8, 1937, which prohibited the export of weapons to both sides in Spain.<sup>160</sup>

With the Neutrality Act set to expire on May 1, 1937, Congress worked feverishly to pass another. The Neutrality Act of 1937, signed on May 1, granted the President the authority to determine whether a state of war existed. If, in his opinion, a state of war existed, an automatic arms embargo was imposed upon all warring nations and other materials useful in the prosecution of war could likewise be restricted. Unlike the previous act, the new act had no expiration date for the embargo features.<sup>161</sup> However, an important piece of the act, the “cash and carry” plan, was set to expire on May 1, 1939. “Cash and carry” granted the President the authority to sell commodities, excepting armaments, to belligerents provided cash payment was made before delivery and transportation occurred on non-U.S. ships.<sup>162</sup> This policy, designed for a European conflict, offered considerable advantages to countries that controlled the sea lanes, namely England and France in the Atlantic. Unfortunately, the next assault on world order occurred when Japan invaded China in July of 1937. If the Neutrality Act was invoked, China, lacking significant naval forces or maritime fleet would be unable to acquire either arms or raw materials. On the other hand, Japan, possessing superior naval forces and considerable war-production facilities, could operate under the cash and carry

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<sup>159</sup> Ibid., 329.

<sup>160</sup> Robinson, *The Roosevelt Leadership*, 233.

<sup>161</sup> Rauch, *New Deal 1933-1938*, 330-331.

<sup>162</sup> Ibid.

provisions and suffer no detrimental effects of the embargo.<sup>163</sup> Once more, a U.S. policy designed to promote peace instead functioned to favor an aggressor nation.

“It was apparent early in 1939 to all but the most blinded advocates of appeasement-isolation-neutrality that another world war was inevitable.”<sup>164</sup> Therefore, throughout 1939, the Roosevelt administration focused intently on foreign policy and domestic security. Reflecting international concerns, the President’s main legislative aim was revision of the neutrality act so as to enable the acquisition of arms by Great Britain and France, in the event of war.<sup>165</sup>

[Unfortunately for the allies,] Roosevelt’s prestige and influence were at their weakest early in 1939. His second term was drawing to a close and all precedent indicated it would be his last. Both his court reorganization package and his attempt to intervene in the 1938 congressional elections had failed dismally. . . . So low had Roosevelt’s political stock fallen by the spring of 1939 that he deliberately refrained from lobbying Congress for a revised Neutrality Act out of fear that his intervention would damage the bill’s chances. At least until the autumn of 1939, FDR was in no position to dominate even American foreign policy, still less events overseas.<sup>166</sup>

With the outbreak of World War II, in September 1939, the United States found itself constrained by the untenable position of strict neutrality. Indeed, binding neutrality acts at that time prohibited the U.S. from supplying arms to any belligerent nation, barred loans to nations that failed to pay their W.W. I obligations, and banned U.S. citizens from traveling on vessels of warring nations.<sup>167</sup> In October, President Roosevelt officially called for alterations to Neutrality. He “proposed to repeal the embargo on arms sales and to reinstate a lapsed ‘cash and carry’ provision from a previous version of the

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<sup>163</sup> Ibid., 331-2.

<sup>164</sup> Ibid., 335.

<sup>165</sup> Richard Polenberg, “The Decline of the New Deal, 1937-1940,” In *The New Deal: The National Level*, edited by John Braeman, Robert H. Bremner, and David Brody (Ohio State University Press, 1975) 261.

<sup>166</sup> Schneider, *Should America*, xi.

<sup>167</sup> Ibid., 15.

Neutrality Act.”<sup>168</sup> Approving the proposed changes, Congress passed the Neutrality Act of 1939 in early November. Great Britain and France, possessing control of the seas, were the obvious beneficiaries of the renewed “cash and carry” policy.

## War Years & Escalation of Effort

Although many of the nation’s leaders clearly understood the growing threat of the Axis powers, America was undeniably ill-equipped for war or even defense. When Paris fell in June 1940, the U.S. military was deficient in troops, war materials, and funding.<sup>169</sup> To help alleviate the first deficiency, in September Congress passed the Selective Training and Service Act of 1940 -- the first peacetime conscription in the history of the nation.<sup>170</sup> As for the other deficiencies, Congress approved a series of appropriations for the funding of necessary production facilities for vital war material and for the equipping of the military.

During this period the accounting profession took many proactive steps to assist the nation and her leaders in these efforts. One of the first involved the identification of a pool of certified public accountants that were willing to come to the aid of the government. To further this end, the president of the American Institute of Accountants (AIA) alerted Institute members on June 25, 1940, “to the creation of the Advisory Commission to the Council of National Defense” by President Roosevelt.<sup>171</sup> In his letter, President Mathieson predicted that the Advisory Commission might need the aid of the

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<sup>168</sup> Ibid.

<sup>169</sup> Colonel Edward S. Greenbaum, “The Army Works Industry,” *New York Certified Public Accountant*, June 1942, 565.

<sup>170</sup> Wikipedia, “Selective Training and Service Act of 1940,” [http://en.wikipedia.org/wiki/Selective\\_Training\\_and\\_Service\\_Act\\_of\\_1940](http://en.wikipedia.org/wiki/Selective_Training_and_Service_Act_of_1940) (accessed 9/25/2010).

<sup>171</sup> John L. Carey, ed., “National Defense,” *Certified Public Accountant* 20, no. 8 (August 1940): 3.

profession in dealing with “problems of accounting.”<sup>172</sup> Looking to identify volunteers, he requested that all AIA members and associates indicate whether “they would be able to serve without compensation or allowance for expenses, and the approximate amount of time in terms of weeks or months per year that could be given.”<sup>173</sup> In response, the AIA president received over 500 affirmative replies from members, “offering their services without compensation and at their own expense for periods of time ranging from one week to one year.”<sup>174</sup>

The next step was taken in September 1940. “Anticipating calls for accounting advice from Federal Government agencies,” the American Institute of Accountants established a core group of experts to deal specifically with “broad questions of accounting policy and procedure.”<sup>175</sup> This special committee on national defense, chaired by John K. Mathieson, President of the AIA, included many noteworthy accountants.<sup>176</sup> Far from an honorary position, the committee was quickly put to work. By June of the following year, ten of the committee members had been called upon for service in connection with the war defense programs.<sup>177</sup> And these were not the first. At the same time the national defense committee was being organized, AIA members were already assisting the U.S. Navy and War Departments with defense-related accounting problems.

Because of the nation’s ongoing preparedness program, new opportunities emerged for accountants to engage in their calling and “make substantial contributions to

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<sup>172</sup> Ibid.

<sup>173</sup> Ibid.

<sup>174</sup> John L. Carey, “Accountants and National Defense,” *Certified Public Accountant* 20, no. 10 (October 1940): 3.

<sup>175</sup> John L. Carey, ed., “Special Committee on National Defense,” *Certified Public Accountant* 20, no. 9 (September 1940): 8.

<sup>176</sup> See Appendix C for a full listing.

<sup>177</sup> John L. Carey, ed., “National Defense,” *Certified Public Accountant* 21, no. 6 (June 1941): 10.

the defense program” at the same time.<sup>178</sup> Congress had allocated “huge government expenditures” for “the emergency construction of plants and facilities.”<sup>179</sup> To insure that the funds were being properly spent, the accounting and auditing branch of the War Department’s construction division required an auditing division for each construction project that would conduct a “detailed pre-audit of all costs incurred.”<sup>180</sup> Each division consisted of a field auditor and “a staff of assistant auditors to head three or more departments, depending upon the size of the project.”<sup>181</sup>

In addition to these new opportunities, the profession still had important fiscal functions to perform -- one of which involved advising Congress on tax matters. Walter A. Cooper, the AIA’s chairman of its committee on federal taxation, appeared on September 3, 1940, “before the Senate finance committee” and presented a series of recommendations “regarding the proposed excess-profits-tax legislation.”<sup>182</sup> First among the recommendations, was the counsel that “(a) retroactive excess-profits-tax law should not be enacted now but time should be taken to develop fair and more equitable legislation which should be made effective January 1, 1941.”<sup>183</sup> His advice went unheeded. The Revenue Act of 1940 was passed into law on October 8<sup>th</sup>.

The accounting profession, like all other professional groups, had no choice but to act in the best interest of the country when national emergencies loomed. As citizens, patriots, and honorable men such is the duty of all in defense of liberty. At the time of the WWI, the profession carried out its responsibilities in a most worthy manner.

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<sup>178</sup> John L. Carey, ed., “Need for Field Auditors in Defense Program,” *Certified Public Accountant* 20, no. 9 (September 1940): 10.

<sup>179</sup> Ibid.

<sup>180</sup> Ibid.

<sup>181</sup> Ibid.

<sup>182</sup> John L. Carey, ed., “Excess Profits Tax Legislation,” *Certified Public Accountant* 20, no. 9 (September 1940): 10.

<sup>183</sup> Ibid.

The Council of National Defense, organized in 1916 and reorganized as the War Industries Board in 1917, soon found a need for experienced accountants familiar with business conditions. It was necessary to devise formulae to determine what constituted cost under the terms of government contracts for war materials and supplies, and it was necessary to set up systems for the control of disbursements by the Government for material and for construction projects. It was necessary to have accounting advice as well with respect to tax legislation through which money could be raised to pay the bills of the war effort.<sup>184</sup>

Into this breach accountants poured forth their time, talents, and energy by answering the calls for their services emanating “from practically every department of the Government and from the advisory committees of civilians.”<sup>185</sup> Prominent among the responses, was the AIA’s establishment of “an accountants’ committee” housed within the headquarters of the Council of National Defense.<sup>186</sup> The accountants’ committee quickly emerged as “a clearing house for all accounting problems and services. Hundreds of certified public accountants from every section of the country volunteered and rendered service in a great variety of ways.”<sup>187</sup>

When World War II began in Europe, the accounting profession quickly reprised its role and, as in the Great War, offered its full support to the Advisory Commission to the Council of National Defense. Specifically, AIA representatives offered to provide the Commission with: “Advice on matters of policy involving questions of industrial organization or operation and finance with which certified public accountants are naturally thoroughly familiar; of cost determination under procurement contracts, including problems of amortization of investment in new plant facilities; of taxes and their probable effect on industrial operations;” and recommendations on the selection of

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<sup>184</sup> John Carey, “Accountants and National Defense,” *Certified Public Accountant* 20, no. 10 (October 1940): 2.

<sup>185</sup> *Ibid.*

<sup>186</sup> *Ibid.*

<sup>187</sup> *Ibid.*

“accounting personnel to serve in various departments of the Government in which it was necessary to install systems of accounting and reporting; to control disbursements; to prepare budgets, etc.”<sup>188</sup>

Their offers of aid were eagerly accepted. By the fall of 1940, more than a year before Pearl Harbor, the accounting profession had already been called upon to provide:

- 1) Consultation on accounting problems related to aviation contracts,
- 2) Organization of system of pre-audit expenditures on construction projects
- 3) Continuous consulting advice to government departments
- 4) Assistance in securing qualified personnel for salaried accounting positions in government employ.<sup>189</sup>

In addition to the aid provided to industry and the Federal government, President Mathieson of the AIA telegraphed all state society presidents on September 26, 1940, and recommended that they immediately offer their respective governors the “services of certified public accountants as members of local draft and appeal boards.”<sup>190</sup> By November, 1940, fifteen state societies of certified public accountants indicated to the AIA that they had followed Mathieson’s recommendation. In December, 1940, the *Certified Public Accountant* published a list of ten known Institute members who were serving as chairman, members, or associate members of local selective service boards around the country.<sup>191</sup>

As the U.S. drew closer to war in 1940, members of the profession became increasingly involved in preparations for defense or war. Many in the profession answered the call of duty by resigning civilian pursuits and volunteering for service in

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<sup>188</sup> Ibid.

<sup>189</sup> Ibid., 3.

<sup>190</sup> John L. Carey, ed., “Draft Board Services,” *Certified Public Accountant* 20, no. 11 (November 1940): 16.

<sup>191</sup> John L. Carey, ed., “Members on Draft Boards,” *Certified Public Accountant* 20, no. 12 (December 1940): 13-14.



governmental agencies. With the U.S. declaration of war following December 7, 1941, the American Institute of Accountants functioned as a clearing house to funnel willing members into the armed forces, governmental agencies and civilian contractors. In addition to the efforts of those departing from public practice, those few remaining practitioners had to bear the burdens of new exotic tax structures, escalating auditing demands, and increasing pleas from clients for management advisory services in spite of desperate manpower shortages. Through all the adversity, professional accountants remained ever active, striving to serve, seeking to aid, and at all times and in all means looking for and hastening opportunities to help the nation bring the war to its successful conclusion.

## CHAPTER III

### SERVICES BY ACCOUNTANTS IN UNIFORM

As in World War I, the accounting profession's efforts in anticipation of war predated formally declared hostilities. In June of 1940, AIA President John K. Mathieson sent a letter to the membership inquiring as to whether "they would be able to serve without compensation or allowance for expenses" on sundry advisory panels likely to be requested by the Advisory Commission.<sup>1</sup> Foreseeing the demands of war, the American Institute of Accountants created a special committee on National Defense in September of 1940.<sup>2</sup> This committee, chaired by Mathieson, President of the AIA, included, among others, such noteworthy CPAs as: T. Coleman Andrews, John F. Forbes, George P. Auld, Norman L. McLaren, Maurice E. Peloubet, Victor H. Stempf, and C. Oliver Wellington. By June of 1941, ten of the committee members had been called upon for service in connection with the war defense programs.<sup>3</sup> Furthermore, the Institute provided lists of available members who were willing to assist in essential capacities. Many in the profession answered the call of duty by resigning civilian pursuits and volunteering their services to the government. This chapter highlights the activities and actions of accountants who donned the uniform in service to their nation.

One of the foremost groups worth examining is the Accounting Hall of Fame.<sup>4</sup> Although established in 1950 by the accounting department at Ohio State University, the

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<sup>1</sup> John L. Carey, ed., "National Defense," *Certified Public Accountant* 20, no. 8 (August 1940): 3.

<sup>2</sup> John L. Carey, ed., "Special Committee on National Defense," *Certified Public Accountant* 20, no. 9 (September 1940): 8.

<sup>3</sup> John L. Carey, ed., "National Defense," *Certified Public Accountant* 21, no. 6 (June 1941): 10.

<sup>4</sup> See list of members of the Accounting Hall of Fame in Appendix A.

hall of fame has rarely if ever garnered national prominence.<sup>5</sup> That is not to say however that membership in this august body is any less noteworthy. As originally established the criteria for election into the Accounting Hall of Fame are as follows:

1. Contribution to accounting literature
2. Public speaking before professional and other groups
3. Service to accounting organizations of a professional character
4. Recognition as an authority in a particular field
5. Public service
6. Previous honor awards in the profession and honorary degrees conferred by universities.<sup>6</sup>

The nominating committee, appointed by the accounting department, consists of forty-five accountants drawn from the ranks of public accountants, academic accountants, and industrial and governmental accountants. The Ohio State Department of Accounting reserves the right to “determine only the number of persons to be honored in a single year. Those so honored will be the ones who received the highest preferential vote upon final ballot.”<sup>7</sup> The distinction of being admitted into the Accounting Hall of Fame is heightened by the fact that since 1950 only 85 individuals have been inducted into the accounting hall of fame.<sup>8</sup>

A cursory glance at the Accounting Hall of Fame reveals numerous accountants who rendered uniform service to their nation. A closer inspection reveals that approximately 25% of all Accounting Hall of Fame members served in uniform during

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<sup>5</sup> Thomas J Burns, and Edward N. Coffman, *The Accounting Hall of Fame: Profiles of Fifty Members*, 3<sup>rd</sup> ed. (Ohio State University: 1991), 126.

<sup>6</sup> J. Brooks Heckert, “Accounting Hall of Fame,” *The Accounting Review* 25, no. 3 (July 1950): 260.

<sup>7</sup> Ibid.

<sup>8</sup> Thomas J Burns, and Edward N. Coffman, *The Accounting Hall of Fame*, <http://fisher.osu.edu/departments/accounting-and-mis/the-accounting-hall-of-fame/recent-inductions/> (accessed December 31, 2009).

WW II.<sup>9</sup> As remarkable as this percentage is, when the number of the Accounting Hall of Fame members (eighty-five) is adjusted to remove those who died prior to WW II (five) and those too young to serve (twenty were born after 1930), the percentage who served rises to 35%. American servicemen from World War II in the Accounting Hall of Fame include: Andrew Barr, Herman C. Miller, Robert M. Trueblood, Sidney Davidson, Robert N. Anthony, Phillip L. Defliese, Norton M. Bedford, Charles T. Horngran, Robert T. Sprouse, Thomas J. Burns, James Don Edwards, Edgar O. Edwards, Philip W. Bell, Robert R. Sterling, Thomas C. Andrews, Robert K. Mautz, Oscar Gellein, and John Cary.<sup>10</sup> Their combined service spans all branches of the Armed Forces and extends into both the European and Pacific theaters of war. Sadly, their stories, sacrifice, and service have received only passing attention.

While many of this august number have passed from this life, a few remain. One of whom is Dr. James Don Edwards, a 2001 Accounting Hall of Fame inductee, who volunteered in 1944 for service with the United States Navy. Enlisting at the tender age of seventeen, Apprentice Seaman Edwards was attached to the 6<sup>th</sup> Marine Division where he served as a platoon commander during navy boot camp and later on as a Drill Instructor, charged with conditioning the soldiers for the planned invasion of Japan. By the time of his discharge in 1946, 3<sup>rd</sup> Class Petty Officer James Don Edwards was a seasoned traveler having been stationed in Okinawa, China, Korea, and Japan. According to Dr. Edwards, “Being in the military in World War II was a maturing

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<sup>9</sup> Of the 85 Accounting Hall of Fame Members inducted through 2009 a total of twenty-one served in uniform for the Allies during WW II (America, Britain, Canadian).

<sup>10</sup> Thomas Junior Burns and Edward N. Coffman, *The Accounting Hall of Fame*, <http://fisher.osu.edu/departments/accounting-and-mis/the-accounting-hall-of-fame/membership-in-hall/> (accessed December 22, 2009). Three members Lord Benson, David Solomons and R. M. Skinner served in his Majesties Armed Forces.

experience --- you grew up in a hurry. I'm sure that carried over to my professional life."<sup>11</sup> One further aspect of Dr. Edwards life was profoundly shaped by his service, "If it wasn't for the G.I. Bill I wouldn't have gone to college."<sup>12</sup>

It was not unusual during the war for young men to enlist though underage. Such was the case for Private Robert Raymond Sterling, who in 1944 entered the Army Air Corp at the ripe old age of thirteen. Dr. Sterling, in looking back over his WWII experience, saw it as a life changing experience. Before enlisting, Sterling had a narrow outlook on life, as he recounted there were simply no opportunities in Bugtussle, Oklahoma, his hometown. For young Bob Sterling, military service was truly an eye-opening experience. Though Private Sterling was never sent overseas, he was instead exposed to the alien cultures in Arlington and San Antonio while stationed in Texas. During the war, one of his primary assignments involved attempting to fit a hospital into a C-47 cargo plane. During this assignment, Private Sterling, though still a rather young teenager, was placed in charge of approximately eighteen men. Robert Sterling finished two years of active military duty and was discharged as a Private First Class. However, Sterling did not extinguish all military ties. He joined the Naval Reserve and was recalled to active duty status for another two-year stint during the Korean Conflict. Like his fellow Hall of Famer Don Edwards, Robert Sterling received one final parting gift from the military – the G.I. Bill. "Had it not been for the G.I. Bill, I'm not sure I could have gone [to college] at all. I think it was like that for all of us."<sup>13</sup>

WWII captured not only the fervor of patriotic American youth, but also attracted men from every avenue of business and the professional ranks. This included many on

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<sup>11</sup> James Don Edwards, in discussion with the author, January 2010.

<sup>12</sup> Ibid.

<sup>13</sup> Robert Raymond Sterling, in discussion with the author, January 2010.

the staff of the major American accounting firms who willingly volunteered for military service. Many in the firms were eager to hear of the service experiences from their former colleagues. Likewise, the state societies of certified public accountants were proud of their members in uniform and honored them with special recognition in their publications.<sup>14</sup>

### **Accountants at Headquarters**

Many of the more recent members of the Accounting Hall of Fame were able to pursue a career in accounting as an after effect of World War II through the G.I. Bill. However, this is not to say that the accounting profession was lacking in representation during the war. Contrarily, the profession was well represented by the major firms and a host of influential accountants who rendered generous service to the country. One shining example of such service can be seen in the person of Arthur Carter who, when called upon by the Under Secretary of War, stepped down from his role as the managing partner of Haskins & Sells.<sup>15</sup>

#### Major General Arthur Hazelton Carter

Major General Arthur Hazelton Carter was certainly one of the highest ranking CPAs during WWII. However, his military career actually began forty years earlier. In June, 1901, Arthur Carter received an appointment to the United States Military Academy at West Point. Among other interests at West Point he enjoyed membership on the polo squad. Graduating in 1905, Arthur Carter received commission as a Second Lieutenant in Field Artillery and assignment to the 16<sup>th</sup> Battery at Fort Leavenworth,

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<sup>14</sup> See appendix I for a compilation of state society members in service.

<sup>15</sup> *New York Times*, "Major General Arthur Carter Dies; Senior Partner in Haskins & Sells," January 5, 1965, special edition, 33.

Kansas. On January 25<sup>th</sup>, 1907, Carter was promoted to First Lieutenant and with the organization of the 5<sup>th</sup> Field Artillery became Battalion Adjutant and Acting Regimental Adjutant.<sup>16</sup>

When military service carried him overseas in March, 1908, he traveled with the First Battalion, 5<sup>th</sup> Field Artillery to the Philippines. Lieutenant Carter continued to serve as Battalion Adjutant at Camp Stotsenburg and Fort William McKinley in Luzon until he was appointed, in March 1910, as an aide-de-camp on the staff of Brigadier General R. D. Potts, the Commanding General of the Department of Luzon.<sup>17</sup> It was during this deployment when he met Marjorie Sells – a daughter of famed Haskins & Sells founder Elijah Watt Sells. This chance meeting half-way around the world led to their union in marriage two years later.<sup>18</sup>

During a six month's leave in 1910, Lieutenant Carter, with the company of several other officers, traveled around the world making stops in China, Japan, India, Egypt, and Europe.<sup>19</sup> One obvious stop Lieutenant Carter made in his excursion was on July 6<sup>th</sup> in New York City at Euclid Hall, the home of Mr. and Mrs. Elijah Sells, where he and Miss Marjorie Sells were wed.<sup>20</sup> Forthwith the newlyweds departed for San Francisco en route to the Philippines as Carter's leave was to expire on the 11<sup>th</sup> of July.

After a nearly month-long sea voyage, the Carters landed in the Philippines on September 1<sup>st</sup>, only to receive orders to report for duty at Fort Leavenworth, Kansas, with assignment to F Battery, 5<sup>th</sup> Field Artillery. Departing from the Philippines on September

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<sup>16</sup> Raymond Walters et al., *F.A.C.O.T.S.: The Story of the Field Artillery Central Officers Training School*, (New York: Knickerbocker Press, 1919), 27.

<sup>17</sup> *Ibid.*

<sup>18</sup> *New York Times*, "Major General Arthur Carter Dies; Senior Partner in Haskins & Sells," January 5, 1965, special edition, 33; John W. Queenan, "Arthur H. Carter: a memorial," *H&S Reports* 2 (spring 1965): 14-15.

<sup>19</sup> Walters, *F.A.C.O.T.S.*, 27.

<sup>20</sup> *New York Times*, "Carter--Sells," July 7, 1910.

17<sup>th</sup>, Arthur Carter disembarked in the U.S. on October 14<sup>th</sup> and finally arrived at Fort Leavenworth on October 20<sup>th</sup>. Lieutenant Carter remained on duty at Fort Leavenworth until May, 1911.<sup>21</sup>

During the summer and autumn of 1911, Carter served as an Inspector-Instructor for numerous militias. The early summer months of May and June in 1911 witnessed Lieutenant Carter serving at Fort Riley, Kansas as an Inspector-Instructor for the first Militia Field Artillery Officers School. Completing his assignment at Fort Riley on June 22<sup>nd</sup>, Lieutenant Carter reported to Fort Snelling, Minnesota, where he served in the same capacity for the Militia of Minnesota from June 23<sup>rd</sup> to July 6<sup>th</sup>.<sup>22</sup> After serving the next four-months as an Inspector-Instructor of militia in the Midwest postings of Toledo, Ohio; Selinsgrove, Pennsylvania; Port Huron, Michigan; and Sparta, Wisconsin, Lieutenant Carter was reunited with General R. D. Potts on October 30, 1911.<sup>23</sup>

General Potts, who by then was commanding the Central Department in Chicago, had oversight of Field Artillery and once more employed Carter as aide-de-camp.<sup>24</sup> For over a year Lieutenant Carter served under General Potts as aide-de-camp until he was assigned to Battery E, 3<sup>rd</sup> Field Artillery at Fort Meyer, Virginia, on December 3, 1912. While assigned to the Battery, Lieutenant Carter continued to serve as an instructor of militia at Fort Meyer and also at Tobyhanna, Pennsylvania, until January 15, 1915. After taking a leave of absence, Lieutenant Carter resigned from the service on May 14<sup>th</sup>, 1915. In total, his military service as an Inspector-Instructor of Field Artillery extended to

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<sup>21</sup> Walters, *F.A.C.O.T.S.*, 27.

<sup>22</sup> George W. Cullum, *Biographical Register of the Officers and Graduates of the U.S. Military Academy At West Point, New York since its establishment in 1802*, ed. Wirt Robinson, Supplement, Vol. VI-B 1910-1920, (Saginaw, MI: Seemann & Peters, Printers, 1920), 1184.

<sup>23</sup> *Ibid.*

<sup>24</sup> Walters, *F.A.C.O.T.S.*, 27.



National Guard units in seven states: Indiana, Michigan, Minnesota, Ohio, New York, Ohio, and Pennsylvania.<sup>25</sup>

Following his retirement from the military, Arthur Carter settled down to the quiet life of farming in Leesburg, Virginia. However this interlude from the service soon proved short-lived. Events half-way around the world, on the European continent and in the icy-waters of the North Atlantic, combined to thrust America into war and spur Carter's return to service. Upon the U.S. declaration of war with Germany in April, 1917, Arthur Carter offered his services and resumed his military career on June 7<sup>th</sup> with commission as a Major in the Army's Ordnance Department in Washington, D.C.<sup>26</sup>

With his return to service, Major Arthur Carter initially served as Chief of the Property Division in the Ordnance Department. With promotion to Lieutenant Colonel, on January 13<sup>th</sup>, 1918, Arthur Carter soon found himself serving as Group Chief in charge of a number of sections within the Administration Division, including news, military information, housing, the auxiliary, and the civilian workers' branch. On the heels of his recent promotion to Lieutenant Colonel, Carter was again promoted to Colonel on April 25<sup>th</sup>, 1918.<sup>27</sup> Yet in spite of his rapid advancement within the Ordnance Department, Colonel Carter desired more active service and was anxious to return to his field of expertise, namely artillery.<sup>28</sup> Accordingly, Colonel Carter requested and was granted a transfer to the Field Artillery the following month.

On May 7<sup>th</sup>, Carter's return to the Field Artillery found him stationed in Washington D.C. in the office of the Chief of Field Artillery, Major General William A.

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<sup>25</sup> Ibid.

<sup>26</sup> Cullum, *Biographical Register*, 1185.

<sup>27</sup> Walters, *F.A.C.O.T.S.*, 28.

<sup>28</sup> Arthur F. Cassels ed., "The Field Artillery Central Officers' Training School," *The Field Artillery Journal* 8, no. 3 (July-September 1918): 374.

Snow. Arthur Carter did not have to wait long to fulfill his desire for more active service. It was granted on June 2<sup>nd</sup>, when Major General Snow summoned Carter to his office in the War Department and assigned him with the task of organizing a “Central Officers’ Training School at Camp Zachary Taylor.” Specifically, Carter was tasked to draw up plans for a training facility sufficient to train all the field artillery officers that would be needed, as well as those currently serving, and to implement the plans “without delay” upon approval by the Chief of Staff.<sup>29</sup>

Colonel Carter’s previous military experiences well qualified him for this assignment and doubtless influenced his appointment. First, Carter had acquired the requisite knowledge, training and traditions of a regular army Field Artillery officer while at West Point. Second, through his work in the Ordnance Department, he had demonstrated valuable organizational skills. Finally, his extensive experience working with state militias “had given him an understanding of the civilian point of view in regard to army discipline and training, an important factor for the administration of a school in which the students were practically all from civil life.”<sup>30</sup>

Carter promptly executed his orders and on the 6<sup>th</sup> of June the plans were presented to General Peyton C. March, Chief of Staff of the army. Plans that took Carter only four days to prepare required even less time for General March to approve. In less than five minutes, the General expressed complete satisfaction with Carter’s turn-key plans that covered everything necessary to place the school on an operational basis overnight.<sup>31</sup>

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<sup>29</sup> Ibid.

<sup>30</sup> Walters, *F.A.C.O.T.S.*, 28.

<sup>31</sup> Arthur F. Cassels ed., “The Field Artillery Central Officers’ Training School,” *The Field Artillery Journal* 8, no. 3 (July-September 1918): 374.

Colonel Carter made one request upon accepting the assignment—that he be re-commissioned to Lieutenant Colonel. His reasoning reveals a great deal about the character of the man. Carter was promoted to Colonel so that his rank would be commensurate with his duty in the Ordnance Department. However, upon reassignment, Colonel Carter discovered to his dismay that he outranked many of his fellow classmates from West Point who were also artillery officers.<sup>32</sup> Loath to accept this advantage, Carter requested and received a reduction in rank.<sup>33</sup>

Lieutenant Colonel Carter tackled the assignment to establish the field artillery school with the same vigor and determination he had shown in the drafting of the plans for the facility. On June 24<sup>th</sup>, less than three weeks after receiving approval of his plans, Carter had the school up and running.<sup>34</sup> Predictably, the rank of Colonel, which Carter had previously relinquished, was once again bestowed to him on July 30, 1918.<sup>35</sup> On August 17, the first class of approximately 1,100 men graduated. Two weeks later, a second class of 2,400 followed. The magnitude of the Colonel's accomplishment is clearly revealed in light of the fact that these two classes comprised a greater number of officers than West Point had turned out in total since its establishment in 1802.<sup>36</sup> However, Colonel Carter was just warming up.

Under Carter's leadership as Commandant, the Field Artillery Central Officers' Training School (F.A.C.O.T.S.) at Camp Zachary Taylor, near Louisville, KY, rapidly grew and achieved its maximum enrollment on November 20<sup>th</sup>, 1918, with 14,169

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<sup>32</sup> Ibid, 375.

<sup>33</sup> Cullum, *Biographical Register*, 1185.

<sup>34</sup> Walters, *F.A.C.O.T.S.*, 37.

<sup>35</sup> Cullum, *Biographical Register*, 1185.

<sup>36</sup> Arthur F. Cassels ed., "The Field Artillery Central Officers' Training School," *The Field Artillery Journal* 8, no. 3 (July-September 1918): 371.

candidates and 2,429 enlisted men.<sup>37</sup> With a grand total of 16,598 cadets, the school constituted the largest educational institution in the world at that time.<sup>38</sup> In 1919, no less an authority than the Chief of Field Artillery, Major General William A. Snow, confirmed this accomplishment lauding, “This school was the largest school in the world, with as many matriculated students as Harvard, Yale, Princeton, and the University of California had in 1916 combined.”<sup>39</sup> From August, 1918 until February, 1919, Commandant Carter oversaw the training of over 18,000 officers and was responsible for 8,735 graduates. This major contribution to the war effort is evident in that only 22,393 field artillery officers were in service at the time of the armistice.<sup>40</sup>

The expeditious manner with which Colonel Carter executed his orders was dictated by the severe dearth of field artillery officers at the outbreak of war.<sup>41</sup> “The trained Regular Field Artillery on April 6, 1917—that is, officers and enlisted men with more than one year's service—was 275 officers, (and) 5,258 enlisted men.”<sup>42</sup> However, due to the limited duration of US involvement in World War I, this military necessity soon abated. At the end of September, 1918, the German Supreme Command, recognizing the hopelessness of their situation, called upon their leaders to seek a ceasefire. The imminent collapse of Germany's fighting ability led to the cessation of hostilities with the signing of the armistice on November 11, 1918, and ultimately to a formal peace treaty the following summer. With the winding down of the war in Europe, the pressing demand for field artillery officers thus waned.

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<sup>37</sup> Walters, *F.A.C.O.T.S.*, 38.

<sup>38</sup> *Ibid.*, 20.

<sup>39</sup> William A. Snow, “Extracts from the Report of the Chief of Field Artillery for the Fiscal Year 1919,” *The Field Artillery Journal* 9, no. 5 edited by Arthur F. Cassels (November-December 1919): 585.

<sup>40</sup> *Ibid.*, 575-6, 578, 585. The armistice that effectively ended all fighting with Germany was signed on Nov. 11, 1918

<sup>41</sup> Walters, *F.A.C.O.T.S.*, 39.

<sup>42</sup> Snow, 575-76.

In an interview Carter gave about the Field Artillery Central Officers' Training School, he offered, "The man who cannot put his very best into every assignment is not fit to be an officer."<sup>43</sup> This obviously was a dictate that Colonel Carter not only espoused but also lived by. In recognition of his service during the war, Colonel Carter was awarded the Distinguished Service Medal, the citation of which reads as follows:

For exceptionally meritorious and conspicuous service. While on duty in the Office of the Chief of Field Artillery, he displayed great ability in developing the organization of the Field Artillery Central Officers' Training School; he then proceeded to Camp Taylor, established this school and administered it in an exceptionally meritorious manner during the remainder of the war.<sup>44</sup>

On March 31, 1919, Colonel Carter was honorably mustered out of the military. Beginning a new career at Haskins and Sells, Arthur Carter joined the firm in 1919, exchanging military command for the battlefields of corporate America.<sup>45</sup> As in his military career, Carter increased in importance and prestige not only within Haskins and Sells but also in the greater accounting community at large. After obtaining licensure as a Certified Public Accountant, Colonel Carter, was promoted to partner in 1922 and quickly advanced to the rank of senior partner in 1927.<sup>46</sup> The coronation of his professional ascendance, the presidency of the New York State Society of Certified Public Accountants, was garnered by the forty-six year old in 1930. Colonel Carter served three consecutive terms as president of the NYSSCPA and in 1933 was also elected president of the National Association of Cost Accountants.<sup>47</sup>

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<sup>43</sup> Arthur F. Cassels ed., "The Field Artillery Central Officers' Training School," *The Field Artillery Journal* 8, no. 3 (July-September 1918): 378.

<sup>44</sup> Cullum, *Biographical Register*, 1185.

<sup>45</sup> *New York Times*, "Major General Arthur Carter Dies; Senior Partner in Haskins & Sells," January 5, 1965, special edition, 33.

<sup>46</sup> *Ibid.*

<sup>47</sup> *New York Times*, "Major General Arthur Carter Dies; Senior Partner in Haskins & Sells," January 5, 1965, special edition, 33.

Corresponding with his growing popularity in the accounting community was his advancement within the ranks of Haskins and Sells to the top post of Managing Partner in 1930.<sup>48</sup> During the Depression years, Colonel Carter safely piloted the firm that “emerged with a sounder financial structure than before.”<sup>49</sup> Earlier, Carter had been involved in establishing close relations with Deloitte, Plender, Griffiths & Co., which ultimately led to the merger of the firms many years later. “During his twenty years as senior partner the number of Firm partners increased from 28 to 88.”<sup>50</sup> John Queenan, in reflecting on Mr. Carter’s leadership, offered that “much of the strength of Haskins & Sells today can be traced to policies established by General Carter thirty years ago.”<sup>51</sup>

Under Carter’s leadership, the firm of Haskins and Sells maintained steady contact with various state and governmental entities. Engagements were undertaken in 1931 with the State of Tennessee, to audit all State departments, and in 1932 with the Federal Department of Agriculture, which led to good relations with many key Congressional members. Another high profile Federal engagement transpired in 1933 with the Reconstruction Finance Corporation.<sup>52</sup> In April of 1933, the good relations developed with those on Capitol Hill reaped huge returns for the profession.

As the Senate Banking Committee was considering the creation of a staff of governmental auditors at the Federal Trade Commission, Colonel Carter was granted an opportunity to testify. Representing the NYSSCPA, Colonel Carter instead called for using independent accountants to audit the financial statements of companies intending to list their securities on the nation’s exchanges. During the proceedings, one of the

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<sup>48</sup> Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 91.

<sup>49</sup> John W. Queenan, “Arthur H. Carter: a memorial,” *H&S Reports*2 (spring 1965): 14-15.

<sup>50</sup> *Ibid.*

<sup>51</sup> *Ibid.*

<sup>52</sup> Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 91-92.

committee members prodded Carter to explain just who exactly audited the auditors. Colonel Carter, in a moment of our inspiration, rejoined “Our Conscience.”<sup>53</sup> Although there may have been moments of tenseness, his testimony achieved the desired end. The resulting legislation, the Securities Act of 1933, required financial statements that were audited by independent accountants – thereby granting a franchise to the nation’s public accountants.

On January the 6<sup>th</sup>, 1941, Arthur Carter turned fifty-seven. At a time in life when many would consider wrapping up one’s life work and reflecting on one’s achievements, Carter would instead discover his greatest challenges lay ahead. And he did not have long to wait.

In March 1941, the Under Secretary of War, Robert P. Patterson called upon Arthur Carter to come to Washington and reorganize the War Department’s auditing section.<sup>54</sup> Heeding the call, Arthur Carter relinquished his duties as active Managing Partner at Haskins and Sells and reported for duty as Executive Accountant in the Under Secretary’s office on March 26, 1941. In need of a good right-hand man, Carter was joined five days later by a fellow Haskins and Sells colleague -- Andrew Stewart.<sup>55</sup> Together, the duo began a period of assiduous military service that would continue until after the close of the war.

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<sup>53</sup> U.S. Congress, Senate, Committee on Banking and Currency, *Securities Act: Hearing on S. 875*, 73<sup>rd</sup> Cong., 1st Sess., 1933, 58. (Statement of Col. A.H. Carter).

<sup>54</sup> *New York Times*, “Major General Arthur Carter Dies; Senior Partner in Haskins & Sells,” January 5, 1965, special edition, 33; The Carters were acquaintances of Secretary of War Henry L. Stimson. While Stimson was serving his first term as Secretary of War the Carters, both excellent riders, were invited to accompany him, his wife and niece on maneuvers in Wyoming. It is doubtless that Stimson’s reappointment as Secretary of War in 1940 influenced Carter’s selection. John W. Queenan, “Arthur H. Carter: a memorial,” *H&S Reports* 2 (spring 1965): 14-15.

<sup>55</sup> Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 92.

Carter and Stewart, augmented by other prominent accountants including T. Coleman Andrews, Harold R. Caffyn, and John A. Lindquist, soon had their new department fully functioning. This audit control section, officially called the Accounting and Auditing Section of the Purchase and Control Branch of the Office of the Undersecretary of War, was charged with examining “accounting practices in effect in the supply services and” making recommendations for improvements.<sup>56</sup> Their first undertaking involved “a study of the accounting and auditing procedures of the entire War Department.”<sup>57</sup> Based on their findings, the Under Secretary of War’s Office issued a directive on May 15, 1941, “to the Chiefs of all arms of the service for the purpose of improving the audit procedure and to eliminate needless duplications in the functions of the Contractors’ and Project Auditors’ staffs.”<sup>58</sup> On June 19, 1941, Colonel Carter’s department also revised the auditing requirements for fixed fee contracts. These efforts streamlined the audit procedures and encouraged the more efficient utilization of a scarce resource -- auditors. As Colonel Carter assumed additional responsibilities he was successively promoted to Brigadier General and then to Major General in October 1941 and May 1943, respectively. Andrew Stewart, serving as his assistant, likewise advanced in rank being commissioned Lieutenant Colonel in March 1942, and attaining the rank of full colonel in September of that same year.<sup>59</sup>

### Reorganization

Despite America’s steady advance toward direct involvement in the war, the War Department was woefully unprepared in the fall of 1941. Swamped with too many direct

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<sup>56</sup> “National Defense,” *Certified Public Accountant* 21, no. 6 (June 1941): 2.

<sup>57</sup> Edwin E. Leffler, “Audit Procedure on War Department Construction Contracts,” *New York Certified Public Accountant* 12, no. 1 (October, 1941): 42.

<sup>58</sup> *Ibid.*

<sup>59</sup> Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 92.



reports the Chief of Staff, General George Marshall, faced an administrative nightmare. “No less than sixty-one officers and agencies, some with overlapping authority, had direct access to him.”<sup>60</sup> The pile of paper they generated daily for the Chief of Staff averaged fifty staff studies. To free General Marshall from a quagmire of relatively unimportant questions, and permit him the freedom necessary to direct the war effort, reorganization was required. To further this end, General Marshall authorized a three-member committee, chaired by Brigadier General Joseph T. McNarney, to proceed with a study of War Department reorganization near the end of November, 1941.<sup>61</sup> As fate would ordain, events in the Pacific on December 7<sup>th</sup>, would temporarily place this study on hold.

However, all work on reorganization did not stop. Independently and unaware of General Marshall’s broader reorganization plan for the War Department, both the Under Secretary of War, Robert Patterson, and the new head of the General Staff Supply Division (G-4), Brigadier General Brehon B. Somervell, were quickly reaching similar conclusions in regard to their mutual and somewhat overlapping procurement functions.<sup>62</sup> General Brehon Somervell, well known for his handling of the Pentagon construction project, immediately began looking for solutions.<sup>63</sup> With the approval of both Secretary of War Stimson, and Under Secretary Patterson, Somervell called upon an old acquaintance, Mr. Goldthwaite Dorr, to come to Washington and examine the existing problems in the War Department’s supply organization.<sup>64</sup> Mr. Dorr was amply qualified

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<sup>60</sup> John D. Millett, *The Organization and Role of the Army Service Forces: United States Army in World War II Army Service Forces*, (Washington: Office of the Chief of Military History Dept. of the Army, 1954), 26.

<sup>61</sup> Ibid.

<sup>62</sup> Ibid., 27-8. G-4 is the military designation for logistics.

<sup>63</sup> Millett, *Army Service Forces*, 388-89

<sup>64</sup> Ibid., 29.

for the job being an expert on army procurement, organization, and operation and also having served during WWI as assistant director of munitions.<sup>65</sup> With haste, Dorr arrived on January 7, 1942, the day following Somervell's call, and quickly established an informal committee to examine the structural deficiencies in the present supply organization.<sup>66</sup>

The Dorr committee, meeting in secret after regular working hours, included: Brigadier General Arthur Carter, director of the Administrative Branch in the Office of the Under Secretary of War; Robert R. West, director of the Bureau of Industrial Research; Dr. Luther Gulick, a National Resources Planning Board consultant; and James H. Graham, dean of the University of Kentucky's Engineering School.<sup>67</sup> After examining all aspects of the supply problem, Dorr's committee recommended that by consolidating all G-4 functions of the War Department and all procurement functions of the Under Secretary's Office under one leader in the General Staff, the effectiveness of the War Department's supply organization could be greatly enhanced.<sup>68</sup> This plan would resurrect the structure that existed at the end of World War I, and yet contradict conventional wisdom, concerning unity of command, by requiring the commanding officer to report to both the Chief of Staff, and the Under Secretary.<sup>69</sup>

While Dorr's committee was completing its study, Brigadier General Joseph T. McNarney was back at work finalizing plans for a major revision of the War Department. Undertaken in secret, McNarney's proposed plan reduced the number of direct reports for

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<sup>65</sup> John Kennedy Ohl, *Supplying the Troops: General Somervell and American Logistics in WWI*, (DeKalb Illinois: Northern Illinois University Press, 1994), 60.

<sup>66</sup> Millett, *Army Service Forces*, 29.

<sup>67</sup> Millett, *Army Service Forces*, 29-30.

<sup>68</sup> Ohl, *Supplying the Troops*, 60.

<sup>69</sup> Ibid.

Chief of Staff Marshall from over sixty to three. With only three commands directly reporting to General Marshall, he would be freed for weightier matters of strategic planning, resource allocation, and direction of world-wide operations.<sup>70</sup> On February 5, 1942, General Marshall met with his staff and outlined McNarney's reorganization plan. Eager to put the plan in motion, Marshall allowed his subordinates only forty-eight hours for comments. Somervell contacted Dorr's group immediately and quickly submitted a proposal for a unified supply and services command that, unlike McNarney's plan, also incorporated the large staff in Office of the Under Secretary of War into the new supply command. After adjustments General McNarney accepted Somervell's revision.<sup>71</sup> On February 28, 1942, President Roosevelt authorized the reorganization of the War Department by executive order. In an early March press release, the War Department detailed to the public the creation of three separate commands (air, ground, and service) under the Chief of Staff for the purpose of streamlining the Department by shedding the existing unwieldy structure.<sup>72</sup>

Taking effect on March 9, 1942, the reorganization brought about a consolidation of command authority under three Generals. Lesley J. McNair assumed command of the Army Ground Forces (AGF), Henry Arnold was placed in command of the Army Air Forces (AAF), and Somervell was appointed head of the Army Service Forces (ASF). "With the exception of overseas commands and theaters, every unit and activity of the United States Army was now controlled by one of these men."<sup>73</sup>

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<sup>70</sup> Ibid.

<sup>71</sup> Millett, *Army Service Forces*, 32-33

<sup>72</sup> Ibid., 36-7.

<sup>73</sup> Ohl, *Supplying the Troops*, 62.

In conjunction with the reorganization, Brigadier General Arthur Carter was tapped to serve as the Director of the Fiscal Division. Andrew Stewart, receiving a promotion in March to Lieutenant Colonel, accompanied Carter serving under him as Chief of the Accounting and Audit Supervisory Branch of the Fiscal Division.<sup>74</sup> Likewise, Lieutenant Morris C. Troper, another ex-president of the New York Society, made the transition with Carter and served as Chief of the Cost Analysis Section of the Accounting and Auditing Branch. These leaders of the New York Society, while serving in the Army Service Forces, were joined by an outstanding cast of accountants from around the nation.

Although busily engaged in overseeing the Fiscal Division, Major General Carter consented to speak at the evening meeting of the New York State Society of Certified Public Accountants on October 18, 1943. At the meeting, society members assembled at the Waldorf-Astoria to hear the Major General talk about the, “Responsibilities of the Certified Public Accountant in the War Effort and in the Post War Period.”<sup>75</sup>

By August 31, 1945, Major General Carter commanded a staff of 14,718. However, only a fraction of his command was actually located in Washington, D.C. Carter’s remaining staff, numbering 12,466, was disbursed among four regional accounting offices and the Office of Dependency Benefits, located in Newark.<sup>76</sup> As need dictated, a command this large was essential for the sweeping duties that fell to the Fiscal Director.

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<sup>74</sup> “Lieut. Col. Andrew Stewart,” *New York Certified Public Accountant* 12, no. 8 (May 1942): 457.

<sup>75</sup> “Calendar of Events,” *New York Certified Public Accountant* 14, no. 1 (October 1943): 3.

<sup>76</sup> Millett, *Army Service Forces*, 361.

As Fiscal Director, Major General Arthur Carter was “responsible for financial administration, including supervision of all disbursements.”<sup>77</sup> On the disbursement side of his work, General Carter was ultimately responsible not only for providing allotments and family allowances, but also contractor loans and prepayments. At its high-water mark, the Office of Dependency Benefits was processing, on a monthly basis, around 8 million checks totaling almost half a billion dollars.<sup>78</sup> Deductions for war bonds and insurance averaged on a monthly basis \$50 and \$55 million respectively. With so many men in uniform, soldiers’ banking accounts ballooned to \$240 million deposited in more than 700,000 accounts. Furthermore, transaction activity was far from static, overseas servicemen were allowed to transfer their funds to the U.S. In one month alone, disbursement officers handled \$84,000,000 worth of such transfers.<sup>79</sup>

In addition to disbursement oversight, ensuring the adequate training of all fiscal personnel in the War Department also fell to the Fiscal Director.<sup>80</sup> To execute this responsibility, General Carter oversaw instructional programs, offered at Fort Benjamin Harrison and at Duke University, that covered all facets of the financial activities in the War Department.<sup>81</sup> Both civilian and military personnel received instructions on accounting and auditing procedures for a variety of issues ranging from cost-plus-fixed-fee contracts to contract terminations. In order to guide the fiscal personnel and unify the system, accounting procedures were prescribed for all components and auditing manuals were prepared establishing policy and procedures.<sup>82</sup>

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<sup>77</sup> Ibid., 359.

<sup>78</sup> Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 94.

<sup>79</sup> Ibid.

<sup>80</sup> Ibid., 92.

<sup>81</sup> Ibid., 94.

<sup>82</sup> Ibid.

While payroll and training functions were staggering in scale, they paled in comparison to payments for procurements. Major General Carter, though not assigned to contract for weapons of war, most certainly had to ensure that procurements were paid for and properly accounted. And he had quite a job on his hands as Fiscal Director because

in three-and-one-half years the ASF obtained 96,000 tanks, 61,000 field guns and 7,000,000 rifles. It bought over 2,300,000 trucks. Clothing of all kinds was obtained in large quantities, including 80,000,000 pairs of shoes, 505,000,000 pairs of socks, and 143,000,000 cotton khaki and Flannel shirts. The ASF bought 78,000 crawler tractors, 15,000 cranes and shovels, and over 800,000,000 square feet of airplane landing mats. The Army was provided with more than 1,200,000 radio sets and 20,000 radar sets. For transportation purposes overseas, the ASF bought 98,000 railway cars, 7,000 steam locomotives, and 6,000 barges. In the field of chemical warfare, nearly 2 billion pounds of incendiary bombs were procured, along with 11 million mortar shells, and nearly 41,000 Flame throwers. Medical deliveries included 9,000 X-ray machines, 10,000,000 surgical instruments, and 31.5 million first-aid packets. ASF purchases included also such diverse items as 1,000 Diesel locomotives and 136,000,000 pairs of trousers.<sup>83</sup>

One of the most telling indicators of the enormity of the Army Service Forces operations and budget was the absorption of the Manhattan project. The project to develop the atomic bomb ultimately cost \$2 billion and required the construction of two major facilities, one of which employed 80,000 workers at peak production. In order to maintain project secrecy, the ASF assumed active operation of the program in June 1942 “because it alone could obtain the funds and administer so large an undertaking” without drawing unwanted attention.<sup>84</sup> The fact that this was successfully accomplished under the watchful eye of congress, hints further still at the vastness of disbursements that General Carter oversaw.

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<sup>83</sup> Millett, *Army Service Forces*, 46.

<sup>84</sup> *Ibid.*, 47.

However, Carter's duties extended further still to Lend-Lease activities. The Fiscal Director of ASF was charged with overseeing the establishment of the accounting procedures necessary to record such transactions. Throughout this turbulent period, with vast expenditures unparalleled in the history of the nation, the Office of the Fiscal Director managed to compete and publish in the Fiscal Report the War Department's accounts, including expenditures and obligations, by the 20<sup>th</sup> of each following month.<sup>85</sup>

With the ending of the war, Stewart and Carter finally parted ways when the Deputy Director, Colonel Stewart, was placed on inactive status in October. Carter followed not long after stepping down from active duty on February 8, 1946.<sup>86</sup> For exceptionally meritorious conduct in the performance of outstanding services and achievement, Colonel Andrew Stewart was awarded the Legion of Merit. Likewise, Major General Arthur Carter, having previously been awarded the Distinguished Service Medal in World War I, received a bronze oak leaf cluster to designate the second awarding of this medal.<sup>87</sup>

#### Rear Admiral Norman Loyall McLaren

At the outbreak of World War II, N. Loyall McLaren not only headed McLaren, Goode and Co., the prominent San Francisco accounting firm founded by his father in 1895, but also led the profession serving as president of the AIA when war was declared.<sup>88</sup> If Arthur H. Carter symbolized the most-prominent of the New York Society members who entered service, then N. Loyall McLaren was most assuredly his West-

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<sup>85</sup> Ibid.

<sup>86</sup> Ibid., 92, 96.

<sup>87</sup> *New York Times*, "Major General Arthur Carter Dies; Senior Partner in Haskins & Sells," January 5, 1965, special edition, 33.

<sup>88</sup> N. Loyall McLaren, *Norman Loyall McLaren, Business and Club Life in San Francisco: Recollections of a California Pioneer Scion*, An Interview by Gabrielle Morris and Ruth Teiser, The Society of California Pioneers Oral History Series, The Bancroft Library, (1977-1978), 81. <http://www.archive.org/stream/clublifeinsanfran00mclarichclublife#page/80/mode/2up>

Coast counter-part. The Army would not be the only branch of service to benefit from the best and the brightest the profession had to offer. Enlisting in the U.S. Navy was only appropriate for someone like McLaren who could claim the famous U.S. Admiral David Farragut as his great uncle.<sup>89</sup>

While his entry into service may have been planned, his entry into the profession was far from it. On January the 23<sup>rd</sup>, 1892, Norman Loyall McLaren and his twin sister Constance were born to Norman and Linie McLaren in San Francisco.<sup>90</sup> N. Loyall McLaren attended a local high school until 1906. Following the devastation from the great San Francisco earthquake and fire on April 18<sup>th</sup>, McLaren's parents decided to send him east to Taft boarding school in Connecticut where he attended high school from 1907 until his graduation in 1910.<sup>91</sup> Several times before leaving for prep school in the East, the younger McLaren accompanied his father to work, filling in as an audit clerk. His father, of course, wanted to see if his son would enjoy the work. Unfortunately, Loyall did not.

McLaren returned to California, entering the University of California at Berkley in the fall of 1910. Firmly convinced that he did not want a career in accounting, he avoided taking any college courses that might lead him down that path.<sup>92</sup> Looking back at his years at the University of California he offered, "One reason for my shying away from mathematics was because I had decided by this time that I did not want to be a CPA."<sup>93</sup> His interests ran more along literary lines at the University where he not only

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<sup>89</sup> Ibid., 8.

<sup>90</sup> Ibid., 30,34.

<sup>91</sup> N. Loyall McLaren, *Marquis Who Was Who in America 1607-1984*, 2009.  
[http://lawrence.library.astate.edu:2418/entry/marqwas/mclaren\\_norman\\_loyall](http://lawrence.library.astate.edu:2418/entry/marqwas/mclaren_norman_loyall).

<sup>92</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 50.

<sup>93</sup> Ibid., 76



served as editor of the California Pelican (a student humor magazine) but also entered the annual song contest and won. Notably, his entry in the song contest, unlike other winning entries of the period, stood the test of time. McLaren penned the lyrics to “Big C,” the school’s fight song, which is still popular today.<sup>94</sup> When N. Loyall graduated from Berkley in 1914, his plans certainly did not include a career in accounting but life has an interesting way of changing men’s plans.<sup>95</sup>

Upon beginning his job search after graduation, McLaren soon discovered that his selection of college courses did not endear him to potential employers. After securing a position at P.H. Roberts & Sons, an investment bank, McLaren sought to fill the gaps in his academic background by enrolling at the University of California in an accounting night class. I realized “one of the essential requirements to succeed in the bond business was a knowledge of corporate accounting.”<sup>96</sup> Having changed his thinking on accounting, other events conspired to lead McLaren into the profession.

McLaren’s father, though a partner in McLaren, Goode and Co., had not been active in firm affairs since a debilitating elevator accident in 1914. This left the bulk of the work for Mr. Percy Goode to manage including a staff consisting of approximately fifteen gentlemen, most of whom were English or Scottish trained accountants.<sup>97</sup> Unexpectedly, Mr. Goode lost two brothers when their car was hit by a train in 1917. Mr. Goode, who was the only active partner in the firm, appealed to Loyall to come aboard at this moment because he could no longer manager the firm and devote the time

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<sup>94</sup> Ibid., 54.

<sup>95</sup> *San Francisco Chronicle*, “N. Loyall McLaren,” October 26, 1977, Obituaries, 26.

<sup>96</sup> N. Loyall McLaren, *Norman Loyall McLaren, Business and Club Life in San Francisco: Recollections of a California Pioneer Scion*, An Interview by Gabrielle Morris and Ruth Teiser, The Society of California Pioneers Oral History Series, The Bancroft Library, (1977-1978), 78. <http://www.archive.org/stream/clublifinsanfran00mclarichclublife#page/78/mode/2up>

<sup>97</sup> Ibid., 79-82.

now required to his family's estate. "After a very brief discussion I said to him I could see little point discussing the matter with anybody else because after all it had to be my decision, so that I would sever my existing connections and start in on a regular basis within a few days."<sup>98</sup>

Upon joining the firm, McLaren quickly arrived at two important conclusions that would have a profound impact upon the firm and his future. The first was "that an unusual opportunity was presented entirely aside from the audit work performed by CPAs. This had to do with the representation of clients in income tax work."<sup>99</sup> Although the federal income tax law had been around since 1913, it did not start affecting most individuals and businesses until the World War I when rates dramatically shot up for both groups. While most of the older members of the staff could not see the potential tax work, McLaren understood the financial implications for the firm. Because this was a relatively new and untapped source of business, "I got my hands on everything I could find on the subject of federal taxation."<sup>100</sup>

The second conclusion was the realization that to advance professionally he must pass the CPA examination.<sup>101</sup> So with some coaching by the staff, McLaren passed the CPA examination on his first attempt in 1920, and straightway became a partner in the firm.<sup>102</sup> "The net result of all the above was that our practice grew rapidly and soon the revenue from income tax work, which naturally commanded higher fees than audit work, became the major factor in our profits."<sup>103</sup>

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<sup>98</sup> Ibid., 79.

<sup>99</sup> Ibid., 80.

<sup>100</sup> Ibid., 81.

<sup>101</sup> Ibid., 81.

<sup>102</sup> Ibid.

<sup>103</sup> Ibid., 82.

N. Loyall McLaren also understood the important benefits of networking. Early on he joined numerous professional societies, civic organizations, and private clubs. He engaged in these activities because he enjoyed the camaraderie of such groups and he recognized the benefits that it brought to the firm. Thus, he became a member of the California Society of Certified Public Accountants and the American Institute of Accountants (AIA). Rapidly advancing within the California Society, McLaren became president in 1928. In national circles, McLaren was active in the AIA serving on numerous committees. He was elected vice-president of the AIA in 1935 and 1936 and he advanced to the presidency in 1941.<sup>104</sup> Interestingly, McLaren came to office at two of the most critical periods in its history of the AIA. In 1936, McLaren was serving as vice-president when the AIA merged with the American Society of Certified Public Accountants and in 1941 he was serving as president when the U.S. entered World War II.

Socially, McLaren was also an active member in two of San Francisco's most exclusive clubs joining the Pacific Union Club in 1924 and the Bohemian Club in 1935.<sup>105</sup> Following the war McLaren would serve as the president of both clubs -- a rare distinction.<sup>106</sup> Among his many civic activities, McLaren worked with the San Francisco Community Chest, serving eight years as an executive committee member.<sup>107</sup> Toward the end of this run, W. Parmer Fuller, then chairman of the committee, informed McLaren that he had been chosen as Fuller's successor. But McLaren declined by

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<sup>104</sup> N. Loyall McLaren, *Marquis Who Was Who in America 1607-1984*, 2009.  
[http://lawrence.library.astate.edu:2418/entry/marqwas/mclaren\\_norman\\_loyall](http://lawrence.library.astate.edu:2418/entry/marqwas/mclaren_norman_loyall)

<sup>105</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 150.

<sup>106</sup> *San Francisco Chronicle*, "N. Loyall McLaren," October 26, 1977, Obituaries, 26.

<sup>107</sup> *Ibid.*

informing Palmer that he had been accepted in the navy and would be departing shortly for Washington.<sup>108</sup>

Beginning in May of 1941, several months prior to his enlistment, McLaren consulted with the Navy's Bureau of Supplies and Accounts on accounting and cost determination issues arising from the Navy's rapid expansion program.<sup>109</sup> Specifically, McLaren advised on "accounting matters in connection with audits of cost-plus-fixed-fee contractors."<sup>110</sup> Immediately after the Japanese attack on Pearl Harbor, McLaren abandoned his other interests in order to apply his full energies to the war effort. Laying aside the presidency of the AIA, McLaren "applied for a commission in the Naval Reserve" and on January 20, 1942 was commissioned as a Commander in the United States Naval Reserve.<sup>111</sup> Following the completion of two limited assignments on the West-Coast, McLaren received orders to report to the Cost Inspection Service in Washington. Upon first arriving in Washington D.C., McLaren found that the work to which he had been assigned was of a relatively unimportant nature. Initially, his principal duties involved efficiency reports on the conduct of the major cost inspection offices in the different naval districts.<sup>112</sup> Little did he know, his naval career was about to take an entirely new direction.

On April 28, 1942, President Roosevelt signed the Sixth National Defense Appropriation Act into law.<sup>113</sup> In an effort to preclude war profiteering, Section 403 of

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<sup>108</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 124.

<sup>109</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 182; McLaren, N. Loyall, "Fitness Report: Navy Department, Navy Price Adjustment Board, February 26, 1946," Obtained by Freedom of Information Act Request, July 5, 2010.

<sup>110</sup> N. Loyall McLaren, "Fitness Report: Navy Department, Navy Price Adjustment Board, February 26, 1946," Obtained by Freedom of Information Act Request, July 5, 2010.

<sup>111</sup> *Ibid.*

<sup>112</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 182.

<sup>113</sup> Maurice Karker, "Profits but not Profiteering," *The Rotarian* 62, no. 1 (1943): 26.

this Act established renegotiation. In simplest terms, contracts for war materials could now be reevaluated, after being let and paid, to ensure that manufacturers were not earning excessive amounts of profits compared to peace time levels. To carry out this new regulation, Price Adjustment Boards were initially established for the Navy, Army and Maritime Commission. Furthermore, the renegotiation statute included a retroactive provision that allowed it to apply to any unpaid contracts at the signing of the law.<sup>114</sup>

McLaren and his fellow officers in the Cost Inspection Division, who had been closely following this potential legislation, soon found themselves deeply involved in renegotiations. When initially commissioned, Commander McLaren was assigned to the Cost and Audit Division of the Bureau of Supplies and Accounts. “On March 30, 1942, “the Office of Procurement and Material was organized in the Office of the Under Secretary of the Navy,” and the entire Cost and Audit Division, including McLaren, was placed under this command.<sup>115</sup> Accompanying the change in reporting hierarchy, the Cost and Audit Division received other duties “in addition to its audit functions on Navy cost-plus-fixed-fee contracts.”<sup>116</sup> As the senior divisional officer, Commander McLaren now had the added responsibility of “obtaining, collating and reporting on accounting and financial data for contractors and subcontractors assigned to the Navy Department for renegotiation.”<sup>117</sup> Lacking naval precedent to follow, Commander McLaren relied largely on his own resources, contacts and skills to staff the personnel, and formulate the “principles and procedures for the development of the necessary financial data.”<sup>118</sup>

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<sup>114</sup> Ibid.

<sup>115</sup> N. Loyall McLaren, “Fitness Report: Navy Department, Navy Price Adjustment Board, February 26, 1946,” Obtained by Freedom of Information Act Request, July 5, 2010.

<sup>116</sup> Ibid.

<sup>117</sup> Ibid.

<sup>118</sup> Ibid.

In addition to his duties as Chief of the Cost and Audit Division, McLaren was soon appointed to the Navy Price Adjustment Board. While there, it became quickly apparent to him that a large, well-trained staff would be required to carry out the renegotiation process.<sup>119</sup> Fortunately McLaren, as president of the AIA, was able to expedite this process by recruiting talented CPAs into a branch of service where they could utilize their accounting expertise.

As for the composition of the Navy Price Adjustment Board, every member was drawn from civilian ranks.<sup>120</sup> The board included businessmen, accountants, and lawyers. A president of a nitrate company chaired the board, while other members came from investment banking, accounting, and brokerage houses. One notable member, Carmen Blough, served on all price adjustment boards as the “liaison representative for the WPB.”<sup>121</sup>

An interesting aspect of the work was the assignment of cases. Because many of the large companies had contracts with multiple branches, it could be difficult to establish which agency had the “predominance of interest” or jurisdiction.<sup>122</sup> Now one might have expected the usual turf war to develop between the rival services of the Army and Navy with one trying to take a larger piece of the renegotiation pie. Conversely, a different game was being played over the oil companies – hot potato.

Neither service was particularly excited about the prospects of renegotiating the oil companies. “Going back to Teapot Dome in World War I times, the oil companies

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<sup>119</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 182-83.

<sup>120</sup> N. Loyall McLaren, “Renegotiation of Government Contracts – U.S. Navy Organization and Procedure,” *The New York Certified Public Accountant* 8, no. 8 (May 1943): 310.

<sup>121</sup> *Ibid.*, 311.

<sup>122</sup> *Ibid.*, 312.

had been a more or less steady political target.”<sup>123</sup> Both services recognized the likelihood that their handling of renegotiation for oil companies could come back to hurt them politically. As this came to a head in mid 1942, the Navy Price Adjustment Board was left holding the potato for the whole petroleum industry.

Although round one may have gone to the Army, the Navy Price Adjustment Board quickly found a silver lining. Having the responsibility to renegotiate the whole industry allowed the Navy Board to take a different approach, first evaluating the entire industry before making any decisions on individual companies. This provided the Navy Board with a uniform basis, or base-line, to use in assessing the individual petroleum companies.<sup>124</sup> At the end of the day, the results were quite shocking. None of the major petroleum companies had excess profits! A minerals clause in the law, had exempted “gains from the first level of production.”<sup>125</sup>

When all the reports on each and every oil company were finished and comparative data generated, Commander McLaren scheduled a conference with James Forrestal, the Secretary of the Navy. McLaren and one of his key assistants, Bill Allen, reported the details of the investigation detailing the whats and whys of the process. “We stated that the final results were something of a surprise because not one of the major companies had earnings, under the provisions of the act, sufficient to establish excessive profits subject to refund.”<sup>126</sup> Forrestal was astonished and very disgruntled. McLaren recalled,

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<sup>123</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 184.

<sup>124</sup> *Ibid.*, 185.

<sup>125</sup> *Ibid.* The first level of production is the removal of oil from the ground.

<sup>126</sup> *Ibid.* Refund meant returned to the government.

[A]fter a further discussion at some length with the Secretary catechizing us one by one as to whether the recommendations in the report should be followed, and everybody replying in the affirmative, he took a deep sigh and said, "Well, hand me my pen. I don't know where this will lead to politically and it may create problems that can't be settled for years, but I see no other alternative but to go ahead and accept the recommendations," whereupon he signed it.<sup>127</sup>

During the first year of renegotiation, some observers questioned the capability of the price adjustment boards to carry out their assignments expeditiously. One financial writer went so far as to suggest that based on the pace of first year settlements it would take 330 years for the price adjustment boards to complete renegotiations.<sup>128</sup> No doubt one reason for the apparent delay was the fact that all price adjustment boards, when constituted, were faced with an immediate backlog of work due to the retroactive provision of the statute. Fortunately for the Navy Price Adjustment Board, one group of accountants was already in place to help.

When the renegotiation statute was signed into law in April 1942, field panels of Navy Supervising Auditors were already available to communicate the requirements to the large contractors and aid them in gathering the data required for renegotiation. The idea for the field panels belonged to George Auld, who in his capacity as Chief of the Cost and Audit Branch created a nation-wide organization of approximately 150 certified public accountants drawn from seventy firms.<sup>129</sup> The Navy Supervising Auditors would

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<sup>127</sup> Ibid., 186.

<sup>128</sup> N. Loyall McLaren, "The First Year of Renegotiation," *The Journal of Accountancy*. (June 1943): 487-489.

<sup>129</sup> N. Loyall McLaren, "Renegotiation of Government Contracts – U.S. Navy Organization and Procedure," *The New York Certified Public Accountant* 8, no. 8 (May 1943): 310.; Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 96.



continue their civilian occupations but work as needed for the navy on a part-time basis.<sup>130</sup>

The panel of supervising auditors, composed entirely of CPAs, was one of two groups who carried out the field work portion of investigations for the Navy Price Adjustment Board. The second group consisted of commissioned officers, all of whom were likewise CPAs.<sup>131</sup> For both groups of CPAs the field work consisted of assembling the contractors' essential financial and accounting information. If it was apparent that no excess profit existed, then the contractor was at once cleared for the period under review. If more information was required to make a determination, then, by letter, the contractor was requested to provide the additional information with the aid of his independent auditor.<sup>132</sup>

When the reports arrived from the field, a final report would be prepared containing the compiled financial information in one section and in another section a performance evaluation. Next, the board members would hold a preliminary meeting where they would carefully analyze the data in the final report in order to familiarize themselves with the company. Then a meeting with the contractor and his representatives would be scheduled. At a typical meeting, the contractor would be permitted to make opening remarks about his company's production activities and asked by the chairman to clarify any uncertainties. After discussion had taken place, the contractor, under no time limit, was allowed to reiterate any points vital to his position. An executive session of the board would follow, in the contractor's absence, where each board member would

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<sup>130</sup> N. Loyall McLaren, "The First Year of Renegotiation," *The Journal of Accountancy*. (June 1943): 489.

<sup>131</sup> Ibid.

<sup>132</sup> McLaren, "Renegotiation of Government Contracts," 312-312.

independently determine the amount to be refunded by the company. After consultation among the board, a final amount would be agreed upon and the contractor would be asked to return to receive the verdict.<sup>133</sup>

Since contractors were required to appear before the Navy Price Adjustment Board, it was necessary to establish several offices throughout the country. In addition to the Washington office, regional boards were established in Chicago and San Francisco.<sup>134</sup> The organization of the San Francisco Board fell to Commander McLaren, who personally traveled to the west-coast and handpicked the members. The boards consisted of retired businessmen with stellar reputations who could work on a part time basis.<sup>135</sup> They would take the information that had been compiled by the full-time staff, do the necessary homework, and then in meetings determine what amounts of profit, if any, were excessive.<sup>136</sup>

McLaren further recognized a pressing need for a Price Adjustment Board office in New York and lobbied for its creation.<sup>137</sup> Washington was crowded during the war. Therefore, many qualified civilians, who would have made excellent Price Adjustment Board members, balked at the requirement of moving to Washington to join the board. Indeed, many contractors also complained about having to travel to Washington for the meetings. McLaren's counsel was followed in April of 1943 when an additional Division of the Navy Price Adjustment Board was opened in New York in the International Building at Rockefeller Center to handle renegotiations for contractors in Ohio,

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<sup>133</sup> Ibid., 313-315.

<sup>134</sup> N. Loyall McLaren, "Renegotiation of Government Contracts – U.S. Navy Organization and Procedure," *The New York Certified Public Accountant* 8, no. 8 (May 1943): 311

<sup>135</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 187-88.

<sup>136</sup> Ibid.

<sup>137</sup> Ibid; N. Loyall McLaren, "Fitness Report: Navy Department, Navy Price Adjustment Board, February 26, 1946," Obtained by Freedom of Information Act Request, July 5, 2010.

Delaware, New Jersey, Delaware, Pennsylvania, New York and the New England States.<sup>138</sup> At that time, many personnel from the Navy Price Adjustment Board, including several of the board members and a significant percentage of the analysts and accounting staff were permanently reassigned to New York. Naturally, Commander McLaren made this transition and served as the Chairman of the Navy Price Adjustment Board in New York.<sup>139</sup>

Commander McLaren also played a prominent role in steel industry renegotiations. The Commander was personally in charge of both the U.S. Steel and Bethlehem Steel renegotiations.<sup>140</sup> Now it should be remembered that Bethlehem was the largest of all the shipbuilders during WW II. Therefore, trying to renegotiate their war contracts one by one would have proven to be nearly impossible. Rejecting this approach, the Price Adjustment Boards chose to evaluate all the contracts for a particular company on an overall basis. In this manner, which greatly streamlined the process, group renegotiation became the standard practice and was later codified into law.<sup>141</sup>

Commander McLaren, who was promoted to captain on May 15, 1943, was offered, on more than one occasion, the chairmanship of the whole Price Adjustment Board.<sup>142</sup> However, by this time the New York office had become the sole renegotiator for the oil industry and had an especially high number of important cases. Because of these circumstances, Captain McLaren invariably declined all offers since accepting

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<sup>138</sup> N. Loyall McLaren, "Renegotiation of Government Contracts – U.S. Navy Organization and Procedure," *The New York Certified Public Accountant* 8, no. 8 (May 1943): 311

<sup>138</sup> Ibid.

<sup>139</sup> N. Loyall McLaren, *Marquis Who Was Who in America 1607-1984*, 2009.  
[http://lawrence.library.astate.edu:2418/entry/marqwas/mclaren\\_norman\\_loyall](http://lawrence.library.astate.edu:2418/entry/marqwas/mclaren_norman_loyall)

<sup>140</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 188.

<sup>141</sup> Maurice Karker, "Profits but not Profiteering," *The Rotarian* 62, no. 1 (1943): 27-28.

<sup>142</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 194.

would have required his relocation to Washington and have caused serious disruption to ongoing operations in New York.<sup>143</sup>

Although things were going well for Captain McLaren in New York in 1944, the same could not be said for his affairs in San Francisco. McLaren received bad news from home that summer. The man who held everything together for him at McLaren, Goode, and Co., Percy Goode, his good friend and accounting partner had passed away on June 19, 1944.<sup>144</sup> Fortunately, by this time the Navy Price Adjustment board in New York had largely completed its initial investigations and established a pattern for future work. With the trail-blazing work now accomplished, all subsequent rounds of examination would be a matter of routine, requiring significantly less staff. Faced with the dilemma of competing demands for his time, Captain McLaren contacted the one man who could help. “I discussed the situation by telephone with Secretary Forrestal.”<sup>145</sup> Admiral Forrestal contacted McLaren a few days later with good news and notified him that by the end of December, 1944, he would be transferred to the inactive list.

While, Captain N. Loyall McLaren may have officially ended his active duty service, he was nevertheless about to embark on a period of extensive government service.<sup>146</sup> Upon arriving back in San Francisco, McLaren was asked by the Mayor to serve as treasurer of the United Nations (U.N.) Conference Committee.<sup>147</sup> Mayor Lapham had been working on the plans for the initial U.N. meeting, but the time was drawing short. The U.S. State Department already had a small crew in San Francisco

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<sup>143</sup> Ibid.

<sup>144</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 202; “Percy G. Goode,” *Certified Public Accountant* 24, no. 7 (July 1944): 8.

<sup>145</sup> Ibid.

<sup>146</sup> N. Loyall McLaren, *Marquis Who Was Who in America 1607-1984*, 2009.  
[http://lawrence.library.astate.edu:2418/entry/marqwas/mclaren\\_norman\\_loyall](http://lawrence.library.astate.edu:2418/entry/marqwas/mclaren_norman_loyall)

<sup>147</sup> *San Francisco Chronicle*, “N. Loyall McLaren,” October 26, 1977, Obituaries, 26.

under the direction of Jack Puerifoy, and significant work had been accomplished, but more assistance was needed.<sup>148</sup> Although weary from having just arrived from New York at the end of January 1945, McLaren agreed to serve not only as treasurer but also as chairman of the entertainment committee due to the international importance of the conference. McLaren arranged for the entertainment of prominent delegates by recruiting his network of friends to serve as hosts. In like manner, many social clubs held parties for dignitaries with the main occasion being a grand dinner at the Bohemian Club. As for his duties as treasurer that was the easy part, McLaren recalled that, “I don’t think I signed a check all the time I was treasurer.”<sup>149</sup> On a sad note, President Roosevelt, the man most responsible for the conference, died on April 12, 1945, just weeks before the conference opened.

While McLaren could be of no further service to President Roosevelt, that did not mean that Truman could not use him. Shortly after the U.N. conference began, President Truman’s office phoned McLaren and invited him to serve as a U.S. representative to the Reparations Mission to Moscow. Because of the crucial national importance of this mission, the caller on behalf of President Truman expressed that it was McLaren’s duty to accept if at all possible. The caller added that Mr. Edwin W. Pauley who would be serving as the chairman of the group would be making contact soon.<sup>150</sup> Good to his word, the call came from Pauley explaining the details and requesting that McLaren serve as chair of the accounting committee. McLaren accepted the assignment and left on a military transport to Paris around the end of May. Arriving in Paris, McLaren and the

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<sup>148</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 203.

<sup>149</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 203-204.

<sup>150</sup> *Ibid.*, 205. Edwin Pauley played a major role in President Truman’s nomination for the Vice Presidency 218.

other delegates were lodged in the Ritz Hotel where without delay their briefings began.<sup>151</sup>

The following week, McLaren was pulled away for a special assignment. An army group, headquartered at Barbizon, was securing a cache of gems, currency, artwork and other spoils.<sup>152</sup> While Mr. Pauley was being oriented, the existence of this special Army group was brought to his attention. Ed Pauley decided a personal inspection was in order. So he, McLaren, and a few others in their group drove from Paris, had lunch with this special detachment, and were briefed on their operation. On the way back, Pauley informed McLaren, “Well, Loyall, we’re about to lose you. You’re going to be assigned to this group for a while.”<sup>153</sup> The objectives of Pauley’s reparations group and this special army unit overlapped so closely that it only made perfect sense to utilize McLaren’s technical abilities to establish a uniform basis for accounting for the recovered properties. The following day McLaren returned to Barbizon and began the work. As McLaren recalled, “my job was only in methods and having uniform methods of accounting.”<sup>154</sup> Other members of this secret American group were charged with locating and securing any valuables looted from museums by the Germans and to prevent them from falling into anyone else’s hands. “They wouldn’t stop and get a legal opinion as to who was the legal owner. They had to act to quickly. They’d just pop in. They would hear of something really important, and at the very earliest opportunity they would pop in” and take possession.<sup>155</sup>

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<sup>151</sup> Ibid.

<sup>152</sup> Ibid.

<sup>153</sup> Ibid., 214.

<sup>154</sup> Ibid., 215.

<sup>155</sup> Ibid.

McLaren, having completed his work with the top secret group, rejoined the reparations team as they were traveling to Moscow. After stops were made in Frankfurt and Berlin, where the destruction staggered the imagination, the reparation group left for Moscow where they met their British and Russian counterparts. The first meeting in Moscow took place on June 21, 1945, only a month and a half after VE Day.<sup>156</sup> The Russians believed the conference would last for a year and planned for such, but Ed Pauley was of another mind and confiding in McLaren offered “there’s no need for telling these people that, but let them wander on all they want to, we’re not going to be there more than three months at the outside.”<sup>157</sup> All major discussions were handled by top officials of each delegation: Maisky, the Soviet Chairman, Ed Pauley, his American counterpart, and the British delegations by their top two or three representatives.

McLaren’s contribution to the meeting dealt with a relatively uncontroversial matter – developing an accounting system to handle reparations. McLaren proposed that the system be based upon an exchange device called “rep-units.”<sup>158</sup> Once the three countries agreed on the amount of reparations each should be entitled to receive, the rep-units could then be exchanged for goods and services. His proposal was “well received by the Russians.”<sup>159</sup> Unfortunately, all their efforts were for naught. As McLaren recalled, “It became evident very early that the Russian delegation was operating under

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<sup>156</sup> Edwin Pauley Papers, “Allied Commission on Reparations File; Allied Commission on Reparations—Minutes of Meetings, June to August, 1945 (Box 15).” Harry S. Truman Library and Museum. <http://www.trumanlibrary.org/hstpaper/declass2010.html> .

<sup>157</sup> N. Loyall McLaren, *Norman Loyall McLaren*, 219.

<sup>158</sup> For more detail see N. Loyall McLaren, “Accounting for Reparations,” *Journal of Accountancy* 80, no. 10 (1945).

<sup>159</sup> *Ibid.*, 207.

strict orders that, in effect, meant that only minor concessions would be approved by them.”<sup>160</sup>

By this time, the Potsdam conference was drawing closer. As initially planned, the entire U.S. reparations delegation was to travel together to the conference. However, the larger part of the American delegation left Moscow early in order to brief key State Department officials before the opening of the conference in Germany. Those few left behind wrapped up the loose ends before likewise departing for the Potsdam conference.<sup>161</sup> McLaren, sensing, as others, that the situation was not going to be productive, caught two or three days of the Potsdam meeting and then through Chairman Pauley obtained orders to return to the States.<sup>162</sup> While this concludes the saga of McLaren’s war-time service, his postwar service is still a matter that remains to be addressed.

On the evening of May 11, 1943, the AIA Council hosted a dinner for Brigadier General Arthur H. Carter and Commander Norman Loyall McLaren. “State society presidents, committee chairmen, and representatives of the American Accounting Association who attended the Council meeting were invited to the dinner.”<sup>163</sup> General Carter and Commander McLaren were no doubt selected for this honor because they represented the highest ranking certified public accountants in their respective services.<sup>164</sup> According to the program Carter and McLaren were “expected to speak informally about the accounting problems of the Army and Navy, and how the accounting profession

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<sup>160</sup> Ibid., 206.

<sup>161</sup> Ibid., 207, 217.

<sup>162</sup> Ibid., 218.

<sup>163</sup> “Dinner to Ranking Accountants in Armed Forces,” *Certified Public Accountant* 23, no. 4 (April 1943): 2.

<sup>164</sup> Ibid.



might increase its contribution to the war effort . . .”<sup>165</sup> There were probably no two better qualified men to speak on the subject. Both had relinquished the top posts at their respective firms in order to serve in the nation’s armed forces. Both were leaders of the profession. It should come as no surprise that accountants would rally around each in their military work.

### **Accountants in Harm’s Way**

#### Ensign Walter S. Savage, Jr.

When the Japanese bombs rained down on Pearl Harbor, Ensign Walter S. Savage, Jr. was killed along with 2,350 other American soldiers, sailors, and civilians. Ensign Savage, a certified public accountant from Monroe, Louisiana, was “in the Naval Reserve, and had been called for duty in the Pacific.”<sup>166</sup> A member of the AIA and the Louisiana Society of Certified Public Accountants, Ensign Savage “had been engaged in public practice in partnership with his father.”<sup>167</sup> Though Ensign Savage was one of the first American accountants to die in uniform, he unfortunately would not be the last.

#### Lieutenant Colonel Howard W. Hinman

While many accountants in uniform emerged unscathed from the war, one former society president was not so fortunate. Mr. Howard W. Hinman, the president of the Oklahoma Society of Certified Public Accountants from 1938 to 1939, played a major part in the fighting on Bataan and paid the ultimate price.<sup>168</sup> In the summer of 1941, Mr. Hinman, who held a major’s commission in the reserves, stepped down from his practice

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<sup>165</sup> Ibid.

<sup>166</sup> “Accountant Killed at Pearl Harbor,” *Certified Public Accountant* 22, no. 1 (January 1942): 2.

<sup>167</sup> Ibid., 3.

<sup>168</sup> Oklahoma Society of CPAs, “OSCPA PAST PRESIDENTS,” <http://www.oscpa.com/?737> (accessed July 27, 2010).

when “called into service.”<sup>169</sup> As fate would decree, Major Hinman was “sent to the Philippines, arriving shortly before Pearl Harbor.”<sup>170</sup>

A letter from his commanding officer, Brigadier General K. L. Berry, outlined his tremendous capacity, service and sacrifice. According to General Berry, Howard Hinman joined his command as a Major on December 21, 1941, “but due to his outstanding record during the hard fighting from January 16, 1942, to February 17, 1942 in the vicinity of Moron and Bagac, Bataan Province, Luzon [Berry] recommended his promotion to Lieutenant Colonel,” which was effected in February.<sup>171</sup> During this period, Lieutenant Colonel Hinman, “commanded the 1<sup>st</sup> Battalion of the 3<sup>rd</sup> Regular Infantry, Philippine Army, and was for a short time the Regimental Commander of that regiment.”<sup>172</sup>

Personally admired by his troops, Hinman “was one of the bravest of the brave and was idolized by his Filipino officers and men.”<sup>173</sup> General Berry recalled that Hinman “was always in the thick of the fight directing his men and looking after their welfare.”<sup>174</sup> Lieutenant Colonel Hinman “distinguished himself in particular by his personal leadership of his hard pressed troops” “during the battle along the Tuol River in Bataan from January 30 to February 17, 1942.”<sup>175</sup> For his actions on numerous occasions, Brigadier General Berry personally recommended the Lieutenant Colonel for

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<sup>169</sup> Oklahoma Society of Certified Public Accountants, *History of The Oklahoma Society of Certified Public Accountants* (Oklahoma City, OK: Oklahoma Society of Certified Public Accountants, 1954), 47-48.

<sup>170</sup> Ibid.

<sup>171</sup> K. L. Berry, “In Praise of The Late Howard W. Hinman,” *Certified Public Accountant* (October 1946): 11.

<sup>172</sup> Ibid.

<sup>173</sup> Ibid.

<sup>174</sup> Ibid.

<sup>175</sup> Ibid.

the second highest honor the nation can bestow upon her soldiers – The Distinguished Service Cross (DSC).

“For extraordinary heroism . . . while Commanding the 1<sup>st</sup> Provisional Battalion, 3d Infantry Regiment, Philippine Scouts, in action against enemy forces from 30 January 1942 to 8 February 1942,” Lieutenant Colonel Howard W. Hinman was awarded the DSC that reads in part as follows:

Colonel Hinman proceeded to eliminate a strong enemy penetration on a hill bounded on three sides by rivers and covered with tropical vegetation. Under fire almost constantly, he led his forces personally, moving from man to man on the firing line and from company to company, urging them forward and directing their movements. Colonel Hinman’s qualities of personal leadership and gallantry inspired his newly trained troops and led to the successful elimination of the enemy pocket. His personal bravery and zealous devotion to duty at the cost of his life, exemplify the highest traditions of the military forces of the United States and reflect great credit upon himself, his unit and the United States Army.<sup>176</sup>

Unfortunately, Lieutenant Colonel Hinman did not survive to see either of his awards for heroism but instead was “twice decorated posthumously with the DSC and with the Silver Star.”<sup>177</sup>

After holding off the Japanese onslaught for three months, the defenders of Bataan finally could hold out no longer and surrendered to Japanese forces on April 9, 1942. In a shocking act of barbarity, the prisoners of war were forced to march 55 miles to a rail station at San Fernando. Many, too sick or weak to make the journey, fell and were bayoneted along the way.<sup>178</sup> The Bataan Death March “was characterized by wide-ranging physical abuse and murder, and resulted in very high fatalities inflicted upon the

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<sup>176</sup> Military Times: Hall of Valor, “Howard W. Hinman,” <http://militarytimes.com/citations-medals-awards/recipient.php?recipientid=23048> (accessed July 27, 2010).

<sup>177</sup> Oklahoma Society of Certified Public Accountants, *History of The Oklahoma Society of Certified Public Accountants* (Oklahoma City, OK: Oklahoma Society of Certified Public Accountants, 1954), 47-48.

<sup>178</sup> “Bataan Death March,” *Encyclopaedia Britannica*, <http://www.britannica.com/EBchecked/topic/55717/Bataan-Death-March> (accessed July 27, 2010).

prisoners and civilians along the route.”<sup>179</sup> “Beheadings, cutting of throats and casual shootings were the more common actions – compared to instances of bayonet stabbing, rape, disembowelment, rifle butt beating and a deliberate refusal to allow the prisoners food or water while keeping them continually marching.”<sup>180</sup> “Of the 72,000 prisoners who began the march, only 54,000 reached their destination.”<sup>181</sup>

In a letter to his Mrs. Hinman, General Berry recalled, “I never saw Howard after April 15, 1942, as we became separated during the Death March. I was informed by others . . . that during the Death March he contracted dysentery and upon arrival at San Fernando . . . he was placed in the Civilian Hospital at that place and died.”<sup>182</sup> According to military records, Hinman died on April 16, 1942 -- he was forty-five years old.<sup>183</sup>

#### Captain Charles J. Beasley

Not all accountants who were involved in combat operations received their awards posthumously, in fact most lived to tell the tale. One of the lucky ones was Captain Charles J. Beasley, “a certified public accountant formerly associated with Lybrand, Ross Bros., & Montgomery” in their New York office.<sup>184</sup> Captain “Chuck” Beasley was not just your typical soldier; he was a Marine. Not just any Marine, but one who served under the command of legendary Marine Corp officer Lewis B. Puller -- better known as “Chesty” Puller.

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<sup>179</sup> “Bataan Death March,” *Wikipedia*, [http://en.wikipedia.org/wiki/Bataan\\_Death\\_March](http://en.wikipedia.org/wiki/Bataan_Death_March) (accessed July 27, 2010).

<sup>180</sup> *Ibid.*

<sup>181</sup> *Ibid.*

<sup>182</sup> K. L. Berry, “In Praise of The Late Howard W. Hinman,” *Certified Public Accountant* (October 1946): 11.

<sup>183</sup> Military Times: Hall of Valor, “Howard W. Hinman,” <http://militarytimes.com/citations-medals-awards/recipient.php?recipientid=23048> (accessed July 27, 2010); Oklahoma Society of Certified Public Accountants, *History of The Oklahoma Society of Certified Public Accountants 1918-1968* (Oklahoma City, OK: Oklahoma Society of Certified Public Accountants, 1967), 44-45.

<sup>184</sup> “Certified Public Accountant Wins Marine Corps Citation,” *Certified Public Accountant* 23, no. 6 (June 1943): 14.

At Guadalcanal, Captain Beasley's duties as the operations officer for the 1<sup>st</sup> Battalion, 7<sup>th</sup> Marines (1/7) required a close working relationship with the battalion's commanding officer – Lieutenant Colonel Puller.<sup>185</sup> As the Battalion's head of operations (BN3), Captain Beasley was responsible for planning and coordinating all things essential to permit the battalion to operate and carry out its mission. "In most units, the operations office is the largest of the staff sections and considered the most important. All aspects of sustaining the unit's operations" and "planning future operations" are responsibilities of the operations officer.<sup>186</sup>

Eventually earning "fourteen personal decorations in combat, five Navy Crosses, a Purple Heart, and a long list of campaign medals, unit citation ribbons and other awards," Lieutenant Colonel Chesty Puller would receive "more military decorations than any Marine who served before or since."<sup>187</sup> In recalling Chesty's heroics at Guadalcanal, Captain Beasley offered that he is "probably the bravest man I'll ever meet."<sup>188</sup> Undoubtedly, this same bravado rubbed off on the younger Captain Beasley. Even in recreation, of which there was little to be found at Guadalcanal, daring was required. One article in the *New York Sun* described a most unusual game of bridge in which Beasley participated at Guadalcanal. On the "rim of a foxhole," Beasley and three

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<sup>185</sup> John T. Hoffman, *Chesty: The Story of Lieutenant General Lewis B. Puller, USMC* (New York: Random House, 2001): 208.

<sup>186</sup> "Staff (military)," *Wikipedia: The Free Encyclopedia*, [http://en.wikipedia.org/wiki/S3\\_\(military\)#Continental\\_staff\\_system](http://en.wikipedia.org/wiki/S3_(military)#Continental_staff_system) (accessed July 29,2010).

<sup>187</sup> U.S. Marine Corps, "Lt Gen Lewis B. 'Chesty' Puller," [http://www.marines.com/main/index/winning\\_battles/history/leaders/lt\\_gen\\_lewis\\_b\\_puller](http://www.marines.com/main/index/winning_battles/history/leaders/lt_gen_lewis_b_puller) (accessed August 10, 2010).

<sup>188</sup> John T. Hoffman, *Chesty: The Story of Lieutenant General Lewis B. Puller, USMC* (New York: Random House, 2001): 208.

other officers carried on a game of bridge with “each player scuttling into a foxhole each time a Jap shell whizzed over, then going on with the game.”<sup>189</sup>

Far from being desk bound, Captain Beasley was actively engaged in heroics of his own. For his actions during the campaign, he received the following letter of commendation.

For bravery and devotion to duty during engagements with the enemy in the Solomon Islands from September to early December, 1942. Throughout the entire period, Capt. Beasley served with honor and distinction.

During the enemy attack by a numerically superior force on October 24<sup>th</sup>, he was serving as battalion operations officer.

Under severe enemy fire and in the face of repeated assaults, he performed his duties with great skill and courage.

With a complete disregard for personal safety and extreme fatigue, he carried out his duties with intelligence and dispatch. The highly efficient manner in which he issued and carried out orders contributed greatly to the rout and virtual annihilation of a Japanese regiment which resulted in a Marine victory.<sup>190</sup>

In addition to this letter of commendation, Captain Charles J. Beasley was further awarded the Silver Star “for gallantry in action at Guadalcanal, Solomon Islands, on November 7-9, 1942.”<sup>191</sup> His citation for which follows:

For conspicuous gallantry and intrepidity as an operations and training officer of the First Marine Division, during action against Japanese forces on Guadalcanal, Solomon Islands, on November 7-9, 1942. While engaged in operations to the west of Notapona River, in an area infested with harassing groups and snipers, Capt. Beasley, although previously wounded in a skirmish with the Japanese, persisted in continuing his duties.

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<sup>189</sup> *New York Sun*, “Played Bridge in Foxhole,” reprinted in “Notes,” *L.R.B. & M. JOURNAL* 24, no. 4 (September 1943): 22-23.

<sup>190</sup> “Certified Public Accountant Wins Marine Corps Citation,” *Certified Public Accountant* 23, no. 6 (June 1943): 14.

<sup>191</sup> *Military Times: Hall of Valor*, “Charles J. Beasley,” <http://militarytimes.com/citations-medals-awards/recipient.php?recipientid=35260> (accessed July 29, 2010).

Frequently operating in advance positions under hostile fire, he carried on throughout a severe engagement on November 8, rendering valuable assistance until the situation had become secure. His courageous endurance and utter disregard of personal safety were in keeping with the highest traditions of the United States Naval Service.<sup>192</sup>

Fighting in the tropical Pacific exacted its own particular brand of hell, in addition to the constant threat of the Japanese. In recounting the ordeal on Guadalcanal, Lieutenant Edward Smith, a medical corpsman who served alongside Captain Beasley, related that the island itself was a most formidable foe. The surrounding swamps and jungle where the men encamped were “swarming at night with angry malarial mosquitoes and in the heat of the day . . . masses of flies [refused] to be brushed away but had to be picked off their faces and out of their chow.”<sup>193</sup> When malaria struck, “the average cases . . . were sent for rest and treatment to the medical companies where they were kept for forty-eight hours, or longer if necessary, and returned to the front lines with a pocketful of Quinine and Atabrin and a haggard look as if they were ready for the grave.”<sup>194</sup> “Sometimes the men could hardly walk, they were so worn and sick from the aches and chills of malaria.”<sup>195</sup>

The scarcity of fresh water forced the troops to forego “bathing and shaving for weeks at a time.”<sup>196</sup> In the filth, mud, and heat, “the men developed nasty ulcers and skin infections which would not heal. Their legs would swell and the lazy flies would hound them and crawl over the foul dressings crusted with pus.”<sup>197</sup>

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<sup>192</sup> Lybrand, Ross Bros. & Montgomery, “Notes,” *L.R.B. & M.JOURNAL* 24, no. 4 (September 1943): 22.

<sup>193</sup> Edward Lincoln Smith, “MARINE, YOU DIE!” *Harper’s Magazine* 187, no. 1120 (September 1943): 316.

<sup>194</sup> *Ibid.*, 317.

<sup>195</sup> *Ibid.*

<sup>196</sup> *Ibid.*, 316

<sup>197</sup> *Ibid.*

As if the enemy, natural elements, and insects were not problems aplenty, the troops on Guadalcanal were improperly provisioned. Even with diets supplemented by captured Japanese supplies, including rice and bamboo shoots, “the pain of hunger . . . never entirely left.”<sup>198</sup> Lacking adequate nourishment, “the men lost thirty and forty pounds in weight, and nearly a comparable amount in strength.”<sup>199</sup>

Through it all, Captain Beasley survived Guadalcanal receiving only “some shrapnel wounds.”<sup>200</sup> And in the early spring of 1943, Chuck visited his former colleagues at the New York office of Lybrand Ross Brothers & Montgomery.<sup>201</sup> Somewhat of a celebrity, numerous “newspaper accounts appeared about his activity during the campaign, and in an article . . . entitled “Marine, You Die!” in the September issue of *Harper’s Magazine*, mention was again made of Captain ‘Chuck’ Beasley.”<sup>202</sup> It should be noted that Beasley’s appointment as head of operations meant that he was using his previously acquired accounting skills for the benefit of his Marine battalion.

#### Colonel Andrew Barr

“Timing is so important – in many things we do in life.”

In 1960, Andrew Barr received the President’s Award for Distinguished Federal Civilian Service –the highest honorary award that the Federal Government can bestow upon a career civilian employee. In 1963, Andrew Barr was inducted into the Accounting Hall of Fame – a rare honor that only twenty-five others before him had received. The following year brought further recognition to Mr. Barr when the AICPA

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<sup>198</sup> Ibid.

<sup>199</sup> Ibid., 316-317.

<sup>200</sup> Lybrand, Ross Bros. & Montgomery, “Notes,” *L.R.B. & M.JOURNAL* 24, no. 2 (March 1943): 18.

<sup>201</sup> Lybrand, Ross Bros. & Montgomery, “Notes,” *L.R.B. & M.JOURNAL* 24, no. 2 (March 1943): 17-18.

<sup>202</sup> Lybrand, Ross Bros. & Montgomery, “Notes,” *L.R.B. & M.JOURNAL* 24, no. 4 (September 1943): 23.



bestowed upon him their highest honor, the AICPA Gold Medal Award. At this point in his life, Mr. Barr had been serving as the SEC's Chief Accountant since 1956 and would continue in that capacity until retiring in 1972.<sup>203</sup> It is unusual to find someone who has achieved such a high level of distinction in one field to be likewise praised in another, but such was the case of Andrew Barr. For if accounting was the great love of his life, his mistress was military service.

Andrew Barr was born in Urbana, Illinois, on May 6, 1901. The eldest son of Andrew and Hortense Call Barr, young Andrew was one of four children. After attending Urbana schools and graduating from high school in 1919, Andrew entered the University of Illinois where he majored in accounting. While there, Andrew Barr benefited from the instruction of outstanding professors including Hiram T. Scovill, Edward J. Filbey, and Ananias C. Littleton.<sup>204</sup> Almost 70 years later, Andrew Barr still held these men in admiration and recalled that Professor Scovill was in his opinion, "a very fine man. He, and Littleton, and Filbey, a whole group of them made a nucleus for . . . building up the accounting work in Urbana."<sup>205</sup> He also developed many friendships with fellow students that included such future prominent accountants as Paul Grady and Ralph Jones. These friendships would last a lifetime.

It also was at the University where Andrew Barr began his life-long association with the military. In 1919, "the University's Reserve Officers Training Corps" formed

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<sup>203</sup> Andrew M. Barr, *Written Contributions of Selected Accounting Practitioners: Andrew Barr* (Champaign-Urbana: University of Illinois, 1980), 755.

<sup>204</sup> 3<sup>rd</sup> Armored Division Association, "Andrew Barr of Urbana 1901-1995: An Alumnus Who Shaped Corporate Finance and Armored Warfare," (May 1996) <http://www.3ad.com/>.

<sup>205</sup> Andrew Barr, *An Interview with Andrew Barr*, VHS, produced and directed by Dale L. Flesher and Gary J. Previts (Urbana, IL, 1992); also available at <http://www.sechistorical.org/museum/oral-histories/a-d/>.

on campus.<sup>206</sup> When Barr arrived on Campus, he joined, and served for four years. As in the classroom so in the field, Andrew Barr benefited from the outstanding leadership in the ROTC program offered by Captain Robert W. Grow, his cavalry instructor. A man of great ability, during WWII Captain Grow, who by then had advanced to Major General, commanded the 6<sup>th</sup> Armored Division. While serving in the ROTC, Andrew Barr was promoted to “lieutenant and [later] captain of Troop G in the Brigade’s cavalry unit and held an assistantship his senior year.”<sup>207</sup> As in the field, Barr’s ability and talents in the classroom were soon recognized. While at the University of Illinois he received induction into several honorary societies including Beta Gama Sigma, Beta Alpha Psi, Beta Gamma Psi and Phi Kappa Phi.

Upon obtaining his bachelors with honors in 1923, Barr returned to the University “with a graduate scholarship in accountancy, passed the examination for the C.P.A. certificate on November 16 and obtained a master’s degree on June 9, 1924.”<sup>208</sup> In addition to his academic honors and degrees, Andrew Barr left the University with one other mark of distinction -- as an officer with the rank of 2<sup>nd</sup> Lieutenant in the Cavalry Reserve on June 13, 1923.<sup>209</sup>

Following graduation, Andrew Barr pursued work in public accounting and joined the firm of Reckitt, Benington, & LeClear. In accounting for the firm’s rapid growth, Barr credited the foresight of LeClear, “the American End of the British-staffed firm.”<sup>210</sup>

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<sup>206</sup> 3<sup>rd</sup> Armored Division Association, “Andrew Barr of Urbana 1901-1995: An Alumnus Who Shaped Corporate Finance and Armored Warfare,” (May 1996) <http://www.3ad.com/>.

<sup>207</sup> Ibid.

<sup>208</sup> Ibid.

<sup>209</sup> Andrew Barr, “Record of Service: Andrew Barr,” Obtained under Freedom of Information Act Request, June 23, 2010.

<sup>210</sup> Barr, *An Interview*, (III); Reckitt, Benington & LeClear later merged with Scovill, Wellington & Co. and later still with Lybrand, Ross Bros. & Montgomery. Today this lineage is preserved in the firm of Price Waterhouse Coopers (PWC).

More specifically, Barr offered that, “LeClear, was the one who saw the importance of learning about income taxes. So they got into the big leagues in Chicago by getting some very good clients and primarily for tax purposes.”<sup>211</sup> Insightfully, Mr. Barr concluded, “So I think that’s very important . . . They just came on the scene at the right time. Timing is so important --- in many things that we do in life.”<sup>212</sup>

Timing also played an important role in Andrew Barr’s career. After two years in public accounting, an old friend reentered his life with an offer he could not pass up. “Ralph Jones had gone to Yale -- called there to rebuild the accounting group because the head of it had gone to another university.”<sup>213</sup> Needing help, he offered Andrew Barr an appointment as an accounting instructor. After considering the proposal, Barr resigned from the firm “(f)ollowing two years in public accounting . . . [and] joined the accounting faculty at Yale University” where he would spend the next twelve years (1926-1938).<sup>214</sup> During his tenure at Yale, Barr not only worked alongside Ralph Jones, but also met other outstanding faculty including William Werntz and William O. Douglas.

On July 1, 1938, Andrew Barr left the confines of Yale for new horizons in Washington. When questioned on his decision to leave, Barr commented, “(w)ell the SEC was one of these New Deal Agencies and its top brackets were pretty largely filled by top professors or professional people.”<sup>215</sup> That is not to say that all the faces were new to Barr. At the SEC, he was reunited with his former Yale colleague William Werntz who by then had advanced to the role of chief accountant. In addition to the opportunity

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<sup>211</sup> Ibid.

<sup>212</sup> Ibid.

<sup>213</sup> Ibid.

<sup>214</sup> Gary J. Previts and Dale L. Flesher, “Retrospective: Andrew Barr: Longest Serving SEC Chief Accountant,” *Accounting Historians Journal* 23, no. 1 (June 1996): 118.

<sup>215</sup> Barr, *An Interview*.

to work with top notch personnel, Barr also factored in the tremendous opportunity “to get in on almost the ground floor of the SEC’s work.”<sup>216</sup> According to Barr, “(t)he SEC was judged to be one of, if not the best . . . agencies, in Washington and it was a prized job to get on board early.”<sup>217</sup>

As ever, his timing was impeccable. Barr recalled, “I had been at the Commission less than a year when the McKesson case broke so I was fortunate – getting into, you might say prime time, by getting on that case.”<sup>218</sup> The McKesson & Robbins scandal raised serious concerns among the investing public “about the adequacy of audit procedures” and the validity of financial reports.<sup>219</sup> “At a time when investor confidence was beginning to be restored in the stock market, this affair represented the first true test of the SEC’s ability” to oversee its responsibilities of safeguarding investors.<sup>220</sup>

Representing the chief accountant’s office, Andrew Barr worked with the New York staff on the case and assisted “in arranging for twelve expert witnesses” who represented a virtual who’s who of the accounting profession.<sup>221</sup> “Barr’s tasks included assembling the facts and materials that would provide the basis for the SEC’s inquiry into the case. The challenge was arduous if only because there was no precedent for the proper process to follow in such a situation.”<sup>222</sup> An important aspect of Barr’s assignment involved “preparing the questions to be asked of the witnesses.”<sup>223</sup> Based on the resulting testimony that provided “a basis for understanding the state of the art of audit procedure and practice,” Andrew Barr and the SEC’s lead attorney on the case

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<sup>216</sup> Ibid.

<sup>217</sup> Ibid.

<sup>218</sup> Ibid.

<sup>219</sup> Previts and Flesher, “Retrospective,” 120.

<sup>220</sup> Ibid.

<sup>221</sup> Barr, *Written Contributions*, 2.

<sup>222</sup> Previts and Flesher, “Retrospective,” 120.

<sup>223</sup> Ibid, 121.

prepared the Commission's 454-page report on the case that was published in December, 1940.

During the case, a seismic shift occurred in the professional accounting community. By the time Barr had completed the SEC's report, the profession had adopted extended audit procedures --"the confirmation of receivables and the observation of inventories" -- and the AIA, sensing the growing threat of a government take-over of standard setting, "established a standing Committee on Auditing Procedure."<sup>224</sup> As for Barr's part, his outstanding work during the case should have been a springboard into higher rank, which it was, but not within the SEC. Instead, another government agency came calling with an offer he could not refuse -- the U.S. Army.

Since his University of Illinois days, Andrew Barr had remained in the Army's Calvary Reserve steadily advancing in rank from second Lieutenant in 1923 to Major by August of 1938.<sup>225</sup> However, as a cavalry reserve officer, his training time was quite limited -- consisting of no more than two weeks during any year and totaling only 100 days by June of 1940.<sup>226</sup> While working on the McKesson & Robbins case, Andrew Barr had been questioned as to when he would be available for active duty and responded that the "McKesson matter" should be completed by Christmas of 1940.<sup>227</sup> As he later wrote, "the army lost no time in ordering cavalry reserve officers to duty for conversion to armor!"<sup>228</sup> Thus, "(u)nder orders dated January 13, 1941," Major Andrew Barr, reported for duty on February 5, 1941.<sup>229</sup>

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<sup>224</sup> Ibid.

<sup>225</sup> Barr, "Record of Service."

<sup>226</sup> Ibid.

<sup>227</sup> Barr, *Written Contributions*, 3.

<sup>228</sup> Ibid.

<sup>229</sup> Ibid., 2.

Concerning promotion, as alluded to above, his work on the McKesson and Robbins case did not lead to immediate advancement within the SEC but instead within the military. Though entering active duty service as a Major, Barr was quickly promoted to Lieutenant Colonel. In a brief account Barr offered:

(T)hat when the brigade was set up and required an intelligence officer, a regular army executive officer of the regiment of which I was then adjutant thought my experience as an accountant on the *McKesson & Robbins* case was good training for an intelligence officer.<sup>230</sup>

Years later Barr explained the reasoning behind the decision by demonstrating the similarities in work between an intelligence officer and an independent auditor.

Elaborating, Barr noted that an intelligence

officer must have adequate technical training and proficiency, have independence in his judgments and must exercise due professional care in his work. He must supervise his staff . . . evaluate procedures . . . and secure sufficient evidential matter through inspection, observation, inquiries and confirmations to support the reports he submits to both lower and higher headquarters in the chain of command. He is required to express his view of enemy capabilities and should have adequate support for his conclusions, or if necessary qualify with reasons. . . . *McKesson & Robbins* was good training.<sup>231</sup>

Accordingly, “after training for armor and service in regimental, brigade, and division headquarters of the newly organized 3d Armored Division, [Barr] was announced as Assistant Chief of Staff, G-2 (intelligence) where he served through the end of the war in Europe.”<sup>232</sup>

On April 15, 1941, the 3<sup>rd</sup> Armored Division, which became known as the Spearhead Division, was activated and organized at Camp Beauregard, Louisiana. After being transferred to Camp Polk in June of 1941, training exercises carried

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<sup>230</sup> *Ibid.*, 3.

<sup>231</sup> *Ibid.*, 3-4.

<sup>232</sup> *Ibid.*, 3.

the 3<sup>rd</sup> Armored Division across America, from the Mojave Desert in July of 1942, to Camp Pickett, Virginia in October, and then to Indiantown Gap, Pennsylvania in January of 1943. Finally, the 3<sup>rd</sup> sailed for England in the fall of 1943 and landed at Liverpool and Bristol on September 15<sup>th</sup>.<sup>233</sup> Following more training exercises in England, the first elements of Spearhead landed on Omaha Beach, Normandy on June 23, 1944.

Although, the 3<sup>rd</sup> missed the carnage of D-Day landings, she would see more than her share of fighting. The 3<sup>rd</sup> entered combat on 29 June 1944 and “fought in five western European campaigns, in Normandy, northern France, the Rhineland, the Ardennes, and in Central Germany.”<sup>234</sup> “During the 221 days of combat on the continent of Europe the 3<sup>rd</sup> Armored Division destroyed or overran a staggering total of enemy equipment” with estimates of a minimum of 1,794 tanks, 942 self-propelled guns, 961 armored cars, 3,027 armored personnel carriers, and 27 light anti-aircraft self-propelled guns destroyed.<sup>235</sup> Although it would be virtually impossible “to estimate the number of enemy killed and wounded in a particular action,” one number is beyond dispute – the number of prisoners of war.<sup>236</sup> From the first day of combat until V-E Day, “the third Armored took 76,720 prisoners, five times the total strength of the Division.”<sup>237</sup> The victory was not without a price; the Spearhead suffered 10,371 casualties including 2,214 killed in action.

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<sup>233</sup> 3<sup>rd</sup> Armored Division Association, “Chronology,” <http://www.3ad.org/wwii/chronology.htm> (accessed 9/6/2010).

<sup>234</sup> Andrew Barr, *Spearhead in the West 1941-1945, The Third Armored Division* (Frankfurt am Main-Schwanheim: F.J. Henrich, 1945), 5.

<sup>235</sup> *Ibid.*, 252-253.

<sup>236</sup> *Ibid.*

<sup>237</sup> *Ibid.*

As for Andrew Barr's part in the overall affair, he was a member of the General Staff. Similar to the role of top management in a large corporation, "the General Staff of a fighting division" coordinates "all principle services, the personal placement, intelligence, plans and operations, [and] supply."<sup>238</sup> His duty, as the outfit's intelligence officer, G-2, was critical to the success of overall operations. Under his command, Lieutenant Colonel Barr directed "the Military Intelligence Interpreter team, the Interrogation of Prisoners of War team, Order of Battle section, Counter Intelligence Corps team, and Photo Interpretation team."<sup>239</sup> Based on the available information, Colonel Barr led his staff in a continuous examination of the enemy's strength in which estimates were made, "checked, calculated and finally published for the benefit of lower echelon combat teams."<sup>240</sup> With so much responsibility, it is of little surprise that the "canny intelligence chief of the 'Spearhead', slept little and worked incessantly during the 3<sup>rd</sup> Armored Division's drive through Nazi Europe."<sup>241</sup>

In a 1985 interview, Andrew Barr recounted that he had served as "the assistant chief of staff for intelligence in the 3<sup>rd</sup> Armored Division from the training time in the Mohave Desert to the end of the war."<sup>242</sup> His duties, in directing the G2 section, were "to gather information about the enemy, Order of Battle information," this meant "estimates of the volume of opposition against

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<sup>238</sup> Ibid., 8; Working under the Chief of Staff, the general staff officers charged with personnel (G-1), intelligence (G-2), plans and operations (G-3), and supply (G-4) were generally identified by their designation. Accordingly, Barr was called G-2.

<sup>239</sup> Ibid., 12.

<sup>240</sup> Ibid., 9

<sup>241</sup> Ibid.

<sup>242</sup> Andrew Barr and Haynes Dugan, "Andrew Barr and Haynes Dugan: 3AD WWII G2 Intelligence Officers Interview by Dan Peterson," videotaped interview by Dan Peterson conducted at 3AD Association national reunion, 1985, <http://vimeo.com/4690008> (accessed October 5, 2010).



[the 3AD] at any one point.”<sup>243</sup> Following the collection of sufficient data, the G2 section would “then appraise the situation and periodically, usually at midnight, . . . make a report for benefit of lower units in [their] division and distribution to higher headquarters.”<sup>244</sup> Major Haynes Dugan who served as second to Colonel Barr in the G-2 section spoke of the long hours and offered that Barr “signed all the G-2 periodic reports that came out at midnight” and then had to be up before 0600 hours “to brief the general at that time [breakfast] -- that was some sleep lost.”<sup>245</sup> Mr. Barr confirmed. “I didn’t get much sleep . . . you can be sure of that.”<sup>246</sup>

While one might have expected the Division’s General Staff to be located far from the front lines, such was not always the case in the 3<sup>rd</sup> Armored Division. The Division’s Forward Echelon, “the tactical nerve center of the Spearhead,” was basically comprised of the general staff, an assortment of staff sections, and an assisting headquarters company.<sup>247</sup> This was also where Major General Maurice Rose, the commanding general of the 3<sup>rd</sup>, made his headquarters. Because he believed in leading from the front, “his headquarters was seldom any appreciable distance behind the spearheading tanks of the division,” and “often within small arms range of the enemy.”<sup>248</sup>

As one might expect, in this arrangement Forward Echelon and Headquarters Company, though “not intended to be used as fighting units,” quite

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<sup>243</sup> Ibid.

<sup>244</sup> Ibid.

<sup>245</sup> Ibid.

<sup>246</sup> Ibid.

<sup>247</sup> Andrew Barr, *Spearhead in the West 1941-1945, The Third Armored Division* (Frankfurt am Main-Schwanheim: F.J. Henrich, 1945), 12.

<sup>248</sup> Ibid., 11-12.

often had to defend themselves “and in many cases fought hot actions against bypassed pockets of fanatic enemy resistance.” In one instance at Mons, Belgium, “the command post fought a heroic action against heavy enemy forces” in September, 1944. The fighting was so sharp and their success so brilliant the Forward Echelon and attached personnel “were awarded Distinguished Unit Citations.”<sup>249</sup> Another indication of just how closely Omaha Forward operated to the front lines is that both G-1 and G-3 were captured by enemy troops near Paderborn, Germany, and the commanding general of the division, Major General Maurice Rose was killed in action near the front lines on March 30, 1945. Indeed, the general staff “engaged the enemy so frequently that they earned the nickname: ‘Combat Command Smith’!”<sup>250</sup>

During the fighting, Barr’s record as intelligence chief was outstanding and his “decisions on enemy capabilities and on [the division’s] security measures hastened the end of hostilities.”<sup>251</sup> As a testament to his service, Colonel Barr received the following awards and citations:

- 1) Belgium Fourragere Unit Citation
- 2) American Defense Service Medal
- 3) American Campaign Medal
- 4) Bronze Star Medal with one Oak Leaf Cluster
- 5) Legion of Merit
- 6) French Legion of Honor
- 7) French Croix De Guerre with Palm
- 8) European African Middle Eastern Medal with five Bronze Service Stars
- 9) WWII Victory Medal
- 10) Service Lapel Button WWII
- 11) Presidential Unit Citation<sup>252</sup>

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<sup>249</sup> Ibid.

<sup>250</sup> Ibid., 8. Colonel John A. Smith, Jr. was the Chief of Staff.

<sup>251</sup> Ibid.

<sup>252</sup> Barr, “Record of Service.”

In an interview years later, Andrew Barr recalled that his “division, the third armored division, was on occupation duty for a while” following VE Day.<sup>253</sup> Before his return to the states he had one last piece of unfinished business. In addition to other duties, “G-2 is the official historian” as such Barr “stayed on after inactivation of the division with the . . . G-3 (operations) to supervise the completion and mailing of the division history.”<sup>254</sup>

Now we called that *Spearhead In The West* because we were hearing rumors every 15 to 20 minutes that we were going to go to the Pacific -- to distinguish what we did in Europe from what might happen in the Pacific. But the situation changed so fast that we abandoned that deal and we were broken up in Europe and sent back piece-meal. The low point men went to units that were going to stay in Europe for a time and the high point men were sent home.<sup>255</sup>

In a strange but somewhat fitting end, Major General Robert W. Grow, Colonel Andrew Barr’s old ROTC instructor from the University of Illinois, presided over the formal ceremony that inactivated the 3<sup>rd</sup> Armored Division on Friday, November 9, 1945. Among the group of approximately one hundred men and officers who observed the “solemn final ceremony” were four officers who had been with the division since its inception.<sup>256</sup> They were Major Charles H. Kapes, Provost Marshal; Lt. Col. Jack A. Boulger, G-1; Lt. Col. Wesley A. Sweat, G-3; and Lt. Col. Andrew Barr, Chief of Staff.

On May 15, 1946, Lieutenant Colonel Andrew Barr was promoted to “full Colonel.”<sup>257</sup> By June 27, 1946, Colonel Barr was relieved from active duty. Though no longer on active duty, Colonel Barr remained a “member of the Army Reserve until

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<sup>253</sup> Barr, *An Interview*.

<sup>254</sup> Barr, *Written Contributions*, 3.

<sup>255</sup> Barr, *An Interview*.

<sup>256</sup> Barr, *Spearhead*, 156.

<sup>257</sup> 3<sup>rd</sup> Armored Division Association, “Andrew Barr of Urbana 1901-1995: An Alumnus Who Shaped Corporate Finance and Armored Warfare,” (May 1996) <http://www.3ad.com/>.

1961.”<sup>258</sup> Barr also played an active part in founding “the Third Armored Division Association” in 1948 and later served as its president and a member of its board.<sup>259</sup>

In his 1980 publication, *Written Contributions of Selected Accounting Practitioners*, Andrew Barr included a revealing excerpt from the obituary of Robert J. Casey, a renowned World War II correspondent.<sup>260</sup> From the obituary, Barr included the following:

At the outbreak of World War I, he enlisted as a private and came out a Field Artillery captain with three citations for bravery under fire, and the Silver Star Medal. *This was also a part of his background he seldom discussed and few of his colleagues were aware of his outstanding war record.*<sup>261</sup>

As with Casey, it would be easy to overlook Andrew Barr’s outstanding military accomplishments in light of his subsequent honors and the renown from his civilian occupation. Perhaps as a prompt to those who knew him best as an accountant, Barr was intimating that there was also a side to his nature virtually unknown. Although, Barr was describing Casey, one is left with the profound sense that he is also describing a kindred spirit -- himself.

#### Lieutenant Myron L. Moore, Jr.

Myron L. Moore, Jr. was born on April 9, 1924, and grew up in the small town of Granite Falls, North Carolina. Upon graduating from Granite Falls High School in 1940, Mr. Moore was accepted into the University of North Carolina at Chapel Hill, entering at the tender age of 16. From the start of his academic career, Moore set his ambitions on

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<sup>258</sup> Barr, *Written Contributions*, 755.

<sup>259</sup> Ibid.

<sup>260</sup> Ibid., 1

<sup>261</sup> Ibid; italics imposed.

being an accountant. However, events beyond his control would soon interrupt his plans.

In an interview, Mr. Moore recounted,

I remember one Sunday I went to the movie – came out, and someone said ‘The Japs have bombed Pearl Harbor. And I thought ‘What the hell is Pearl Harbor,’ -- but I found out. And, about one year later, this friend of mine and I went to Raleigh, NC, and enlisted in the Marine V-12 Program which enabled us to stay in the school until they called us up as future officer candidate applicants.<sup>262</sup>

The Navy’s V-12 College Training Program was a war-time measure that involved over 125,000 men enrolled in 131 of the country’s colleges and universities. Students, such as Myron Moore, who had already earned college credit before joining the program, were permitted to continue in their major “with the addition of courses in mathematics and science.”<sup>263</sup> The traditional progression, after the program, was for the Marine candidates to attend boot camp and then Officer Candidate School (OCS) at Quantico, Virginia.

Continuing in school, Moore was nearing the end of his course work when he was called up in July 1943, and as planned attended basic training at Camp Lejeune. However, while he and others in his class were waiting to be called to Quantico for OCS, the demand for fresh Marine 2<sup>nd</sup> Lieutenants became acute. The Marine Corps was in the process of forming two new divisions, the 5<sup>th</sup> and 6<sup>th</sup>, and could not wait for the usual progression. As Mr. Moore explained,

They needed 2<sup>nd</sup> Lieutenants bad, so they pulled 400 of us out and started special OCS at Camp Lejeune – it’s the only class of its kind. In September of 1944, they commissioned 370, one or two, of this 400. Within 6 months, 48 were dead and 149 were wounded. Most of the class either went to Iwo Jima or Okinawa.<sup>264</sup>

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<sup>262</sup> Myron L. Moore, Jr., interview by Mark E. Jobe, August 11, 2010, Digital recording.

<sup>263</sup> Wikipedia, “V-12 Navy College Training Program,” *Wikipedia The Free Encyclopedia* [http://en.wikipedia.org/wiki/V-12\\_Navy\\_College\\_Training\\_Program](http://en.wikipedia.org/wiki/V-12_Navy_College_Training_Program) (accessed 9/8/2010).

<sup>264</sup> Myron L. Moore, Jr., interview by Mark E. Jobe, August 11, 2010, Digital recording.

After traveling to the West Coast by train, Lieutenant Moore and his company were given a brief liberty before sailing from San Diego to Guadalcanal where the 6<sup>th</sup> Marine Division was being formed. As one would expect in the military, it was a ‘hurry-up and wait’ affair. As a replacement, Lieutenant Moore experienced the latter at Guadalcanal and waited until around the middle-part of March, 1945, when he was placed in charge of a ship platoon on a cargo ship bound for Okinawa. With a complement of 27 men under his command, Lieutenant Moore’s duty was to see that the ship was properly unloaded. During the course of carrying out this duty, he witnessed many of the kamikaze attacks where the Japanese pilots guided their aircraft, much like a modern day cruise missile, in suicide attacks against the allied shipping.

Having completed the offloading assignment, Lieutenant Moore took his ship platoon on shore on April 9, L-day plus 8, which made for a memorable 21<sup>st</sup> birthday. Again, as on Guadalcanal before, Lieutenant Moore was forced to wait for assignment until he was called up in mid May to the 22<sup>nd</sup> Regiment. Due to increasing casualties, he did not have long to wait. According to Moore, “the Regiment had just pulled off Sugar Loaf Hill, which was probably the bloodiest battle on Okinawa.”<sup>265</sup> Needing replacements, Lieutenant Moore and a second Lieutenant from his OCS class were ordered to take 100 men to 2<sup>nd</sup> Battalion headquarters near the front line. With less than precise directions, Lieutenant Moore’s first assignment was nearly his last.

According to Moore, they were simply directed to stay to the road until met by a runner from battalion headquarters who would guide them into camp. With Moore at the head of the column, they began their march toward the front. After covering some

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<sup>265</sup> Ibid; On May 16, General Shepherd relieved the 22<sup>nd</sup> Marines with the 29<sup>th</sup>.

distance and meeting no one, they finally noticed some soldiers over a ridge, in what was apparently a forward observation post, who were “waving like hell.” Having halted their advance, one of the soldiers came down from the ridge and informed Lieutenant Moore that they should get off the road because it received artillery fire several times a day and further that they were about to march into Naha, the capital of Okinawa, which had not been taken. Realizing that they had somehow missed the runner, Lieutenant Moore ordered an immediate about-face and on the return they were met by their non-punctual guide. In an interesting twist of fate, the soldier who warned Lieutenant Moore happened to be a known acquaintance of his from Hickory, North Carolina, which was just seven miles from Moore’s hometown.

The fighting on Sugar Loaf Hill had been intense and was in fact still far from over when Moore arrived. The casualties mounted for the Sixth Marine Division. F Company had been reduced from over 200 troops to only twenty-nine or thirty men. So, as Moore recalled, “we had to actually rebuild the company.”<sup>266</sup> Indeed, the entire regiment suffered staggering losses at Sugar Loaf. “In three days of fighting, the 22<sup>nd</sup> Regiment suffered a 60 percent casualty rate. Its 2<sup>nd</sup> Battalion alone lost more than 400 men.”<sup>267</sup>

Upon arrival, Lieutenant Moore was placed in command of F Company’s 3<sup>rd</sup> Platoon. In looking back at his assignment, Moore reflected that “Taking over a platoon of replacements that had never trained together [who] didn’t know my name, I didn’t know their names – can you think of any situation more difficult in a combat situation

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<sup>266</sup> Ibid.

<sup>267</sup> “Okinawa: Sugar Loaf Hill,” [http://www.jcs-group.com/military/war1941navy\\_mar/1945okinawa1.html](http://www.jcs-group.com/military/war1941navy_mar/1945okinawa1.html) (accessed 9/9/2010).

than that? I can't."<sup>268</sup> For his first night in camp the Japanese sent a nasty welcome.

Having inherited a relatively shallow foxhole, Moore recalled that,

we got artillery the first night so I got up the next day and dug deeper, we got more artillery [so I dug] deeper, before we left in four or five days it was all I could do to get in and out of that damn hole. . . . If an artillery shell hit you or close by -- you were history. Small arms you could tolerate.<sup>269</sup>

Surviving the artillery fire, Lieutenant Moore and his platoon moved out in a few days for Naha but just as they were leaving his runner was hit by shrapnel from a mortar.

Death seemed to be raging all around the Sixth Marines. On June 18<sup>th</sup>, Lieutenant Moore happened to run into his Regimental Commander, Colonel Roberts, and personally witnessed his death at the hands of a Japanese sniper. His dying words have remained with Moore to this day -- "The dirty bastards have shot me and now I'm dead."<sup>270</sup> Just earlier his company's executive officer, Mike Flynn, was likewise killed and Lieutenant Moore had his own brush with death. While accompanying the radioman on a mission to retrieve the company commander's body, the radioman suddenly warned, "they're all around us."<sup>271</sup> Rising up to see, Lieutenant Moore was immediately shot "right through my helmet."<sup>272</sup> Amazingly, Moore suffered only a minor scratch or bullet burn on the top of his head but kept the helmet -- "probably the best war souvenir anyone ever had."<sup>273</sup>

Just a few days later on June 21<sup>st</sup>, Okinawa fell. While Lieutenant Moore survived intact, he was far from jubilant. He was shipped back to Guam in order to

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<sup>268</sup> Myron L. Moore, Jr., interview by Mark E. Jobe, August 11, 2010, Digital recording.

<sup>269</sup> Ibid.

<sup>270</sup> Ibid.

<sup>271</sup> Ibid.

<sup>272</sup> Ibid.

<sup>273</sup> Ibid.



prepare for Operation Coronet – part of the allied invasion plan for Japan. Fortunately, Japan surrendered following the atomic bombings of Hiroshima and Nagasaki. Rather than returning directly to the U.S., Moore was deployed for six months in Tsingtao, China. Following his Chinese excursion, Lieutenant Moore returned to the U.S. and was officially released from service on June 6, 1946.

Back home, Moore quickly finished the few accounting courses he lacked and graduated from Chapel Hill in 1947. After gaining experience with R.L. Bradley, a CPA in Lenoir, North Carolina, he successfully passed the CPA exam and started his own practice around 1949. Although he was through with the military, the Marine Corps was not through with him. In 1950 Moore was called back into active duty for Korea but served for only 62 days before being discharged. Active in the North Carolina Association of Certified Public Accountants, Moore served on the Board of Directors for one term in the 1950's before eventually becoming treasurer of the Lenoir Mirror Company in 1959 -- a position he holds to this day.

#### Staff Sergeant Winson Jones

“And if you ran into a wall of flak shells,  
so be it, that was just part of the program.”

On November 5, 1925, Winson Jones was born in Indiana to Manson and Lucy Jones. As one of eight children, he learned at a young age the importance of hard work. Around the age of seven, Winson was selling the *Saturday Evening Post* and the *Ladies Home Journal* on a door to door basis in his home town for the regal sums of one cent and three cents each respectively. Many other odd jobs followed, including railroad work that took him away from home one summer when he was only sixteen years old. These

jobs provided Winson with a broad background, a little spending money, and some early exposure to accounting.

One of the trucking companies that operated out of Chalmers, Indiana, needed an assistant accountant. Interestingly, this job offer came about because of his aptitude in his high school bookkeeping class, which foreshadowed his later success in college. His commerce teacher also happened to work part-time as the controller of the trucking company and asked if he would be willing to assist her in the office. Having set bowling pins, cut grass, and worked for the railroad, Winson was not one to refuse a challenge and accepted the offer. Working as the assistant accountant, Winson performed many duties including typing and invoicing for the company.

However, like many young men of this period, military service had a special appeal to young Jones, especially the allure of being an Air Force pilot. In early 1943, Winson enlisted in the United States Army Air Force (USAAF) while only seventeen years old and was called into service just before Christmas that year. With ambitions of being a pilot, Jones entered the Air Force Cadet Program and surprisingly was sent for training to the hotels and beach at Miami Beach, Florida – “probably the most sought after training site for young people.”<sup>274</sup> Unfortunately, two factors hindered his success in the pilot training program. First, he was competing against many who were two or three years older who had completed most of their college courses while he had only just recently graduated from Chalmers High School in 1943. Second, and probably more crucial, the Army Air Corps needed gunners more than pilots at this stage of the war. So

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<sup>274</sup> Winson Jones, interview by Mark E. Jobe, July 22, 2010, Digital recording; In early 1942, the USAAF Technical Training Command began leasing resort hotels and apartment buildings for large-scale training sites including accommodations for 90,000 in Miami Beach, Florida, alone. Wikipedia, “United States Army Air Forces,” [http://en.wikipedia.org/wiki/United\\_States\\_Army\\_Air\\_Forces](http://en.wikipedia.org/wiki/United_States_Army_Air_Forces).

after a couple of months in Miami, Winson Jones was transferred to gunnery school at Tyndall Field near Panama City, Florida.

At Tyndall, he was instructed in the proper use and maintenance of the 50 caliber machine gun. Some of the drills included shooting skeet from the back of a moving flat-bed truck, shooting towed targets in flight and disassembling and reassembling the weapon while blindfolded. Winson Jones excelled in the gunnery program to such an extent that he was offered a permanent position as an instructor at the school. Not realizing what lay ahead, Jones declined the offer -- firmly convinced at age 18 that he wanted to see combat. With the successful completion of the gunnery program, Jones was next transferred to Charleston, South Carolina for crew training.

Crew training was primarily oriented with becoming acquainted with the pilot and other crew members and involved numerous training flights, sometimes over the ocean. Even this basic training was not without its hazards. While at crew training, Jones recalled that one flight of three B-24's went on a training mission over the Atlantic and never returned -- all were presumed dead. It was also during this period that Winson picked up his nickname 'Big Jones.' His pilot, Gerald Hopkins, was in his late thirties, which was considered "very very old for a pilot. He also was a Captain, which was very unusual."<sup>275</sup> On examining the crew, he noticed that there were two Jones, Jack Jones, the nose gunner, and Winson, the top turret gunner. To avoid confusion, the pilot pointed to Winson and said, "From now on . . . you're Big Jones and he's Little Jones and that's how we were known all through our service career."<sup>276</sup>

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<sup>275</sup> Winson Jones, interview by Mark E. Jobe, July 22, 2010, Digital recording.

<sup>276</sup> Ibid.

Captain Hopkins had been a training instructor for other pilots, which soon proved very fortunate for the crew. After completing training, Captain Hopkins, Big Jones, and the rest of the crew flew their B-24 from the U.S. to Italy making several stops along the way. On one particular leg of the journey they encountered a particularly violent storm, with the plane running low on fuel they were forced to attempt a landing at Tunis, Tunisia. Due to the exceptional skill of Captain Hopkins, he successfully landed with only limited damage to the front landing gear. Once on the ground, the co-pilot informed the rest of the crew that because of Hopkins' skills they had avoided crashing.<sup>277</sup> By contrast most other B-24 pilots had no prior flight experience before entering the service. After repairs they flew on to their destination in southern Italy from where they were to be based.

As for the B-24 Liberator, it turned out to be the workhorse of the U.S. Air Force in WW II. It was a newer bomber than the B-17 and had a greater range and bomb load. In addition, the B-24 was produced in substantially larger numbers than the earlier B-17, approximately 19,000 B-24's versus 14,000 B-17's. In fact, the B-24 was the highest production aircraft of the war.

Winson's B-24 crew was assigned to the 5<sup>th</sup> Air Force, 451<sup>st</sup> Bomb Group, 727<sup>th</sup> Squadron that flew out of Italy, near the town of Foggia. Arriving in Europe in August of 1944, they wasted little time in getting bloodied and flew out on their first mission on August 23<sup>rd</sup>. This first mission, the bombing of Markersdorf airdrome near Vienna, Austria, was a baptism of fire. Out of the twenty-seven B-24's that went out only eighteen returned. Apparently, most of the German fighter planes at the field had received adequate warning of their arrival and had made plans accordingly for a warm

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<sup>277</sup> Ibid.

welcome. While Winson's plane made it back, the experience was far from encouraging. In the top-turret, Big Jones had a bird's eye view of the battle, "I could see virtually everything going on -- there were bombers exploding, fighter planes being shot down, people bailing out, it was . . . the most traumatic thing you could imagine."<sup>278</sup> With only one mission down and thirty-four to go, the future looked far from bright -- a 33% attrition rate did not lead one to believe they would be around at the end of the war.<sup>279</sup> That is not to say however that the mission itself was unsuccessful. In fact his bomb group was awarded a Presidential Unit Citation for that mission.

In the early going the fighter escort planes were quite limited and the German air tactics worked well in drawing away those few present. However, the B-24 was not defenseless. Each plane had six gunners and the planes flew in defensive formations that provided added protection by establishing overlapping fields of fire. In an interview Big Jones related that "Our typical squadron was a formation of two V's -- six planes and depending on where the fighter attack was coming from we could have . . . maybe a dozen guns firing at the fighters."<sup>280</sup> Later on, toward October more fighter escorts became available including the famous Tuskegee airmen. Their arrival was extremely fortunate. On one mission, Winson's B-24 was forced to drop out of formation, which would normally leave a bomber much more vulnerable to attack. Fortunately, two of the Tuskegee airmen flying P-51 Mustangs escorted them back to safety.

The attrition caused by the allied bombing campaign soon started to take its toll on the effectiveness of the Luftwaffe. Three major factors were starting to assert

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<sup>278</sup> Ibid.

<sup>279</sup> Making matters worse the previous day Winson's bomb group had also lost a third of its planes.

<sup>280</sup> Winson Jones, interview by Mark E. Jobe, July 22, 2010, Digital recording.

themselves. First, the destruction of the oil refineries at Ploesti, in Romania, denied the Axis a major source of fuel for their war machine. Secondly, the allied bombing of aircraft production facilities severely curtailed Germany's ability to provide replacement aircraft. Finally, the bombing of air fields and the attrition of aerial combat were steadily winnowing out existing German fighter planes. By the last quarter of 1944, "the Germans were unable to mount as many fighter attacks as they had previously."<sup>281</sup>

For Winson and his crew the greater danger was the antiaircraft fire that "probably resulted in more planes being shot down than fighters."<sup>282</sup> With fighters attacking, they could offer some defense; but with antiaircraft flak, they were just on the receiving end. The German's knew all too well what the targets would be and, therefore, would sometimes amass from 300 to 400 antiaircraft guns around a particular target. As the B-24 Liberators approached their target, "they would send up what would appear to be a wall of exploding flak shells."<sup>283</sup> While the escort fighters could fly around these clouds of death, the B-24s, in order to stay on target with their bombing runs, had to fly through. Stoically, Winson offered, "And if you ran into a wall of flak shells – so be it, that was just part of the program."<sup>284</sup>

During the missions, Winson's crew bombed targets in Markersdorf, Lens, Munich, Vienna, and other locations that typically included bridges, refineries, marshalling yards and air bases. On one close call, flak damage forced them to make an emergency landing on the island of Vis, off the Yugoslavian coast, for repairs, but after a few nights, and some quick repair work, they were safely back in Italy. Astonishingly, in

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<sup>281</sup> Ibid.

<sup>282</sup> Ibid.

<sup>283</sup> Ibid.

<sup>284</sup> Ibid.

the early spring of 1945, Winson's crew completed their thirty-fifth mission without being shot down.

After a brief liberty in Rome, Staff Sergeant Winson Jones returned to the U.S. by boat from Naples landing in Boston. Discharged in September, 1945, Winson took advantage of the G.I. Bill and enrolled in college at Indiana University for the fall semester. Displaying the skills he had shown earlier in high school, Winson wasted no time and graduated in three and a half years in the top 1% of his class.

Upon graduating from college in 1949, Winson launched his accounting career at Touche, Niven, Bailey, & Smart in the Chicago office. After a few years in the audit field, Mr. Jones decided consulting would be more to his liking. Shortly thereafter, he transferred to Alexander Grant & Co. because they were aggressively expanding that facet of their business. His timing was impeccable.

On a Friday afternoon while engaged on a consulting assignment where he was installing a cost control system in the Chicago suburbs, Winson received a call from the head of the firm's consulting division. Who inquired, "How would you like to go down to Washington, D.C.?"<sup>285</sup> To which Winson answered, "Well, I haven't given it any thought, but when do I need to be there."<sup>286</sup> "Monday!" was the immediate reply. And Winson consented.

The urgency of the request came because Maurice Stans, the managing partner of Alexander Grant & Co., had just secured a major consulting contract with the U.S. Postal Service. Mr. Stans was becoming highly influential in Washington, and later served as

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<sup>285</sup> Ibid.

<sup>286</sup> Ibid.

the budget director under Eisenhower, and Secretary of Commerce under Nixon.<sup>287</sup>

Needing a right-hand-man, Stans had contacted the firm's management services section for help and they selected Winson for the assignment. Thus began an eight-year saga in Washington, D.C., for Winson Jones.

During the course of his sojourn in the nation's Capitol, Jones, though never a governmental employee, headed the Division of Systems and Procedures in the Post Office where he routinely made promotion, hiring, and firing decisions. Working as a consultant, Jones was involved on many projects designed to modernize the Post Office. One major task involved the installation of a mechanized payroll system for the postal service's 500,000 employees. Because of the explosive growth of this work, Alexander Grant & Company established an office in Washington, D.C. with Winson as managing partner.

Another beneficial aspect of working in Washington was that it allowed Winson to meet many influential individuals. On one occasion he was invited to the White House for a state reception. On another, he enjoyed a dinner cruise on the President's yacht on the Potomac. During this period, he met Presidents Eisenhower, Nixon, Reagan, and their wives. Winson offered that this treatment, which was far more than one would expect, came about mostly because Maurice Stans wanted to include him in these activities.

Other important accounting contacts came about through his consulting work at the Postal Service that brought him into contact with high-ranking personnel from the SEC, General Accounting Office, and the Bureau of the Budget. Once while sitting

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<sup>287</sup> "Maurice H. Stans," Fisher College of Business, <http://fisher.osu.edu/departments/accounting-and-mis/the-accounting-hall-of-fame/membership-in-hall/maurice-h.-stans/> (accessed 9-11-2010); Stans was also a noted accountant who served as President of the AICPA, received the AICPA's Gold Medal, and was honored with recognition into the Accounting Hall of Fame.



across the desk from the Chief Accountant of the SEC, Andrew Barr tossed him a prospectus and asked his opinion on it – it was from Holiday Inn, which was going public. On another occasion, Barr was a dinner guest at Winson’s home. As Winson transitioned from his role of a consultant to that of managing partner in the firm’s office in D.C., he still maintained the good relationships he had developed within this community. Rewarded for his efforts, Winson became one of the youngest general partners in the firm soon after the opening of the D.C. office.

While in Washington, D.C., Winson was actively involved with the AICPA and the National Association of Accountants. However, in 1961, Alexander Grant tapped Winson to referee the merger of three or four local firms in Seattle, Washington, which required his immediate relocation. Heading up the new office of Alexander Grant & Co., Winson’s immediate challenge lay in getting the former long-term rivals to lay aside any lingering bitterness and to instead cooperate with each other. After a six-year run as the managing partner in Seattle, Winson jumped ship and went to work for the Issacson Corporation, one of the firm’s clients, as a financial vice-president.

In an interview Winson Jones recounted that being on the bombing missions in WWII had impacted his life in several ways. First, “It made you realize how fortunate you were to be living.”<sup>288</sup> Second, it was a great “confidence builder”– everything else has been downhill. Third, it instilled a sense of gratitude and good fortune that allowed him to frame everything else in life in its proper perspective. Despite all of the successes Winson has enjoyed in life since his time in the service, he still holds as the uppermost the completion of thirty-five missions during WWII while only a teenager.

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<sup>288</sup> Winson Jones, interview by Mark E. Jobe, July 22, 2010, Digital recording.

### Quarter Master 1<sup>st</sup> Class Robert F. Painter

While others were fighting the Axis on land and over the skies of Europe, Robert F. Painter helped to make the Mediterranean an unsafe place for Axis shipping. Born in Oakhill, West Virginia, in 1922, Robert Painter grew up during the heart of the depression. Like many other youths of this period, Painter learned to work at an early age. As a kid he worked anywhere he “could find a job, of any kind, mowing lawns doing everything.”<sup>289</sup> As a teenager, though still in school, Painter obtained work on a carpenter force where he built houses out of reclaimed lumber for the princely sum of twenty-five cents per hour. Because steady work was hard to obtain, Painter remained with the carpentry work force until finishing high school.

Still, life in Oakhill was not all toil and labor. Robert made time for recreation and even played on the high school basketball team. Unfortunately, just one month prior to graduation, he was “run over” by a truck that broke his ankle. The ankle, which never healed properly, resulted in one leg being  $\frac{3}{4}$  of an inch shorter than the other.

Following high school, Painter furthered his education by enrolling in a business school for approximately eight months. With the additional training, Painter was able to secure a job as a bookkeeper earning \$75 dollars a month for a coal company in Charleston, West Virginia. Because of his bad leg, Painter had little to fear from the draft. Yet Painter was not looking to avoid service.

War was looming on the horizon. With one brother already in uniform in 1941 and his younger brother sure to follow, Painter refused to be left out. Following the Pearl Harbor attack, he volunteered in early 1942 for PT boat duty.<sup>290</sup> Painter understood that

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<sup>289</sup> Robert F. Painter, interview by Mark E. Jobe, July 21, 2010, Digital recording.

<sup>290</sup> Patrol Torpedo (PT) boats were fast attack vessels.

if he was drafted they would undoubtedly discover his bad leg and declare him unfit, so he shrewdly volunteered in order to bypass some of the standard physicals. With grit and determination, Painter successfully completed the twenty-one days of basic training at the Great Lakes Naval Training Center in Illinois. Following a thirty-day leave, the Navy then sent Painter through a four-month navigation school and then on to PT Boat training for another three months. At Motor Torpedo Boat Squadron Training Command (MTBSTC) School, which was conducted in Melville, Rhode Island, Painter was taught how to use radar, the radio, and the twin .50 caliber machine guns. Once again, Painter successfully completed all naval training courses and was assigned to Ron 22 -- short for Squadron 22.

Ron 22 was commanded by Lieutenant Commander Richard J. Dressling and consisted of PT-302 through PT-313.<sup>291</sup> While most all PT Boat Squadrons operated in the Pacific theater, Ron 22 was one of three assigned to the Mediterranean. Initially based out of Basita Harbor, Corsica, and later at St. Tropez, France, the squadron patrolled the waters ranging from the northwest coast of Italy to those of southern France.

Robert Painter was assigned to PT 312 that was “placed in service [on] January 29, 1944.”<sup>292</sup> Manufactured by Higgins Industries in New Orleans, PT 312 displaced 43 tons, was 78 feet in length, and almost 20 feet in width. Designed for speed, PT 312 was propelled by three Packard gasoline engines generating 1,200 horsepower, and could reach a top speed of 41 knots. With a shallow draft, only 5 feet 3 inches, PT 312 was designed to operate in coastal waters where the larger boats of the navy could not

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<sup>291</sup> Robert J. Bulkley, *At Close Quarters: PT Boats in the United States Navy* (Annapolis, Maryland: Naval Institute Press, 2003), 469-470.

<sup>292</sup> *Ibid.*

penetrate.<sup>293</sup> A boat is no better than its commander and PT 312 was skippered by a good one. Her skipper, William T. Davies, who surprisingly enough had been an accountant before the war, was awarded the Silver Star for his war-time exploits.

Although Squadron 22 was commissioned on November 10, 1943, it was not until April 21, 1944, that the first of her boats arrived in Oran, Algeria. They were quickly joined on April 30, when Lieutenant Commander S. Stephen Daunis arrived with boats of Ron 29. Squadron 15, which was already in theater, was commanded by Lieutenant Commander Stanley M. Barnes. No doubt owing to his previous combat experience, Barnes “was designated Commander Boat Squadrons Eighth Fleet” with “operational command of all three squadrons.”<sup>294</sup> Barnes based Ron 22 at Bastia, Ron 29 at Calvi, and divided his own, Squadron 15, between these two bases on Corsica based on “operational requirements.”<sup>295</sup>

The standing mission of Ron 22 was to interdict Axis shipping. Because of the growing Allied naval superiority in the Mediterranean, Germany increasingly resorted to using heavily armored and armed barges called ‘F-lighters’, which had very shallow drafts and operated close to shore where additional protection could be had from shore batteries. However, the PT boats had more to worry about than just naval or coastal artillery. A sister boat in the squadron, PT 311, learned this lesson the hard way.

On November 18, 1944, PT 311 was returning to port after a scrubbed mission and at 0330 radioed their estimated time of arrival as 0515. By noon, everyone feared the worst. PT 312 and PT 307 were sent out on a search and rescue mission and “at 1305 the

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<sup>293</sup> “Ships of the U.S. Navy, 1940-1945: USS PT-312,” <http://www.ibiblio.org/hyperwar/USN/ships/PT/PT-312.html> (accessed 9/11/2010).

<sup>294</sup> Bulkley, *Close Quarters*, 311; Howard F. West, *Iron Men Wooden Boats: The Epic Story of American PT Boats in World War II* (Westminster, Maryland: Heritage Books, Inc., 2005), 317.

<sup>295</sup> Ibid.

boats sighted the bow section of the 311 adrift.”<sup>296</sup> At 0400, PT 311 had struck a mine that obliterated, “the entire boat aft [section] of the crew’s quarters.”<sup>297</sup> Out of a crew of fifteen, only five men were found clinging for life to the bow. “Both officers and eight men were missing.”<sup>298</sup> PT 311 would be the last PT boat “lost in the Mediterranean, it shared the fate of the previous three [lost] PTs, all sunk by mines.”<sup>299</sup>

Despite the loss, they still had a duty to perform. As Painter recalled, “The air force stopped them during the day and it was up to us to stop them at night.”<sup>300</sup> While stationed in the Mediterranean, Painter went out on 150 missions but estimated that only around 10% involved actual shots being fired. In fact some of their patrols involved stealth or subterfuge.

In addition to their patrol duties, Ron 22 and the other two PT squadrons were also called on for other tasks. On August 15, 1944, D-Day for the invasion of Southern France, the squadrons performed screening duties, served as courier boats, ran “a daily blood bank shuttle between Calvi and the Delta beaches,” and carried out diversionary tactics.<sup>301</sup> On the night preceding the invasion,

most of the PT’s were assigned to special duties either with the Diversion Group, which was to try to throw the enemy off balance with demonstrations to the east and west of the landing beaches, or with Task Force 86, the Support force, which was to make advance landings of small numbers of troops . . . to capture heavy enemy coastal batteries.<sup>302</sup>

After the invasion of southern France, Painter was transferred to the Philippines for more PT boat duty. Rather than stopping cargo, this time Painter was trying to “stop

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<sup>296</sup> Bulkley, *Close Quarters*, 341.

<sup>297</sup> Ibid.

<sup>298</sup> Ibid.

<sup>299</sup> Howard F. West, *Iron Men Wooden Boats: The Epic Story of American PT Boats in World War II* (Westminster, Maryland: Heritage Books, Inc., 2005), 340.

<sup>300</sup> Robert F. Painter, interview by Mark E. Jobe, July 21, 2010, Digital recording.

<sup>301</sup> Bulkley, *Close Quarters*, 323.

<sup>302</sup> Ibid.

the Jap soldiers from returning home.”<sup>303</sup> Fortunately, he was on just a limited number of missions in the Pacific.

Robert Painter returned to the U.S. in January of 1946 and was discharged on the 16<sup>th</sup> in Samson, New York. With a new lease on life, Painter took advantage of the G.I. Bill and entered West Virginia University in September 1946. In an interview Mr. Painter revealed that, “If the war had not happened, I would have been a bookkeeper for a coal company for the rest of my life earning \$75 a month.”<sup>304</sup> The war also influenced his career choice – the skipper of his PT boat in the Mediterranean had been an accountant before the war and this factored into Painter’s decision. Graduating in the spring of 1949, Mr. Painter interviewed with Arthur Andersen & Co. The firm was sufficiently impressed with the former Quarter Master 1<sup>st</sup> Class and offered him a job in their New York office, which he accepted.

Following a year in New York, Mr. Painter returned to his home in West Virginia and opened his own accounting practice. After practicing as a CPA for nearly 60 years, Mr. Painter retired in June 2009. A former member of the West Virginia Society of Certified Public Accountants and the AICPA, Mr. Painter’s life and career have carried him around the world and back again to Oakhill, West Virginia.

#### Commander Charles F. Printz

Charles F. Printz has had an interesting career. He was a pioneer of sorts as the first CPA in the eastern panhandle of West Virginia. For thirty-seven years he instructed future generations of accountants while maintaining a public practice. A longtime member of the West Virginia Society of Certified Public Accountants, Mr. Printz

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<sup>303</sup> Robert F. Painter, interview by Mark E. Jobe, July 21, 2010, Digital recording.

<sup>304</sup> Ibid.

received the organization's 50-year Award. However, some of his most interesting and perhaps most important work took place from 1942 to 1945.<sup>305</sup>

Born on July 18, 1915, in Ranson, West Virginia, Mr. Printz graduated from nearby Charles Town High School in 1934. During the next six years, he attended Shepherd College as his finances allowed and graduated in 1940 with a bachelor's in business. In order to save for tuition, Printz spent the one year teaching high school at Berkeley Springs before returning to college at West Virginia University in 1941 to obtain his MBA. After one year in college and his MBA in hand, Mr. Printz and a fellow Phi Sigma Kappa fraternity brother learned of an opportunity to become officers. Together the two traveled to Richmond, Virginia, whereupon being interviewed Mr. Printz was given a direct commission as an Ensign in the U.S. Navy.

Everyone, including fresh Navy Ensigns, entering military service was sent for further training and Ensign Printz was no exception. With orders to report to Harvard for training on July 1, 1942, Ensign Printz complied and remained until finishing in December of 1942. For his first assignment in the Navy, Ensign Printz received orders to report for duty on board the USS *Chincoteague* -- a seaplane tender in Kirkland, Washington. Although duty on a seaplane tender did not have the same luster as that associated with battle-ship or later air-craft carrier duty, the USS *Chincoteague* was no small boat. Over a football field in length and with a beam surpassing forty-one feet, the *Chincoteague* could carry 367 crewmen, and one seaplane squadron.<sup>306</sup>

In June, 1943, Ensign Printz sailed on the USS *Chincoteague* from San Diego to Saboe Bay in the Santa Cruz Islands. Assigned to "service a fleet of seaplanes," the

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<sup>305</sup> Charles F. Printz, interview by Mark E. Jobe, July 6, 2010, Digital recording.

<sup>306</sup> Wikipedia, "USS Chincoteague (AVP-24)," *Wikipedia The Free Encyclopedia*, [http://en.wikipedia.org/wiki/USS\\_Chincoteague\\_\(AVP-24\)](http://en.wikipedia.org/wiki/USS_Chincoteague_(AVP-24)).

*Chincoteague* arrived on July 6, at which time Printz began his first war-time mission.<sup>307</sup> It was nearly his last. Only ten days after arriving, Japanese aircraft inflicted major damage on the *Chincoteague* that killed nine of her crew and ultimately required the ship to be towed back to the west coast for repairs.<sup>308</sup>

Shortly thereafter, Ensign Printz was transferred to the Commander of the Southwest Pacific Fleet in Brisbane, Australia. Upon arrival Printz soon discovered that General Douglas MacArthur also had his headquarters in the same building -- the Australian Mutual Provident (AMP) Insurance building. In fact, Ensign Printz observed, “the navy was on one floor and MacArthur was on the next floor.”<sup>309</sup> One reason for this close arrangement soon became obvious to the young Ensign.

General MacArthur was serving as Supreme Commander Southwest Pacific. As for Ensign Printz, he soon discovered he had been selected for intelligence work, which would bring him into close contact with the commander in chief. Early on in the war, U.S. code breakers had succeeded in breaking the Japanese code. Therefore great steps were taken to utilize the information without revealing to the Japanese that their code had been broken. Describing his work, Printz recalled,

We received the Japanese code from the Fleet Radio Unit in Melbourne – called FRUMEL. And they copied the Japanese code and broke it down . . . into five letter codes and sent it to us. It was called Ultra Secret Intelligence. And we would break it down and deliver the message to like MacArthur who was upstairs and he could read it and sign it but he couldn’t have a copy. So we’d have to bring it down and put it in a pan and burn it. And then we would sign a register that both of us had seen it burn.<sup>310</sup>

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<sup>307</sup> Charles F. Printz, interview by Mark E. Jobe, July 6, 2010, Digital recording.

<sup>308</sup> Wikipedia, “USS Chincoteague.”

<sup>309</sup> Charles F. Printz, interview by Mark E. Jobe, July 6, 2010, Digital recording.

<sup>310</sup> Ibid.



Of course the recipients of such sensitive communications were typically high-ranking officers --generals and admirals, including Admiral Thomas Kinkaid. In November 1943, Admiral Kinkaid became Commander of Allied Naval Forces, Southwest Pacific Area, and the Seventh Fleet and as such was the commanding officer of all naval personnel in the theater – including Printz.

Once when working with the decoded Japanese intercepts, Printz was asked by an admiral to provide him with a copy of the message. “Of course nobody got a copy because it was burned.”<sup>311</sup> Even under threat of a court-martial, Printz stood his ground and simply replied, “No.” As he later stated in an interview, “I knew damned well he couldn’t do that.”<sup>312</sup> “Not even MacArthur could keep one.”<sup>313</sup>

During the course of carrying out these duties, Ensign Printz was promoted to Lieutenant (j.g.). Evidently, Lieutenant Printz also caught MacArthur’s eye. After being in Brisbane for not more than six months, Printz and two others were selected by General MacArthur to accompany him to an advanced headquarters in Port Moresby, New Guinea.

In Port Moresby, Lieutenant Printz carried out the same basic intelligence duties as he had in Brisbane. However, unlike Australia, New Guinea did not afford the same level of comfort or security. Recalling his merry time, Printz lamented that “it was awful hot up there, the weather was terrible, the mosquitoes were terrible, and the Japanese bombed the airport . . . all the time. We slept in tents.”<sup>314</sup> On top of these discomforts,

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<sup>311</sup> Ibid.

<sup>312</sup> Ibid.

<sup>313</sup> Diana Bell, “Degree Aids World War II Vet,” *The Journal: Working For You Every Day!* (June 13, 2010) [http://www.journal-news.net/page/content\\_detail/id/538471/Degree-aids-World-War-II-vet.html?nav=5233](http://www.journal-news.net/page/content_detail/id/538471/Degree-aids-World-War-II-vet.html?nav=5233) (accessed 9/15/2010).

<sup>314</sup> Charles F. Printz, interview by Mark E. Jobe, July 6, 2010, Digital recording.

Printz had to contend with Malaria. “We took a pill every day for Malaria. And it colored your eyes, the white of your eyes turned yellow. . . . The mosquitoes would cover your arms when you go to sleep at night; there were millions of mosquitoes.”<sup>315</sup>

One night while working late, Lieutenant Printz received an urgent message for MacArthur. So at two or three o’clock in the morning during a heavy downpour, Printz headed out to deliver the message. Entering a General’s Quarters unannounced at two or three in the morning is at best an awkward proposition, but Lieutenant Printz found an attendant and was ushered into MacArthur’s bedroom. Printz recalled, “He was in bed and he signed the message and read the message and we brought it back and burned it.”<sup>316</sup>

After several months in this paradise, Printz received “orders to report to the British Pacific Fleet . . . in Sydney Australia.”<sup>317</sup> Lieutenant Printz was to serve as a liaison officer with the British Fleet. One of his duties, as a liaison officer, was to advise the British Pacific Fleet on ways in which it should adapt to warfare in the Pacific. Unfortunately, “they were difficult to convince.”<sup>318</sup> One specific shortcoming of British vessels was the need for more anti-aircraft guns on some of their vessels. Printz related that this would be costly. “Later on they went into battle up in the Pacific . . . and they had to pull out because they didn’t have enough anti-aircraft guns. I couldn’t convince them that they needed more. They said, ‘They were enough for the Hun.’”<sup>319</sup> For some reason the Senior Grade Lieutenant was unsuccessful in his attempts to advise the Captain of HMS *King George V*.

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<sup>315</sup> Ibid.

<sup>316</sup> Ibid.

<sup>317</sup> Ibid.

<sup>318</sup> Ibid.

<sup>319</sup> Ibid.

Upon completing his time overseas -- eighteen months, Lieutenant Printz was ordered back to the U.S. Traveling through the Panama Canal, Printz landed in Boston. Thereafter he was assigned by the Bureau of Personnel in Washington to the Commander of the Caribbean Sea Frontier in Miami. Lieutenant Printz was initially assigned duty as a communications officer. However, when the Secretary of the Navy, James Forrestal, began spending time in West Palm Beach aboard the President's yacht, Printz was sent "to liaison with him."<sup>320</sup> While on duty in Miami, the war ended and Lieutenant Printz went into the Navy Reserves. He continued in the Navy Reserves for twenty-seven years rising to the rank of Commander.

In 1947, Mr. Printz began his collegiate teaching career at Shepherd College, which he continued until retiring in 1984. Looking back over this span, Mr. Printz offered that, "A lot of CPAs came out of Shepherd while I was teaching there."<sup>321</sup> Early on in his career, he thought it would be advantageous to obtain his CPA. The years quickly pass. Mr. Printz received the 50-year award from the WVSCPA in 2010.

#### Private Robert S. Lipson

Robert S. Lipson was twenty years old when he enlisted in the Army on August 1, 1942. Eager to do his part, he enlisted at a time when the draft age was still twenty-one. Lipson, the youngest of seven brothers, was born in Brooklyn, New York, on July 26, 1922. Unlike so many other young men his age who entered the service, Mr. Lipson had already attended college for two years, entering the New York University School of Commerce, Accounts and Finance as an accounting major in September, 1940.<sup>322</sup>

In an interview, Lipson recalled his initial experience on entering the service.

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<sup>320</sup> Ibid.

<sup>321</sup> Ibid.

<sup>322</sup> Robert S. Lipson, interview by Mark E. Jobe, June 26, 2010, phone interview.

When you entered the army they had you take placement tests. I thought I would apply for OCS [Officer Candidate School]. At that time if you had an IQ of 110 or above they would accept you for OCS. However, if you scored 120 or above they could place you in the Army Specialists Training Program.<sup>323</sup>

Evidently, Lipson scored on the higher end of the IQ exam and was placed in the Army Specialized Training Program (ASTP).<sup>324</sup>

During WW II, the U.S. Army ran what amounted to, “the single biggest college education program in the nation’s history.”<sup>325</sup> Over its duration, the ASTP would send over 200,000 soldiers for coursework at 227 different colleges and universities.

However, for men in the program, it was far from the normal college life. Students were considered soldiers first and had to wear regulation uniforms, march to classes and meals, weekly attend five hours of military instruction and six hours of physical training (pt) drill, and at all times maintain “strict military discipline” including “lights out at 10:30 PM.”<sup>326</sup>

In this new environment, Robert Lipson was immediately dispatched along with other cadets to North Carolina State in Raleigh for intensive courses in physics, chemistry, and engineering. However, military demands took precedent when manpower shortages began to appear. After being in school at North Carolina State for two and a half semesters, Lipson’s program abruptly ended when he and many others were returned to regular duty in the service in the Fall of 1943.

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<sup>323</sup> Ibid.

<sup>324</sup> Other notable men who trained in the ASTP included Gore Vidal, Henry Kissinger, and Bob Dole.

<sup>325</sup> Louis E. Keefer, “The Army Specialized Training Program in World War II,” <http://www.pierce-evans.org/ASTP%20in%20WWII.htm> (accessed 9/15/2010).

<sup>326</sup> Ibid.

Instead of promotion, or advancement to officer status, Private Lipson “was placed into the infantry as a rifleman with the 87<sup>th</sup> Division.”<sup>327</sup> Lipson was less than thrilled with the new assignment. “It was terrible. We marched with these heavy . . . M1s – I hated it.”<sup>328</sup> While in training with the 87<sup>th</sup> Infantry Division, Lipson recalled that “there was a big sign in the barracks that said ‘U.S. Army Engineer’ and it showed a soldier with a rifle and a shovel. I thought that’s got to be even worse than the infantry.”<sup>329</sup> As events transpired, Private Lipson received word that a number of personnel from the 87<sup>th</sup> were being transferred out. When he went to check the assignment list for himself, he saw his “name listed next to combat engineer unit, (LP) Company. I thought that meant landing party.”<sup>330</sup>

So it was in 1944, before being shipped abroad, that Lipson was once more transferred to a new outfit, the 488<sup>th</sup> Engineer (LP) Company. He was, however, gratified to learn that ‘LP’ stood for Light Ponton instead of Landing Party.<sup>331</sup> As a Combat Engineer, Lipson was a bridge builder, and he soon discovered that their weapon of choice was the Bailey bridge. This British design allowed for much quicker construction than some of the earlier American bridge models. For major crossings, such as the Rhine River, the 488<sup>th</sup> relied on the use of pontoons.

In the fall of 1944, Lipson arrived in Normandy with the rest of his division and was transported to the 7<sup>th</sup> Army area. During his time in combat zones, they spanned numerous rivers including the Rhine and Neckar. Building a bridge was a difficult proposal. Building a bridge with someone shooting at you took everything to a different

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<sup>327</sup> Robert S. Lipson, interview by Mark E. Jobe, June 26, 2010, phone interview.

<sup>328</sup> Ibid.

<sup>329</sup> Ibid.

<sup>330</sup> Ibid.

<sup>331</sup> Although they utilized pontoons in their work the US military referred to them as pontoons.

level. Lipson recalled one, among many, scary incidents. Once when they were crossing the Neckar River below Heidelberg, a German machine gun nest across the river, which no one had seen, opened on them, which severely rattled Lipson.

While in the war zone they also witnessed some amusing and some horrendous incidents. On the humorous side, Lipson recalled:

There was a three-story inn at a crossroads where the Red Cross girls were doling out hot food and had set out three barrels of cigarettes for us. When you only eat c-rats you love hot food. A platoon, about half of our unit, were getting a hot meal. There were either Signal Corps or infantry with us -- about 40 of us altogether. As we were standing in line at this Red Cross station, there was this bus running toward the front that came slamming to a stop full of German soldiers and a few German women with them. So everyone grabbed their carbines and said "hande hoch" which means hands up. And no one got shot in the incident; we just unloaded the bus and took them all prisoners.<sup>332</sup>

Of the horrendous, Lipson "saw some very unpleasant things" including concentration camp survivors. While in Bavaria, between Germany and Austria, in Mittenwald, he encountered approximately "300 inmates who were being marched from Buchenwald to Dachau. The 10<sup>th</sup> Armored fellows we were attached [to] had killed the Nazi guards before I got there. We were told not to feed them. They had to put them on special rations."<sup>333</sup> Years later, Robert Lipson and his daughter were in Washington, walking through the Holocaust Museum. You could imagine his surprise when his daughter "pointed out a picture of those same prisoners" they had liberated.<sup>334</sup> According to Lipson, "It must have been taken by a German photographer just before we freed them because their Nazi guards were still alive."<sup>335</sup>

When the war ended in Europe on May 8, 1945, Lipson and the 488<sup>th</sup> were assigned to occupation duty in Oberammergau for around two and a half months. He

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<sup>332</sup> Robert S. Lipson, interview by Mark E. Jobe, June 26, 2010, Phone interview.

<sup>333</sup> Ibid.

<sup>334</sup> Ibid.

<sup>335</sup> Ibid.

recalled, “there were no German men there and the German women were beautiful. Someone decided there was a \$35 fine for fraternizing with the German women. Can you imagine all these young men? No one really paid any attention to the fine.”<sup>336</sup>

Because the war in the Pacific was still unsettled in the summer of 1945, plans were made to ship the 488<sup>th</sup> to Burma for staging and then on to Japan for the planned invasion. The Japanese surrender ended those plans. Instead the 488<sup>th</sup> Engineers were assigned to Roermond, Holland, in September of 1945. During this period the U.S. Army opened two “schools for Army personnel . . . whose education had been interrupted.”<sup>337</sup> Robert Lipson naturally qualified and was accepted into Biarritz American University in France where he was allowed to select his own courses. Biarritz, both before and after the war, was a famous resort town on the southern Atlantic coast of France.

In March 1946, Mr. Lipson was discharged from active duty service. Wasting little time, Lipson quickly completed his college education and graduated in 1947. For once the war actually aided in this process. Many of the courses he had taken while in the military at North Carolina State and at Biarritz American University transferred as college credits. When combined with his prewar credits, Lipson actually lacked very little coursework. As he recalled, “that cleared up everything but my professional classes, auditing and the like.”<sup>338</sup> Showing much of the same aptitude he had demonstrated in service, Lipson was inducted into Beta Gamma Sigma. The war granted one other educational benefit, Mr. Lipson, like many other service men, utilized the G.I. Bill to pay for his postwar education.

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<sup>336</sup> Ibid.

<sup>337</sup> Ibid.

<sup>338</sup> Ibid.

Upon graduation, Lipson joined Seidman and Seidman in their New York office in August 1947. Although his collegiate education had ended, his instruction in all things accounting was just beginning. M. L. Seidman was heading up the New York office at the time and “they had compulsory training on Saturdays for junior accountants.”<sup>339</sup> They also had instituted a “very intensive review procedure; you go out on a job and write-up a review.”<sup>340</sup> All of this provided for excellent training – even on work place diversity. “There were two very capable women on the audit staff. I went out as a junior with one of the women [on an assignment].”<sup>341</sup>

Back in New York, Lipson suffered from some lingering effects of his war-time service. During the extremely bitter winter of 1944 and 1945, he “ended up with frozen feet.” The severe frostbite from this event still caused pain that was exacerbated by the cold damp climate in the east. This led Mr. Lipson to seek out a dryer climate. So while still in New York, he ran an advertisement in the *Journal of Accountancy* stating his qualifications and the regions of the country in which he was interested in working.

His first stop was in Dallas with Arthur Young & Co. Although they offered him a job, Lipson still wanted to visit a few of the other firms that had expressed an interest in him. After considering all offers, he chose a firm in Hobbs, New Mexico and began working there in 1953. As one would expect, “the clients were completely different. In Hobbs it was oil and gas and ranching.”<sup>342</sup> He even had a client who owned an Indian trading post. Following a brief period in Hobbs, Lipson moved to El Paso where he

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<sup>339</sup> Ibid.

<sup>340</sup> Ibid.

<sup>341</sup> Ibid.

<sup>342</sup> Ibid.



founded Lipson, Cox, Colton, Stoner, & Starr. It grew. At the time he sold his firm to Haskins & Sells, it was the largest firm in west Texas.

During his sojourn in Texas, Mr. Lipson became active in the Texas Society of Certified Public Accountants (TSCPA). In addition to service on various committees, he was elected as the Vice President of the TSCPA in 1971. Looking back on his war years, he offered, that “except for the fright of being shot at it was a very worthwhile experience. The Army really opens your eyes. It makes you realize there is more to America than just where you were born. We’re all Americans. I take pride in that and in having served in the Army.”<sup>343</sup>

#### Captain Arthur Greenspan

In December, 1944, Captain Arthur Greenspan had a problem. The *South Boston Shillelagh*, his B-17, was a long way from home and over hostile territory. What had begun as a typical bombing mission to Cologne, Germany, had quickly turned into a course on survival. The Flying Fortress was operating on two engines, which would have been enough for many planes but not one designed for four. Compounding the difficulties, the two engines that had been knocked out by anti-aircraft fire were on the same wing. Slowly, but steadily losing altitude, Greenspan eased the *South Boston Shillelagh* toward the home base near Cambridge, England. As for his home, Greenspan was even further afield and would be lucky to see it again.

Home for Arthur Greenspan was Beaumont, Texas, where he had been born and raised. The youngest of three children and the only son, Arthur was “the shining light” of his father.<sup>344</sup> While Arthur was a native-born Texan, his parents on the other hand had

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<sup>343</sup> Ibid.

<sup>344</sup> Arthur Greenspan, interview by Mark E. Jobe, July 16, 2010, phone interview.

immigrated to the United States from Russia in 1912. After arriving in New York, the Greenspans moved to Galveston, Texas, and then to Yoakum before finally settling in Beaumont.

Their arrival was well-timed. While much of the rest of the country was struggling from the effects of the depression, Beaumont was an expanding community. In large part, Beaumont's prosperity was spurred by the presence of the oil industry, which was growing by "leaps and bounds at that time."<sup>345</sup> The headquarters of Magnolia Petroleum Company, a forerunner of Mobil Oil, was located in Beaumont. And Exxon, which was based in Houston, was also expanding its operations around Beaumont. Naturally, the presence of these major companies provided a major economic stimulus to the surrounding region.

Accordingly, the Greenspans "as a family fared fairly well."<sup>346</sup> His father owned a furniture manufacturing company and later on a retail furniture establishment. Although, Arthur helped out from time to time with odd jobs in the retail business, his father was adamant that he and his sisters receive a better education than he had obtained. So despite opportunities in the family business and the local opportunities for employment in the oil business, Arthur followed his father's wishes. After graduating from High School in June 1940, where he participated in varsity tennis and basketball, Arthur remained in Beaumont and entered Lamar University.

At Lamar, Greenspan took his first accounting courses and noticed that the authors of his textbook were on the faculty at the University of Texas. Even at this early date, UT Austin was recognized as "one of the leading Universities in the country" and

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<sup>345</sup> Ibid.

<sup>346</sup> Ibid.

that was particularly attractive to Greenspan.<sup>347</sup> Two years later, when Arthur Greenspan emerged from Lamar with his associate's degree, the country was in the midst of an epic war. Pressured by two competing desires, Arthur selected both. He entered the University of Texas and enlisted in the Air Force in the Fall of 1942. After finishing the fall semester at UT, Greenspan was called up for basic training in early 1943.

Toward late February or early March of 1943, Private Greenspan arrived at Shepherd Air Force Base in Wichita Falls for basic training. Arriving in winter, Greenspan was not impressed with the weather – “terrible” or the barracks -- “marginal at best.”<sup>348</sup> After completing his ten to twelve weeks of basic training, he was next stationed in Cape Girardeau, Missouri, for primary training. At primary training school, Private Greenspan learned “the basic principles of flying” and went on his first solo flight. Greenspan recalled, “They lost a lot of people at that level.”<sup>349</sup> About twelve weeks later at the conclusion of primary training, Greenspan next went to Mauldin, Missouri, where he practiced his skills with a larger, more powerful, aircraft. Progressing through his courses, Greenspan earned his wings in Arkansas and was promoted to Second Lieutenant in April of 1944.

Although he was now an officer and a pilot, Lieutenant Greenspan still had to undergo additional training in order to be qualified on four-engine aircraft. This took him from Arkansas to the Lockbourne Army Airfield near Columbus, Ohio. Unlike his earlier experience at Shepherd Air Force Base, Lockbourne was favorably recalled. This was attributed chiefly to the proximity of the base to Ohio State University (OSU). In an interview he confided, “We liked it because all the men were gone and we were there and

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<sup>347</sup> Ibid.

<sup>348</sup> Ibid.

<sup>349</sup> Ibid.

had all the girls to ourselves.”<sup>350</sup> In addition to the improved scenery, Lieutenant Greenspan was also enjoying better pay, quarters, food, and facilities by this juncture. After approximately 90 days of flying B-17’s and several nights of chasing the co-eds of OSU, Lieutenant Greenspan was sent to Avon Park, Florida, where he completed his B-17 flight training in fully equipped B-17s.

With training ended, his next stop was England. In October 1944, Lieutenant Greenspan flew up through the Eastern Command, traveling up the east coast to Maine. The next leg of his journey carried him by the great circle route to Labrador, Greenland, Iceland, and Scotland. For the final leg of his journey, Greenspan traveled by train to England where he landed at a replacement center. He was quickly assigned to the 8<sup>th</sup> Air Force’s 1<sup>st</sup> Bombardment Division, 1<sup>st</sup> Combat Bombardment Wing, 381<sup>st</sup> Bombardment Group, 535<sup>th</sup> Squadron.

Based out of RAF Ridgewell, an airfield located in Essex, Lieutenant Greenspan was pleased to discover the nearby college town of Cambridge. As he recalled, “We could go into Cambridge, if we were not flying the next day, every night.”<sup>351</sup> However, the 381<sup>st</sup> was there first and foremost for bombing missions.

The 381<sup>st</sup> Bomb Group operated chiefly against strategic objectives on the Continent. Specific targets included an aircraft assembly plant at Velizy-Villacoublay, an airdrome at Amiens, locks at St. Nazaire, an aircraft engine factory at Le Mans, nitrate works in Norway, aircraft plants in Brussels, industrial areas of Munster, U-boat yards at Kiel, marshalling yards at Offenbergl, aircraft factories at Kassel, aircraft assembly plants at Leipzig, oil refineries at Gelsenkirchen, and ball-bearing works at Schweinfurt.<sup>352</sup>

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<sup>350</sup> Ibid.

<sup>351</sup> Ibid.

<sup>352</sup> Wikipedia, “381<sup>st</sup> Training Group,” *Wikipedia The Free Encyclopedia* [http://en.wikipedia.org/wiki/381st\\_Bombardment\\_Group](http://en.wikipedia.org/wiki/381st_Bombardment_Group) (accessed 9/17/2010).

They wasted little time putting Greenspan to work and after not more than one training mission, he was flying combat missions. However, this is not to say he was on his own. The B-17s flew in groups of thirty-six, three squadrons of twelve bombers. This provided more protection for the bombers. In addition, P-47, and later still P-51, fighters would escort the B-17s to shield them from attacking enemy fighters.

On nearly every mission Greenspan went on, he encountered enemy opposition either fighters, anti-aircraft fire, or both. However, on rare occasions “they would say that you are not going to encounter any enemy fire.”<sup>353</sup> While with the 8<sup>th</sup> Air Force, Greenspan flew on bombing missions including ones to Cologne, Berlin, and even once as far as Moosburg, Austria. However, one mission to Cologne, in December of 1944 was almost his last.

Having been hit by anti-aircraft fire, the *South Boston Shillelagh*, was in rough shape with two engines out. A plane, even a flying fortress, in this condition could easily breakup on landing detonating the ordnance on board. Unfortunately, they “had instructions not to drop [their bombs] over friendly territory.”<sup>354</sup> That left Greenspan with but one option – head for the English Channel to drop the bomb load and then if possible on to home base. As he recounted, “When we got hit and lost those engines we had to wait until we got back over the water, which seemed like an awful long time particularly when you were not holding your altitude to begin with.”<sup>355</sup> The crew jettisoned what cargo they could but their B-17 was still losing altitude as it neared the coast. Finally, they reached the English Channel where they were able to drop their ordnance. By this time they were flying low enough to clearly identify the ships waiting

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<sup>353</sup> Arthur Greenspan, interview by Mark E. Jobe, July 16, 2010, phone interview.

<sup>354</sup> Ibid.

<sup>355</sup> Ibid.

below them for their rescue if necessary. But water landings were never a good option if you could avoid it – too many things could go wrong. Besides, it was December, Greenspan chillingly reminded, “you just didn’t want to go in the water . . . it was cold.”<sup>356</sup> Emptied of her 8,000 lb. bomb load, the plane began to level off. Now if only the fuel would hold out. Nearing the landing field, with two engines out on his left side and the two right side engines fading fast, Lieutenant Greenspan guided the *Shillelagh* “all the way down the runway and when [it] got to the end of the runway the landing gear collapsed.”<sup>357</sup> With no bombs to explode or fuel to burn, the crew safely exited -- one mission down, many to follow.

This was not Greenspan’s last mission, just his most harrowing. As for Cologne, Germany, Greenspan returned on multiple missions “because the railroad yards were very big there.” War provides little time for a breather. Greenspan and crew were back in the air for other missions in December of 1944. Although most of their bombing missions were flown from 25,000 to 30,000 feet, during the Battle of the Bulge Greenspan “flew low level missions at about 400 feet.”<sup>358</sup> These surgical strikes required great precision whether dropping bombs on the Germans or supplies to the besieged American forces because at this time the American soldiers they were supplying at Bastogne were completely surrounded by the enemy. Greenspan emphasized “It had to be very exact because when you’re that close to the ground you don’t have much room for error – either in dropping or in getting away.”<sup>359</sup> From October of 1944 until the end of the War in May of 1945, Captain Greenspan successfully completed twenty-nine missions.

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<sup>356</sup> Ibid.

<sup>357</sup> Ibid.

<sup>358</sup> Ibid.

<sup>359</sup> Ibid.

VE day quickly followed on May 8. Although Germany was now out of the fight, Greenspan and crew were informed they would next be going to the Pacific -- but first came a well deserved rest. And so it was that while at home on leave, Greenspan heard of the atomic bombings of Japan. Shortly thereafter, he was told to report to San Antonio where he would be officially discharged from service.

The timing could not have been better and allowed him to enroll in classes for the fall semester of 1945 at the University of Texas. From there he obtained his bachelor's in 1946 and Master's degrees in accounting in 1948. The shortage of personnel brought about by the war also presented Greenspan with an early opportunity to teach some of the accounting lab classes while still a student at UT Austin. This work brought him into close contact with Professors Newlove, White, and Zlatkovick, which helped further develop his accounting acumen.

About the time of his graduation, a family emergency brought him back to Beaumont. His father had become seriously ill and so Arthur Greenspan returned to help his mother. Fortunately, his father made a full recovery and lived until 1994. In addition to practicing public accounting, Arthur Greenspan also taught at Lamar University on an as needed basis for a number of years.

On August 1, 1949, Arthur Greenspan became a CPA. And the following year he joined the Texas Society of Certified Public Accountants (TSCPA). Active within the State Society, Arthur early on served as a local chapter president and in 1986 was elected as Chairman of the Board of the TSCPA. He remains an active member. Although Mr. Greenspan sold his practice ten years ago, he still works part-time at Edgar, Kiker & Cross. At 87 years of age, Greenspan shows no signs of letting up.

## Conclusion

In his fireside chat on February 23, 1942, President Franklin D. Roosevelt recounted the rallying words of Tom Paine who offered, “These are the times that try men's souls. The summer soldier and the sunshine patriot will, in this crisis, shrink from the service of their country; but he that stands it now, deserves the love and thanks of man and woman. Tyranny, like hell, is not easily conquered; yet we have this consolation with us, that the harder the sacrifice, the more glorious the triumph.”<sup>360</sup>

In like vein, the accountants in this chapter were no summer soldiers or sunshine patriots. Some were able to utilize their accounting and business skills to further the objectives of the military, while others were motivated to enter the accountancy field after the conflict. They stepped boldly into battle accepting the demands and hardships of service and giving their toil, sweat, and sometimes even their life for the cause they believed. While not all were thrown into harm's way, all served in whatever capacity they were called. To them, the profession of accounting and the Nation as a whole owe an undying debt of gratitude and admiration.

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<sup>360</sup> Franklin D. Roosevelt, “Roosevelt’s Fireside Chat, 23 February 1942,” [http://en.wikisource.org/wiki/Roosevelt%27s\\_Fireside\\_Chat,\\_23\\_February\\_1942](http://en.wikisource.org/wiki/Roosevelt%27s_Fireside_Chat,_23_February_1942) (accessed 9/21/2010).



**Table 1: Summary of Uniformed Service**

	<u>Branch</u>	<u>GI Bill</u>	<u>Predominant Service Activity</u>		
			<i>Accounting</i>	<i>Intelligence</i>	<i>Combat</i>
Arthur H. Carter	ASF		X		
N. Loyall McLaren	USN		X		
Walter S. Savage, Jr.	USN				X
Howard W. Hinman	AGF				X
Charles J. Beasley	USMC				X
Andrew Barr	AGF			X	
Myron L. Moore, Jr.	USMC	X			X
Winson Jones	AAF	X			X
Robert F. Painter	USN	X			X
Charles F. Printz	AGF			X	
Robert L. Lipson	AGF	X			X
Arthur Greenspan	AAF	X			X
T. Coleman Andrews	USMC			X	

## CHAPTER IV

### SERVICES BY ADVISORS ON THE HOME-FRONT

#### Committee on National Defense

While many accountants answered the call to serve during World War II by donning the uniform, others rendered equally vital service by offering their skills to governmental war agencies. The Institute's special committee on National Defense, established in September of 1940, included a number of prominent accountants who served in the U.S. military.<sup>1</sup> However, other members of this committee, including George P. Auld, C. Oliver Wellington, and Maurice E. Peloubet, aided the nation through their civilian work in government agencies. Whether in uniform or in civilian capacities, ten of the nineteen committee members had been called upon for service in connection with war defense programs by April of 1941.<sup>2</sup> Those who served in governmental agencies were joined by a host of professional accountants who in like manner answered the call of duty by resigning from their civilian pursuits during the war. Accordingly, this chapter highlights the actions of influential accountants who aided their nation by serving as advisors on the home-front.

#### George Percival Auld

George Percival Auld was an old war-horse from Haskins and Sells who had served in the First World War as a Commander in the Navy and was not about to sit out the second. Born in Rutland, Vermont, on January 28, 1881, George Auld was the son of

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<sup>1</sup> John L. Carey, ed., "Special Committee on National Defense," *Certified Public Accountant* 20, no. 9 (September 1940): 8; See Appendix C for the roster of the original committee.

<sup>2</sup> C. Oliver Wellington, "Reports of the Committee on National Defense: MIDYEAR REPORT," in *American Institute of Accountants Yearbook* 1941, (New York: AIA 1942), 128; John L. Carey, ed., "National Defense," *Certified Public Accountant* 21, no. 6 (June 1941): 10.

Joseph and Annie Caroline Auld. Undoubtedly Mr. Auld's later ability as a writer and speaker stemmed in large part from his father Joseph who founded the Burlington *Daily News* in 1894 and developed a reputation as a political speaker in the years following. Foreshadowing his son's professional future, Mr. Joseph Auld as a young man had worked for a period of time as a bookkeeper for a wholesale company.<sup>3</sup> These keen analytical abilities and talents of the elder Auld found deep root in his son George.

Upon graduating from the University of Vermont in 1902, George Auld began his military career by enlisting in the United States Navy and serving as assistant paymaster.<sup>4</sup> Progressing through the ranks of the Navy's Supply Corps, Mr. Auld was ultimately promoted to Commander and from 1915 to 1918, served with distinction as the Navy's chief accounting officer.<sup>5</sup> In this capacity, Commander Auld "developed and installed a system of cost-plus contracting and verification affecting some 100 shipyards, steel mills and factories that was credited with directly saving many millions of dollars."<sup>6</sup> With armistice and the ensuing peace agreement, Commander Auld achieved even greater acclaim. In 1918, Commander Auld served as an aide to Admiral Sims in London; "in 1919 he was an assistant financial adviser to the American Peace Mission in Paris; and from 1920 to 1924 was Accountant General of the Inter-Allied Reparations Commission."<sup>7</sup> In this latter role, Commander Auld "was in charge of accounts showing

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<sup>3</sup> Hiram Carleton, comp., *Genealogical and Family History of the State Of Vermont: a record of the achievements of her people in the making of a commonwealth and the founding of a nation*, (New York: Lewis Publishing Company, 1903), 466; An instant success, the *Daily News* in less than three years had the largest circulation in the state.

<sup>4</sup> Ibid.; "Biography," George Percival Auld Collection, Special Collections: University of Vermont Library <http://cdi.uvm.edu/findingaids/collection/auld.ead.xml#Biography> (accessed 7/14/2010).

<sup>5</sup> Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 96.

<sup>6</sup> "Biography," George Percival Auld Collection.

<sup>7</sup> Haskins & Sells, *Our First Seventy-Five*, 96.

claims on Germany, quantity and value of German payments and deliveries, and their actual distribution among the Allies.”<sup>8</sup>

Due to his prior service, it was only natural that Commander Auld would be called upon to assist the Agent General of Reparations, Mr. Owen D. Young, one of the architects of the Dawes Plan. In 1924, Mr. Auld worked closely with the Agent General for a period of three months, “in Paris and Berlin in the institution of the Experts’ Plan in Germany.”<sup>9</sup> As an authority in the field, “Mr. Auld was eminently qualified for his duties with Mr. Young, having previously been a member of the interallied board to recommend an organization for the accounting department of the Reparations Commission,” and having served in Paris as Accountant General.<sup>10</sup> Far from being a bit-player, Commander Auld was recognized in the field of reparations by none other than General Charles G. Dawes – the man for whom the Dawes Plan was named. In a letter to the Chicago Council on Foreign Relations, General Dawes lauded praise for Auld as follows:

Before I became associated with Mr. Auld in reparations work I had read his brilliant articles on reparations questions in the magazine “Foreign Affairs,” signed “Alpha.” His chief article showed that he was not only an economist, but what is equally as important, a practical man. Before reading Commander Auld’s article, I had read a number of other economic contributions to the subject, and to me it was like the sound of a clear bell in the fog.

Commander Auld’s official connection with the reparations work and with the institution of the Experts’ Plan in Germany makes him an authority on the subject.<sup>11</sup>

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<sup>8</sup> “Mr. George P. Auld,” *Haskins & Sells Bulletin* 8 (January-December 1925): 7-8; Commander Auld had resigned from the U.S. Navy in 1920 but remained abroad serving in a civilian capacity as account general.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Charles G. Dawes, “Introductory Letter from Charles G. Dawes,” in *Starting the Dawes Plan* (an address by George P. Auld delivered at the Chicago Council on foreign Relations on December 6, 1924).

For his service during the war and his work on reparations, Commander Auld was awarded the Navy Cross in 1919, and was “made an Officer of the French Legion of Honor” in 1924.<sup>12</sup>

The year 1924 also marked the ending of one career and the beginning of another for Commander Auld as he joined the firm of Haskins & Sells in March.<sup>13</sup> Initially, Mr. Auld was assigned to the staffs of Haskins & Sells London and Paris offices. However, when Mr. Owen Young retired as Agent General of Reparations under the Dawes Report, Mr. Auld accompanied him in his return to the states, transferring to the New York office.<sup>14</sup>

Far from abandoning his prior pursuits, Mr. Auld maintained a close watch on foreign affairs and continued to speak and write numerous articles on the subject of reparations. On December 6, 1924, Mr. Auld spoke to the Chicago Council on Foreign Relations about the Dawes Plan. On July 2, 1925, one of Auld’s articles, “The Bugaboo of the Debts: Are we to be Scared Out of World Leadership?” was published in the *New York Herald Tribune*.<sup>15</sup> And later still in 1927 Mr. Auld published a book entitled, “The Dawes Plan and the New Economics.”<sup>16</sup> When Germany’s diminishing ability to meet her war-reparations led to renegotiations in 1929, the ever vigilant Mr. Auld wrote extensively on the topic.<sup>17</sup>

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<sup>12</sup> Ibid.; The latter award is the highest military decoration bestowed by France.

<sup>13</sup> “Dawes Plan,” *Haskins & Sells Bulletin* 10, no. 12(December 1927): 95-96.

<sup>14</sup> “Mr. George P. Auld,” *Haskins & Sells Bulletin* 8 (January-December 1925): 7-8.

<sup>15</sup> George P. Auld, “The Bugaboo of the Debts: Are we to be Scared Out of World Leadership?” *Haskins & Sells Bulletin* 8 (January-December 1925): 58.

<sup>16</sup> George P. Auld, *The Dawes Plan and the New Economics* (Garden City, New York: Doubleday, Page and Co. 1927).

<sup>17</sup> George P. Auld, “America’s Interest in the Reparation Conference” *Haskins & Sells Bulletin* 12, (January-December 1929): 24-26; 47.

During the inter-war period, George Auld rose rapidly within the Haskins & Sells firm, attaining the rank of partner on the first of June, 1930.<sup>18</sup> While with the firm, Mr. Auld played an important role by supervising “the field work involved in many of its larger auditing assignments and other undertakings.”<sup>19</sup> In 1941, Mr. Auld turned 60 years old, and retired from the firm, yet continued to “serve the firm as an adviser until his death.”<sup>20</sup>

While a lesser man would have called it a career, such was not the case for George P. Auld. With the prospects for war growing graver for America, Mr. Auld returned to his roots in the Naval Department in January 1941, this time serving as a civilian advisor.<sup>21</sup> Invited by Under Secretary of the Navy James Forrestal, Mr. Auld established “a service of inspection of Navy Department procedures in auditing contract costs under the defense procurement programs.”<sup>22</sup> Nearly a year prior to Pearl Harbor, Mr. Auld struck upon the idea that the accounting profession could greatly aid the Navy by advising on cost determination issues. Taking the lead, Auld moved to create a panel of supervising auditors, “consisting of partners and principals and managers of highly reputable accounting firms,” who would be willing to help the Navy, “on a part-time” basis with the technical difficulties involved with cost inspection.<sup>23</sup> Auld’s efforts gave rise to the panel of supervising auditors, a group of approximately 150 CPAs spread

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<sup>18</sup> “New Partners,” *Haskins & Sells Bulletin* 13, no. 3 (July 1930): 100.

<sup>19</sup> “Biography,” George Percival Auld Collection.

<sup>20</sup> *Ibid.*

<sup>21</sup> “Firm history, growth, and professional standing,” 1951, Deloitte Collection, University of Mississippi Libraries, Oxford, <http://clio.lib.olemiss.edu/cdm4/document.php?CISOROOT=/deloitte&CISOPTR=19450&REC=17> (accessed on July 8, 2010).

<sup>22</sup> Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 96.

<sup>23</sup> N. Loyall McLaren, “Renegotiation of Government Contracts – U.S. Navy Organization and Procedure,” *The New York Certified Public Accountant* 8, no. 8 (May 1943): 310.

across the nation.<sup>24</sup> This panel was available and used “to conduct periodic inspections of auditing procedures and reviews of contractor’s methods of internal control and cost determination.”<sup>25</sup>

By 1942, Mr. Auld, who in addition to “serving as Chief of the Cost and Audit Branch of the Office of Procurement and Material, Navy Department,” was also operating as a Navy Price Adjustment Board member. Mr. Auld continued in these capacities until forced to resign from all governmental service in September of 1942 due to deteriorating health.<sup>26</sup> Upon Mr. Auld’s departure in 1942, the Secretary of the Navy personally expressed his gratitude to him in a letter of appreciation. Likewise, John Carey, the AIA secretary, also recognized Mr. Auld as “a distinguished member of both societies.”<sup>27</sup> Mr. Carey, obviously referring to Auld’s status as a member of the AIA and NYSSCPA, could have well added to these his memberships in Phi Beta Kappa, Sigma Phi, and the Council on Foreign Relations along with numerous other affiliations.<sup>28</sup>

With Mr. Auld’s exit, the U.S. Navy needed a suitable replacement and sought once again for an expert accountant. Fortunately, the Navy already had the man for the job in uniform -- Commander McLaren. Shortly after Pearl Harbor, Mr. N. Loyall McLaren, the AIA president, enlisted in the Naval Reserve.<sup>29</sup> Accordingly, following

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<sup>24</sup> N. Loyall McLaren, "Renegotiation of Government Contracts – U.S. Navy Organization and Procedure," *The New York Certified Public Accountant* 8, no. 8 (May 1943): 310.

<sup>25</sup> Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 96.

<sup>26</sup> Ibid; John L. Carey, "The Accounting Profession in War," *New York Certified Public Accountant* 12, no. 8 (May 1942): 476.

<sup>27</sup> John L. Carey, "The Accounting Profession in War," *New York Certified Public Accountant* 12, no. 8 (May 1942): 476.

<sup>28</sup> "Biography," George Percival Auld Collection.

<sup>29</sup> Commander McLaren’s exploits are further detailed in Chapter 3.

Auld's departure, Commander McLaren was appointed Chief of the Cost and Audit Branch, Office of Procurement and Material, Navy Department.<sup>30</sup>

### C. Oliver Wellington

Another member of the Institute's special committee on national defense who engaged in defense readiness work was the 1940-41 AIA President, Mr. C. Oliver Wellington. Mr. Wellington was born in 1886 in Belmont, Massachusetts, and graduated from Harvard with an A. B. degree in 1907. Initially employed in the fall of '07 by the Eastern Audit Company, "at the time one of the larger accounting firms in Boston," Mr. Wellington eventually migrated to the staff of Clinton H. Scovell & Company in 1912. "In 1913 he became a partner in the firm, the name of which subsequently was changed to Scovell, Wellington & Company."<sup>31</sup> Upon the demise of Mr. Scovell in 1926, Wellington became managing partner and afterward relocated the firm's headquarters to New York in 1930.

Mr. Wellington was an active member of many professional societies. In 1911, he joined the Massachusetts State Society of Certified Public Accountants and the American Association of Public Accountants – the direct predecessor of the AIA. When the National Association of Cost Accountants (NACA) was organized in 1919, Mr. Wellington played an active role as a founding member. He served for two years as president of the Association of Consulting Management Engineers, and as a member of the American Society of Mechanical engineers. In 1927, Wellington became a member of the New York State Society of Certified Public Accountants. In addition to his

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<sup>30</sup> "Commander McLaren Heads Cost and Audit Branch," *Certified Public Accountant* 22, no. 10 (November 1942): 4.

<sup>31</sup> "New Officers and Members of Council: The New Officers: C. Oliver Wellington President," *Certified Public Accountant* 20, no. 11 (November 1940): 19.



societal memberships, C. Oliver Wellington was licensed as a certified public accountant in Connecticut, Massachusetts, Michigan, and New York.<sup>32</sup>

Prior to his election to the AIA Presidency on October 18, 1940, Mr. Wellington had served as a member of the Institute's Council for eleven years, its executive committee for five years, its board of examiners for six years and its board of trustees. During his long association with the AIA, C. Oliver Wellington chaired six different committees of the Institute as well as serving as a member of various other committees all prior to becoming president.<sup>33</sup> With over 1300 in attendance, C. Oliver Wellington concluded his duties as AIA President at one of the largest ever gatherings of accountants – the AIA annual meeting held in Detroit on September 15-18, 1941.<sup>34</sup>

In closing out his duties as President at the fifty-fourth annual meeting of the AIA, President Wellington took time to warn of “the serious threats to democracy” posed by “the war in Europe,” and expressed his personal conviction “that the defeat of Hitler and his associates was the matter of supreme importance at the present time.”<sup>35</sup> Not content with merely pointing to dangers, Mr. Wellington became actively involved in the national preparedness effort. In April of 1942, John L. Carey, the AIA secretary, identified the activities of the former president and several other members of the profession then engaged in civilian war agencies as follows:

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<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> “Annual Meeting,” *Certified Public Accountant* 21, no. 10 (October 1941): 1.

<sup>35</sup> “Annual Meeting Comment,” *Certified Public Accountant* 21, no. 12 (December 1941): 10.

C. Oliver Wellington, immediate past president of the Institute and a prominent member of the New York State Society, has served in the O.P.M. organization and is at present heading a special advisory committee to the W.P.B. Eric A. Camman, Maurice E. Peloubet and Dr. Thomas H. Sanders, now hold posts in the War Production Board. Professor Herbert F. Taggart, certified public accountant, holds a high position in the Office of Price Administration.<sup>36</sup>

Later in 1942, Mr. Wellington was appointed to another advisory committee to the W.P.B. by Mr. Joseph I. Lubin – “chairman of the War Production Board committee for the review of data requests from industry.”<sup>37</sup> Mr. Lubin, a fellow CPA and member of the AIA, appointed Mr. Wellington and four others drawn from leadership positions of “the American Trade Association Executives,” the “National Association of Manufacturers,” the “United States Chamber of Commerce,” and “the Controllers Institute of America.” “The function of this advisory committee was to encourage manufacturers, wholesalers, and retailers to suggest how questionnaires, forms, and reports may be eliminated, combined, or simplified without sacrificing information essential to the War Production board.”<sup>38</sup> To assist in the gathering of suggestions, “approximately 1200 trade associations had been asked to . . . assemble specific suggestions from their members and forward them to the advisory committee.”<sup>39</sup> Wellington’s committee would then summarize the suggestions and forward their findings to the W.P.B. committee. In this manner, much needless government duplication could be avoided – further freeing industry to concentrate on vital war-production. Along similar lines, Wellington was appointed in early 1943 to “an exploratory committee on financial reporting forms” which in cooperation with the

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<sup>36</sup> John L. Carey, "The Accounting Profession in War," *New York Certified Public Accountant* 12, no. 8 (May 1942): 476.

<sup>37</sup> "Simplifying Questionnaires," *Certified Public Accountant* 22, no. 8 (August 1942): 6.

<sup>38</sup> *Ibid.*

<sup>39</sup> *Ibid.*

Bureau of the Budget was “reviewing government forms in an effort to reduce the reporting burden on industry.”<sup>40</sup>

While Mr. Wellington was actively involved, he was by no means alone. Joining Mr. Wellington at the Office of Production Management were many other prominent accountants including Eric Camman and Maurice Peloubet.<sup>41</sup> In fact, by June of 1941, Eric Camman was serving as Chief of the Planning and Cost Estimating Branch, Division of Purchases in the OPM.<sup>42</sup>

#### Office of Production Management

Created on January 7, 1941, by an Executive Order of President Roosevelt, the Office of Production Management (OPM) was established for the purpose of coordinating the defense efforts of the nation’s industrial sector. “The office was chartered to increase and regulate the production and supply of defense materials, equipment and factories. It was also to analyze and summarize the requirements of the two services as well as foreign governments.”<sup>43</sup> Additional responsibilities falling to the OPM included “ensuring the supply of raw materials, formulating plans to mobilize defense facilities further, and planning for the future creation of industrial plants.”<sup>44</sup> In June 1941, Herbert Taggart commented that, “the O.P.M. is chiefly characterized by three P’s—production, purchasing, and priorities—and if there are more important

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<sup>40</sup> “Activities of the American Institute of Accountants: Bureau Of The Budget,” *Certified Public Accountant* 23, no. 2 (February 1943): 1.

<sup>41</sup> “Accounting in War Production Program,” *Certified Public Accountant* 22, no. 2 (February 1942): unnumbered.

<sup>42</sup> “National Defense,” *Certified Public Accountant* 21, no. 6 (June 1941): 3.

<sup>43</sup> Alan L. Gropman, *Mobilizing U.S. Industry in World War II: Myth and Reality*, McNair Papers, no. 50 (Washington, DC: Institute For National Strategic Studies, National Defense University, August 1996), 36.

<sup>44</sup> *Ibid.*

functions outside of those which may be performed by the armed forces, I can't imagine what they are.”<sup>45</sup>

Unfortunately, the OPM lacked sufficient authority to carry out its mission and thus functioned only as “an advisory body” to the president.<sup>46</sup> Due to this and other weaknesses, the OPM was replaced within a year by another entity – the War Production Board (WPB).

### War Production Board

On January 16, 1942, President Roosevelt issued Executive Order 16 that established the War Production Board (WPB), and named Donald Nelson to the top post.<sup>47</sup> Nelson had honed his procurement skills at Sears Roebuck & Co. where as executive vice president he became “the country’s No. 1 mass-buyer” and gained “an unparalleled knowledge of American industry.”<sup>48</sup> As Chairman of the War Production Board, Nelson “inherited the people and the organization of the Office of Production Management, the Supply Priorities and Allocations Board, and even the National Defense Advisory Commission.”<sup>49</sup>

To carry out his duties, Executive Order 16 granted the WPB Chairman expansive authority:

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<sup>45</sup> Herbert F. Taggart, “Price Stabilization and Control,” in *National Association of Cost Accountants Year Book 1941: Proceedings of the Twenty-Second International Cost Conference* (New York: American Book-Stratford Press, Inc., 1941), 219.

<sup>46</sup> Alan L. Gropman, *Mobilizing U.S. Industry in World War II: Myth and Reality*, McNair Papers, no. 50 (Washington, DC: Institute For National Strategic Studies, National Defense University, August 1996), 36.

<sup>47</sup> *Ibid.*, 57.

<sup>48</sup> Time, “The People Win,” *Time* (Monday, January 26, 1942) <http://www.time.com/time/magazine/article/0,9171,932272-1,00.html>; Wikipedia, “Donald M. Nelson,” *Wikipedia: The Free Encyclopedia* [http://en.wikipedia.org/wiki/Donald\\_M.\\_Nelson](http://en.wikipedia.org/wiki/Donald_M._Nelson).

<sup>49</sup> Gropman, *Mobilizing U.S. Industry*, 59.

to exercise general direction over the war procurement and production programs, to determine policies, plans, procedures and methods of the several federal departments and agencies in regard to war production and procurement, to grant priorities for construction, and to allocate vital materials and production facilities.<sup>50</sup>

Throughout the war, Mr. Nelson and his successor, J. A. Krug, required the services of a small army in managing WPB operations; so many in fact that the WPB grew into a bureaucracy of 22,000 people.<sup>51</sup> Included in that vast army, were many business leaders and accountants.

While accountants were important to the internal workings of the WPB, they were indispensable for those dealing with WPB requirements. Unfortunately, the chief output of any governmental agency is paperwork or requests for such. For the WPB, the generality applied in the form of the Production Requirements Plan (PRP) – a materials requisition and allocation plan that required detailed information from manufacturers.

In May 1942, the New York State Society of Certified Public Accountants' Special Committee on Wartime Problems immediately recognized the problems industry would face and suggested to its members "that the accountant can be of greatest service to his client and the war program by familiarizing himself with the Production Requirements Plan."<sup>52</sup> Under the PRP application, companies were required to provide: sales figures broken down by product line, "an analysis of shipments by priority ratings," "an analysis by industry or end use," and a listing of the types of raw materials used in production.<sup>53</sup> As the Special Committee concluded, "the accountant who is able to help

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<sup>50</sup> Ibid., 56.

<sup>51</sup> Time, "Government: Swan Song," *Time* (Monday, October 15, 1945) <http://www.time.com/time/magazine/article/0,9171,792464,00.html>.

<sup>52</sup> Wentworth F. Gantt, ed., "The Accountant and the Production Requirements Plan," *New York Certified Public Accountant* 12, no. 8 (May 1942):477.

<sup>53</sup> Ibid., 478.

his client obtain materials for use in the war effort, will be contributing directly toward that effort.”<sup>54</sup>

Unfortunately, by October of 1942 it was obvious that the PRP was a flop, more than just a flop, dead under its own weight. As *Time* magazine reported, “Under sheets and sheets of its own reports the Production Requirements Plan had smothered. In its thrashing, its own statistics had finally knotted around its throat.”<sup>55</sup> However, the war had to continue and industry had to continue producing martial items. Though bloodied but not beaten, the WPB rebounded with a new “Controlled Materials Plan” that operated based on “vertical allocations – in contrast to the horizontal every-producer-for-himself setup that finally strangled its predecessor.”<sup>56</sup> Needless to say, accountants were again in demand.

#### Office of Price Administration<sup>57</sup>

With Executive Order No. 8734, President Roosevelt brought the Office of Price Administration and Civilian Supply (OPACS) into being on April 11, 1941. The primary purpose for its creation was to head off inflation while ensuring that civilians had adequate necessities. One historian recorded, “Civilians were not to have priority during the defense buildup” nor “be neglected, because to do so could destroy moral and weaken

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<sup>54</sup> *Ibid.*, 479.

<sup>55</sup> *Time*, “Business: The Old Disorder Passes,” *Time* (Monday, October 5, 1942) <http://www.time.com/time/magazine/article/0,9171,773780-1,00.html>.

<sup>56</sup> *Time*, “Allocations: Master Planner’s Plan,” *Time* (Monday, November 9, 1942) <http://www.time.com/time/magazine/article/0,9171,884670,00.html>.

<sup>57</sup> For a general overview see J. F. Halterman, “Accountants in OPA,” *Accounting Review* 19, no. 3 (July 1944): 281-283.

health and safety standards.”<sup>58</sup> As outlined in the Executive Order, OPACS was charged with “four principal duties or responsibilities.”<sup>59</sup> These being:

- (1) Control over prices.
- (2) Stimulation of supplies of materials and commodities for civilian use, once military needs have been met.
- (3) Equitable distribution of those materials and commodities among competing civilian groups.
- (4) Protection of consumer interests.<sup>60</sup>

By June of 1941, OPACS was still sorting out a proper organizational chart but the basic outline was certain. Leon Henderson, one of President Roosevelt’s economic advisors, would direct its operations as chairman of the “committee on policy” – somewhat analogous to a board of directors.<sup>61</sup> Other members of the committee, were drawn from the ranks of federal bureaus “directly concerned with price stability,” including the Secretary’s of Agriculture and Treasury, the Federal Trade Commission Chairman, the Federal Loan Administrator, “and the Director General and Associate Director General of the Office of Production Management.”<sup>62</sup> As for the internal organization of OPACS, it consisted of seven divisions with four being “productive divisions” and three “indirect” or support divisions.

The four productive divisions, organized to carry out OPACS’s primary duties, consisted of the Price Division, two for civilian supply (one for production, the other for allocation), and the Consumer Division (charged with consumer-protection). The Price Division was the chief operating unit and, as its name implied, it determined “all actions

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<sup>58</sup> Gropman, *Mobilizing U.S. Industry*, 41.

<sup>59</sup> Herbert F. Taggart, “Price Stabilization and Control,” in *National Association of Cost Accountants Year Book 1941: Proceedings of the Twenty-Second International Cost Conference* (New York: American Book-Stratford Press, Inc., 1941), 219.

<sup>60</sup> *Ibid.*

<sup>61</sup> *Ibid.*

<sup>62</sup> *Ibid.*, 220.

with respect to prices.”<sup>63</sup> Internally, the Price Division was further organized along commodity lines with different sections responsible for “a particular commodity” or groups of related commodities, “such as non-ferrous metals, iron and steel, textiles and so forth.”<sup>64</sup>

Operating along the lines of service departments were the Research, Legal, and Accounting Divisions. Supporting the Price Division, the Accounting Division’s chief function was to inspect the financial and cost “data of individual companies and entire industries” and to help evaluate the “reasonableness of price actions and of claims for exemption from price schedules.”<sup>65</sup> It was in this department that numerous accountants rendered valuable service, including Herbert F. Taggart.

On August 28, 1941, OPACS underwent a pruning when Executive Order No. 8875 shortened its name to the Office of Price Administration (OPA) and transferred its Civilian Supply functions to the Office of Production Management.<sup>66</sup> However, any weakening of its power was short-lived. In January 1942, the Emergency Price Control Act established the OPA as an independent agency with authority to establish “price ceilings” for all goods, excepting agricultural produce, and “to ration” consumer supplies.<sup>67</sup>

On April 28, 1942, Leon Henderson acted upon this authorization and issued “The General Maximum Price Regulation” or as it soon was called the “universal price

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<sup>63</sup> Ibid.

<sup>64</sup> Ibid.

<sup>65</sup> Ibid., 222.

<sup>66</sup> Gropman, *Mobilizing U.S. Industry*, 159.

<sup>67</sup> Wikipedia, “Office of Price Administration,” *Wikipedia: The Free Encyclopedia* [http://en.wikipedia.org/wiki/Office\\_of\\_Price\\_Administration](http://en.wikipedia.org/wiki/Office_of_Price_Administration) (accessed 9/2/2010).



ceiling.”<sup>68</sup> As for the other primary power of the OPA, automobiles, camelback, tires, typewriters, sugar and gasoline were being rationed by June 1942.<sup>69</sup> At its height, the OPA had “price controls on some 8,000,000 items from bubble gum to locomotives” and staffed some “235,000 volunteer workers in 5,561 local boards.”<sup>70</sup> These new regulations, while creating hardships upon some accountants, especially through gasoline rationing, also created new demand for cost and public accountants. In order to comply with OPA Financial Reporting Forms, companies freely sought out expertise whether internally from their cost accountants or externally from public accountants.

### Herbert F. Taggart

As previously alluded to, Dr. Herbert F. Taggart was another key advisor who rendered vital service during the war. A native South Dakotan, Dr. Taggart studied at the University of Michigan and earned his A.B. degree, M.A., and Ph. D. in 1920, 1922, and 1928 respectively. In 1920, Dr. Taggart began his career as an accounting instructor at the University of Michigan and continued in that capacity except for brief absences with the Federal Government and a two-year stint at the University of Kansas. Although well-known as an educator, Dr. Taggart also possessed the practical wisdom gained from work as a public accountant having worked “with the firm of Paton & Ross of Ann Arbor” while at the University.<sup>71</sup>

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<sup>68</sup> John C. Weigel, “Prices, Costs and Inflation,” in *National Association of Cost Accountants Year Book 1942: Proceedings of the Twenty-Third International Cost Conference* (New York: J.J. Little & Ives Co.), 25.

<sup>69</sup> Camelback is a type of rubber used for retreading tires.

<sup>70</sup> Time, “The Administration: Obituary,” Time (Monday, June 9, 1947) <http://www.time.com/time/magazine/article/0,9171,779037,00.html>.

<sup>71</sup> “Biography of Herbert F. Taggart,” in *National Association of Cost Accountants Year Book 1941: Proceedings of the Twenty-Second International Cost Conference* (New York: American Book-Stratford Press, Inc., 1941), 216.

As a leading accounting figure of his day, Dr. Taggart was a ranking member of many professional organizations. In times of war and unrest, people naturally seek out leaders -- men of ability. Unsurprisingly in December 1941, immediately in the wake of the Japanese attack on Pearl Harbor, Dr. Taggart was elected as president of the American Accounting Association (AAA). But others also sought out his assistance. So with the call of duty, Dr. Taggart took a leave of absence from his teaching position to serve in Washington.<sup>72</sup>

For Dr. Taggart, war-time service was just the continuation of an established pattern of governmental service. From 1933 to 1935, Dr. Taggart worked with the National Recovery Administration as “Chief of the Cost Accounting Unit, Research and Planning Division.”<sup>73</sup> Later still in 1938, he served as “Consultant on Distribution Cost with the Bureau of Foreign and Domestic Commerce.”<sup>74</sup> Answering the call in World War II, Dr. Taggart took leave from the University of Michigan where he was Professor of Accounting and went to Washington where he served as Director of Accounting for the Office of Price Administration (OPA).<sup>75</sup>

From this post, Dr. Taggart called upon certified public accountants who were “well qualified by training, experience, and temperament to serve as volunteer members of local War Price and Rationing Boards in their own communities.”<sup>76</sup> In a letter to the profession, he further urged those who might be asked to serve in such capacities “to give

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<sup>72</sup> “American Accounting Association,” *Certified Public Accountant* 22, no. 1 (January 1942): 4.

<sup>73</sup> “Authors of Articles in This Issue,” *New York Certified Public Accountant* 13, no. 2 (November 1942): 63.

<sup>74</sup> “Biography of Herbert F. Taggart,” in *National Association of Cost Accountants Year Book 1941: Proceedings of the Twenty-Second International Cost Conference* (New York: American Book-Stratford Press, Inc., 1941), 216.

<sup>75</sup> “Authors of Articles in This Issue,” *New York Certified Public Accountant* 13, no. 2 (November 1942): 63.

<sup>76</sup> “O.P.A. Calls Accountants,” *Certified Public Accountant* 22, no. 7 (July 1942): 10.

serious consideration to this opportunity for government service.”<sup>77</sup> As for his own service, Dr. Taggart was “working twelve or fourteen hours a day” while with the OPA yet, found time to encourage and exhort others.<sup>78</sup> As “a city that is set on a hill cannot be hid,” others were quick to recognize his accomplishments and those of his division. At the 1942 NACA Cost Convention, John Weigel recognized “the enormous role Dr. H. F. Taggart and his associates in the Accounting Division have played in the development and maintenance of the original and later price schedules.”<sup>79</sup>

Not lagging in vigor or in his dedication to the profession, Dr. Taggart continued to serve as President of the American Accounting Association, and to maintain his memberships in both the Michigan Association of Certified Public Accountants, and the Institute. In spite of his other associations and tremendous work load at the OPA, Dr. Taggart found himself serving as Director of the Washington Chapter of the N.A.C.A. in November of 1942. Though a busy man, Dr. Taggart allowed neither his professional obligations nor his occupational calling to hinder his service to the nation during the war. And by September of 1943, Dr. Taggart found his way into uniform with assignment to the Army Service Forces, Headquarters, as a commissioned officer with the rank of Major in the United States Army.<sup>80</sup>

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<sup>77</sup> Ibid.

<sup>78</sup> Donald M. Russell, “Comments of Session Chairman: Session III Price and Cost Problems of the Defense Program,” in *National Association of Cost Accountants Year Book 1941: Proceedings of the Twenty-Second International Cost Conference* (New York: American Book-Stratford Press, Inc., 1941), 232.

<sup>79</sup> John C. Weigel, “Prices, Costs and Inflation,” in *National Association of Cost Accountants Year Book 1942: Proceedings of the Twenty-Third International Cost Conference* (New York: J.J. Little & Ives Co.), 30. 18-34.

<sup>80</sup> “OPA Accounting Division,” *Certified Public Accountant* 23, no. 9 (September 1943): 8.

Maurice E. Peloubet

Mr. Peloubet was another member of the Institute's special committee on National Defense who rendered vital assistance to the war effort. Born in Chicago, Illinois, on January 7, 1892, Mr. Peloubet "attended school there, in Butte, Montana, and East Orange, New Jersey."<sup>81</sup> The relocations in his early life were due to his father's occupation as a public accountant. In April of 1897, the elder Peloubet had joined the Chicago office of Price, Waterhouse & Company and within a few years founded Pogson, Peloubet & Company in New York, which directly led to the family's relocation from Chicago to East Orange, New Jersey.<sup>82</sup> While in Chicago, the Peloubet family had frequently entertained "men who were later to become leaders in the profession," including George O. May who as Maurice recalled "had a very pleasant singing voice."<sup>83</sup> Mr. Peloubet credited this early exposure to accountants and their stories of work and travel with his determination to "aim for public accounting" as a vocation.<sup>84</sup>

Upon finishing his education at East Orange High School, Maurice Peloubet began his accounting career in 1911 by renewing his relationship with George O. May at the New York office of Price Waterhouse and Company. At that time, the academic requirements for the CPA degree could be satisfied with a high school diploma. However, Peloubet soon realized that further education would be essential for a career in public accounting and, accordingly, began evening courses in 1912 at the "New York University School of Commerce, Accounts and Finance."<sup>85</sup>

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<sup>81</sup> Maurice E. Peloubet, *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting*, ed. By Alfred R. Roberts, Studies in the Development of Accounting Thought, vol.3, (Amsterdam: JAI, 2000), 127 .

<sup>82</sup> Ibid., 4.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid., 3.

<sup>85</sup> Ibid., 4, 8, 127.

By 1914, World War I was creating serious staffing shortages in Price Waterhouse's London office. To find the necessary personnel the firm recruited replacements from among their overseas offices in America and Canada. For that reason, Maurice Peloubet, when offered the opportunity to work on the London staff, cut short his studies and sailed for England in mid-November 1914.<sup>86</sup> During his time abroad, Mr. Peloubet managed in Rotterdam to unknowingly befriend a German spy, an American named Rutledge Rutherford; witnessed the shooting down of a German Zeppelin just north of London over the village of Cuffley; and grew in ability as an accountant while carrying out assignments for Sir Nicholas Waterhouse.<sup>87</sup> From the London office, Mr. Peloubet took part in engagements in Ireland, Holland, France, and England as well as other European countries until returning to New York in 1919.

Upon his return to the U.S., Mr. Peloubet joined his father's firm, Pogson, Peloubet & Company and became a partner in 1921.<sup>88</sup> During this period Mr. Peloubet established another lasting relationship – one with the AIA. Joining in 1920, Maurice Peloubet became actively involved in the Institute serving on a multitude of committees and holding various offices including that of vice president from 1940 to 1941.<sup>89</sup> Also a member of the New York State Society of Certified Public Accountants and the New Jersey Society of Certified Public Accountants, Mr. Peloubet has the distinction of having served as President of both societies.<sup>90</sup> Other organizations in which Mr. Peloubet was active include the National Association of Cost Accountants, the American Arbitration

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<sup>86</sup> Ibid., 8.

<sup>87</sup> Ibid., 20,34,37.

<sup>88</sup> Ibid., 127.

<sup>89</sup> "Maurice E. Peloubet," *Certified Public Accountant* (November 1945): 5.

<sup>90</sup> Maurice E. Peloubet, *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting*, ed. By Alfred R. Roberts, *Studies in the Development of Accounting Thought*, vol.3, (Amsterdam: JAI, 2000), 128.

Association, the Accountant's Club of America, the Mining and Metallurgical Society of America, and the American Institute of Mining, Metallurgical and Petroleum Engineers, Inc.<sup>91</sup>

When the U.S. entered the Great War, Mr. Peloubet attempted to volunteer for service at the American Embassy in London. Yet quipped, in his own words, "I was not only rejected, but I might even say ignominiously rejected, as I was placed in Class VG, 'totally and permanently mentally or physically unfit for service'. I have never yet been told whether the disability was mental or physical."<sup>92</sup> Though rejected from military service in WWI, Peloubet took no affront and ably aided the war effort in WWII by serving "as a member, and later Chairman of the Civilian Advisory Committee to the Army Audit Agency, and as the Chief of the Combined Auditors for Civil Affairs."<sup>93</sup> In addition to these capacities, Mr. Peloubet was a member of both the Office of Production Management and its successor organization the War Production Board in which he served as the Assistant Chief of the Accounting Advisory Branch.<sup>94</sup>

One particular assignment that Maurice E. Peloubet accepted carried him overseas to war-ravaged Europe. This assignment began near the end of June, 1945, when T. Coleman Andrews, an old friend and more importantly the Chief of the Corporate Audit Division of the GAO, contacted Peloubet and asked him to come down to Washington

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<sup>91</sup> Idid; "Maurice E. Peloubet, Vice President," *Certified Public Accountant* 20, no. 11 (November 1940): 20.

<sup>92</sup> *Ibid.*, ix.

<sup>93</sup> *Ibid.*

<sup>94</sup> John L. Carey, "The Accounting Profession in War," *New York Certified Public Accountant* 12, no. 8 (May 1942): 476; "Accounting in War Production Program," *Certified Public Accountant* 22, no. 2 (February 1942): unnumbered.

“to discuss some accounting work for the United States Chiefs of Staff.”<sup>95</sup> Coleman related that the Chiefs of Staff needed someone to head up a “survey of Civil Affairs accounts in the European Theaters of war.”<sup>96</sup> Unsure of exactly what the Civil Affairs Division of the Army did and even more uncertain as to what types of accounts they might keep, Mr. Peloubet was “a little taken back at this” but was assured that he had several months to come up to speed on “the Washington end of the Civil Affairs Division, and that by that time would understand what was expected.”<sup>97</sup>

As Peloubet quickly discovered that, “the Civil Affairs Department took over almost all the civilian functions in the occupied countries, and a great many in allied countries which were receiving assistance.”<sup>98</sup> Peloubet’s audit team would concentrate on two areas:

One, the accounts for the issuance of the so called “spearhead money”, which was introduced into the economies of occupied and allied countries, and second, accounts for the distribution of various types of materials and supplies in what was known as the “program for the prevention of disease and unrest among the Civil population” in allied countries in which armed conflict had taken place, and in occupied countries.<sup>99</sup>

On Friday September 26, 1945, Mr. Peloubet, accompanied by his handpicked assistant, and friend, Jacob S. Seidman, reported early to Fort Totten for “processing” before their flight overseas.<sup>100</sup> His humor still intact, Peloubet wrote of the event, offering,

‘Processing’ sounds like being laundered, dry cleaned, or deloused, but it isn’t. It’s just a little paper work. Different officers want to see different

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<sup>95</sup> Maurice E. Peloubet, *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting*, ed. By Alfred R. Roberts, Studies in the Development of Accounting Thought, vol.3, (Amsterdam: JAI, 2000), 63.

<sup>96</sup> Ibid.

<sup>97</sup> Ibid.

<sup>98</sup> Ibid.

<sup>99</sup> Ibid., 63-64.

<sup>100</sup> “European Assignment,” *Certified Public Accountant* (November 1945): 10.

papers and we had a nice selection; something for everybody. One of the cheerier parts of processing is ‘ditching briefing’. This is a description of difficult ways to get out of an impossible situation. You are told how to behave in a crash landing on water, how to inflate your ‘Mae West’ and how to leave the plane quietly and in order, assuming it doesn’t disintegrate. There is ample time to do everything, as a land plane crashing on water generally floats 40 seconds to 2 minutes.<sup>101</sup>

The duo departed that evening and after a layover in Goose Harbor, Labrador, arrived at Bovingdon Airport just outside of London. Although the work in London went well “it was a rather disheartening experience otherwise.”<sup>102</sup>

The buildings and streets were bad enough but it seemed to me that the damages to the people were worse. . . . Nearly, everyone has a tense, drawn look as though they had seen and endured almost more than their strength could stand and were unable to forget it or get over it. . . . This is particularly noticeable to me as in the worst part of World War I the people were full of bounce and rough humor.<sup>103</sup>

As for the work, Seidman and Peloubet divided and conquered, with Seidman handling the audits of the currency section and Peloubet assuming that role with the supply and material accounts. Peloubet’s portion of the audit was similar to “accounting for the business of an enormous and widely spread-out Sears, Roebuck type operation” due in large measure to the role of the Civil Affairs Division in providing “practically everything the civilian population would need.”<sup>104</sup> Mr. Seidman’s work, on the other hand, was more straight-forward because the accounts for the spearhead money were carefully maintained, in large part by former bank employees from the U.S. or Canada.

Peloubet and Seidman successfully completed the work in 1945 and submitted their report.<sup>105</sup> In expressing his appreciation to Mr. Peloubet, the Chief of the Civil

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<sup>101</sup> Ibid.

<sup>102</sup> Ibid.

<sup>103</sup> Ibid., 10-11.

<sup>104</sup> Peloubet, *The Story*, 64.

<sup>105</sup> “Re-elected Treasurer: Maurice E. Peloubet,” *Certified Public Accountant* (October 1946): 3.



Affairs Division wrote thanking him for the “successful accomplishment of this undertaking.”<sup>106</sup> In his letter of appreciation, Major General Echols acknowledged that their survey “involved cash accounts amounting to hundreds of millions of dollars and civilian supply accounts involving even larger amounts.”<sup>107</sup> The General concluded his thanks expressing, “appreciation and praise for (Peloubets’) effective participation in this important mission most ably fulfilled.”<sup>108</sup>

### **Hall of Fame**

In addition to the members of the AIA’s special committee on National Defense, other ranking accountants including those listed among the ranks of the Accounting Hall of Fame likewise provided invaluable services to key government agencies. Future Accounting Hall of Fame members including: Carman G. Blough, Eric Kohler, Paul F. Grady, Perry Mason, George T. Bailey, William W. Wertz, Elmer B. Staats, William W. Cooper, and William J. Vatter served the war effort by advising in a wide range of governmental entities. Their civilian efforts brought order to and streamlined the operations of these entities -- further underscoring the importance of accountants as advisors in the war effort.

#### Carman G. Blough

Carman Blough was a fighter. Pure and simple, no better words describe the man. He was born in 1895 in Johnstown, Pennsylvania. His family relocated to North Manchester, Indiana, when he was sixteen years old. A tough age for any adolescent, Carman Blough established himself in sports playing both basketball and baseball at

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<sup>106</sup> Echols to Maurice E. Peloubet, Washington, 12 June 1946, In *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting*, ed. by Alfred R. Roberts, Studies in the Development of Accounting Thought, vol.3, (Amsterdam: JAI, 2000), 121.

<sup>107</sup> Ibid.

<sup>108</sup> Ibid. 122.

Manchester Academy. In what would be a crushing loss for any young man, Carman Blough was seriously injured his senior year “in a railroad crossing accident while on a basketball trip.”<sup>109</sup> His life was spared but not his right arm. But Carman Blough was a fighter.

Forced from two sports, which he loved, Blough discovered tennis while at Manchester College. Not satisfied with merely playing, Blough competed and eventually played his way onto the College team. Graduating from Manchester College in 1917, Mr. Blough turned his sights to academia and taught for the next six years. While teaching as an accounting instructor at the University of Wisconsin, Blough was also pursued his master’s degree. In 1922, Blough not only graduated with his masters but also obtained his CPA certificate.<sup>110</sup>

Upon graduation, Mr. Blough focused his efforts on the governmental sector and worked for the Wisconsin Tax Commission from 1922-1927 in the Income Tax and the Public Utility divisions until becoming the “Executive Secretary of the Wisconsin State Board of Public Affairs.”<sup>111</sup> In 1929, Mr. Blough marked his return to academia by becoming “Professor and head of the Accounting Department at the University of North Dakota” and remained in that position until 1933.<sup>112</sup> His next stop was at the Armour Institute of Technology where he served as “Professor and Head of the Social Science Department” until resigning in 1934.<sup>113</sup>

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<sup>109</sup> Thomas J Burns, and Edward N. Coffman, *The Accounting Hall of Fame: Profiles of Fifty Members*, 3<sup>rd</sup> ed. (Ohio State University: 1991), 17.

<sup>110</sup> Ibid.

<sup>111</sup> Ibid; As Executive Secretary, Mr. Blough served as both Audit Director and State Auditor for Wisconsin.

<sup>112</sup> Ibid.

<sup>113</sup> Ibid.

In 1934, a unique opportunity opened for Mr. Blough. Congress had recently passed securities legislation and created a governmental watch dog to oversee the reforms -- the Securities and Exchange Commission. He jumped at the chance to serve on the newly created entity and from 1934 to 1938 served “as a financial analyst,” “as assistant director in the Registration Division,” and “as the first Chief Accountant” of the SEC.<sup>114</sup>

During his illustrious career, Mr. Blough was an active member of many professional accounting organizations. He enjoyed memberships in the American Institute of Accountants, the Wisconsin State Board of Accountancy, and the American Accounting Association, serving in the last as vice president in 1939 and as president in 1944. From 1938 to 1942, Mr. Blough served on the AIA’s influential Committee on Accounting Procedure. His well-rounded career was further sculpted by a stint in public accounting when Mr. Blough joined the firm of Arthur Andersen & Company as a manager in 1938.<sup>115</sup> He promptly advanced to partner in 1940, but left the firm in 1942 when help was needed in other quarters.

With the sudden entry of the United States into World War II, government bureaus and agencies scrambled for talented men like Blough. Thus, when nominated in October, 1942, for prestigious membership on the Institute’s Council, Mr. Blough requested that his name be withdrawn because he had “accepted a position with the War Production Board” and would be “retiring from public practice.”<sup>116</sup>

While at the WPB, Blough served in a variety of capacities, including: Chief of the Contract Review Branch from 1942 to 1944, “Deputy Director of the Facilities

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<sup>114</sup> Ibid.

<sup>115</sup> Ibid.,

<sup>116</sup> “New Members of Council and Institute Auditors,” *Certified Public Accountant* 22, no. 9 (October 1942):10.

Bureau” in 1943, and “Director of the Procurement Policy Division” from 1943 to 1944.<sup>117</sup> In the spring of 1944, Carman Blough was “appointed by Donald M. Nelson, Chairman of the War Production Board, as Consultant to the Chairman on Contract Terminations and Price Adjustment Policies. In this capacity, Mr. Blough represented the chairman on the Joint Contract Termination Board and on the War Contracts Price Adjustment Board.”<sup>118</sup> In addition to these new duties, Mr. Blough continued to serve as the “liaison representative for the WPB” on all the price adjustment boards.<sup>119</sup>

In 1944, Blough accepted an appointment as the AIA’s first full-time research director.<sup>120</sup> However, he accepted the appointment with the understanding that he would be granted “time to serve on the Price Adjustment Board and Contract Termination Board until the end of the War.”<sup>121</sup> As promised, he served on both until the close of the war in 1945.

#### Eric L. Kohler

Professor Taggart was not the only academic to assist the government during the war. He was joined by others including Mr. Eric Kohler, who had taught evening classes from 1922-1928 at Northwestern University. Professor Kohler was no novice to government service. During the First World War, Captain Kohler served for two years in the Quartermaster Corps. After completing his military service Kohler resumed his

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<sup>117</sup> Thomas J Burns, and Edward N. Coffman, *The Accounting Hall of Fame: Profiles of Fifty Members*, 3<sup>rd</sup> ed. (Ohio State University: 1991), 17, 105.

<sup>118</sup> “Blough Named Consultant to WPB Chairman,” *Certified Public Accountant* 24, no. 5 (May 1944): 7.

<sup>119</sup> N. Loyall McLaren, “Renegotiation of Government Contracts – U.S. Navy Organization and Procedure,” *The New York Certified Public Accountant* 8, no. 8 (May 1943): 311.

<sup>120</sup> “Institute Appoints Full-Time Research Director,” *Certified Public Accountant* 24, no. 9 (September 1944): 7.

<sup>121</sup> Burns and Coffman, *Hall of Fame*, 105.

career at Arthur Andersen & Co. in 1919. From 1938-1941, Kohler was again engaged in government work, serving as the Tennessee Valley Authority's comptroller.

Professor Kohler also maintained an active and influential role in professional accounting organizations. In addition to memberships in the Illinois Society of Certified Public Accountants, the NACA, and the AIA, Kohler served in 1936 as president of the American Accounting Association and editor of *The Accounting Review* from 1928-1942.<sup>122</sup> This was the second national organization in which Kohler served as president. Earlier, from 1924 to 1927, Kohler was the national president of Beta Alpha Psi.

During World War II, Professor Kohler once again answered the call to serve as an advisor in Washington. In December of 1941, Kohler was serving "as chief of the tax amortization section, Advisory Commission to the Council of National Defense."<sup>123</sup> Later on, while working in the War Production Board, in the Office of Operations, Eric Kohler was "appointed executive officer of the Petroleum Administration at Washington, D.C. In this capacity he [was] engaged in organizational and administrative work, as an assistant to Deputy Administrator Ralph K. Davies."<sup>124</sup> Professor Kohler remained with the Petroleum Administration until 1944.<sup>125</sup> For his public service and professional efforts, Eric Kohler received the AIA's Gold Medal award – the highest honor the society bestows – in 1945.

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<sup>122</sup> Thomas J Burns, and Edward N. Coffman, *The Accounting Hall of Fame: Profiles of Fifty Members*, 3<sup>rd</sup> ed. (Ohio State University: 1991), 49.

<sup>123</sup> "American Accounting Association," *Certified Public Accountant* 22, no. 1 (January 1942): 5.

<sup>124</sup> "Institute Member Appointed to Petroleum Administration," *Certified Public Accountant* 23, no. 1 (January 1943) unnumbered page.

<sup>125</sup> Burns and Coffman, *Hall of Fame*, 49.

## Paul Franklin Grady

Paul Franklin Grady, a leading partner at Arthur Andersen & Company and future Accounting Hall of Fame member, rejected his prominent position within the firm to aid the Navy during World War II. On May 19, 1900, Paul Grady was born in a log cabin near the rural village of Creal Springs in extreme southern Illinois.<sup>126</sup> Mr. Grady graduated from Marion High School in 1918 and in September “became a member of the Students’ Naval Training Corps (SNTC) at the University of Illinois.”<sup>127</sup> However, his first efforts to aid the navy were far from fruitful. With the ending of the Great War, “the SNTC was terminated” at year end and all members of the unit “were placed on inactive status in the Naval Reserve for a three-year enlistment.”<sup>128</sup>

Thus thwarted in his attempt at military service, Grady focused his attention on educational attainment at the University of Illinois and in his first semester earned straight A’s. While at the University, Grady not only benefited from an outstanding accounting faculty that included Scovill, Littleton, Slaughter, Morey, and Filbey, but also developed life-long friendships with many classmates that included among others: Andrew Barr, Ralph Jones, William Leary, Otto Gressens, and Weldon Powell.<sup>129</sup> Demonstrating tremendous intellectual and physical capacities, Paul Grady received “Final Scholastic Honors at the University, with a total average of 4.76 (A being 5) and

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<sup>126</sup> Thomas J Burns, and Edward N. Coffman, *The Accounting Hall of Fame: Profiles of Fifty Members*, 3<sup>rd</sup> ed. (Ohio State University: 1991), 39.

<sup>127</sup> Paul Grady, “The University of Illinois: Labor and Learning,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 3.

<sup>128</sup> Ibid.

<sup>129</sup> Ibid., 8.

was elected to Beta Alpha Psi, Beta Gama Sigma, and . . . Phi Kappa Phi,” all while working his way through school with a full-time, forty-nine hour per week job.<sup>130</sup>

Following graduation in 1923, Paul Grady, sat for the CPA exam in May and joined the staff of Arthur Andersen & Company in early September. Founded ten years earlier, Arthur Andersen & Co. was at that time a small firm with only three offices in Chicago, Milwaukee, and New York. In October, Grady received a “most welcome surprise.”<sup>131</sup> The results of the May CPA exam were in and he had passed all parts. This placed him at a distinct advantage within the firm for by that time he had discovered “that many of the seniors and managers and one of the partners had not yet obtained CPA certificates.”<sup>132</sup> Due to his drive, determination, and ability, Paul Grady “was doing senior work after two years, became a manager after four years, and was made a partner in the firm after eight and three-fourths years.”<sup>133</sup>

In 1932, Paul Grady tackled “a major special assignment in which he led a team of approximately 300 auditors in a detailed analysis of the financial records of Samuel Insull.”<sup>134</sup> “From March until October, [Grady] was on practically a sixteen-hour-day schedule.”<sup>135</sup> The work-load was so great it became necessary for Mr. Grady “to take a room at the LaSalle Hotel, across the street from the office” only returning home each weekend for a few hours -- Saturday evening to Sunday morning.<sup>136</sup> To assist in the Insull work, W. C. Reyer, a partner from the New York office, arrived in May. Reyer

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<sup>130</sup> Ibid., 7, 6.

<sup>131</sup> Paul Grady, “First Experiences,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 12.

<sup>132</sup> Ibid.

<sup>133</sup> Ibid.

<sup>134</sup> Ibid., iv.

<sup>135</sup> Paul Grady, “The Insull Situation,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 18.

<sup>136</sup> Ibid.

took a few days off for a fishing trip in Wisconsin and met with an unfortunate end -- he drowned. With only one other partner remaining in the New York office the firm scrambled to find a replacement for Mr. Reyer. After one former partner considered but ultimately declined the offer, the firm turned its attention to Grady who on July 1, 1932, had been promoted to partner in the firm.

Unbeknownst to Grady, following discussions among the older partners, it was decided that he should take up Reyer's duties in New York and head up the public utilities work. It fell to Arthur Andersen to break the news to Grady. Mr. Andersen expressed that although it was "in some ways an unfair responsibility to place upon a new partner, that a great opportunity was being presented to [him], and that the firm would soon ascertain whether [he] was 'AA' or 'AAA' in the scale of ability."<sup>137</sup>

For the next five years, Mr. Grady and his family resided in New York. Where, in the course of his duties, Paul Grady gained valuable experience and became acquainted with many influential individuals including some in the "top echelon of the accounting profession."<sup>138</sup> In 1937, Andersen recalled Grady to Chicago to head up the affairs of the firm as the new administrative partner. For the next five years, Paul Grady carried out his duties with his usual dispatch but toward the end ran into slight difficulties with the senior partner -- Mr. Andersen. However by this time, Mr. Grady was becoming increasingly concerned about difficulties of another nature as "it became more and more evident that the United States would be brought into World War II."<sup>139</sup>

In his own words, Paul Grady reflected:

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<sup>137</sup> Paul Grady, "Arthur Andersen & Co. Partnership Experiences," in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 50.

<sup>138</sup> *Ibid.*, 51.

<sup>139</sup> *Ibid.*, 55.



I was packing my bag to go to see Jim Forrestal in December of 1941, and one of my children turned on the radio and we heard about Pearl Harbor, the same day, December 7. I had previously had conversations with Mr. Forrestal and he was asking me to come back to organize the Cost Inspection Service of the Navy Department. This was the contract auditing agency of the Navy, since most of the procurement contracts at that time were on a cost-type basis – either cost plus fixed fee, or otherwise – and therefore having an adequate auditing organization was an essential part of the determination of the costs under these procurement contracts. Mr. Forrestal, whom I had known previously in New York, during the five years I was in New York between '32 and '37, had asked me to head up this organization. I was debating with myself whether or not to do it but, naturally, when we heard the news about Pearl Harbor, there could only be one answer.<sup>140</sup>

As expected, Paul Grady “agreed to do so as soon as Arthur Andersen & Co. was through the worst part of the 1942 peak season.”<sup>141</sup> Honoring his word, Mr. Grady departed from the firm in March 1942 and went to Washington to serve “as an executive assistant in the secretary’s office.”<sup>142</sup>

At the Cost Inspection Division in Washington, Mr. Grady’s marching orders “were to organize an auditing force of sufficient capability and scope to assure no major scandals in the Navy’s procurement activities.”<sup>143</sup> In short order, Paul Grady recognized the need for a revised audit manual (Cost Inspection Manual), and the necessity of “obtaining competent auditing personnel.”<sup>144</sup> He set out to meet both tasks and by July 15, 1942, a new audit manual was issued to the cost inspectors that, for the first time,

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<sup>140</sup> Oral History Interview with Paul Grady, interview by Raymond Henle, February 24, 1967, at Delray Beach Florida, Herbert Hoover Presidential Library, West Branch, Iowa.

<sup>141</sup> Paul Grady, “Arthur Andersen & Co. Partnership Experiences,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 55.

<sup>142</sup> Ibid.

<sup>143</sup> Paul Grady, “Development of the Cost Inspection Service,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 75

<sup>144</sup> Ibid., 76.

utilized the “selective-test” method.<sup>145</sup> As for the latter problem, Grady recruited around 500 CPAs, “most either seniors or managers in public accounting firms.”<sup>146</sup> One of Mr. Grady’s final duties involved a study of the Navy’s accounting and reimbursement systems. On April 5, 1943, Paul Grady with a committee comprised of Naval Officers, and Navy civilian accountants, issued their findings, the “Grady Report”, to Secretary Forrester.<sup>147</sup> The “Grady Report” provided the impetus for a major reorganization of Naval accounting systems. Having placed the Cost Inspection Division on an operational basis and identifying his successor (J. Harold Stewart), Paul Grady had fulfilled his duty to the Navy and was free to return to work by April of 1943.

When Grady had left Arthur Andersen & Co. in 1942, he tendered his letter of resignation but Mr. Andersen refused to accept it, and instead convinced Grady “to take a leave of absence.”<sup>148</sup> The following December, Paul Grady received notice that his leave of absence would be terminated as of December 31<sup>st</sup> and that he should return to the firm to assist with the peak season work load. Undeterred, Grady replied that he intended to fulfill his commitment to Secretary Forrester as promised and that his “work with the Navy Department had not reached the stage of completion.”<sup>149</sup> In a follow-up letter, Mr. Andersen stated, “that he expected a letter of resignation” to which Mr. Grady rejoined that his initial letter of resignation had been refused and that he had no intent to write a

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<sup>145</sup> Ibid., 90.

<sup>146</sup> Ibid., 76.

<sup>147</sup> Leo A. Schmidt, “Navy Accounting: A lesson In Adaptation,” *Harvard Business Review* 25, no. 2 (Winter, 1947): 243.

<sup>148</sup> Paul Grady, “Arthur Andersen & Co. Partnership Experiences,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 55

<sup>149</sup> Ibid., 56.

second.<sup>150</sup> Naturally, other means were used for dismissal and Grady was subsequently informed of his ex-partner status.

By early 1943, “it became known around the Navy Department and elsewhere that [Grady’s] services would be available as soon as Secretary Forrestal and [Paul Grady] agreed that the Cost Inspection Service was a ‘going concern’ and that there was an adequate replacement for [him].”<sup>151</sup> During his tenure in the Navy Department, Paul Grady met and befriended Robert Williams, a Price Waterhouse partner, who had been assisting the Cost Inspection Division through his work on “substantive contract reimbursement provisions with the Procurement Legal Division of the Navy Department.”<sup>152</sup> Mr. Williams, because of his “very high opinion of Grady,” recommended that Price, Waterhouse & Co. should bring him on board as a partner.<sup>153</sup> Although Paul Grady had several attractive offers for his services, including two offers of “partnership in management engineering firms,” he chose to remain in public accounting.<sup>154</sup> Williams “arranged for Scobie and several other partners, who did not know Grady well, to meet him and the result was that Grady joined the staff of the New York Office in May 1943 and became a partner on January 1, 1944.”<sup>155</sup>

“Secretary Forrestal carried out his promise” allowing Grady to “return to private work when cost inspection was a ‘going concern,’ . . . yet he also exercised the privilege

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<sup>150</sup> Ibid.

<sup>151</sup> Paul Grady, “In a New Setting,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 107.

<sup>152</sup> Ibid.

<sup>153</sup> John B. Inglis, *My Life and Times: An Autobiography*, (Passaic, NJ: George Dixon Press, 1974) 115.

<sup>154</sup> Paul Grady, “In a New Setting,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 107-108.

<sup>155</sup> C. W. DeMond, “Price, Waterhouse & Co. In America: A History of A Public Accounting Firm,” (New York 1951), 298.

to call on [Grady] for special assignments from time to time.”<sup>156</sup> Secretary Forrestal frequently exercised the privilege, resulting “in many trips to Washington during the remainder of World War II and also in the postwar period.”<sup>157</sup>

Grady’s contribution to the war effort was unique. He carried the burden of introducing competent men and sound methods into the Navy’s work by a numerous staff, of civilians and commissioned officers, engaged in auditing contractors’ costs under procurement and facility contracts. Subsequently he made a comprehensive survey of the accounting and financial operations of the Navy Department which resulted in substantial changes in organization and procedures for the purpose of improving management and accounting control. In recognition of his war service Grady received the Navy’s highest civilian award from Secretary Forrestal on October 7, 1944.<sup>158</sup>

The accounting profession welcomed Mr. Grady’s return in a manner most befitting. On October 16 through 19, 1944, the AIA held its fifty-seventh annual meeting in St. Louis, Missouri, during which Mr. Grady was appointed as Chairman of the Committee on Auditing Procedure by the incoming president.<sup>159</sup>

Paul Grady, when summoned by Arthur Andersen to return to the firm, refused because of unfinished work in the War Department. Paul Grady chose to fulfill his naval duties rather than to enjoy the rank and passing prestige offered by Arthur Andersen because he regarded duty to country more highly than the financial rewards of partnership at an elite firm. Mr. Grady was one of those rarest individuals who got to have his cake and eat it too. He served with distinction in World War II and enjoyed a long fruitful accounting career with Price, Waterhouse & Co.

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<sup>156</sup> Grady, *Selected Accounting Practitioners*, 110.

<sup>157</sup> *Ibid.*

<sup>158</sup> C. W. DeMond, “Price, Waterhouse & Co. In America: A History of A Public Accounting Firm,” (New York 1951), 299.

<sup>159</sup> “Institute Committees,” *Certified Public Accountant* 24, no. 10 (October 1944): 8.

## Other Leading Accountants

### Saul Levy

Numerous other accountants likewise took time away from their practices in order to aid the government in consulting capacities. One such example is that of Saul Levy. Mr. Levy was a 1916 graduate from the New York University School of Commerce, Accounts and Finance and a 1921 graduate from the Brooklyn Law School of St. Lawrence University. Possessing both his C.P.A. and LL.B. degrees, Levy worked as a consultant to some of New York's largest law firms. With his background, Levy naturally specialized on accounting issues concerning financial litigation and, as a recognized expert, participated in landmark cases including the Ultramares case.<sup>160</sup>

Throughout his career, Levy maintained close ties with the New York State Society of Certified Public Accountants. A Society member since 1916, Levy was active on many of its committees, "including the chairmanship of the Committee on Violations of the C.P.A. Law" and "also vice-chairman of its Committee on Public Relations."<sup>161</sup> Prominent within the leadership of the Society, Levy served as a director from 1936 to 1941 when in the latter year he was elected "second vice-president."<sup>162</sup> In the following year of 1942, Saul Levy was elevated to the second highest office becoming "first vice-president."<sup>163</sup> And by 1944, he was serving as President of the NYSSCPAs.<sup>164</sup>

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<sup>160</sup> "Authors of Articles in This Issue," *New York Certified Public Accountant* 13, no. 1 (October 1942): 33.

<sup>161</sup> "Authors of Articles in This Issue," *New York Certified Public Accountant* 12, no. 1 (October 1941): 78.

<sup>162</sup> *Ibid.*

<sup>163</sup> "Authors of Articles in This Issue," *New York Certified Public Accountant* 13, no. 1 (October 1942): 33.

<sup>164</sup> Saul Levy, "Message from the President: To the Members," *New York Certified Public Accountant* 14, no.4 (January, 1944).

The year 1942 was tumultuous for both industry and governmental agencies alike. The exact question of what role the U.S. would play in World War II was definitely settled by Japan's attack on Pearl Harbor -- no longer just the 'Arsenal of Democracy' America would fight. But how to best carry out such war plans and account for such unprecedented expenditures was a task for experts. One man who certainly had a firm grasp on issues affecting the profession was Saul Levy. And men like Levy were needed in Washington. Accordingly, Mr. Levy left the comforts of New York and traveled to Washington. There he was reunited with fellow New Yorkers Andrew Stewart and Arthur Carter and served as an "expert consultant in accounting and legal matters to the Accounting and Audit Supervisory Branch, Fiscal Division, Headquarters, Services of Supply, War Department."<sup>165</sup>

#### Ernest Seatree

The war in Europe also displaced many accountants with a number coming to the U.S. from the Continent. One such who returned was Ernest Seatree -- a partner in Price Waterhouse & Co. Although Seatree was an English Chartered Accountant, prior to World War I he had directed the Chicago office for Price Waterhouse & Co. Following the Great War, Seatree departed for Europe eventually becoming the "senior partner of the European firm."<sup>166</sup> After the fall of France, he retraced his steps and returned to the U.S.

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<sup>165</sup> "Authors of Articles in This Issue," *New York Certified Public Accountant* 13, no. 1 (October 1942): 33.

<sup>166</sup> John B. Inglis, *My Life and Times: An Autobiography*, (Passaic, NJ: George Dixon Press, 1974) 109.

A “brilliant accountant,” Ernest Seatree placed “his services at the disposal of the wartime agencies.”<sup>167</sup> Serving without pay, Seatree aided Sir Edward Peacock, the Director of the Bank of England, in negotiations that permitted England to sell the U.S. investments of her nationals. This effort was part of a larger program in which Great Britain was mobilizing “all available resources for war purposes.”<sup>168</sup>

In January of 1942 the *Certified Public Accountant* reported that Seatree was aiding the Office of Production Management (OPM) by serving as a special assistant to the priorities division and likewise assisting the executive director of the Supply, Priorities, and Allocations Board. When the OPM was succeeded by the War Production Board, Seatree spent time in Washington, D.C. serving as an advisor to its chairman, Donald Nelson. Following this, Seatree worked with the Smaller War Plants Corporation as its controller.

“As the war progressed, he began to make plans for the reopening of the European offices.”<sup>169</sup> Even during the fighting, he maintained steady contact with the few open offices in Europe through correspondence with the partners in charge of Stockholm and Zurich. “Unfortunately he was not permitted to return to the Continent for he was stricken in London while on his way and died there on November 1, 1945.”<sup>170</sup>

#### James Hall

Another striking example is found in the person of James Hall, a partner in the New York office of Peat, Marwick, Mitchell & Co. Mr. Hall, a former member of the American Institute of Accountants executive committee, worked for “three and one-half

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<sup>167</sup> Ibid; C. W. DeMond, “Price, Waterhouse & Co. In America: A History of A Public Accounting Firm,” (New York 1951) 287.

<sup>168</sup> DeMond, “Price, Waterhouse & Co.,” 287.

<sup>169</sup> Inglis, “My Life,” 109.

<sup>170</sup> DeMond, “Price, Waterhouse & Co.,” 287.

years as a member of a special board to advise the Under Secretary of War on the issuance of ‘necessity certificates.’”<sup>171</sup> The purpose of the certificates was to incentivize the construction of munitions manufacturing facilities. “The certificates, permitting private industry to take advantage of the amortization provisions of the Internal Revenue Code, are credited by the War Department with expediting the building of five billion dollars worth of new facilities for munitions production.”<sup>172</sup> For his efforts, James Hall received “the certificate for meritorious civilian service” from the War Department and an accompanying citation from Under Secretary Patterson that reads as follows:

In recognition of his substantial contribution to the solution of unique and difficult problems arising out of the administration of the amortization provisions of the Internal Revenue Code. As consultant to the War Department, he assisted significantly during a critical period in the mobilization and expansion of war industry, thus advancing our armies and those of our allies on the road to ultimate victory.<sup>173</sup>

## **Conclusion**

Prominent members of the profession, whether members of the Institute’s special committee on National Defense, or future members of the Accounting Hall of Fame, or just leading accountants, rendered impressive service to their nation as advisors. Many accountants, though unacceptable for uniformed service because of age or disability, strongly influenced the development of policies, plans, and accounting systems and/or aided in the administration of key government agencies. That the advice of accountants was sought in such abundance, so frequently, offers profound insight into the expanding influence of the accounting profession during this time of national crisis and reveals the basis for much of the postwar growth of the profession.

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<sup>171</sup> American Institute of Accountants, “James Hall Honored by War Department,” *Certified Public Accountant* 24, no. 11 (November-December 1944): 8.

<sup>172</sup> *Ibid.*

<sup>173</sup> *Ibid.*, 9.



**Table 2: Summary of Advisory Service**

	<i>OPM</i>	<i>WPB</i>	<i>OPA</i>	<i>War Department</i>	<i>Other Agencies</i>
George P. Auld				X	
C. Oliver Wellington	X	X			
Herbert F. Taggart			X		
Maurice E. Peloubet	X	X			X
Carman G. Blough		X			
Eric L. Kohler		X			X
Paul F. Grady				X	
Saul Levy				X	
Ernest Seatree	X	X			X
James Hall				X	
T. Coleman Andrews				X	

## CHAPTER V

### DEFENSE INDUSTRIES

“Without American production the United Nations could never have won the war.”<sup>1</sup>

Joseph Stalin -- Tehran Conference, November 1943

On April 13, 1942, John Carey, the Institute’s secretary, gave voice to questions that were foremost upon the minds of accountants nationwide “What can I do? What should I do?”<sup>2</sup> To meet these challenging times, Mr. Carey clearly asserted that “everyone must, as quickly as possible, devote his maximum energies to work which will help win the war -- not only military service and war production, but also work essential to maintain the civilian population and preserve the economic structure which must support the war effort.”<sup>3</sup> Then focusing the issue squarely upon the profession, the secretary raised the question, “How shall the accounting profession convert to war?”<sup>4</sup> Mr. Carey’s reply was that the profession must: “release its younger members and students for service,” “make available some of its more experienced members for service to government war agencies,” and finally “despite great gaps in its ranks, render necessary professional service which will facilitate production and efficient operation in war industries . . .”<sup>5</sup>

During World War II, the accounting profession relinquished its young to the fighting, and its prominent to Washington. Each of these groups served with distinction bringing praise to themselves and their profession. Still, one of the greatest trials was

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<sup>1</sup> Time, “One War Won,” *Time*, (December 13, 1943)  
<http://www.time.com/time/printout/0,8816,791211,00.html>

<sup>2</sup> John L. Carey, "The Accounting Profession in War," *New York Certified Public Accountant* 12, no. 8 (May 1942): 470.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

reserved for those remaining accountants who saw service neither in uniform nor in Washington's hallowed halls, but instead quietly labored at home. For these silent heroes no parades were held, no banners waved, no crowds welcomed and few were acknowledged. Yet their labor had its own reward.

Through their assistance, national requirements were translated into workable budgets, plans and programs. Facing overwhelming workloads and crushing demands, accountants rose to the challenge and successfully navigated a safe course through the uncharted waters of contract renegotiation, and termination. When military necessity required massive industrial expansion, accountants were present to lend their expertise in systems design and implementation. World War II was a war of production. As many have reflected, America did not out-fight her enemies, she simply out-produced them. Accountants both privately employed and in public practice facilitated these efforts. Accordingly, this chapter provides a glimpse into the efforts of accountants who aided defense industries.

During the early days of the World War II, the allies were hard pressed to find success. Military matters were particularly bleak in early 1942.

The defenders of Bataan were trading their lives for time. To reinforce them had proved impossible; their battle was but a delaying action to permit the establishment of defense lines to the South and Southeast. Elsewhere in the Pacific the Japanese moved almost at will. In western Europe German forces were unchallenged, and England awaited the long delayed invasion from across the Channel. If German armies were momentarily stalled in Russia, most observers credited this to the winter weather, and expected Germany to resume her march in the spring.

On the economic front, too, the Allies were still being worsted. In modern warfare, material has an unprecedented importance. Leadership, loyalty, courage, and other military virtues are not the monopoly of any one nation. It is no derogation of the quality of American soldier: to say that German and Japanese troops were as patriotic and brave as our own. The

difference in the fighting ability of armies is often the difference in the quantity and quality of their weapons. Wars are won and lost partly on the production line. Because of an early start, Germany and Japan were well ahead of the Allies in production at the outbreak of war. But that lead was overcome during 1941 and for a while, Allied production forged ahead. Then Germany and Japan began to develop their newly conquered resources and made a new bid for industrial supremacy. During 1942 and 1943 the Axis out produced Great Britain and Russia. The outlook for United States war production, eventually to be the deciding factor, was still uncertain in March 1942.<sup>6</sup>

Into this scene, accountants were called upon to aid in industrial mobilization efforts. Efforts became frenzied after the attack on Pearl Harbor. But fortunately for the nation, earlier orders from the French and British in 1940 and 1941 spurred plant expansions in the U.S. and thus helped to speed the production of U.S. military orders that later followed. One of the earlier endeavors involved Lockheed's contracts with the British.

## **Aviation**

In June 1941, the Lockheed Aircraft Corporation called upon its accounting firm, Arthur Young & Company, to provide an expert for systems evaluation. The man for the job turned out to be Herman E. Ward who was at that time working as a manager in the firms' Chicago office. Although he was assured that he would be back in Chicago to help with audit work by the year's end, Herman Ward would soon discover how quickly plans can change.<sup>7</sup>

By the summer of 1941, Lockheed was going through growth pains associated with large orders from the British for bombers. In an attempt to fill the orders, Lockheed

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<sup>6</sup> John D. Millett, *The Organization and Role of the Army Service Forces: United States Army in World War II Army Service Forces*, (Washington: Office of the Chief of Military History Dept. of the Army, 1954), 45.

<sup>7</sup> Thomas G. Higgins, *Thomas G. Higgins, CPA: An Autobiography*, (New York: Comet Press, 1965), 187-88. Ward spent the next 16 years in the LA office.

shifted some of the work to its subsidiary, the Vega Aircraft Corporation. Although other aircraft manufacturers had utilized the assembly line production method for small planes, this marked the first U.S. effort to mass produce large aircraft with the technique.

Accordingly, a new manufacturing facility was constructed for “this purpose adjacent to the Lockheed airport in Los Angeles.”<sup>8</sup> Along with new the facilities, cutting edge techniques were adopted pertaining to production methods that “included the maintenance of material control records on punched-card equipment.”<sup>9</sup>

Unfortunately, as with any new endeavor, problems arose. “It soon became apparent that the proposed system was not providing information such as the scheduling of material to meet production requirements, the amount on order, when it was promised, usage to date, and spoilage factors.”<sup>10</sup> A dispute soon arose over whether the system was working properly between differing management factions at Lockheed. When the matter became heated, management opted to bring an outside expert to address the issue and therefore called upon Arthur Young & Company to provide a rainmaker.

Accordingly, Herman Ward launched an investigation into the problems and quickly reported that the machine system was insufficient for the task. He further disclosed that the men, accountable for ensuring that parts and material were introduced into the assembly line as scheduled, bypassed the machine reports and instead were relying on and “maintaining their own set of manual records” to accomplish the task.<sup>11</sup> In reporting these findings, Ward also provided a general description of what was lacking in the current system and suggested the types of records that would be necessary.

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<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid., 189.

As no good deed goes unpunished, Lockheed was duly impressed and requested that Arthur Young & Co. design and implement a robust material control system – the job fell to Herman Ward. “By the time Ward had finished this material control assignment, December 7<sup>th</sup> – Pearl Harbor Day – had come and gone, and the U.S. Government was frantic for fighters and bombers.”<sup>12</sup> The Vega production facility received numerous orders and soon was producing key aircraft including the P-38 and the B-17.<sup>13</sup>

Revved into high-gear, the production efforts at the Vega plant placed a strain on the production control system. Mr. Ward was again called upon and worked in close concert with the production department for a number of months. In the intervening period, two additional Los Angeles clients, Consolidated Vultee Aircraft Corp. and Ryan Aeronautical Co., called upon the firm for assistance with their systems. Finally, near the end of 1943, Herman Ward was free to help with audit work. However, his assignments were not in Chicago but in Los Angeles with the Vega and Lockheed audits. Ward would remain on staff in the Los Angeles office for the next fourteen years.<sup>14</sup>

## **Magnesium**

One vital war material, magnesium, was required by all sides in the fighting. The lightest of all metals, magnesium is not only useful for aircraft construction but also for pyrotechnics. Weighing one-third less than aluminum, magnesium was already being used in the aviation industry for airplane motors, crankcases, landing wheels, and pontoons. The military uses of magnesium included not only incendiary bombs and tracer bullets, but also parachute flares and lightweight bomb casings. Unfortunately, for

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<sup>12</sup> Ibid.

<sup>13</sup> Vega built 2,750 B-17s out of a total of just over 12,000 produced during the war. Vega Aircraft Corporation, [http://en.wikipedia.org/wiki/Vega\\_Aircraft\\_Corporation](http://en.wikipedia.org/wiki/Vega_Aircraft_Corporation).

<sup>14</sup> Thomas G. Higgins, *Thomas G. Higgins, CPA: An Autobiography*, (New York: Comet Press, 1965), 189, 263.

the Allies, Germany produced an estimated 25,000 tons in 1940 while the best America could muster was 6,500 tons that year.<sup>15</sup>

Faced with this deficiency, the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, was established on August 22, 1940, and authorized “to purchase, lease, build, and expand plants . . . for the manufacture of strategic and critical materials . . .”<sup>16</sup> One of the companies that seized upon the opportunity to enter a new market was a recently established enterprise, called Basic Magnesium, Incorporated (BMI). In 1941, BMI landed a contract with the U.S. Defense Plant Corporation to construct and operate a magnesium plant. Within days of signing the contract, the government requested that BMI scale-up the designed facility by a factor of ten. This redesigned facility grew to gargantuan proportions, “1.75 miles long and .75 miles wide,” and would become “the largest such magnesium plant in the world.”<sup>17</sup>

For an undertaking of this magnitude, the construction alone required more than 13,000 employees, “which was 10 percent of the entire state’s population at the time.”<sup>18</sup> The facility, being constructed in the desert of Nevada, employed so many construction and later production workers that it gave rise to the town of Henderson. However, during the initial phases of construction the workers had to make do in make-shift housing and “tent cities” until proper housing began in 1942 in the future town.<sup>19</sup>

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<sup>15</sup> “Government: Folklore of Magnesium,” *Time* (February 10, 1941) <http://www.time.com/time/magazine/article/0,9171,932577,00.html>; “METALS: Magnesium—Lesson in Speed,” *Time* (March 3, 1941) <http://www.time.com/time/magazine/article/0,9171,851104,00.html>. Dow Chemical was the nation’s only magnesium producer in 1941.

<sup>16</sup> “Defense Plant Corporation,” *United States Government Manual, 1945, First Edition*, (Division of Public Inquiries, Office of War Information), 428; <http://www.ibiblio.org/hyperwar/ATO/USGM/FLA.html#DPC>.

<sup>17</sup> “Henderson: History,” *City-Data.com*, <http://www.city-data.com/us-cities/The-West/Henderson-History.html> (accessed August 5, 2010).

<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*

Into this scene, strode an accountant by the name of Dixon Fagerberg, Jr. Already a CPA in Arizona, Mr. Fagerberg was an accountant of some repute who had served from 1938 to 1939 as the Chair of the Arizona Society of Certified Public Accountants.<sup>20</sup> Having “heard of a tremendous complex of plants being built nearby” Dixon was intrigued by its scale, importance, and production processes.<sup>21</sup> “So, with some audacity perhaps, [he] applied to BMI on January 2, 1942, for the specific task of designing and installing BMI’s accounting system.”<sup>22</sup> Audacity has its place even in accounting. After a lengthy vetting process, Dixon was hired and began working on May 13, 1942.

Immediately upon arrival, Fagerberg was “flabbergasted with the size of it all – not one plant, mind you, but rather 12 or 14 huge, separately structured, facilities in process of construction and machinery installation.”<sup>23</sup> Of the 300 odd personnel in the offices, some were with the Defense Plant Corporation, while others worked in legal, insurance, or office-services departments. But by far, the largest number, 150 or more, were in the accounting department.

At this stage of the project the accounting department was composed of two divisions – one for construction and acquisition (C&A), the other for management and operations (M&O). Although he had been hired under the supposition that he would immediately be “designing the magnesium process-cost system” for the M&O division, Dixon instead discovered that the facility was three to four months away from beginning production.<sup>24</sup> With no urgency being placed on systems design at that time, “Clyde

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<sup>20</sup> “ASCPA Past Chairs,” *ASCPA*, <http://www.ascpa.com/Content/39950.aspx> (accessed on August 5, 2010).

<sup>21</sup> Dixon Fagerberg, Jr., “A World War II Cost Accounting Assignment,” *Accounting Historians Journal* 17, no. 1 (June 1990): 81.

<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*, 82.



Warne, the BMI controller, immediately delegated [him] to try to unlock the numerous accounting ‘logjams’ that had developed” over in the C&A division.<sup>25</sup>

As time ticked away, the first of BMI’s ten production facilities was finally scheduled to become operational in October. With a deadline in place, designing the process-cost could no longer wait. In light of the magnitude of the task, two conditions were of paramount importance: (1) a quiet place to work with no interruptions and (2) “collaboration with someone who understood all the step-by-step processes resulting in the end product: magnesium.”<sup>26</sup>

The first condition was easily met and the second was filled by the Malcolm Maben. Malcolm Maben, or Mac for short, had been part of a team of key technicians who had been sent overseas for training. At this point, only two countries in the world, Germany and Britain, had produced commercial quantities of magnesium from magnesite. To gain the necessary expertise, Mac and his group spent several months in England learning how to build and operate the magnesium-reduction plants. During the training, both metallurgists and cost accountants guided the American technicians through “the processes and their costing.”<sup>27</sup>

With an ideal setting and collaborator, Dixon sequestered Mac and himself for the next five weeks. During the work, Dixon discovered that the production process required forty-five service departments to enable production, each staffed by its own personnel, and thirty-three separate stages or processes to transform raw materials into finished goods. The essential steps included:

A. First, chlorine had to be produced.

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<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

- B. Second, the raw magnesite had to be mixed with peat and other ingredients to form bullet-like pellets, which were chlorinated.
- C. Finally, the chlorinated pellets were electrolyzed to produce magnesium metal.<sup>28</sup>

While this may sound simple enough, BMI constructed the largest chlorine plant in America and the work done within it covered only the first six steps of the overall production process. By the end of the five-week period, Mr. Fagerberg and Mr. Maben emerged with the completed job sheets in hand. “Much to the astonishment of all concerned,” when the master process cost sheets and their supporting sub-sheets “were laid alongside each other, they took up a whole wall of a good-sized room.”<sup>29</sup>

In looking back almost fifty years later, Dixon recognized this work at BMI as the “biggest cost accounting job of my career.”<sup>30</sup> Indeed, big seems hardly the word for BMI. Everything about the operation was on a colossal scale. BMI was “the world’s biggest magnesium plant.”<sup>31</sup> In steel consumption, it was exceeded during the war by only one other construction project; in lumber, it consumed enough for a city of 40,000; in pipe, it utilized 350 miles. In costs, with a price tag of \$140 million, “only the Geneva steel plant (\$200 million) and the Big and Little Big Inch pipelines (\$146 million)” were greater.”<sup>32</sup> Even “its plans and blueprints, if spread out, would cover 46 acres.”<sup>33</sup>

By December of 1942, magnesium production had begun and quickly rose to its peak in March of 1944. At its production capacity, BMI turned out 56,000

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<sup>28</sup> Ibid., 83

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Time, “Whitest Elephant,” *Time* (April 12, 1948)

<http://www.time.com/time/magazine/article/0,9171,779839,00.html>.

<sup>32</sup> Ibid.

<sup>33</sup> Fagerberg, “Accounting Assignment,” 84.

tons per year and “supplied one-fourth of the magnesium that was used in the incendiary bombs dropped by the Allies in World War II.”<sup>34</sup> During the war, “BMI exceeded its planned production rates and employees numbered 14,000 at peak production.”<sup>35</sup>

The efforts of the Defense Plant Corporation were justly rewarded. In February of 1943, *Time* magazine reported that since 1939, when the annual U.S. production was a paltry 3,350 tons, magnesium production had increased “nearly 100 times.”<sup>36</sup> Some of the major manufacturers mentioned in the article included: Dow Chemical, which “was the only domestic producer” at the beginning of the war; Ford, which used a type of limestone called dolomite to extract magnesium; and Basic Magnesium, which utilized an “electrolytic process” at their “gargantuan plant near Las Vegas.”<sup>37</sup>

As for Dixon Fagerberg, he later served on the *Journal of Accountancy* as the editor of the Practitioners Forum section. Recounting his experiences, Fagerberg offered that, “the work itself was the reward.”<sup>38</sup> “Those involved with BMI felt they had a patriotic calling, and in part of that calling was the establishment of a cost accounting system. Indeed, cost accountants throughout the land made their contributions to the war effort just as surely as if they had carried guns or piloted bombers.”<sup>39</sup>

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<sup>34</sup> Ibid.

<sup>35</sup> “Henderson: History,” *City-Data.com*, <http://www.city-data.com/us-cities/The-West/Henderson-History.html> (accessed August 5, 2010).

<sup>36</sup> “Science: New Magnesium Methods,” *Time* (February 22, 1943) <http://www.time.com/time/magazine/article/0,9171,774338,00.html>.

<sup>37</sup> Ibid.

<sup>38</sup> Fagerberg, “Accounting Assignment,” 84.

<sup>39</sup> Ibid.

## Renegotiation

On April 28, 1942, Congress approved the “Sixth Supplemental National Defense Appropriation Act.”<sup>40</sup> One provision in the Act created many sleepless nights for accountants and war contractors alike – section 403. In an attempt to prevent war profiteering, section 403 put corporations on notice that all war contracts exceeding \$100,000 were subject to being renegotiated by panels from the Army, Navy, and Maritime Commission. As written, the law had an enormous sweep applying to approximately 85,000 manufacturers.<sup>41</sup> Under renegotiation, a manufacturer’s government contracts could be investigated, after being let and filled, in order to recapture any excessive profits.

The services each established price adjustment boards to handle the administration of renegotiation procedures. Contractors were required to maintain adequate records so that excess profits, if any, could be determined. If investigated, companies would have their “bookkeepers tally up the latest figures, [while] cost accountants wrangle with shop foremen over factory expenses, [and] company bigwigs struggled over hard-to-pin-down items like depreciation, obsolescence, [and] reserves for post-war conversion.”<sup>42</sup> After this “statistical roundup,” which could take from days to months depending upon the company’s size and the adequacy of its records system, the company’s representatives would then travel to a regional price adjustment board for a

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<sup>40</sup> George N. Farrand, “Effects of War on Financial Statements,” *New York Certified Public Accountant* 12, no. 11 (August 1942): 591.

<sup>41</sup> “PROFITS: Sense In War Contracts,” *Time* (April 5, 1943)  
<http://www.time.com/time/magazine/article/0,9171,790921,00.html>.

<sup>42</sup> “GOVERNMENT: Great Game of War Contract,” *Time* (November 16, 1942)  
<http://www.time.com/time/magazine/article/0,9171,932899,00.html>.

hearing.<sup>43</sup> Any manufacturers not closely working with their accountants before the act now had added incentive to rectify this failing.

However, there were several particularly thorny aspects of the act for companies. One was that “there was no measure or definition of normal or excessive profits in the War Profits Control Law.”<sup>44</sup> A second was the disruptive nature of the process to company operations because “the services could march in at any time to examine the books. . . . come as often as they liked, [and] take up any amount of company executives’ time in renegotiating.”<sup>45</sup> A final and perhaps most vexing aspect related to the uncertainty it created. “Renegotiation could be called for at any time until three years after the war’s end, which meant that no company could be sure of its profits (or losses) until that date.”<sup>46</sup> For financial disclosure purposes this was problematic at best. But for financing purposes, it was a nightmare. For if a company could not be certain of its profits, there was no way to assure bankers of its ability to repay working loans. Perhaps U.S. Steel’s Chairman, Irving S. Olds, put it best wryly remarking: “We are in the peculiar position of doing the greatest business in our history and selling our goods without knowing the price we are getting. . . . Any quarterly or six-month financial report of a large corporation engaged in war production is nothing more than a forecast.”<sup>47</sup>

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<sup>43</sup> Ibid. The U.S. Navy had established regional Price Adjustment Boards in San Francisco, Chicago, and New York in addition to one at the main office in Washington.

<sup>44</sup> Walter A. Staub, “The Accountant’s View on Profit Limitation,” *New York Certified Public Accountant* 12, no. 9 (June 1942): 508-517.

<sup>45</sup> “End of Uncertainty?” *Time* (October 5, 1942)  
<http://www.time.com/time/magazine/article/0,9171,773786,00.html>.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

N. Loyall McLaren was one accountant who had “been sleeping and living with renegotiation” since the earliest days of its passage.<sup>48</sup> Well-known on the national level, Loyall McLaren was president of the AIA at the start of the war but enlisted as a Commander in the U.S. Navy following Pearl Harbor. In the Navy, Commander McLaren served as “Chief of the Cost and Audit Division” in the Navy’s Office of Procurement and Material and later as a member of its Price Adjustment Board.<sup>49</sup>

Because of his role as a member of the Navy’s Board, the Commander had a unique perspective on the important role played by his counter-parts -- accountants representing their companies. Commander McLaren observed the real benefits that some companies derived at their hearings by bringing in accounting experts and offered,

I have been impressed with the fact, however, that if the contractor’s independent accountant is a man of stature and experience, that is, if he is one of the partners of the firm or a principal who is a man of considerable experience and ability, it is very helpful, provided that the accountant has been close enough to the affairs of the of his client to make a positive contribution. Just to have him there for “scenery” if the audit has been of a limited nature, is not impressive; frequently, however, the independent accountants have been most helpful in developing important factors in the case that might otherwise have been overlooked.

Questions often arise with respect to the propriety of the treatment of certain costs, as well as other technical accounting matters; hence, it is very important for the contractor to be represented by someone who has a close familiarity with the accounts. The best combination is the comptroller or chief accountant, plus the independent auditor if he has the requisite familiarity with the case.<sup>50</sup>

As an ounce of prevention is worth a pound of cure, public accountants played an even more important role in the early stages of investigation that often precluded any

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<sup>48</sup> N. Loyall McLaren, "Renegotiation of Government Contracts – U.S. Navy Organization and Procedure," *The New York Certified Public Accountant* 13, no. 8 (May 1943): 309.

<sup>49</sup> “Authors of Articles in This Issue.” *New York Certified Public Accountant* 13, no. 8 (May 1943): 323.

<sup>50</sup> McLaren, “Renegotiation.” 313-314.

further inquiries from the Price Adjustment Boards. As related by Commander McLaren, “a great deal of importance attaches itself in the minds of the entire . . . Navy Price Adjustment Board as to whether or not the contractor submits audited figures” in preliminary filings.<sup>51</sup> McLaren added that “the tendency on the part of the members of the board where a war contractor has no auditor is very definitely to look upon the case with a somewhat jaundiced eye.”<sup>52</sup> Often times, when preliminary figures were inconclusive but did not appear to indicate anything that would trigger a deeper investigation, non-accounting members of the Price Adjustment Board would comment, “Well, this company has submitted no audited figures, and consequently I think it might be well to send someone in to have another look.”<sup>53</sup>

The fact that Commander McLaren delivered this information in a public address that was also published for further consumption sent a strong message to all manufacturers holding government contracts – get to know your accountant, be sure your financials are audited, and if called before a Price Adjustment Board by all means bring your controller and your CPA along with you. Probably a stronger message was sent by the War Department Price Adjustment Board who for the year ended May 1, 1943, recovered \$1,866,000,000 in excess profits.<sup>54</sup> The serious financial consequences of renegotiations were not lost upon contractors. Therefore, many accounting firms were called to the assistance of their clients in these matters.

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<sup>51</sup> Ibid., 312.

<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

<sup>54</sup> “PROFITS: Under the Knife,” *Time* (June 7, 1943)

<http://www.time.com/time/magazine/article/0,9171,884991,00.html>; During the first 20 months of contract renegotiation, the Price Adjustment Boards of the Army, Navy, and Maritime Commission saved the Treasury \$5.3 billion – of which \$2.5 billion was actually returned and the remainder saved by negotiating reductions on future deliveries. “Renegotiation Flight,” *Time* (January 3, 1944)  
<http://www.time.com/time/magazine/article/0,9171,885262,00.html>.

One among the multitudes was the Chicago firm of Lester Witte & Company. During the war, the firm “decided to concentrate on those clients who had the most challenging problems involving taxes, contract costs and negotiations and family financial planning.”<sup>55</sup> From the onset of hostilities, many of the firm’s clients were involved in the war effort. As to be expected, the firm soon found itself “deeply involved in contract negotiations;” wage and price control issues, excess profits taxes, and war profits taxes.<sup>56</sup> Even as the hostilities ended, new challenges emerged for Lester Witte & Company, including contract termination. The challenges facing this firm were representative of many faced by the profession on a grand scale.

As the contract renegotiation process operated, it involved accountants every step of the way. Many CPAs aided the Price Adjustment Boards by serving as civilian contractors who conducted much of the initial field work investigations. Eminent accountants, including N. Loyall McLaren and Carmen Blough, served as members of the Price Adjustment Boards. During renegotiation proceedings, accounting firms aided clients who were engaged as contractors or subcontractors by assisting in their initial filings and later, if required, by appearing as expert witnesses before the Price Adjustment boards. Finally, controllers and cost accountants assisted their companies by providing detailed cost and financial data and offering counsel at formal hearings.

## **One War Won**

Whether assisting specific industries--such as aviation, serving those producing the nation’s critical raw materials – such as magnesium, or advising on critical challenges -- such as contract renegotiation, which affected all military manufacturers, accountants

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<sup>55</sup> Betty Lou White, ed., *Perspective 1924-1974: Lester Witte & Company* (Chicago: Witte, 1978), 23.

<sup>56</sup> *Ibid.*



played important roles by strengthening, designing, and implementing the internal controls, processes, and procedures of the war-time defense industries. The complexity and variety of issues they faced were innumerable and unparalleled in the annals of the nation's past. Through their efforts federal ambitions were expressed in workable plans, budgets, and programs. And with their assistance, the war-industries produced and the military procured.

*Time* carried an article in its December 13, 1943, issue entitled "One War Won" that confidently proclaimed "while the great war itself has not been won, the American production war has. . . . The arsenal of democracy has become one long, clanging assembly line, throwing off the weapons of death in unbelievable quantities."<sup>57</sup> The article established the basis for such a lofty assessment by highlighting recent production numbers. By November, 1943, planes were rolling off the assembly lines at the rate of one every five minutes amounting to 8,789 for that month alone. Shipyards were "equipped to turn out more than eight aircraft carriers a month."<sup>58</sup> And the year's production goal for Destroyer escorts of 260 boats had been "completed a month ahead of time."<sup>59</sup> Even the capacity to deliver essential war materials had reached unprecedented levels. In November, 1943, 164 merchant ships were constructed that increased America's total merchant tonnage to 17,194,387 -- a 15-fold increase over 1941 merchant tonnage levels. Perhaps the strongest validation of this American productive victory came in late 1943 from the Soviet Premier Joseph Stalin, who offered, "Without

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<sup>57</sup> Time, "One War Won," *Time*, (December 13, 1943)  
<http://www.time.com/time/printout/0,8816,791211,00.html>.

<sup>58</sup> Ibid.

<sup>59</sup> Ibid.

American production the United Nations could never have won the war.”<sup>60</sup> Although Germany was still a most capable adversary and very much in control of Europe at the time of his statement, Stalin realized the inevitability of the outcome. And American production was the decisive factor.

Through unheralded efforts, many accountants served their country during WW II by working for or advising defense contractors. Though the story of their activities during the war is only partially revealed, what is known is exceptional. Industrial and certified public accountants facilitated manufacturers in the swift and efficient conversion from civilian to military production. New production facilities and techniques called for advanced systems design work. Answering the call, certified public accountants developed advanced process costing, production, and material control systems to name but a few. Through well designed processes and procedures, accountants helped American industry to turn the tide in the armaments race. Rather than merely matching the Axis in industrial output, American manufacturing overtook and outpaced her rivals. Accountants further assisted defense industries during contract renegotiation. The overall effect of their efforts is inestimable.

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<sup>60</sup> Ibid; Stalin used the term United Nations to refer to the Allies. The fact that he used the past tense should not be lost on the reader.

## CHAPTER VI

### THE SOCIETIES AT WAR

With the deepening of the war in Europe, and with the probability of direct U.S. involvement growing daily, the accounting societies began the process of readying their memberships for war. The preparedness efforts of the accounting societies were to such an extent that at the time Pearl Harbor was attacked many leading accountants were already serving in uniform, as advisors to war agencies, or in important civilian posts. Many other accountants followed their lead and volunteered their services for the duration of the war. With the formal declaration of hostilities, the societies' efforts only intensified and remained at a fever-pitch throughout the conflict.

#### **Professional Unity**

There are only about 21,000 Certified Public Accountants in the United States. Their efforts must be coordinated through organization if they are to be effective. The means of organization must be through their state and national professional societies.<sup>1</sup>

The coordinated efforts of the societies were not mere happenstance. The secretary of the AIA revealed that since the 1936 merger of the AIA and the American Society, "close cooperation between state and national bodies has been maintained through the Advisory Council of State Society Presidents."<sup>2</sup> On April 13, 1942, John Carey observed that, now "the organization of professional certified public accountants throughout the country is more tightly knit than ever before."<sup>3</sup> These efforts toward

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<sup>1</sup> "Membership in the American Institute of Accountants," *New York Certified Public Accountant* 12 no. 3 (December 1941): 163.

<sup>2</sup> John L. Carey, "The Accounting Profession in War," *New York Certified Public Accountant* 12, no. 8 (May 1942): 475.

<sup>3</sup> *Ibid.*

professional unity extended beyond the ranks of certified public accountants to include all members of the accounting profession. Mr. Carey hinted at AIA's relationship with the National Association of Cost Accountants when he outlined the basic functions of the AIA. The secretary stated that the Institute was "to maintain close relations with Federal Government agencies and *other national organizations*; . . . to serve as an information clearing house through which the state societies may be promptly informed of all matters which affect their interests . . . [and] to suggest procedures to facilitate united effort by all the state societies."<sup>4</sup>

One of the best illustrations of the profession's solidarity is found in its dealings with the Selective Service headquarters. In February 1942, committees of the National Association of Cost Accountants and American Institute of Accountants engaged in a joint study based primarily on information provided by the state societies. Their study found that a "serious shortage of essential accountants existed, and that the shortage would have an unfavorable effect on the war effort."<sup>5</sup> Based on these findings the two committees, in early March, "requested Selective Service headquarters to issue a bulletin to local draft authorities, suggesting that accountants qualified to perform essential work . . . be permitted to stay where they were."<sup>6</sup> John Carey went on to state that, if this recommendation were approved, it would fall to the state societies to cooperate with their local Selective Service boards in the implementation of this proposal.

Nor was this the only area where close cooperation would be required. Mr. Carey also pointed to the Institute's recently published information tract that promoted adoption of the natural business year and again recognized that the support of the state societies in

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<sup>4</sup> Ibid: italics imposed.

<sup>5</sup> Ibid., 471.

<sup>6</sup> Ibid.

promoting the concept and distributing the tract would be essential for the success of this effort.<sup>7</sup>

The effects of this close relationship that existed between the professional societies are several. First, the accounting profession was able to marshal its forces and present unified requests to legislative and military authorities. Rather than flooding bureaucrats with a hodgepodge of conflicting proposals from a host of different accounting organizations, the profession instead offered clear recommendations that permitted neither distortion of message nor conflicting viewpoints to occur. This not only reduced the number of competing recommendations but also served to add weight to their own proposals.

Second, the accounting profession, though numerically small, was able to exert a greater influence on the course of events affecting their members than their numbers would have suggested because they acted synergistically in a common cause. When the leading members of the profession spoke before those in authority they did so with the backing of the entire profession. With both the national and state societies echoing the same proposals to legislators, their requests were more likely to be accepted.

Third, due to their close cooperation, it becomes quite difficult to assign credit for the success of various proposals to any one society, national or state, because they were working in collaboration on most of the major issues of the war. Likewise, many individuals of outstanding ability frequently possessed multiple society memberships. Thus, their achievements during the war do not redound to the glory of any one society but to the profession as a whole. Accordingly, little attempt is made in the following sections to attribute unified achievements to individual organizations.

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<sup>7</sup> Ibid., 476.

One aspect of the professional societies' war effort was without doubt inspirational. They actively supported and encouraged service to the nation and championed their members thus engaged. That many heeded this call, chapters three, four, and five clearly evidence. What is difficult, if not impossible, to determine is whether the societies created this spirit of volunteerism among their membership or just merely reinforced it. For many, this spirit of volunteerism arose from within based on the bedrock of pride for country, liberty, and God. For others still it emanated from their peers and associates who were heeding the call. And some no doubt were influenced to serve by their professional affiliations.

What is more readily determinable are the efforts of the societies to rally their memberships and ready them for the frequent changes brought about by the war. These efforts are apparent in the work of the committees they created, and the publications they issued. Their efforts are further seen in the actions of their presidents, past-presidents, and eminent members. These will be the study and focus of chapter 6: The Societies at War.

## **Leadership**

Every man owes some of his time to the upbuilding of the profession to which he belongs. Theodore Roosevelt

During World War II, members of the AIA, NACA, and state societies were busily engaged in a variety of tasks for the government and war industries. Noteworthy members of the societies including a number of presidents, vice-presidents, and ranking members served in uniform. Others advised key governmental agencies, and industrial sectors. Tone at the top is one of the key elements evaluated in assessing the internal control of a company. It also certainly serves as an appropriate gauge in assessing the

level of the accounting profession's commitment to the war effort. The leaders of the profession, past, present, and future, turned out in mass to serve their nation. Their actions clearly signaled to all in the accounting profession that accountants should fulfill their duties to their nation in whatever capacities they were called upon. This signal was not lost upon the membership of the profession.

While the actions of prominent accountants are examined in chapters three and four, this section is focused on their actions as leaders of the profession -- the direction they provided and the motivation they engendered. That this is a somewhat arbitrary division of their societal activities from their war-time occupations is readily acknowledged. However, this division is required to ascertain the impact of the societies, rather than the men, during this crucial period.

In carrying out the massive governmental expenditures for emergency war facilities and war production, various types of contracts were developed each with their own particular auditing requirements.<sup>8</sup> As conditions changed contracts were terminated. Government agencies such as the Office of Price Administration created an abundance of new reporting requirements for corporations. Congressional authorities passed a flurry of new laws, which further added to the confusion. This flood of activity greatly expanded the need for accountants. Recognizing the significance of their occupation to the war effort, the leadership of the profession sounded forth a clear consistent call to the profession to meet the challenges of this rapidly changing environment. Their calls did not go unheeded but rather inspired the profession to bear the burdens of war.

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<sup>8</sup> Four of the more commonly used contracts were the: 1) Cost-plus- a-fixed-fee, 2) Lump-Sum or fixed-price, 3) Defense Plant Corporation Contracts, and 4) Emergency Plant Facilities (E.P.F.) contracts. For more detail see "Answers to Questions Presented by the New York Chapter of the Robert Morris Associates," *The New York Certified PublicAccountant* 12, no. 7 (April 1943): 416.

An excellent example of setting the proper tone at the top can be seen in that of John H. Zebley. On December 9, 1941, he wrote to President Roosevelt in his official capacity as the President of the Pennsylvania Institute of Certified Public Accountants (PICPA). In his letter, President Zebley pledged the support of the Institute “in this hour of grave national emergency.”<sup>9</sup> Speaking for the profession, Zebley assured that

Certified public accountants not only of Pennsylvania but throughout the Nation have for quite some time been actively engaged upon work connected with the War and Navy Departments and with many of the Defense Agencies. We shall continue to be at your command for the duration of the emergency.<sup>10</sup>

Even while war was still distant on the horizon, the leaders of America’s accounting societies were preparing their members for the troubles that lay ahead. In his inaugural address on the evening of October 20, 1941, New York Society President Andrew Stewart stated, “that, during the coming year, many new problems will have to be faced and many new sacrifices will have to be made. In fact, the coming year promises to be undoubtedly the most important in the history of our profession”<sup>11</sup> He continued that their ability to meet the coming challenges arising from new tax laws, and governmental and private sectors in relation to the defense program would provide an opportunity for the profession to prove its worth. Acknowledging the numerous members already working in various aspects of the country’s defense program, President Stewart recognized that, “much more is likely to be asked of us, and I am sure that . . . all

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<sup>9</sup> John H. Zebley, “Letter From Pennsylvania Institute to President Roosevelt,” Pennsylvania Institute of Certified Public Accountants Council Minutes (in Institute’s possession), 29.

<sup>10</sup> Ibid.

<sup>11</sup> Andrew Stewart, “October Meeting,” *The New York Certified Public Accountant* 12, no. 2 (November, 1941): 85-86.



assistance to Government of which we are capable will be willingly and promptly given.”<sup>12</sup>

Immediately following Pearl Harbor, many accountants were ill-at-ease and unsure of the direction they should take or how they might best aid in the war. At this point of crisis, many leaders of the profession stepped forward to allay fears and uncertainties. One such leader was New York Society President, Mr. Andrew Stewart. On the evening of January 12<sup>th</sup>, 1942, President Stewart opened the society’s monthly meeting with the following:

The fact that we meet here tonight on schedule means that your Board of Directors, after serious consideration, has decided that, notwithstanding the fact that we are at war, we should carry on with confidence that we, too, have a serious duty to maintain as far as we can, the important service we render to society and, in so doing, to make our contribution to ultimate victory. Those of us who do not join the armed forces will be beset with many problems and faced with long hours of arduous labor. For the most part, we shall have to get along with reduced staffs and the profession as a whole will have to make many sacrifices.<sup>13</sup>

Continuing, Mr. Stewart highlighted the overall stance taken by the New York Society in observing that the Board of Directors had decided to continue all of the Society’s tax, technical and monthly meetings. He expressed with hope “that all of this effort will be not merely an aid to all members in the exercise of their professional functions but also an *inspiration* to them to aid the national interest in many other ways.”<sup>14</sup>

In May 1942, the New York Society selected a new president Mr. J. Arthur Marvin and Mr. Andrew Stewart, who would step down as president on October 1<sup>st</sup>, was elected to a three-year term on the Board of Directors. Although a change in

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<sup>12</sup> Ibid.

<sup>13</sup> Andrew Stewart, “January Society Meeting,” *New York Certified Public Accountant* 12, no. 4 (January, 1942): 239.

<sup>14</sup> Ibid; [italics added].

administration in Washington often results in a change in priorities and direction, such was not the case in the New York Society. In his acceptance speech, Mr. Marvin pledged that the Society's officers and directors would endeavor "to maintain the high standard of accomplishment that has been set by those who have served you as officers and directors in the past" and to meet the pressing demands brought about by the war.<sup>15</sup> Mr. Marvin further recognized that the success of their efforts hinged on the memberships' cooperation and acknowledged, "We know, that we can only do this with your help. We also know that many of our members have been called into the services for active duty. In order to fill their places it may be necessary for your officers to ask many of the older members of our Society to again become active."<sup>16</sup>

As for his priorities, President-elect Marvin left no room for doubt stating,

our first task during the year ahead . . . is for us as citizens, and as members of the accounting profession, to make the largest possible contribution to the winning of this war. Confronted with a shortage of personnel, and with changed business conditions and a new and developing tax structure, we must redouble our efforts and discharge our responsibilities with strict adherence to those professional standards that have governed our past efforts.<sup>17</sup>

For those who may have thought Mr. Marvin overstated the essential role of accountants in this war, he clearly expounded on the basic purpose of accounting. He observed that accountancy provides enlightened guidance for management and was "the means of determining the degree of efficiency" of operations.<sup>18</sup> To illustrate his point, Mr. Marvin offered that the vast armaments industries relied "upon sound accounting records and procedures" to control their production process and enable "efficient,

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<sup>15</sup> "Election of Officers," *New York Certified Public Accountant* 12, no. 8 (May, 1942): 454.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*

maximum output of the finished article.”<sup>19</sup> He direly warned that “without the services of accountancy, there [was] scarcely a company in the country but that would bog down. Instead of progress toward victory, we would have chaos leading to defeat.”<sup>20</sup>

Another aspect of effective leadership, which was ably demonstrated by leaders of the New York Society, is consistency of message. Each president of the New York Society, like his predecessor, addressed the membership at the beginning of each year and reaffirmed the level of commitment and duty that each accountant owed to his society, profession, and nation in the time of war. With each successive administration accentuating the same goals, the New York Society fostered continuous support for the war effort and strengthened the call to their members to serve the nation in whatever capacity they found themselves with all their might. This common theme, being advanced by many in leadership, represented more than the aspirations of a select group but was in truth an expression of the desires and dedication of the society as a whole toward furthering the war effort.

Following the Pearl Harbor attack, President Stewart addressed the members of the New York Society with this message in the society’s main publication.

We face the new year with one main objective --- to render all possible service to our country. Our profession has responded promptly to all calls made upon it since the beginning of the present emergency and it stands ready to continue to serve whole-heartedly. Many opportunities for necessary service will arise in the near future, and I ask all members of our Society to cooperate to the utmost of their ability.

When victory shall have been achieved, it will then be said of us that we also served our country faithfully and well.<sup>21</sup>

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<sup>19</sup> Ibid., 455

<sup>20</sup> Ibid., 454-455.

<sup>21</sup> Andrew Stewart, “Message from the President: To the Members,” *New York Certified Public Accountant* 12, no. 4 (January, 1942): 237.

In like fashion, President J. Arthur Marvin in January of 1943 offered:

Our aim as individuals and as a Society is to give all possible aid to our country in the winning off the war. As we enter 1943. The results of last year's efforts by the American people are already manifest. But it is not yet the occasion for satisfaction over what has been accomplished. It is rather the time when we must apply new energy and intensify our efforts, in support of our armed forces and our government in every measure which in their opinion will bring victory nearer.

Each Member of the Society must determine the means by which he can make the greatest contribution in this common purpose. I know that all will continue to give unstintingly of their time and abilities. We can find faith and satisfaction in the knowledge that we can never serve a cause more noble.<sup>22</sup>

In January 1944, President Saul Levy, following the same format, rallied:

As the curtain rises upon the new year, we find the world stage set for events of the most fateful significance for everyone of us, wherever we may be and whatever we may be doing. We are confident that history will record 1944 as the year of military decision, but we fervently pray that total victory may come sooner and at a lighter cost than we dare to expect. The freedom loving peoples of the world are now unified in war strategy, and are well equipped and fully mobilized for our all-out offensive. Yet we must realize that probably most of our fighting still remains to be done. Nearly all of the rehabilitation and reorganization of a war tortured world lies ahead of us.

Each one of us living in this turbulent period inevitably is being called upon for his utmost contribution toward the winning of the war and the rebuilding of civilization. The ultimate transition forward to an enduring peace economy will involve problems more difficult and all embracing than the human mind can visualize.

Let us all continue to reach out for whatever responsibility we can assume and whatever active part we can play in the vast program of war and peace. Let us all resolve that our efforts individually and collectively will prove worthy of the valor and idealism of our combat forces who are daily making every sacrifice on the field of battle in the faith that their own reward will be the assurance of a better world for all who survive.<sup>23</sup>

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<sup>22</sup> J. Arthur Marvin, "Message from the President: To the Members," *New York Certified Public Accountant* 13, no. 4 (January, 1943).

<sup>23</sup> Saul Levy, "Message from the President: To the Members," *New York Certified Public Accountant* 14, no. 4 (January, 1944).

With these words, the presidents of the New York Society provided a steady stream of encouragement to the membership and recognized a guiding principle that all members must “render all possible service,” “give all possible aid,” and contribute their “utmost” to their country in the winning of the war.<sup>24</sup> Delivered time and again, this steadfast message revealed the clear consistent course of the profession during World War II.

The final war-time president of the New York Society was Mr. Henry A. Horne. In May of 1944, just weeks prior to the D-Day landings in France, Mr. Horne, offered the following remarks.

This is a time of great events. It may well be that, as we sit here tonight, the greatest military adventure of all time is being launched. Our men will be in it and some of them will be lost. Our men – members of this society – were in the assault at Casablanca and in the landings on Sicily. That is what we expect of our men because they are men – in every sense of the word. Our men are Americans – patriotic, intelligent and resourceful. The young men are in uniform, following the flag on the land, at sea, and in the air. Older men are giving their services to the nation in the places where best they can use the skills, competencies and abilities that have become theirs through years of professional practice.<sup>25</sup>

Mr. Horne’s remarks were without doubt intended to inspire the continued efforts of those at home by having them reflect on the ultimate price that other accountants had or would shortly be called to make in the defense of liberty. If these young accountants in uniform could perform the work of men, then accountants at home were left little room for objection, refusal, or complaint because of their own burdens.

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<sup>24</sup> Andrew Stewart, “Message from the President: To the Members,” *New York Certified Public Accountant* 12, no. 4 (January, 1942): 237; J. Arthur Marvin, “Message from the President: To the Members,” *New York Certified Public Accountant* 13, no. 4 (January, 1943); Saul Levy, “Message from the President: To the Members,” *New York Certified Public Accountant* 14, no. 4 (January, 1944).

<sup>25</sup> Henry A. Horne, “Election of Officers,” *The New York Certified Public Accountant* 14, no. 8 (May 1944): 341. Mr. Horne was elected on May 8<sup>th</sup> 1944 and assumed his duties as President on October 1, 1944.

The leadership of the New York Society was not alone in its quest to motivate and mobilize the profession for war. In a speech given on April 13, 1942, John Carey, the secretary of the AIA, recited the questions that were foremost on the minds of accountants around the country “What can I do? What should I do?”<sup>26</sup> His answer was direct and simple. “Everyone must, as quickly as possible, devote his maximum energies to work which will help win the war -- not only military service and war production, but also work essential to maintain the civilian population and preserve the economic structure which must support the war effort.”<sup>27</sup> Getting more specific, Carey addressed the question “How shall the accounting profession convert to war?” and offered a three-part reply.<sup>28</sup> He observed:

1. It must release its younger members and students for service in the armed forces, just as other vocational groups must do.
2. It must make available some of its more experienced members for service to government war agencies, in which their special technical ability is needed.
3. It must then, despite great gaps in its ranks, render necessary professional services which will facilitate production and efficient operation in war industries and in businesses essential to wartime civilian economy.<sup>29</sup>

The AIA secretary calmly reassured accountants that they would fill a vital need of the country in whichever capacity they were called upon and that the profession had a plan for meeting the requisite demands of war. Carey further assured them that efforts were ongoing with the Selective Service, not to obtain the blanket deferments of accountants, but rather to obtain full consideration by the draft boards to the vital role that

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<sup>26</sup> John L. Carey, "The Accounting Profession in War," *New York Certified Public Accountant* 12, no. 8 (May 1942): 470.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

accountants served in furtherance of the war effort –“in control of government expenditures, collection of government revenues, and coordination of industrial production facilities.”<sup>30</sup>

To meet the challenges associated with the second problem, Mr. Carey confirmed that since last fall representatives of the AIA had been in close contact with major “accounting officers in the Army, Navy, Maritime Commission, Defense Plant Corporation, O.P. M. (now War Production Board), Office of Price Administration, Federal Bureau of Investigation and the Civil Service Commission.”<sup>31</sup> Because clear “channels of communication” had previously been established between the AIA and these agencies, the Institute had referred many available accountants to those requesting assistance.<sup>32</sup>

Having addressed the first two problems, the AIA secretary moved to the third and discussed the essential services of accountants on the home-front. Carey suggested that “financial and business operations of the country would probably bog down completely if all accountants went to war.”<sup>33</sup> Highlighting the multifaceted roles that accountants played in the U.S. economy, Carey observed that “taxes must continue to be paid, companies must continue to render financial reports to stockholders, banks will continue to demand audits for credit purposes, [and] financial and cost accounts will continue to be necessary to the operation of essential business.”<sup>34</sup> To meet these home-front demands, Mr. Carey responded that firms would likely have to “reduce non-essential work,” to employ women and older men to fill staff vacancies, and “to do

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<sup>30</sup> Ibid., 471.

<sup>31</sup> Ibid., 472.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid., 474.

<sup>34</sup> Ibid.

everything possible to spread the work, by fostering adoption of the natural business year, seeking extensions of time for filing reports to governmental bodies, and doing as much audit work as possible in interim periods.”<sup>35</sup> With the country only four months into the war, Mr. Carey, an encouraging personality, provided a clear outline of what accountants must face and how best they could respond to the demands of war.

John Carey also understood that a great trait of those in leadership is a willingness to acknowledge the accomplishments of others. Accordingly, Mr. Carey concluded his address by recognizing the “splendid contributions already made by many members of the profession.”<sup>36</sup> He observed that many young accountants had joined the fighting branches of the service. Others he noted, “too numerous to mention,” were serving in key posts.<sup>37</sup> Yet Carey specifically acknowledge the service rendered by a few -- Norman Loyall McLaren, Andrew Stewart, Arthur H. Carter, George P. Auld, C. Oliver Wellington, Eric A. Camman, Maurice E. Peloubet , Thomas H. Sanders, and Herbert F. Taggart. Mr. Carey concluded by stating, “the profession is fortunate in its leadership, and will find these examples encouraging in attacking its three-fold war problem.”<sup>38</sup>

The leaders of the profession while stirring accountants into action and allaying their fears, offered greater service than mere words. One of the best traits of those who would be leaders is the understanding that actions speak louder than words. The actions of the previously mentioned flag bearers of the profession attest to this truth. These leading accountants, who represented some of the best that the profession had to offer, were working in a host of key positions within the Army, Navy, War Production Board,

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<sup>35</sup> Ibid., 475.

<sup>36</sup> Ibid., 476.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.



and Office of Price Administration. This group of men included not only the current presidents of both the AIA and NYSSCPA but also two former presidents of each. By their actions these leaders spoke volumes during this trying period.

Two key professionals, Mr. Carter and Mr. Stewart demonstrated great leadership through their actions. In March 1941, NYSSCPA President Andrew Stewart and past-president Arthur H. Carter received word that their services were needed in Washington D.C. As managing partner at Haskins & Sells, Arthur Carter was a nationally prominent figure who had served as president of the New York Society for three consecutive years, as the president of the National Association of Cost Accountants, as a vice-president of the AIA and as a Colonel in the First World War.<sup>39</sup> Likewise, President Stewart, as leader of the New York Society, had many important responsibilities. Nevertheless, both men laid aside their duties as partners at Haskins & Sells in order to assist the Under Secretary of War, Mr. Robert P. Patterson.

Arriving on March 26<sup>th</sup>, Colonel Arthur H. Carter assumed the responsibilities of Executive Accountant in the Under Secretary of War's Office and was tasked with organizing "a department in the Purchase and Contract Branch."<sup>40</sup> Five days later Andrew Stewart joined Carter in Washington and served with him until October, 1945.<sup>41</sup> By April 15, 1941, Mr. Harold R. Caffyn, T. Coleman Andrews, and John A. Lindquist, all AIA members, joined Carter and Stewart.

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<sup>39</sup> *New York Times*, "Major General Arthur Carter Dies; Senior Partner in Haskins & Sells," January 5, 1965, special edition, 33.

<sup>40</sup> Edwin E. Leffler, "Audit Procedure on War Department Construction Contracts," *New York Certified Public Accountant* 12, no. 1 (October, 1941): 42; Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 92.

<sup>41</sup> Haskins & Sells, *Our First Seventy-Five Years*, (New York: Haskins & Sells, 1970): 92.

With the outbreak of war, Brigadier General Arthur Carter and his deputies only saw their responsibilities in Washington increase. Carter, in recognition of his increasing duties, had been promoted to Brigadier General in October, 1941. Likewise, Andrew Stewart “was commissioned a Lieutenant Colonel in March 1942.”<sup>42</sup> These two leaders of the profession were joined by a third in the person of Lieutenant Colonel Morris C. Troper who served with them in the Army Service Forces.<sup>43</sup> Morris Troper, like Carter and Stewart, had also served as president of the New York State Society of Certified Public Accountants.

In March of 1942, a major reorganization of the War Department took place resulting in the formation of the Services of Supply.<sup>44</sup> With a change in its name to better reflect its duties the Army Service Forces came into being the following year. This organization assumed many of the duties of the War Department along with the procurement functions of the Under Secretary of War’s office.

Following this reorganization the Brigadier General assumed even greater standing. As early as April 13, 1942, Carey reported that General Carter now “stands at the head of the entire financial and budgetary administration of the Army.”<sup>45</sup> His area of command, the Fiscal Division of the Army Service Forces, represented an area where a virtual ‘who’s who’ of the accounting profession assembled and made substantial contributions to the administration of the Army’s fiscal program. Presidents, past, present, and future reported for duty. These men served as a compelling reminder of the

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<sup>42</sup> Ibid.

<sup>43</sup> “Lieut. Col. Andrew Stewart,” *New York Certified Public Accountant* 12, no. 8 (May 1942): 457.

<sup>44</sup> Millett, *Army Service Forces*, 32-33

<sup>45</sup> John L. Carey, “The Accounting Profession in War,” *New York Certified Public Accountant* 12, no. 8 (May 1942): 475.

seriousness of the war and were frequently recognized in the publications of the accounting profession. Furthermore, through their actions these men encouraged older accountants to volunteer their services in full support of the war effort and younger accountants to enlist in the nations' military.

Carter and his cohorts in the Army Service Forces were not the only accountants who led by example. The leadership of the AIA likewise provided other compelling examples. One of the most compelling examples was that of the Institute's president.

N. Loyall McLaren, the senior partner of the San Francisco firm of McLaren, Goode & Company, was a prominent west-coast accountant who had served as president of the California Society of Certified Public Accountants, and on numerous committees of the AIA.<sup>46</sup> At the time of his election to the presidency of the American Institute of Accountants, in September 1941, Mr. McLaren, had already "been appointed chief supervising auditor of the Twelfth Naval District."<sup>47</sup> However, when America was plunged into war, President McLaren decided to formalize his relationship with the U.S. Armed Forces. Accordingly, President McLaren enlisted for service in the U.S. Navy immediately following Japan's attack at Pearl Harbor. Years later, when reflecting on his presidency, Mr. McLaren quipped, "I was the unquestionably the worst president of the American Institute they ever had, because I did practically nothing."<sup>48</sup> When asked on follow-up if this was because of his enlistment in the service, President McLaren answered affirmatively.

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<sup>46</sup> Carey, *Responsibility and Authority*, 45.

<sup>47</sup> "Newly Elected Officers 1941-1942," *The Certified Public Accountant* 21, no. 10 (October 1941): 8

<sup>48</sup> N. Loyall McLaren, *Norman Loyall McLaren, Business and Club Life in San Francisco: Recollections of a California Pioneer Scion*, An Interview by Gabrielle Morris and Ruth Teiser, The Society of California Pioneers Oral History Series, The Bancroft Library, (1977-1978), 200. <http://www.archive.org/stream/clublifinsanfran00mclarichclublife#page/200/mode/2up>.

However, there are different ways to define leadership. McLaren's actions, whether by design or circumstance, alerted the profession to the seriousness of the situation and without question caused more than a few members to reevaluate their own priorities. Additionally, McLaren sought to provide for a smooth transition of power so as not to leave the AIA without direction. In his own words, "at the very beginning, that is in December, 1941 – I appointed the two vice-presidents, both as acting presidents. And then it was up to them to decide how they'd divide their duties between them."<sup>49</sup>

John Carey, who was traveling with the AIA President at the time, recalls the actions of President McLaren in a much more charitably light. In his history of the accounting profession Mr. Carey recorded that,

on December 7, 1941, President McLaren and the secretary of the Institute were relaxing in the lounge of a Pullman car headed west, where they were to fulfill speaking engagements at state society meetings. Over the radio came the news of the Japanese attack on Pearl Harbor. After a period of shocked silence, Mr. McLaren said, "This means war. I am going into uniform."<sup>50</sup>

Approximately a year earlier the AIA President, C. Oliver Wellington, had embarked on a similar series of lectures. "Six state societies of certified public accountants and state society chapters honored the president of the Institute by a series of dinners, which were attended by a total of approximately 1,500 persons."<sup>51</sup> President Wellington not only addressed the dinner guests each evening but also "discussed the services of accountants in radio interviews with prominent bankers in four cities."<sup>52</sup> This well-received trip garnered ample newspaper coverage. Moreover, the trip helped to

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<sup>49</sup> Ibid.

<sup>50</sup> Carey, *Responsibility and Authority*, 45.

<sup>51</sup> "Trip of President," *The Certified Public Accountant* 21, no. 1 (January 1941): 1.

<sup>52</sup> Ibid.

foster stronger ties “between the Institute and the state societies” while “substantially” aiding the Institute’s public image.<sup>53</sup>

Indubitably, a similar program had been planned for President McLaren. The December issue of *The CPA Journal* reported that “a series of luncheon and dinner meetings [had been] arranged this month for Norman Loyall McLaren.”<sup>54</sup> The AIA President’s first address was delivered on December 8, 1941, in Indianapolis at “a dinner given in his honor by the Indiana Association of Certified Public Accountants.”<sup>55</sup> Mr. McLaren was less than impressed with his own performance. By way of explanation he stated, “my prepared speech was predicated about this country’s continued peace. . . . I interpolated appropriate references to the Pearl Harbor tragedy, and particularly what appeared to be in store for us, but on the whole the dinner and particularly my speech were both complete flops as I expected.”<sup>56</sup>

Two days later on the tenth of December, the Members’ Assembly of the St. Louis Chamber of Commerce and the Missouri Society of Certified Public Accountants cohosted a luncheon in McLaren’s honor at St. Louis’ Hotel Statler.<sup>57</sup> This time President McLaren tossed his planned speech “and replaced it with a patriotic speech.”<sup>58</sup> He focused on “the responsibility of the accounting profession in the prosecution of the war, not only in serving in important civilian posts but also in uniform.”<sup>59</sup> In an interview, many years later, McLaren was jokingly asked, “Now, how would you go

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<sup>53</sup> Ibid.

<sup>54</sup> “President’s Trip,” *The Certified Public Accountant* 21, no. 12 (December 1941): 1.

<sup>55</sup> “President’s Trip,” *The Certified Public Accountant* 21, no. 12 (December 1941): 1.

<sup>56</sup> McLaren, *Norman Loyall McLaren*, 181.

<sup>57</sup> “President’s Trip,” *The Certified Public Accountant* 21, no. 12 (December 1941): 1.

<sup>58</sup> McLaren, *Norman Loyall McLaren*, 181.

<sup>59</sup> McLaren, *Norman Loyall McLaren*, 182.

about being patriotic to accountants? Were you going to mobilize them all for the war effort?”<sup>60</sup> His answer was a simple and direct, “Yes.”<sup>61</sup>

Based on the original plan, President McLaren was scheduled to speak in approximately eight cities. But war has a way of changing priorities. On December 11<sup>th</sup>, the Chicago Chapter of the Robert Morris Associates and the Illinois Society of Certified Public Accountants honored Loyall McLaren by cohosting a dinner for him at the Union League Club. By his own admission, “after dinner I took a night plane to San Francisco instead of completing my speaking tour. Before the end of the year I was commissioned as a commander in the United States Naval Reserve.”<sup>62</sup>

The secretary likewise remembered that, “shortly after, [McLaren] was sworn in as an officer of the United States Navy with the rank of commander, and later promoted to captain, serving as chief of the cost and audit division of the Office of Procurement and Material. He offered to resign as president of the Institute, but the executive committee rejected this offer.”<sup>63</sup> Although, President McLaren may have been unaware of the message his enlistment was sending to the profession, it is clear that this was not lost upon the executive committee of the AIA – they were proud to claim him as one of their own.

The presidents of the New York Society and the Institute were joined by numerous other leaders in their efforts to calm, inspire, motivate and mobilize the profession. With America in great peril, leaders of the profession stood firm in their commitment and unwavering in their support by consistently making the war priority

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<sup>60</sup> McLaren, *Norman Loyall McLaren*, 182.

<sup>61</sup> McLaren, *Norman Loyall McLaren*, 182.

<sup>62</sup> Ibid.

<sup>63</sup> Carey, *Responsibility and Authority*, 45.

number one. Leading by example, the presidents of two of the largest professional societies, the AIA and NYSSCPA, enlisted and served with distinction in critical capacities during WW II. Their service, like the light from a watchtower, could not be hidden. By their actions, the leaders of the profession inspired many accountants to follow in their wake. By their service, these leaders established a lasting legacy for the profession.

### **Committees**

During World War II, the American Institute of Accountants (AIA), the precursor of the American Institute of Certified Public Accountants (AICPA) was one of the largest and most influential of all the accounting societies in America. Nation-wide in scale, the AIA had, as recently as 1936, absorbed the American Society of Certified Public Accountants and emerged as the preeminent national accounting organization. A key component of the AIA's leadership program involved the use of committees to address a variety of professional issues confronting its members. Many AIA committees operated on a fairly permanent basis, while others were constituted as various needs arose. But whether permanent or temporary, all the committees were affected by the war and many were created to specifically deal with the complexities arising from WW II.

N. Loyall McLaren, president of the AIA, discussed some of the prewar efforts of the committees in an article published in the *Canadian Chartered Accountant* in October 1941. He observed:

Today one of the major activities of the American Institute of Accountants revolves around a number of committees which are in almost constant touch with Washington agencies. The Institute's committees dealing with governmental matters are rendering an extremely valuable service to the public as well as to our Federal administration and the profession. An

amazing number of man hours has been devoted to Institute work by committee members during the past few years.<sup>64</sup>

President McLaren continued further by identifying two of the standing committees whose work had greatly enhanced the “enlargement of our professional stature” namely the Committee on Accounting Procedure and the Committee on Federal Taxation.<sup>65</sup>

The first of these which functions in collaboration with the research department of the Institute, has approached its task in a scholarly manner, and it is interesting to note that its large personnel includes representative Certified Public Accountants throughout our country as well as a number of outstanding educators. It deals principally with controversial questions relating to accounting theory, and it is safe to say that when it has reached final conclusions after exploring these questions, the weight of authority behind its findings is such as to exert a profound influence. The Committee on Federal Taxation has been a wholesome influence in dissuading Congress from including ill-advised and precipitous provisions in the Revenue Acts. One of its major tasks, regrettably delayed in accomplishment, is to incorporate in our Federal Taxing statute a provision for the creation of a non-partisan and impartial body of experts whose duty would be the complete revision of our Federal tax laws on a scientific and equitable basis.<sup>66</sup>

The close association existing between Institute committees and governmental agencies before the war permitted the profession greater influence than their numbers would have otherwise suggested. At that date, the AIA had only 6,000 members and a budget of only \$227,000 for expenditures for the Institute and its committees.<sup>67</sup> However, because of the good existing relationships, the accounting profession was well-positioned and primed to function as a vital cog in America’s military effort when the war began.

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<sup>64</sup> N. Loyall McLaren, “The Evolution of American Accountancy,” *Accountants Digest* 7, no. 2 (December 1941) 176. Previously published in *The Canadian Chartered Accountant* (October, 1941).

<sup>65</sup> *Ibid.*, 177.

<sup>66</sup> *Ibid.*

<sup>67</sup> *Ibid.*



### AIA Committees

As identified by President McLaren, one of the most important and influential of all the AIA committees during the war was the Committee on Accounting Procedure, better known as CAP. The Committee on Accounting Procedure, which represented the AIA's standard setting body, was the forerunner of the Accounting Principles Board and the Financial Accounting Standards Board, the current standard setting body. During the late 1930's, the AIA became increasingly aware that either the AAA or the SEC might take over standard setting if changes were not forthcoming. Accordingly, the AIA responded to these threats.

In September 1938, the AIA Council approved an increase in the size of the Committee on Accounting Procedure and further authorized a full-time research staff to assist the CAP members in the prescription of specific standards.<sup>68</sup> The new twenty-two member board included many leading members of the Institute and was effectively led by George O. May – though he technically was only vice-chairman. The board included A. C. Littleton, Roy B. Kester, William A. Paton, Carman G. Blough, George D. Bailey, Arthur H. Carter, and Walter A. Staub along with fourteen others, all of whom were partners or leading men in their firms. As for the research staff, Professor Thomas Sanders from the Harvard Graduate School of Business Administration headed the group whose purpose was to analyze and prepare reports on specific questions, and issue them as directed by the CAP.<sup>69</sup> The committee wasted little time. By September of the following year the CAP issued three Accounting Research Bulletins (ARB). Over the

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<sup>68</sup> John Carey, *The Rise of the Accounting Profession: To Responsibility and Authority, 1936-1969*. (New York: American Institute of Certified Public Accountants, 1970), 12-13; Miranti, Paul J. *Accountancy Comes of Age: The Development of an American Profession, 1886-1940*. (Chapel Hill: University of North Carolina Press, 1990), 174.

<sup>69</sup> Ibid.

next two years an additional nine Accounting Research Bulletins were issued, so that by September 1941, a total of twelve ARBs had been issued.<sup>70</sup> Foreshadowing events to come, one of the twelve, ARB No. 4, dealt with the ongoing war in Europe.<sup>71</sup>

On December 7, 1941, all the fears of the American people were realized as a Japanese surprise attack on Pearl Harbor thrust the United States into War. No longer on the sidelines, no longer just the Arsenal of Democracy, America was at war. Now the full weight and power of America's industrial might was brought to bear against the enemy. Spurred by a flurry of government spending, the war industry responded mightily; but someone had to sort out how to account for it all. That task fell to the Committee on Accounting Procedure and consumed a majority of their time throughout the war.

From January, 1942, to April of 1945, CAP issued a total of thirteen ARBs – No. 13 through No. 25. Of this total, three, ARB No. 16, No. 20, and No. 22, were merely terminology reports striving for a definition of “Depreciation.”<sup>72</sup> Of the remaining ten substantive ARBs, seven were directly related to the war.

The first of these, ARB No. 13, was issued in January 1942. Titled “Accounting for Special Reserves Arising out of War,” the Bulletin dealt with the appropriate accounting treatment of special war reserves.<sup>73</sup> According to the Bulletin's opening paragraph, the CAP was, “primarily concerned with the treatment of such reserves in the financial statements of organizations which are substantially engaged, directly or

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<sup>70</sup> Carey, *Responsibility and Authority*, 14-15.

<sup>71</sup> American Institute of Accountants, “Foreign Operations and Foreign Exchange,” Accounting Research Bulletin, no. 4, (Dec. 1939).

<sup>72</sup> The committee on terminology utilized only three of the CAP board members to issue ARBs of a definitional nature.

<sup>73</sup> American Institute of Accountants, “Accounting for Special Reserves Arising Out of the War,” Accounting Research Bulletin, no. 13, (Jan. 1942).

indirectly, in production for war purposes, or are materially affected by conditions growing out of the war.”<sup>74</sup> The committee faced the difficult task of aligning two basic accounting principles, matching and objectivity. Overall, the CAP held the former to be the more crucial of the two; but on the latter point rejected any notion that financial statements could be presented that comingled reasonably determined figures “with others representing mere conjecture.”<sup>75</sup> In ARB No. 13, the CAP identified eleven conditions that might require such reserves and presented the methods for accounting for potential or actual war losses. On one point the CAP was adamantly clear “it is not permissible to create reserves for the purpose of equalizing reported income.”<sup>76</sup>

With government spending at unprecedented levels, new and unique funding opportunities were constantly being sought. The Treasury Department devised a novel method to facilitate the financing of America’s defense program by permitting those liable for certain federal taxes to purchase United States Treasury tax anticipation notes. At maturity the interest bearing notes could then be applied against a company’s outstanding tax liabilities. The massive popularity of this program is well illustrated by General Motors that purchased \$150,000,000 of such notes in one day.<sup>77</sup> The committee responded to this novel method by issuing ARB No. 14 “Accounting for United States Treasury Tax Notes” in January, 1942.<sup>78</sup> In ARB No. 14, the CAP recognized an exception to the “general rule of accounting that the offsetting of assets against liabilities

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<sup>74</sup> Ibid.

<sup>75</sup> Committee on Accounting Procedure, “Accounting Research Bulletin No. 13,” (AIA, 1942) in *New York Certified Public Accountant* 12, No. 5 (February 1942) 334 -336.

<sup>76</sup> Ibid., 334.

<sup>77</sup> United Press, “General Motors Buys Treasury Tax Notes,” *Pittsburg Post Gazette*, sec. 3, (August 17, 1941) 12.

<sup>78</sup> American Institute of Accountants, “Accounting for United States Treasury Tax Notes,” *Accounting Research Bulletin*, no.14, (Jan.1942).

in the balance sheet is improper.”<sup>79</sup> In this instance, since purchasers could benefit from the tax anticipation notes only by using the notes to satisfy future tax liabilities, the CAP permitted companies an option to record the notes as assets or as an offset against their tax liability.

On April 28, 1942, President Roosevelt signed the Sixth Supplemental National Defense Appropriation Act into law.<sup>80</sup> Section 403 of this Act authorized a renegotiation process in an effort to prevent war profiteering. Under renegotiation, contracts for war materials could be reevaluated, after being let, to ensure that manufacturers were not earning excess profits. Adding to its reach, the Act also had a retroactive provision that applied to any unpaid contracts at the signing of the law.<sup>81</sup>

Needless to say, renegotiation created work for a broad range of accountants. On the government side of the equation, price adjustment boards were established to handle the administration of renegotiation. In the U.S. Navy, the field work was carried out almost exclusively by certified public accountants. On the contractor side, private accountants were required to maintain adequate files so that excess profits, if any, could be determined and their CPAs were often called upon to assist. If contractors were not working closely with their accountants before this Act, then they most certainly were afterward.

With the final side of the equation naturally entailing public accountants, the CAP soon became involved. In response to the problem of renegotiation, the committee issued ARB No. 15 that addressed the uncertainty associated with the renegotiation process. Because the Act offered no set percentages as to what constituted a fair or excessive

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<sup>79</sup> Ibid.

<sup>80</sup> Maurice Karker, “Profits but not Profiteering,” *The Rotarian* 62, no. 1 (1943): 26.

<sup>81</sup> Ibid.

profit, the best the CAP could offer at this early stage was that companies must disclose the uncertainty in a footnote.<sup>82</sup> ARB No. 15 further identified other war-related factors that led to increased uncertainty in financial statements. Concerning inventory items, the Bulletin stated:

The decision of the War Production Board and other governmental agencies to discourage or forbid physical inventories in war plants where they would require a shutdown for even a short period has increased the possible margin of error in inventories even when prepared with the greatest possible care.<sup>83</sup>

The Bulletin also identified uncertainties surrounding the outcomes of many companies' insurance claims and their potential claims for war damages. Given the nature of these ambiguities, it is unsurprising that the CAP would suggest disclosure of the "provisional" character of the financial statements.<sup>84</sup>

ARB No.17, "Post-War Refund of Excess-Profits Tax," was issued in December 1942, in response to relief provisions in the 1942 Revenue Act that softened the impact of the excess-profits tax. The relief provision required the Treasury to provide taxpayers a refund bond equal to 10% of all their paid excess profits tax following the war. Such a refund would be invaluable for industry during the postwar period for conversion to civilian production. ARB No. 17 offered specific guidance on the classification of the refund bond including the appropriate debit and credit entries.<sup>85</sup>

The Committee on Accounting Procedure issued ARB No. 19 to address accounting questions of revenue recognition and to establish the appropriate recording of

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<sup>82</sup> American Institute of Accountants, "The Renegotiation of War Contracts," Accounting Research Bulletin, no. 15, (Sept.1942).

<sup>83</sup> "Effects of Wartime Uncertainty on Financial Statements," *Texas Accountant* 15, no. 6 (June 1943): 6.

<sup>84</sup> Ibid.

<sup>85</sup> American Institute of Accountants, "Post-War Refund of Excess-Profits Tax," Accounting Research Board, No. 17, (Dec.1942); James Don Edwards, *History of Public Accounting in the United States*, East Lansing, Michigan: Michigan State University, 1961, 170-171.

cost-plus-a-fixed-fee contracts. Cost-plus-fixed-fee contracts were used extensively during World War II, especially in the early years of the war. Under this type of contract, a contractor would periodically receive payments to cover his expenses and an additional fixed amount for his profit. The Committee on Accounting Procedure, appreciating the unique nature of this type of contract, permitted contractors to recognize revenue either when complete or upon partial fulfillment of the contract.<sup>86</sup>

In ARB No. 21 “Renegotiation of War Contracts”, the CAP revisited the previously issued ARB No. 15. Contract renegotiation created disclosure problems for most all war contractors. In response, the CAP issued two ARBs that dealt with the disclosure requirements of potential renegotiation refunds.<sup>87</sup> The first, published when renegotiation initially emerged, suggested footnote disclosure to recognize the potential of contract renegotiation. The second, ARB No. 21, issued in December, 1943, took a more detailed approach to the issue by recommending that provisions for renegotiated refunds be made in the financials when the amount of refunds were reasonably estimable and footnote disclosure be utilized when not .<sup>88</sup>

The final ARB of the war years, ARB No. 25 was appropriately titled, “Accounting for Terminated War Contracts” and was issued by the CAP on April, 1945. APB No. 25 only addressed terminated fixed price contracts. Because of new designs, over production, or a variety of other factors, contracts throughout the war were frequently cancelled in mid production. The Bulletin held that: fixed price contracts, cancelled for the government’s benefit, should continue to accrue profit until the actual

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<sup>86</sup> American Institute of Accountants, “Accounting Under Cost-Plus-Fixed Fee Contracts,” Accounting Research Bulletin, No. 19, (Dec.1942).

<sup>87</sup> Refunds meant companies would return a portion of their excess earnings to the government.

<sup>88</sup> American Institute of Accountants, “Accounting Under Cost-Plus-Fixed Fee Contracts,” Accounting Research Bulletin, No. 21, (Dec.1943); Coffman and Jensen, *T. Coleman Andrews*, 246.

cancellation date; all reasonably determinable amounts should be reflected in the financial statements in full; and all claims against governmental agencies should be fully disclosed.<sup>89</sup>

In summary, during World War II, the AIA's Committee on Accounting Procedure (CAP) issued seven Accounting Research Bulletins that specifically addressed the accounting problems accompanying the massive industrial expansion and mobilization of the U.S. economy. A central purpose of most of the ARBs was to ensure that users received meaningful financial statements. The Bulletins covered an array of issues including accounting for: postwar refund of excess profits tax, postwar reserves, treasury tax notes, terminated war contracts and cost-plus-fixed-fee contracts.<sup>90</sup> In the immediate postwar period the CAP issued ARBs No. 26-28 all of which pertained to war-related issues – War Reserves, Emergency Facilities, and Contingency Reserves. The fighting may have ended, but the fight for standards marched on.

Another AIA committee actively played an important role in encouraging companies to adopt a natural business year. In May 1942, the Institute's committee on public information published a booklet entitled "The Natural Business Year—Its Advantages to Business Management."<sup>91</sup> This booklet in simple concise language presented the "advantages of the natural business year from the point of view of the business executive, showed how to determine the natural business year for an enterprise,

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<sup>89</sup> American Institute of Accountants, "Accounting for Terminated War Contracts," Accounting Research Bulletin, No. 25, (Apr. 1945); James Don Edwards, *History of Public Accounting in the United States*, East Lansing, Michigan: Michigan State University, 1961, 171.

<sup>90</sup> Edward N. Coffman, and Daniel L. Jensen, eds., *T. Coleman Andrews: A Collection of His Writings*, Thomas J. Burns Series in Accounting History, vol. 2, (Ohio State University, 1996), 246.

<sup>91</sup> Thomas W. Leland, ed., "Natural Business Year Pamphlet," *Texas Accountant* 14, no. 5 (May 1942): 8.

and provided a simple chart for this purpose.”<sup>92</sup> One rationale behind this endeavor was to create a more stable work volume throughout the year for accounting firms rather than the current peak load during the winter that required the use of large numbers of temporary workers. This effort gained added momentum during the war because of the worsening manpower crisis in accounting. Working with the national society, many of the state societies not only advertised that the pamphlet had been produced but also aided in its distribution – with the New York Society ordering 10,000 copies and the Texas Society ordering 1,500 for this purpose.<sup>93</sup>

By the middle of 1943, the AIA was operating on a true war footing. In an open letter sent to non-AIA members who were certified public accountants, President George S. Olive revealed that the membership of the Institute was fast approaching 7,000 CPAs and the circulation of the *Journal of Accountancy* exceeded 18,000. The AIA president observed that “this growth is indicative of the rapidly expanding prestige and influence of the accounting profession.”<sup>94</sup> Undoubtedly a portion of this growing prestige and influence of the profession redounded from the recent activities of the AIA and its committees, for President Olive offered that AIA committees were

working closely with War and Navy Department officials on auditing, termination, and renegotiation problems. The tax committee was giving constructive aid in income and excess-profits tax legislation and administration. The manpower committee was working with Selective Service and other branches of the War Manpower Commission to facilitate most effective use of accountants in the war effort. Other committees were working on problems presented by government agencies and business and financial organizations. Institute representatives had testified

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<sup>92</sup> Ibid.

<sup>93</sup> Ibid.; “The Natural Business Year,” *New York Certified Public Accountant* 12, no. 8 (May 1942): 459.

<sup>94</sup> George S. Olive, “American Institute of Accountants,” *New York Certified Public Accountant* 13, no. 10 (July 1943): 373-374.



before Congressional committees twice this year. [And] references to Institute activities in the press were becoming frequent and prominent.<sup>95</sup>

### NYSSCPA Committees

At the New York Society's monthly meeting, held on January 12, 1942, President Andrew Stewart outlined the important "work of the Public Relations Committee in drafting a plan under which members and their employees could subscribe to Defense Bonds and Stamps through monthly contributions by payroll deductions or otherwise."<sup>96</sup>

On February 2, 1942, the Accountants Committee for Purchase of Defense Savings Bonds, mailed over 300 letters to accounting firms requesting their participation in the payroll allotment plan. This Treasury approved plan was designed "to make it as easy as possible for employees of accounting firms to participate in the Defense Savings Bond Campaign," and allowed workers to "voluntarily allocate a certain portion of their regular salary to the purchase of these bonds."<sup>97</sup> To promote participation, *The New York Certified Public Accountant* ran a continuous series of ads during the year encouraging readers to buy defense bonds.

In December of 1942, President J. Arthur Marvin announced the success of this endeavor. In a letter to the membership, he wrote, "Your Society's Committee for the Purchase of War bonds wishes to acknowledge the cooperation given it by members of the Society in buying and in urging the purchase of War Bonds and Stamps. You may be interested to know that the New York State society is a substantial investor in these

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<sup>95</sup> Ibid.

<sup>96</sup> Andrew Stewart, "January Society Meeting," *New York Certified Public Accountant* 12, no. 4 (January 1942): 239.

<sup>97</sup> "Accountants Committee for Purchase of Defense Savings Bonds," *The New York Certified Public Accountant* 12, no. 5 (February 1942): 310.

Bonds.”<sup>98</sup> Requesting their continuing aid, President Marvin called for their participation with the new “Victory Fund Campaign”<sup>99</sup>

Another initiative that began under President Andrew Stewart’s administration, involved the formation of a new committee wholly dedicated to war problems. Moving with the authorization of the New York Society’s Board of Directors, President Stewart appointed five members of the Society to serve on a Special Committee on Wartime Problems.<sup>100</sup> This committee, augmented by the Society’s five officers who actively served as ex-officio members, was tasked with establishing a comprehensive program that would enable the profession to maximize its contribution to the war effort. In addition to planning for the profession’s overall response, the war committee was also assigned responsibility for addressing specific war-related problems as they arose.

In its initial release, dated March 14, 1942, the Special Committee on Wartime Problems addressed the membership on the dual responsibilities that the New York Society must satisfy, both governmentally and professionally. First the society was obligated to contribute “personnel directly to the Government, both for technical accounting services and for participation with the armed forces.”<sup>101</sup> Second the committee recognized that the indispensable work of professional accountants must be continued because of their vital function in a wartime economy. Finally, the committee concluded by disclosing its immediate eight-step plan of action that focused almost exclusively on manpower issues.

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<sup>98</sup> J. Arthur Marvin, “War Bonds,” *The New York Certified Public Accountant* 13, no. 2 (December 1942): 67.

<sup>99</sup> *Ibid.*

<sup>100</sup> Special Committee on Wartime Problems, “Wartime Problems of the Accounting Profession: Release No. 1,” *New York Certified Public Accountant* 12, no. 6 (March 1942): 354.

<sup>101</sup> *Ibid.*, 353.

In short, the Committee's plan "for action to the maximum possible extent" sought to fill the government's "pressing need" for accountants, to refill the depleted professional staffs with "qualified women," and to spread existing audit work more evenly throughout the year by the increased use of interim work and by promoting client implementation of a "natural business year."<sup>102</sup> A final aspect of their plan called for the coordinated efforts of the New York State Society and the AIA in seeking time extensions from governmental agencies for the "filing of various returns, reports, etc."<sup>103</sup> The AIA was so impressed by this committee and its program that it "recommended that each society appoint a similar committee with a similar program."<sup>104</sup>

Following its initial release, the Special Committee on Wartime Problems issued Wartime Releases No. 2 through No. 5. Release No. 2, issued March 23, 1942, dealt with the formation of the Society's Placement Bureau and stated the dates and times when the Bureau would be accepting accountants for interviews.<sup>105</sup> The purpose of this Bureau was to facilitate the employment of approved accountants for work in: "public accounting, private industry engaged in war production, governmental service as a civilian accountant or auditor, or governmental service in the commissioned or enlisted ranks of the armed services."<sup>106</sup> Wartime Release No. 4 contained a reprint of a joint communication from the NACA and the AIA to the National Headquarters of the Selective Service System. "This letter described the type of accountants essential to the

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<sup>102</sup> Ibid., 354.

<sup>103</sup> Ibid.

<sup>104</sup> John L. Carey, "The Accounting Profession in War," *New York Certified Public Accountant* 12, no. 8 (May 1942): 476.

<sup>105</sup> "Placement Bureau," *New York Certified Public Accountant* 12, no. 8 (May 1942): 453.

<sup>106</sup> "Wartime Problems of the Accounting Profession," *New York Certified Public Accountant* 12, no. 7 (April 1942): 397-398.

war effort and of which it has been demonstrated there has been a shortage.”<sup>107</sup> All four of these releases outlined how the profession would respond to the problems of rapidly diminishing personnel coupled with ever increasing governmental and industrial demands for accounting personnel.

Release No. 7, entitled “The Natural Business Year – Its Advantages to Business Management” was reprinted in the May, 1942 issue of the *New York Certified Public Accountant*.<sup>108</sup> In the May article describing this bulletin, the New York State Society announced its intention to mail an estimated “10,000 copies of the pamphlet” to persons in the below listed groups:

1. The Entire Membership of the Society
2. Principal Officers of Banks & Trust Companies
3. Credit Men in New York State
4. Chamber of Commerce Officials; Trade Association Executives
5. State, City and County Bar Association Officials
6. State and Municipal Officials and Legislators
7. Editors of Newspapers and Trade Publications<sup>109</sup>

This bulletin was part of an ongoing campaign by the profession to promote the adoption of a fiscal year by businesses in place of a calendar year for financial statement purposes. The pamphlet presented “in a simple straight-forward manner the basic points in favor of the natural fiscal year.”<sup>110</sup> Of course the May article expressed that its adoption would be of “great value to the accountancy profession in spreading the work of practitioners through the year, rather than to have it all come annually in one rush season.”<sup>111</sup> Furthermore, the article urged accountants to become involved in this

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<sup>107</sup> “Wartime Problems of the Accounting Profession,” *New York Certified Public Accountant* 12, no. 7 (April 1942): 397-398.

<sup>108</sup> “The Natural Business Year,” *New York Certified Public Accountant* 12, no. 8 (May 1942): 459.

<sup>109</sup> *Ibid.*

<sup>110</sup> *Ibid.*

<sup>111</sup> *Ibid.*

campaign by mailing copies of the pamphlet to clients, and “to impress upon everyone” whether through interviews or personal correspondence “the advantages of the natural business year.”<sup>112</sup> The article concluded that accountants could “help the nation, your clients, and yourselves by assisting in this effort.”<sup>113</sup>

In May, the Special Committee on Wartime Problems sent Wartime Problems Releases No. 8 and No. 9 to the membership. The former “was a report from the Society’s Committee on Accountants’ Office Procedures as to the effect of present and future priorities and scarcities upon accountants’ office supplies.”<sup>114</sup> Even at this early stage of the war, essential office supplies, including clips, staples, columnar paper, rubber bands and erasers, were becoming difficult if not impossible to obtain. While typewriter ribbon could be obtained, the same could not be said of typewriters and other essential office machines. “Because of the above-named shortages, the Committee on Accountants’ Office Procedures urged each member of the Society to review his office procedures and forms, as well as those of his clients, with a view towards reducing the use of supplies.”<sup>115</sup>

The latter release, No. 9, contained excerpts from the “proceedings of the Priorities Round Table on Accounting Procedure in Connection with the Production Requirements Plan (PRP).”<sup>116</sup> During this conference, held April 28, 1942, it was revealed that the War Production Board would soon be abandoning its policy of issuing Blanket Preference Rating Orders and instead would mandate that “all American

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<sup>112</sup> Ibid.

<sup>113</sup> Ibid., 460.

<sup>114</sup> “Wartime Problems Releases,” *New York Certified Public Accountant* 12, no. 9 (June 1942): 498.

<sup>115</sup> Ibid.

<sup>116</sup> Ibid.

industries requesting priority assistance . . . apply under the Production Requirements Plan.”<sup>117</sup> At this critical period of the war, the War Production Board was attempting to allocate scarce resources to insure “their use for War production and essential civilian needs.”<sup>118</sup> Mr. William R. Donaldson, Chairman of the Society’s Special Committee on Wartime Problems, and a discussant at the conference, concluded the meeting by observing:

that members of the accounting profession can do more than any other to assist the government in launching and carrying through this plan of a smooth-running basis . . . accountants have the opportunity to be of great service to their clients in telling them of the Plan and in aiding them to get their procedure set up to meet it.<sup>119</sup>

In June, three additional Releases, Nos. 10, 11, and 12, were sent to the New York Society members. Release No. 10 consisted of a reprinted article from the *N.A.C.A. Bulletin* by Mr. William W. Wertz that was entitled “The New O.P.A. Financial Reporting Forms.”<sup>120</sup> His article was in response to numerous requests for further information about the Office of Price Administration’s financial reporting forms. Mr. Wertz disclosed that the reports were strictly voluntary and would not require certified financials.

Due to uncertainties surrounding the various reporting requirements arising from new governmental agencies, the Special Committee on Priorities, was created by the New York Society. This committee outlined its immediate goals as follows:

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<sup>117</sup> Ibid., 499.

<sup>118</sup> Ibid.

<sup>119</sup> Ibid; for further detail of the Plan see “The Accountant and the Production Requirements Plan,” *New York Certified Public Accountant* 12, no. 8 (May 1942): 477-479.

<sup>120</sup> “Wartime Problems Releases (no. 10-12),” *New York Certified Public Accountant* 12, no. 10 (July 1942): 549; Mr. Wertz, in addition to his responsibilities as Chief Accountant of the S.E.C., was a consultant to the Office of Price Administration, 552.

1. To ascertain as speedily as possible all the requirements of the WPB and the OPA if such is feasible with respect to the reports required by them affecting priorities, inventories, and financial reports and the like.
2. To contact representatives of the several boards and to invite them to meet with the Committee for purposes of obtaining the proper explanations of the objectives aimed at by these boards.
3. To invite comments and suggestions from the members as to how the Special Technical Committee on Priorities can best help, aid, and serve them.<sup>121</sup>

Release No. 11 directed the membership to important war-related articles in the May issue of the *New York CPA* and a recently issued Navy and War Department bulletin with the title, “Explanation of Principles for Determination of Costs under Government Contracts.”<sup>122</sup> In Wartime Release No. 12, it was suggested by the society’s Education Committee that “the best reservoir of supply for staff members will be found among men over draft age and women in private industry employed as accountants or bookkeepers.”<sup>123</sup> Unfortunately the report revealed that another potential reservoir of talent, senior accounting students, would not be “available for work in public accounting during the winter season” due to the impracticability of rearranging their coursework in the business schools.<sup>124</sup>

On July 1, 1942, the Special Committee on Wartime Problems issued Wartime Release No. 12 that revealed the joint efforts of the AIA’s Committee on Auditing Procedure and the NYSSCPA’s Committee on Practice Procedure. These two committees, after consultation with S.E.C. officials, jointly issued “Statement on

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<sup>121</sup> “Special Committee on Priorities,” *New York Certified Public Accountant* 12, no. 10 (July 1942): 553.

<sup>122</sup> “Wartime Problems Releases (no. 10-12),” *New York Certified Public Accountant* 12, no. 10 (July 1942): 549.

<sup>123</sup> Ibid.

<sup>124</sup> Ibid.

Auditing Procedure No. 10” with the title “Auditing under Wartime Conditions.”<sup>125</sup> On the 10<sup>th</sup> of July, Releases No. 14 and 15 were issued. No. 14 contained “an official release” from the National Headquarters of the Selective Service System “concerning Scientific and Specialized Personnel.”<sup>126</sup> Release No. 15 exhorted the membership to register with their local Civilian Defense Headquarters in order “to serve civilian agencies and organizations on at least a part-time basis.”<sup>127</sup> The release lamented that, “many members have not yet identified themselves with and joined up in the vast field of civilian war effort.”<sup>128</sup>

On July 20, 1942, Release No. 16 was issued to the members. It called for the coordinated action of both accountants and their clients in securing for corporate taxpayers “an absolute right to an extension up to three months for the filing of federal tax returns.”<sup>129</sup> In the request, members were strongly encouraged to write “to their Congressmen, indicating their reasons for the adoption of the proposal. . . . with the understanding that the time for payment of the first installment would not be extended.”<sup>130</sup>

The next release, issued August 4<sup>th</sup>, contained a report from the Society’s Technical Committee on Priorities. Release No. 17, a follow-up to Release No. 9, dealt with the War Production Board’s new resource allocation system – the Production Requirements Plan (PRP). Under this plan “manufacturers consuming more than \$5,000

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<sup>125</sup> “Wartime Problems Releases (no. 13-16),” *New York Certified Public Accountant* 12, no. 11 (August 1942): 581.

<sup>126</sup> Ibid.

<sup>127</sup> Ibid.

<sup>128</sup> Ibid.

<sup>129</sup> Ibid.

<sup>130</sup> Ibid.



of listed materials in a calendar quarter” were required to “operate under a PRP.”<sup>131</sup> This report from the Technical Committee on Priorities stressed that in order for companies “to obtain priority assistance under the Production Requirements Plan for the fourth quarter of 1942” they must file their requests no later than the 10<sup>th</sup> of August 1942.<sup>132</sup> Through the PRP reports the War Production Board would have a complete picture of a manufacturer’s operations in terms of critical civilian needs and war production down to the specific “material requirements for these purposes.”<sup>133</sup> Thus informed the WPB would be positioned to “intelligently allocate scarce materials” by assigning preference ratings and authorizing material quantities.<sup>134</sup>

Although Selective Service Bulletin No. 10 had been provided to the membership in Wartime Problems Release No. 14, uncertainties still remained concerning the status of accountants. Thus, in an attempt to definitively answer “the question of whether or not public accountants were covered by Selective Service Bulletin No. 10,” the Special Committee on Wartime Problems issued release No. 18 on the 14<sup>th</sup> of September.<sup>135</sup> Release No. 18 not only disclosed that the AIA, in attempting to clarify the matter, contacted the National Headquarters of the Selective Service but also included the Selective Service’s reply to the AIA. The New York Societies’ Special Committee on Wartime Problems was not silent on the matter but opined,

that only accountants essential to the war effort as outlined in Wartime Problems Release No. 4 should be considered for deferment and in the filing of Form 42-A (employer’s request for occupational classification of a registrant), in the case of a public accountant there should be attached a

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<sup>131</sup> “Wartime Problems Release: Release No. 17,” *New York Certified Public Accountant* 12, no. 12 (September 1942): 609.

<sup>132</sup> *Ibid.*

<sup>133</sup> *Ibid.*

<sup>134</sup> *Ibid.*

<sup>135</sup> “Wartime Problems Release: Release No. 18,” *New York Certified Public Accountant* 13, no. 1 (September 1942): 3.

detailed statement naming the clients for whom the registrant has been working, is working, and is expected to work, indicating those which are engaged in war production and those which are engaged in other activity essential to support of the war effort, and showing also the approximate time devoted by the registrant to the affairs of each client.<sup>136</sup>

The next Wartime Problems Release, No. 19, was issued on October 27, 1942, and like many before, dealt with the critical manpower shortages facing the profession. In fact, of the first twenty Wartime Problems Releases over one third pertained to this issue.<sup>137</sup> No. 19 outlined the prior actions of the Wartime Committee to ameliorate the situation as follows:

1. Forming a placement service
2. Advocating the engagement of women accountants
3. Fostering the inauguration of special courses in educational institutions to “grade up” men and women interested in accounting but not qualified to take positions
4. Stimulating the borrowing of accountants from other members in times when they might otherwise be temporarily unassigned
5. Emphasizing that interim examinations should be extended to include the maximum work possible to be covered at other than year-end
6. Suggesting and publicizing the advantages of enterprises adopting their natural business year as their fiscal closing dates<sup>138</sup>

In addition to these measures, the Committee on Wartime Problems suggested additional measures and in particular recommended that firms “unable to secure the necessary personnel . . . may have to install a system of priorities” giving precedence “first to engagements tied in with the war effort and then to less important work. . .”<sup>139</sup>

In order to ensure that their members received important updates from the AIA’s Committee on Accounting Procedure, New York’s Committee on Wartime Problems issued Release No. 20 on December, 29, 1942. This release, mailed to all members of the

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<sup>136</sup> Ibid.

<sup>137</sup> Wartime Problems Releases Nos. 1, 4, 12, 14, 18, 19.

<sup>138</sup> “Wartime Problems Release: Release No. 19,” *New York Certified Public Accountant* 13, no. 2 (November 1942): 39.

<sup>139</sup> Ibid.

New York Society, contained a reprint of ARB No. 17 that dealt with the proper recording and financial statement disclosure “of the post-war refund of excess-profits tax provided for in section 250 of the Revenue Act of 1942.”<sup>140</sup>

During the early years of the war the Special Committee on Wartime Problems provided support to members of the profession by identifying a host of contentious issues facing practitioners and their clients due to the war effort and suggesting appropriate courses of action to meet and mitigate such problems. In addition to this committee, other special committees were formed to deal with more specific problems arising from the war. One such committee previously mentioned was the Special Committee on Priorities. A second such committee, the Special Advisory Committee on Occupational Deferment under Selective Service, was appointed on January 11, 1943, by President J. Arthur Marvin.<sup>141</sup>

This committee was formed due to the increasing difficulty firms were having maintaining appropriate staffing levels and in interpreting the vague guidelines emerging from Selective Service Headquarters. As new developments with the Selective Service arose, the Special Advisory Committee on Occupational Deferment would issue bulletins to inform and advise the membership of their options, if any. By February of 1943, this committee had issued the following seven bulletins and encouraged members to carefully consider their contents.

1. Organization and Procedure
2. Information required by Committee to give an opinion
3. Selective Service Occupational Bulletin No. 43
4. Comments on filing Claims for Occupational Deferment

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<sup>140</sup> “Wartime Problems Release No. 20,” *New York Certified Public Accountant* 13, no. 4 (January 1943): 123.

<sup>141</sup> “Selective Service Releases,” *New York Certified Public Accountant* 13, no. 5 (February 1943): 180.

5. Notes on Regulations
6. Amendment to Bulletin No. 1
7. Importance of Form 42A<sup>142</sup>

In America, the accounting profession vigorously prosecuted the war effort through the use of national and state society committees. While the leadership of the profession played an important role, much of the day to day direction and activity of the profession occurred at the committee level. The committees were far from idle but instead identified problematic issues arising from the war, held informative meetings to arrive at solutions, published their findings, and actively consulted with military and congressional authorities. They tirelessly labored to reduce inessential and redundant reporting requirements heaped upon manufacturers by a plethora of governmental agencies. The committees also advocated simplification of the tax systems, and provided accountants with solutions to problems generated by war. Furthermore various committees of the profession promoted and actively encouraged participation in the “Defense Savings Bond Campaigns” of the war.<sup>143</sup> With vim and vigor, the committees of the accounting profession aggressively aided the nation during World War II by facilitating smoother interactions between government agencies and manufacturers and by mobilizing a unified professional response to war-time problems and challenges.

### **Publications**

The profession would not be making its full contribution if it became so completely preoccupied with immediate problems that its own functions were impaired. . . . They must maintain their professional publications so that vitally important information may be available to them currently.  
John Carey -- in an address delivered before the Texas Society of CPAs on June 11, 1942.

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<sup>142</sup> Ibid.

<sup>143</sup> “Accountants Committee for Purchase of Defense Savings Bonds,” *The New York Certified Public Accountant* 12, no. 5 (February, 1942): 310.

During the war years the publications of the national and state societies of accountants served vital purposes. They provided the societies with platforms from which they informed their memberships about new challenges arising from war and about how best to face these problems while constantly championing the war effort and their members in service. Through the authors, articles and advertisements, the publications alerted their memberships to serious industrial problems, to opportunities for greater service, to sacrifices that were taking place, and to critical war-related obstacles directly confronting the profession.

In a strange paradox, the profession of accounting was unfettered and spanned the globe, yet for many individual accountants their freedoms were more restricted. In the U.S., many individual accountants were forced to stay closer to home during the war. Some, who could in prewar years attend national meetings, were now restricted in their travel due to war-time rationing of fuel and tires as well as the abounding volume of work in their professional practices. As a given, all accountants must remain current on the problems affecting their clients. However, for those less mobile, this became an increasingly difficult task. Societal publications provided one avenue for such members to bridge this gulf and enabled many to fulfill their educational needs. Their publications, not only covered the typical society activities, but also included a large number of instructional articles derived from papers and speeches presented at conferences and society meetings.

For those unable to attend meetings, the publications of the professional societies served a further function, to strengthen the ties that bound them to their societies. While the publications kept members informed about current problems, and alert to new

opportunities, perhaps their greatest contribution was to unity by keeping accountants connected, at least in thought if not in heart, with the leaders of their profession. Frequently, the publications fostered a dialogue between various committees and the membership by offering suggestions to the membership and soliciting advice from them in the same release. By these avenues, the publications served to strengthen the bonds of the profession and unify accountants behind a common theme of national service.

*The Journal of Accountancy*

“Accountancy has never had a voice in the United States.”<sup>144</sup>

The American Institute of Accountants (AIA), the largest and most influential professional society of certified public accountants in America at the outbreak of World War II, utilized its publications during World War I to apprise its members of governmental requirements (including requests for accounting expertise), to inform members on the best approaches for handling war-related difficulties, and to champion accountants serving in uniform. As the rumblings of World War II drew ever closer to America’s shore, the AIA reprised its role through its official organ, the *Journal of Accountancy*.

In the year leading up to America’s entry into World War II, the *Journal* began to carry an increasing number of national defense or war-related items, articles, and editorials. A full year before Pearl Harbor, the December issue of the *Journal* contained articles on the nation’s expanding defense efforts, accountants and the draft, defense contracts, and the accounting and auditing requirements for cost-plus-a-fixed-fee contracts.

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<sup>144</sup> Joseph F. Johnson and Edward S. Meade, eds., “A Word With Our Friends,” *The Journal of Accountancy* (November 1905): 59.

In 1941, the January issue contained an article by Donald Russell that detailed provisions of the Emergency Plant Facilities Contract. “This contract was born from the union of two ideas. The first was that somehow the extraordinary costs of emergency plants should be gotten out of the price of the supplies purchased, and the second was that it was desirable to encourage the private financing of special defense facilities.”<sup>145</sup> Also within the January issue were two other articles concerning the excess profits tax law and another that outlined the pre-audit requirements for war department contracts issued on a cost-plus-a-fixed-fee basis.

In February, the *Journal* continued its coverage of war-related issues with articles on the amortization of emergency facilities, excess profits taxation, and the Vinson Act. The last disclosed that the effect of the formerly applicable Vinson Act was to levy “an excess-profits tax of 100 per cent of the profit in excess of 10 per cent of the selling price for Navy vessels and 12 per cent for Army and Navy aircraft, or portions thereof.”<sup>146</sup>

In April 1941, John Carey led with an editorial in the *Journal* entitled “Accounting and Defense.”<sup>147</sup> The editorial identified the increasing demand “for accounting personnel of the highest type” emanating from Washington, the depletion of accounting personnel due to the selective service act and the call-up of reserve officers and National Guard Troops, and the rising client demands due to tax, audit, and cost determination issues.<sup>148</sup>

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<sup>145</sup> Donald Russell, “The Vinson Act and Amortization,” *The Journal of Accountancy* 71, no. 1 (January 1941): 39.

<sup>146</sup> John L. Carey, ed., “Notes of the Month: The Vinson Act and Amortization,” *Journal of Accountancy* 71, no. 2 (February 1941): 162.

<sup>147</sup> John L. Carey, “Accounting and Defense,” *The Journal of Accountancy* 71, no. 4 (April 1941): 162.

<sup>148</sup> *Ibid.*

*The Journal* began the third quarter of 1941, with two articles in the July 1941 issue that dealt with defense preparation efforts and the cost of such efforts in the articles “Defense and Management Control” by William H. Compton and “Federal Government Accounting and the Present Outlook” by Walter A. Bowers. Compton’s article “endeavored to make clear . . . that so-called ‘flexible budgeting’ . . . is an excellent management tool,” and concluded that “defense is our present necessity, and expansion of industry must follow.”<sup>149</sup>

The August issue carried the editorial “Inventories in Defense Industries,” which exposed a thorny problem that auditors were facing.<sup>150</sup> Specifically, some “plants engaged in the production of defense articles and under pressure to expedite deliveries” sought to eliminate the taking of inventory in order to maintain production.<sup>151</sup> John Carey advised that “the auditor had no choice but to register a qualification” if not “debarred from expressing any opinion at all in his report because of the relatively great importance of the inventory item.”<sup>152</sup>

Rounding out the third quarter, September’s issue contained John Carey’s editorial, “Accountants and Defense.”<sup>153</sup> In it, the secretary of the AIA discussed the extent to which members of the profession were contributing their services to the national defense program. Carey offered, “A considerable number have entered the armed forces as selectees, National Guardsmen, or reserve officers.”<sup>154</sup> And among these many were

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<sup>149</sup> William H. Compton, “Defense and Management Control,” *Journal of Accountancy* 72, no. 1 (July 1941): 36.

<sup>150</sup> John L. Carey, ed., “Notes of the Month: The Vinson Act and Amortization,” *Journal of Accountancy* 72, no. 2 (August 1941): 97.

<sup>151</sup> *Ibid.*

<sup>152</sup> *Ibid.*

<sup>153</sup> John L. Carey, ed., “Accountants and Defense,” *Journal of Accountancy* 72, no. 3 (September 1941): 198.

<sup>154</sup> *Ibid.*



“serving in capacities which permitted [the] exercise of their professional abilities.”<sup>155</sup>

Apart from those in uniformed service, Carey further observed that “a number of certified public accountants were serving on selective-service advisory boards and draft boards” while others had “accepted special assignments in the Office of Production Management, the Office for Emergency Management, and the Office of Price Administration and Civilian Supply.”<sup>156</sup>

In November 1941, John Carey editorialized that no “members of the profession would be deferred from military training merely by virtue of his calling” but instead offered “that deferment would be based chiefly upon the country’s need.”<sup>157</sup> Along similar lines in December’s issue, Carey reflected on the need of accountants in the nation’s defense program and offered that each passing month “brings new problems on which the advice and assistance of certified public accountants are sought.”<sup>158</sup>

Marshalling the expertise of the profession, the secretary added that “the Institute was maintaining a current file of members available for government work” and strongly urged “members of the profession who were willing to serve . . . [to] notify the Institute immediately.”<sup>159</sup>

During 1941, as demonstrated by articles in the *Journal*, the accounting profession was beginning to feel the strain associated with the nation’s expanding defense efforts. Accountants were being called upon for assistance with Emergency Plant Facilities Contracts, and amortization issues related to the emergency facilities. Defense

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<sup>155</sup> Ibid.

<sup>156</sup> Ibid.

<sup>157</sup> John L. Carey, ed., “National Roster of Professional Abilities,” *Journal of Accountancy* 72, no. 5 (November 1941): 388.

<sup>158</sup> John L. Carey, ed., “A Call for Volunteers,” *Journal of Accountancy* 72, no. 6 (December 1941): 481.

<sup>159</sup> Ibid.

production necessities were interfering with required inventory procedures for auditors. And compounding these issues, the draft and the demand from governmental agencies for accounting experts had stripped the public profession of much of their manpower by September 1941.

However, all the prewar coverage given to the defense topics that appeared in earlier issues of the *Journal of Accountancy* only foreshadowed the crush that was to follow America's entry into the war. The Institute's Committee on Publication, which oversaw the *Journal of Accountancy*, clearly understood "the function of a professional journal in time of war."<sup>160</sup> Its purpose was "to present, promptly and adequately, authoritative information on the use of accountants in war, war contracts, war taxes, and auditing and accounting problems peculiar to a war economy."<sup>161</sup> Without wavering, the *Journal* endeavored to accomplish this task.

In the January 1942 issue, the page one editorial screamed "WAR!"<sup>162</sup> Prophetically, Carey offered, "History has never known such a vast and ferocious struggle as this one will be."<sup>163</sup> Pointing to the role of accountants in the coming fight, the AIA secretary added that they would "be needed in increasing numbers by the government . . . in supervising the vast expenditures required by the war effort, in controlling and allocating supplies of essential materials, in regulating prices, and . . . in the determination of taxes based on income and excess profits."<sup>164</sup> As for those remaining in practice, Carey foresaw "long hours of hard work under difficult

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<sup>160</sup>James L. Dohr, "Reports of the Committee on Publication: Midyear Report," in *American Institute of Accountants Yearbook 1942*, (New York: AIA, 1943), 128.

<sup>161</sup> *Ibid.*

<sup>162</sup> John L. Carey, ed., "WAR! *The Journal of Accountancy* 73, no. 1 (January 1942): 1.

<sup>163</sup> *Ibid.*

<sup>164</sup> *Ibid.*

conditions” but consoled “this will be their contribution to victory in war, and to the preservation of the institutions of democracy.”<sup>165</sup>

Joining Carey in exhorting practitioners, Maurice E. Peloubet offered “that the public accountant in general practice and the private accountant employed in industry may be making a greater and more important . . . contribution to the defense program” than those “in the employ of government departments or agencies.”<sup>166</sup> Beyond merely providing encouragement to accountants, the January issue of the *Journal of Accountancy* also served to educate them on war-related matters. One particular article, “Types and Operations of Defense Contracts” by Mark S. Massel, provided readers with an overview of the many types of contractual arrangements then in use by the defense department “including fixed prices, escalator clauses, cost-plus contracts, target-price contracts, and other bonus and penalty provisions.”<sup>167</sup>

In early 1942, the country was still ramping up many of its industries for military production. To expedite this conversion process, Congress permitted deductions for the amortization of emergency facilities “in lieu of the deduction for depreciation.”<sup>168</sup> “The purpose of the amortization provisions was to encourage the extension of defense facilities for the period for the existing national emergency by allowing corporations to recover the cost of such facilities over a period of sixty months or less.”<sup>169</sup> Needless to say when Congress becomes involved things quickly became complicated. Accordingly,

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<sup>165</sup> Ibid.

<sup>166</sup> Maurice E. Peloubet, “The Accountant’s Contribution to Defense,” *The Journal of Accountancy* 73, no. 1 (January 1942): 6.

<sup>167</sup> Mark S. Massel, “Types and Operations of Defense Contracts,” *The Journal of Accountancy* 73, no. 1 (January 1942): 45.

<sup>168</sup> John D. Filson, “Amortization of Emergency Facilities,” *The Journal of Accountancy* 73, no. 2 (February 1942): 103.

<sup>169</sup> Ibid.

the *Journal's* February issue sought to clarify this problem by publishing the article "Amortization of Emergency Facilities" by John Filson.<sup>170</sup>

The April 1942 issue contained several war influenced items. Scott Dunham reviewed the book "Paying for Defense" in which the authors proposed "a sound basis for defense financing [that] rested primarily on broadening the base and strengthening income taxes."<sup>171</sup> An editorial, entitled "War Secrets and Financial Reports," disclosed that the SEC, after consultation with the Office of Censorship, had adopted "rules providing for the confidential treatment of information of possible use to the enemy in all statements filed under the Securities Act of 1933, the Securities Exchange Act of 1934 and the Public Utility Holding Company Act of 1935."<sup>172</sup> The types of data covered included "specific statements about ships, shipyards, war contracts, production schedules, strategic materials on hand, plant locations, designs, and so forth."<sup>173</sup> Other topics addressed in April's issue included the accounting manpower shortage caused by the war, and the potential of using women accountants as replacements.

In June 1942, the *Journal* again carried a number of war themed articles. For manufacturers a vital necessity was the acquisition of scarce materials for use in production. Accordingly, an article in the June issue highlighted the War Production Board's "Production Requirements Plan."<sup>174</sup> This plan, which "became effective on January 1, 1942, superseded the previously operative Defense Supplies Rating Plan" and required even companies engaged in war production to apply "for priority assistance

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<sup>170</sup> Ibid.

<sup>171</sup> Scott H. Dunham, "Book Reviews," *The Journal of Accountancy* 73, no. 4 (April 1942): 377.

<sup>172</sup> John L. Carey, ed., "War Secrets and Financial Reports," *The Journal of Accountancy* 73, no. 4 (April 1942): 293-294.

<sup>173</sup> Ibid.

<sup>174</sup> George N. Farrand, "The Production Requirements Plan," *The Journal of Accountancy* 73, no. 6 (June 1942): 530.

covering all of its estimated material needs” for a three-month period.<sup>175</sup> In addition to having to file applications to the WPB for vital materials, the June issue disclosed that approximately 25,000 businesses would be required to submit financial data to the Office of Price Administration (OPA). These reports and applications further burdened industrial efforts and strained the already overburdened accountants in industry and public practice.

The third quarter of 1942 began with a host of war-themed articles in the *Journal of Accountancy*. George Bailey, a partner of Ernst & Ernst, addressed the topic of public accounting in wartime and highlighted the problems of manpower shortages coupled with the growing demand for accounting services. Other war-themed articles in the June issue addressed accountants and the selective service, accounting aspects of price administration, excess profits taxation, and OPA reporting forms. In the last article, John Carey criticized that “there had been too many [government] questionnaires and they have been issued by too many different agencies, with too little consideration for those who have been asked to complete them.”<sup>176</sup> As an example, Carey offered the experience of one corporation that

in the first twenty days of January, 1942 . . . received 61 requests for reports from government war agencies – 19 requesting annual figure for the year 1941, 27 requesting monthly figures, and 15 seeking special information, some of it not available in the main office of the corporation but requiring compilation and analysis of information from various plants.<sup>177</sup>

August’s issue rounded out the third quarter with a multitude of war-related topics. The *Journal* contained articles on special war reserves, special features in

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<sup>175</sup> Ibid.,

<sup>176</sup> John L. Carey, “O.P.A. Financial Reporting Forms,” *The Journal of Accountancy* 74, no.1 (July 1942): 2.

<sup>177</sup> Ibid.

auditing for war contract costs, auditing costs of army contractors, contract renegotiation, the draft status of accountants, financing the war, financial statements under war conditions, and the effects of war on financial statements in addition to several war-themed editorials.

During the fourth quarter of 1942, the *Journal of Accountancy* continued to provide its readers with a dizzying array of topics resulting from the war and its impact upon the economy. In October's issue, Carman Blough and John Carey detailed the "Status of Accountants under the Selective Service Act," while others addressed the renegotiation of war contracts, the treatment of refunded excessive profits, war profits and conversion reserves, audits under army contracts, gasoline rationing, and the use of women as replacement personnel in accounting firms.<sup>178</sup>

Likewise, December's issue contained a trove of accounting information that outlined various war-created dilemmas and offered potential solutions, encouraged accountants to serve in all ways possible, and provided direction to members of the profession. Editorials in December's issue addressed manpower issues, salary stabilization, the Controlled Materials Plan, accountants in government service and the role of accountants in the war effort.<sup>179</sup> In addition to the editorials, there were war-related articles by William Werntz and George Bailey that respectively covered "Financial Reports to the OPA," and "Accounting Problems in Presentation of Cost-Plus-Fixed-Fee Contracts in Financial Statements."<sup>180</sup> Another article in December's issue, "Treasury Tax Notes" by John L. Carey, relayed the request of the United States Treasury

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<sup>178</sup> Carman G. Blough and John L. Carey, "Status of Accountants under Selective Service Act," *The Journal of Accountancy* 74, no. 4 (October 1942): 306-314.

<sup>179</sup> John L. Carey, ed., "Table of Contents," *The Journal of Accountancy* 74, no. 6 (December 1942): 3.

<sup>180</sup> *Ibid.*

Victory Fund Committee that was seeking the assistance “of certified public accountants in stimulating the purchase by their clients of Treasury Tax Savings notes.”<sup>181</sup> Carey judged “the suggestion a good one because the purchase of these notes was good business, as well as an act of patriotism.”<sup>182</sup>

In January 1943, the *Journal of Accountancy* weighed in upon the question of whether the new U.S. Treasury tax notes, Tax Series C, could receive the same accounting treatment as that recommended in ARB No. 14, “for the earlier notes designated as Tax Series A-1943 and B-19433.”<sup>183</sup> ARB No. 14 permitted the earlier notes to be recorded as a current asset in the balance sheet or, when purchased with the intent of using them for federal tax payments, to be offset against “the accrued liability for such taxes in the current liabilities section of the balance-sheet.”<sup>184</sup> John Carey revealed that the Institute’s Committee on Accounting Procedure, after meeting in December, had unanimously agreed that APB No. 14 would apply “to the new notes as well as to the old.”<sup>185</sup> Accordingly, “the purchase of tax notes could be treated as in substance a prepayment of the tax.”<sup>186</sup>

January’s issue also addressed many other war generated difficulties including payroll accounting under the Victory Tax, contract renegotiation, governmental questionnaires, postwar planning, Stock Exchange filing extensions, postwar refunds of excess profits tax, war contract accounting, and wartime planning for postwar problems. One item on postwar reserves, reported “that corporate accruals for all contingencies

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<sup>181</sup> John L. Carey, “Treasury Tax Notes,” *The Journal of Accountancy* 74, no. 6 (December 1942): 486.

<sup>182</sup> *Ibid.*

<sup>183</sup> John L. Carey, “Accounting for Treasury Tax Notes,” *The Journal of Accountancy* 75, no. 1 (January 1943): 2-3.

<sup>184</sup> *Ibid.*

<sup>185</sup> *Ibid.*, 3.

<sup>186</sup> *Ibid.*

were estimated by the Department of Commerce to have aggregated \$1,500,000,000 in the first six months of the year [1942].”<sup>187</sup> The note optimistically suggested that “by the war’s end they should attain such magnitude as to enable industry to defray all costs incident to the reconversion of production facilities to peacetime operations.”<sup>188</sup>

Another article in the January *Journal* returned to the issue of excessive governmental reports. John Carey, who earlier had lamented the situation, revealed that Congress had passed legislation in December 1942, “to curb the volume of questionnaires issued by government agencies.”<sup>189</sup> In hearings leading up to the passage of the new law, an industry representative revealed that one unfortunate company within a three-month period “had filed 409 reports required by government agencies, the preparation of which absorbed practically the full time of 84 persons during the period.”<sup>190</sup>

Expanding on the details of this early “Christmas present to long-suffering business executives,” February’s *Journal of Accountancy* stated that Public Law 83 clarified “the authority of the Bureau [of the Budget] in this field, and instructs it to coordinate the information-collecting services of federal agencies.”<sup>191</sup> Under the workings of the law, all agencies were required to have the Bureau’s approval to “collect information from ten or more persons.”<sup>192</sup> Recognizing the severity of the current situation, Congress, under the law, declared its policy in the matter to be the elimination of “unnecessary and duplicating requests for information by government departments,

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<sup>187</sup> John L. Carey, ed., “Mounting Postwar Reserves,” *The Journal of Accountancy* 75, no. 1 (January 1943): 35.

<sup>188</sup> *Ibid.*

<sup>189</sup> John L. Carey, ed., “Government Questionnaires,” *The Journal of Accountancy* 75, no. 1 (January 1943): 4-5.

<sup>190</sup> *Ibid.*

<sup>191</sup> John L. Carey, ed., “Reduction of Government Questionnaires,” *The Journal of Accountancy* 75, no. 2 (February 1943): 100.

<sup>192</sup> *Ibid.*



and to acquire necessary information at minimum cost to the government and with minimum burden on business enterprises.”<sup>193</sup>

February’s issue of the *Journal of Accountancy* also revealed that governmental agencies were far better at requesting information than releasing such. The Institute’s Committee on Auditing Procedure reported in Statement on Auditing Procedure No. 18 that governmental “departments and agencies, under existing war conditions, rarely confirmed amounts stated in requests for confirmation and had frequently expressed their inability to do so” in spite of the fact that “an increasing percentage of the receivables of companies were represented by amounts recorded as due from [governmental] departments or agencies.”<sup>194</sup>

In February’s editorial section, the *Journal* acknowledged that “accounting problems of the utmost importance arose when war contracts were canceled by the government before completion.”<sup>195</sup> Even though the U.S. had been at war only slightly over a year, the editorial reported that “there had already been instances in which fixed-price contracts had been canceled because of changes in the production requirements of the armed services.”<sup>196</sup> Mr. Carey concluded that “contract termination takes its place with renegotiation, and determination of costs under cost-plus-fixed-fee contracts, as one of the major problems of accounting in the war economy.”<sup>197</sup>

Other war generated items of concern in the February issue of the *Journal* included the manpower shortages in the profession and recent Selective Service releases,

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<sup>193</sup> Ibid.

<sup>194</sup> Committee on Auditing Procedure, “Confirmation of Receivables for the Government: SAP No. 18,” *The Journal of Accountancy* 75, no. 2 (February 1943): 162-163.

<sup>195</sup> John L. Carey, ed., “Termination of War Contracts,” *The Journal of Accountancy* 75, no. 2 (February 1943): 99.

<sup>196</sup> Ibid.

<sup>197</sup> Ibid.

the question of inventory procedure for products frozen by the Government, the appropriate balance sheet classification of “V” loans, and War Department cost interpretations.

As the second quarter of 1943 unfolded, the *Journal of Accountancy* continued its publication of numerous war-themed articles. In April, the *Journal* carried articles on accounting manpower deficiencies, war contract audits, renegotiation of excessive profits, contract terminations, postwar planning and one that revealed a new governmental mandate requiring accounting firms to adhere to a minimum 48-hour work week. Another item in the April edition was pulled directly from the Bendix Aviation Corporation’s annual report on September 30, 1942, and revealed the tremendous financial consequences of renegotiation. Although the company had agreed to \$123,000,000 in “price reductions on products” during the year, it was still required “to refund to the government an additional \$65,400,000 in renegotiating the year’s profits as required by law.”<sup>198</sup>

In June 1943, as in previous issues, the *Journal* continued its coverage of martial issues including items on war contracts, accounting manpower, selective service classifications, and contract terminations. The issue also included two important articles by AIA presidents. One was an overview of “The First Year of Renegotiation” by U.S. Naval Commander Norman McLaren, the immediate past president of the Institute who was then serving as the” Chief of the Cost and Audit Division [in the] Office Procurement and Material, and a member of the Navy Department Price Adjustment

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<sup>198</sup> John L. Carey, ed., “Bendix Aviation Comments on War Profits and Risks,” *The Journal of Accountancy* 75, no. 4 (April 1943): 352.

Board.”<sup>199</sup> The other, an article by George S. Olive, the current AIA president, revealed that

Accountants were of great value in World War I, and in this war are active both in the armed forces and on the home front. . . . Certified public accountants hold key positions in the accounting and auditing branches of the Army, the Navy, the Maritime Commission, the War Production board, the Office of Price Administration, and the reconstruction Finance Corporation. Members of our organization [the AIA] have been instrumental in bringing about a fundamental change in the policy of the War Department in their administrative audit of costs under cost-plus-fixed-fee contracts, and also in bringing about a change by which the General Accounting Office has decentralized the procedures which it followed in reviewing contractors’ vouchers. They have been instrumental in developing the renegotiation procedure; are serving the Navy as members of panels of supervision cost inspectors; have assisted in the development of forms and procedures used in controlling and allocating supplies of critical war materials; and have taken a leading part in the effort of the War Production Board to reduce the burden borne by industry in meeting the requirements of government agencies for a multiplicity of accounting and statistical reports.<sup>200</sup>

During the third quarter of 1943, the theme of the war-related articles within the *Journal of Accountancy* began to shift to postwar concerns. The July issue offered four such items. One, an article by Maurice Peloubet, was entitled “Business Reserves for Postwar Survival.” The other three dealt with the termination of war contracts. The last of which was an excerpt from *The Wall Street Journal*, that pointed to the potential for contract cancellation problems in the postwar period based on current expected “cancellations in excess of \$25 billion.”<sup>201</sup> The excerpt warned that following WWI, “\$5 billion in canceled contracts produced 40,000 claims that took about three years for

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<sup>199</sup> Norman L. McLaren, “The First Year of Renegotiation,” *The Journal of Accountancy* 75, no. 6 (June 1943): 487.

<sup>200</sup> George S. Olive, “The Fifth Freedom,” *The Journal of Accountancy* 75, no. 6 (June 1943): 494.

<sup>201</sup> John L. Carey, ed., “Shortage of Accountants Hurts,” *The Journal of Accountancy* 76, no. 1 (July 1943): 65.

settlement.”<sup>202</sup> Other war-related items in the July issue included, auditing procedures for government receivables, employee’s subscription for war savings bonds, financial statements in wartime, the use of accountants in war, cost determination for war contractors and renegotiation.

By November 1943, the pervasive effects of the war were even impacting the printing of the *Journal of Accountancy*. Carey reported that “since last April, [the] supply of paper [for the publication of the *Journal*] had been limited to a quarterly quota based upon the tonnage used in the preceding year.”<sup>203</sup> In order to meet the growing circulation demands, the *Journal* went to “a lighter weight of paper” and starting in November’s issue utilized narrower margins on text pages.”<sup>204</sup> The changes permitted the elimination of “eight pages from the magazine without reducing the amount of reading matter or the size of the type.”<sup>205</sup> Martial items appearing in November’s issue included, in part, articles on “Reserves to Meet War Costs,” “Special Reserves Arising out of the War,” “Reserves to Meet Indeterminable War Costs,” “Tax Problems of War Contractors,” “Renegotiation of War Contracts,” and “Some Accounting Aspects of Renegotiation.”

As the January 1944 issue opened, even a casual reader of the *Journal* could not fail to recognize the depth of war-related items covered within its pages. Accounting issues related to war contract renegotiation, and auditing under war and postwar conditions were raised along with suggestions on wartime corporate reserves and tax simplification.

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<sup>202</sup> Ibid.

<sup>203</sup> John L. Carey, ed., “Why *The Journal* Grows Thinner,” *The Journal of Accountancy* 76, no. 5 (November 1943): 374.

<sup>204</sup> Ibid.

<sup>205</sup> Ibid.

In like fashion, the April 44' issue continued to provide readers with guidance on a multiplicity of war-related and created problems facing accountants and their clients. Renegotiation was evidently still a major source of concern as evidenced by Mr. Carman Blough's "Recent Changes in the Renegotiation Act," Mr. Gordon L Laidlaw's "A Case Study in Contract Renegotiation," and an editorial entitled "Renegotiation Reports."<sup>206</sup>

Another item in the April issue that received considerable coverage was the various calls and proposals for tax simplification. Positively, John Carey editorialized that "a splendid opportunity for simplification of the tax laws seemed near at hand."<sup>207</sup> Continuing he observed that "the outcries of millions of citizens who have only recently discovered the complications of the income tax have been added to the voices of professional tax practitioners and business men who insist that our tax system is so involved, its effects so unpredictable, as to jeopardize the health of the postwar economy."<sup>208</sup> In October of 1943, the Institute, by means of a formal resolution, "urged congress to establish a body of experts which could get to work on tax simplification."<sup>209</sup> Due to the highly favorable public reaction of this proposal, six bills had "been introduced in Congress which in one way or another would give effect to this suggestion."<sup>210</sup>

By July of 1944, many Americans were beginning to anticipate and plan for the positive conclusion of the war. In the *Journal of Accountancy* this outlook began to be seen in articles that considered the postwar educational needs of returning service men

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<sup>206</sup> John L. Carey, ed., "Table of Contents," *The Journal of Accountancy* 77, no. 4 (April 1944): 263.

<sup>207</sup> John L. Carey, ed., "A Way to Tax Simplification," *The Journal of Accountancy* 77, no. 4 (April 1944): 265.

<sup>208</sup> Ibid.

<sup>209</sup> Ibid.

<sup>210</sup> Ibid.

and the accountant's role in postwar planning. Of the first, the Council of the AIA had "approved a recommendation . . . that consideration be given to means of providing training of the type found to be most desired for accountants reentering practice after the war."<sup>211</sup> In a similar vein, AIA President Victor Stempf urged these accountants "to refresh and extend their knowledge of the modern accounting techniques" and pointed to avenues of enlightenment such as the "intensive refresher courses in the colleges [and] forums in the accounting societies."<sup>212</sup> Other pressing problems of a continuing nature addressed in the July issue included war contract termination, renegotiation, and tax simplification.

Rounding out the quarter, September's issue contained no less than three items on contract terminations. The articles included an excerpt from *the Wall Street Journal* entitled "Preparing for War Contract Termination," William Whitney's "Accounting Aspects of Termination Claims," and Alfred Kaplan's "An Experience in Contract Termination -- Total Costs and Inventory Basis."<sup>213</sup> *The Wall Street Journal* reprint from August 8, 1944, outlined the procedures followed by the International Harvester Company that included establishing "an advisory and coordinating committee," "a war-contract-termination department at the general office," and a "termination organization at each of the Harvester plants."<sup>214</sup>

In addition to termination, educational issues were also contemplated in September's issue. In John Carey's editorial, "Accounting Education," he advised that

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<sup>211</sup> John L. Carey, ed., "Accounting Education for Service Men," *The Journal of Accountancy* 78, no. 1 (July 1944): 4.

<sup>212</sup> Victor H. Stempf, "Accountant's Responsibility in Postwar Planning," *The Journal of Accountancy* 78, no. 1 (July 1944): 22.

<sup>213</sup> John L. Carey, ed., "Table of Contents," *The Journal of Accountancy* 78, no. 3 (September 1944).

<sup>214</sup> John L. Carey, ed., "Preparing for War Contract Termination," *The Journal of Accountancy* 78, no. 3 (September 1944): 193.

“when the war ends the accounting profession should give consideration to continuous training of staff assistants” and foresaw that “some provision for regular training of staff assistance may be a natural outgrowth of efforts to provide “refresher courses for accountants returning from the armed forces.”<sup>215</sup>

Termination and postwar concerns were also addressed in the November 1944 issue of the *Journal of Accountancy*. In editorials, Mr. Carey presented readers with the plans being made to help returning service men and of steps being taken to speed up termination settlements. Of the latter, the AIA Secretary offered that the Office of Contract Settlement had issued a new regulation on September 27<sup>th</sup> that authorized “agreements with war contractors, in advance of actual termination, on specified amounts, or amounts computed according to specific methods, to be paid to contractors if termination occurs.”<sup>216</sup> Carey concluded that “all in all, the new Office of Contract Settlement was making rapid progress in laying out standard procedures which would facilitate quick settlements.”<sup>217</sup>

Entering the last year of the war, the *Journal of Accountancy* contained to focus of the postwar period and efforts to effect a speedy reconversion of industry to consumer manufacturing. In January’s issue, the Journal carried articles on tax simplification, pretermination steps of the war agencies, disposal of surplus war property, and the joint termination accounting manual. March’s issue continued the theme, with articles on “Planning for the Return of Accountants in the Armed Forces,” “Pretermination Agreements,” and “War Contract Terminations and Settlements.” In the last item, Robert

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<sup>215</sup> John L. Carey, ed., “Accounting Education,” *The Journal of Accountancy* 78, no. 3 (September 1944): 178.

<sup>216</sup> John L. Carey, ed., “Speeding Up Termination Settlements,” *The Journal of Accountancy* 78, no. 5 (November 1944): 355-356.

<sup>217</sup> Ibid.

H. Hinckley, the director of Contract Settlement, reported to Congress that a record volume of terminated contracts were “settled in the last quarter of 1944 . . . clearing from the books canceled commitments totaling \$4.2 billion.”<sup>218</sup> These efforts he added had reduced “the backlog of terminations pending settlement . . . from its October peak of \$14.3 billion to \$11.6 billion at the end of the year.”<sup>219</sup> Of particular interest to accountants was Hinckley’s announcement that George O. May, the former senior partner at Price Waterhouse & Co., had been appointed to the Appeal Board authorized under the Contract Settlement Act of 1944. Even as the war neared its conclusion, May’s issue of the *Journal* continued to provide readers with war-related information on items including contract renegotiation, the OPA, and the accounting for terminated war contracts.

Finally, in July’s issue, the *Journal of Accountancy* published AIA President Samuel J. Broad’s “The Business of Peace” in which he offered that “we have just completed a major part of the war and the stupendous nature of our victory thrills our souls.”<sup>220</sup> Continuing President Broad added that, “we cannot afford to coast until V-Day arrives. Our full energies must be . . . directed to the completion of the task.”<sup>221</sup> Although the war had ended in Europe, America still faced one last foe – Japan.

For the accounting profession, the enemy was not quite as well defined as it was for the nation’s military. Accordingly, July’s issue also provided accountants the ammunition needed to successfully handle “various accounting aspects of renegotiation and termination policies, procedures, rules, and interpretations” by utilizing a department

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<sup>218</sup> Robert H. Hinckley, “War Contract Terminations and Settlements,” *The Journal of Accountancy* 79, no. 3 (March 1945): 258.

<sup>219</sup> *Ibid.*

<sup>220</sup> Samuel J. Broad, “The Business of Peace,” *The Journal of Accountancy* 80, no. 1 (July 1945): 8.

<sup>221</sup> *Ibid.*



within the *Journal* to informally address these concerns.<sup>222</sup> The new section, “Notes on War Contracts,” was edited by Maurice Peloubet and in July’s issue dealt with the settlement of terminated war contracts, momentum costs, renegotiation, and highlighted recent regulations from the Office of Contract Settlement.<sup>223</sup>

In 1905, Joseph Johnson and Edward Meade accepted the assignment to become editors of a new accounting publication -- *The Journal of Accountancy*. Their acceptance of this duty was occasioned not because of pride or vain glory but simply “because [they] were asked and because somebody had to do it.”<sup>224</sup> The pressing reason for this undertaking was quite clear to them -- “Accountancy has never had a voice in the United States.”<sup>225</sup>

From the defense preparedness efforts till the close of World War II, the *Journal of Accountancy* not only provided a voice for the profession but in a rising crescendo sang. The strength of this song is best seen in light of its increasing circulation during the period. In 1940, the *Journal of Accountancy* commemorated its thirty-fifth year in publication and enjoyed a circulation that in August of that year that exceeded 14,000.<sup>226</sup> However by the close of World War II, the *Journal of Accountancy*’s circulation had grown to 25,573 copies in August of 1945 – 80% increase over the five-year period.<sup>227</sup>

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<sup>222</sup> Maurice E. Peloubet, ed., “Notes on War Contracts,” *The Journal of Accountancy* 80, no. 1 (July 1945): 56; the new section was first introduced in March 1945.

<sup>223</sup> Ibid.

<sup>224</sup> Joseph F. Johnson and Edward S. Meade, eds., “A Word With Our Friends,” *The Journal of Accountancy* 1, no. 1 (November 1905): 59.

<sup>225</sup> Ibid.

<sup>226</sup> James L. Dohr, “Reports of the Committee on Publication: Annual Report,” in *American Institute of Accountants Yearbook 1941*, (New York: AIA, 1942), 134; the August 1940 circulation was 14,169.

<sup>227</sup> Frederick H. Hurdman, “Reports of the Committee on Publication: Annual Report,” in *American Institute of Accountants Yearbook 1944—45* (New York: AIA, 1946), 145.

As for the content of the *Journal*, from September 1940 to September 1941, “defense accounting in its various ramifications” ranked in the top three in terms of space given to articles.<sup>228</sup> Once the U.S. officially entered the war, the volume of war-related articles abounded. In its Midyear Report, dated April 14, 1942, the Institute’s Committee on Publication reported that in the *Journal*, “twelve out of twenty-two editorials in the past three months had been devoted to discussing problems bearing upon the profession in wartime and to indicating ways in which readers could be of the utmost service in the war effort.”<sup>229</sup> The Committee on Publication reported in September of 1942, that the *Journal* had “consistently given priority to articles, editorials, and comments directly related to wartime problems” to such an extent that “about one third of the articles and half of the editorials published in the” preceding four issues had “been of this character.”<sup>230</sup> As the war progressed, this percentage only increased. The Committee on Publication reported that “the majority of articles published in the *Journal of Accountancy* from September, 1943, through May, 1944 . . . emphasized wartime problems of accountants.”<sup>231</sup> Thus, through the pages of the *Journal of Accountancy*, the AIA kept its readers updated on the ever changing dictates of war problems so that they in turn could with the utmost dispatch apply their skills to meet the demands of clients, and governmental agencies alike. In so doing, the *Journal of Accountancy* rendered invaluable service to a nation at war.

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<sup>228</sup> James L. Dohr, “Reports of the Committee on Publication: Annual Report,” in *American Institute of Accountants Yearbook 1941*, (New York: AIA, 1942), 134.

<sup>229</sup> James L. Dohr, “Reports of the Committee on Publication: Midyear Report,” in *American Institute of Accountants Yearbook 1942*, (New York: AIA, 1943), 128.

<sup>230</sup> James L. Dohr, “Reports of the Committee on Publication: Annual Report,” in *American Institute of Accountants Yearbook 1942*, (New York: AIA, 1943), 130.

<sup>231</sup> Frederick H. Hurdman, “Reports of the Committee on Publication: Midyear Report,” in *American Institute of Accountants Yearbook 1943-44* (New York: AIA, 1945), 81.

*The New York Certified Public Accountant*

The New York State Society of Certified Public Accountants (NYSSCPA), the largest and most influential of all state societies, rivaled even the AIA in terms of its influence, membership and efforts to aid accountants during the war period.<sup>232</sup> The main publication of the NYSSCPA was *The New York Certified Public Accountant*, which beginning in October of 1941 increased its frequency from nine to twelve issues per year.<sup>233</sup> Throughout the World War II period, even preceding the formal declaration of hostilities, the Society's publication provided a conduit to its members for the dissemination of critical information and guidance related to and impacted by the nation's defense and war efforts.

During the prewar period, articles in *The New York Certified Public Accountant* began to reflect the effects of the military-preparedness effort upon the profession. One of the most evident effects involved national tax policy. Over a year before America entered the war, Dr. Joseph J. Klein appeared before the New York Society's annual tax meeting on the evening of November 18<sup>th</sup>, 1940, and touched on the defense efforts' impact on tax policy. As a former president and director of the NYSSCPA, Dr. Klein, was asked to open the meeting by "summarizing the First and Second Revenue Acts," which he did before an "exceptionally large" audience, exceeding 1,600 accountants, at the Grand Ballroom of the Waldorf-Astoria Hotel.<sup>234</sup> In his address, the former president identified the philosophy that motivated the framers of "the First and Second Revenue

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<sup>232</sup>Joseph J. Klein, "Summary of the First and Second Revenue Acts of 1940 with Particular Reference to the Excess – Profits Tax Imposed under the Second Revenue Act," *New York Certified Public Accountant* 11, no. 3 (December, 1940): 147; In November 1940, the membership of the AIA was in excess of 5,000 while the NYSSCPA had approximately 5,000.

<sup>233</sup>Wentworth F. Gantt, "Editorial Notice," *New York Certified Public Accountant* 12, no. 1 (October 1941): 6.

<sup>234</sup>Wentworth F. Gantt, ed., "November Tax Meetings," *New York Certified Public Accountant* 11, no. 3 (December, 1940): 135.

Acts of 1940.”<sup>235</sup> In pointing to “the report of the Ways and Means Committee,” Dr. Klein recognized two defense-related aspects of their philosophy: “to enable a larger proportion of our citizens to participate in . . . providing an adequate national defense” and “to encourage industry to cooperate in national defense.”<sup>236</sup>

In the days of a less connected society, one vital service of the publication was to keep the members informed on the whereabouts of their fellow members. To this end, one brief article entitled “National Defense,” appeared in the May 1941 issue and disclosed that Colonel Arthur Carter and Andrew Stewart were now in Washington, D.C., working “in the office of the Under Secretary of War.”<sup>237</sup> The article continued that, with Carter in charge and Stewart serving as his second in command, the duo from Haskins and Sells were running a newly established “audit control section” charged with “examining accounting practices in effect in the army supply services, and . . . making recommendations for improved methods of control.”<sup>238</sup> As other Society members enlisted or were drafted into service, the NYSSCPA recognized their sacrifice by publishing lists of “Members in Government Service” in *The New York Certified Public Accountant*.<sup>239</sup>

Another prewar issue confronting the profession and nation was revealed in the October, 1941, issue. In the article entitled “Audit Procedure on War Department Construction Contracts” by Mr. Edwin E. Leffler, a CPA and member of both the AIA and NYSSCPA, he reported that “up to June 18, 1941”, an estimated \$1.5 billion in

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<sup>235</sup> Ibid.

<sup>236</sup> Joseph J. Klein, “Summary of the First and Second Revenue Acts of 1940 with Particular Reference to the Excess – Profits Tax Imposed under the Second Revenue Act,” *New York Certified Public Accountant* 11, no. 3 (December, 1940): 149.

<sup>237</sup> Wentworth F. Gantt, ed., “National Defense,” *New York Certified Public Accountant* 11, no. 8 (May 1941): 432.

<sup>238</sup> Ibid.

<sup>239</sup> See appendix H “Members in Service” for various listings.

emergency construction had been initiated.<sup>240</sup> As a harbinger of things to come, Mr. Leffler revealed that obtaining “trained accounting personnel” was one of the first hurdles to overcome in the massive construction program.<sup>241</sup> He continued that due to the complexities involved in auditing cost-plus-a-fixed-fee contracts, the projects required “an unusually high grade of key personnel, men of professional stature” who could hit the ground running.<sup>242</sup> The difficulties in overcoming this manpower hurdle were further exacerbated by the sheer magnitude of the construction projects and the numbers of auditing personnel required. More specifically, in June 1941 there were 100 cost-plus-fixed-fee projects underway, each of which individually required a staffed Project Auditor’s office consisting of “six key men” and an additional “50 to 250 clerks and material and time checking personnel.”<sup>243</sup> Mr. Leffler came by such information by virtue of his service “in the Quartermaster General’s Office of the War Department as Chief of the Final Settlements Unit, Constructing Quartermaster’s Division.”<sup>244</sup>

Nor was this the only item of military bearing in the October issue. Other items included a supplemental listing of fifteen NYSSCPA members and associate members who were serving in the armed forces and another announced President Roosevelt’s promotion of Colonel Arthur H. Carter to Brigadier-General on September 29, 1941. The article was clear to point out that Carter had served as a past president of both the NYSSCPA and also the National Association of Cost Accountants. A final item

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<sup>240</sup> Edwin E. Leffler, “Audit Procedure on War Department Construction Contracts,” *New York Certified Public Accountant* 12, no. 1 (October, 1941): 45.

<sup>241</sup> *Ibid.*

<sup>242</sup> *Ibid.*

<sup>243</sup> *Ibid.*, 45.

<sup>244</sup> Wentworth F. Gantt, ed., “Authors of Articles in this Issue,” *New York Certified Public Accountant* 12, no. 1 (October 1941): 78.

presented a resolution of the Society's Board that waived the payment of dues for any of the Society members serving in the U.S. armed forces.<sup>245</sup>

On the eve of war, President Andrew Stewart's inaugural speech was published in the November issue of *The New York Certified Public Accountant*. In it, he lauded the "lasting mark of accomplishment" of those members who had rendered service to the nation's defense programs.<sup>246</sup> Calling attention to the demands of the new tax laws and the increasing professional demands in connection with defense work, the president challenged the society to not only satisfy these demands but also to be ready to offer further assistance to the Government. Presenting the clear and present danger, Stewart warned that the profession of accounting "can exist only in an economic system of free enterprise."<sup>247</sup> Continuing, the president cautioned that accountants must never forget "that the keystone of our profession is not only our ability to evaluate the meaning and effect of financial transactions, but also our freedom to express our untrammled and independent opinion."<sup>248</sup>

On December 7, 1941, America was plunged into war by the Japanese surprise attack on Pearl Harbor. With war no longer just a distant concern for other nations but a living reality for Americans, *The New York Certified Public Accountant* responded by rallying the members of the NYSSCPA. In its January issue, the publication carried President Andrew Stewart's address that outlined "one main objective" for the coming

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<sup>245</sup> Wentworth F. Gantt, ed., "State Society Activities: Members in Government Service; Arthur H. Carter; Military Service," *New York Certified Public Accountant* 12, no. 1 (October 1941): 6-7.

<sup>246</sup> Andrew Stewart, "October Meeting," *The New York Certified Public Accountant* 12, no. 2 (November, 1941): 85-87.

<sup>247</sup> Ibid.

<sup>248</sup> Ibid.

year to the membership – “to render all possible service to our country.”<sup>249</sup> Calling upon all members to be ready to serve and willing to cooperate, Andrews concluded that, “When victory shall have been achieved, it will then be said of us that we also served our country faithfully and well.”<sup>250</sup>

Beyond the rallying cries, *The New York Certified Public Accountant* assisted in guiding readers through a multitude of war-related issues. Throughout the war, the publication presented the guidance provided by the Committee on Accounting Principles and the Securities and Exchange Commission by respectively including Accounting Research Bulletins (ARB) and Accounting Series Releases (ASR) in its issues. One example of this is seen in the 1942 February issue, where ARB’s No. 13 and 14, and ASR No. 30 were included in their entirety. Noteworthy, all three pertained to or were issued in response to the war.

Other less authoritative guidance, provided by *The New York Certified Public Accountant*, appeared under its Committee Activities section that frequently included the discussion of a topic along with resulting questions and answers thereby generated. Under this section, from January to May of 1942, timely information was provided by the New York Society’s Committees on: Federal Taxation, Accounting Machinery, Social Security, Inventory Methods, Monthly Audits, Savings and Loan Association Accounting, Mining and Smelting Accounting, Accountant’s Office Procedure and Administration of Accounting Engagements. On February 17, 1942, another of the Society’s committees, the Committee on Cooperation with Bankers, provided answers to questions concerning the accounting treatment of war reserves, tax anticipation notes and

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<sup>249</sup> Andrew Stewart, “Message from the President to the Members,” *New York Certified Public Accountant* 12, no. 4 (January 1942): 237.

<sup>250</sup> Ibid.

war contracts. Although the Committee issued the standard disclaimer, “that the meeting was purely informal and that the comments to be made by the committee were not to be considered as official,” their answers nonetheless contained the combined judgments from some of the leading experts in the field, including, to name a few, Warren W. Nissley, Andrew Stewart, Edward A. Kracke, Victor H. Stempf, and J. S. Seidman and thus carried great weight.<sup>251</sup>

In addition to these efforts, *The New York Certified Public Accountant* ran numerous articles pertaining to war and its impact on the profession. In 1942, the May issue included two war-themed articles, one by John Carey entitled “The Accounting Profession in War,” and another by Gertrude Priester entitled “Women on the Staff – How and What They Can Contribute.”<sup>252</sup> July’s issue that year was entirely devoted to war matters and contained no less than five articles, by military personnel, with topics ranging from “Ordnance Production” and “Navy Procurement” to “The Accountant’s Role in War Production” and “The Army Works with Industry.”<sup>253</sup>

On October 5, 1942, the NYSSCPA held its first meeting of the new Society year and inaugurated “J. Arthur Marvin as president of the Society for the coming year.”<sup>254</sup> Moreover, the evening’s meeting was noteworthy because it “was devoted to the subject of wartime control of prices.”<sup>255</sup> Addressing the gathering were the distinguished Dr. Herbert F. Taggart, representing the OPA, and Mr. William W. Werntz, Chief

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<sup>251</sup> Committee on Cooperation with Bankers, “Answers to Questions Presented by the New York Chapter of the Robert Morris Associates . . . at a Joint Meeting February 17, 1942,” *New York Certified Public Accountant* 12, no. 7 (April 1942): 410.

<sup>252</sup> Wentworth F. Gantt, ed., “Table of Contents,” *New York Certified Public Accountant* 12, no. 8 (May 1942).

<sup>253</sup> Wentworth F. Gantt, ed., “Table of Contents,” *New York Certified Public Accountant* 12, no. 10 (July 1942).

<sup>254</sup> Wentworth F. Gantt, ed., “October Meeting,” *New York Certified Public Accountant* 13, no. 2 (November 1942): 39-40.

<sup>255</sup> *Ibid.*



Accountant of the S.E.C. For those unable to attend, the November issue of *The New York Certified Public Accountant* contained their presentations.

In 1943, *The New York Certified Public Accountant* began the first quarter of the year with war-related articles in each monthly issue. In January's issue, J. Arthur Marvin, the President of the NYSSCPA, who was also presently engaged "in the capacity of a supervising auditor in the Third Naval District with the U.S. Navy, authored "Renegotiation of Contracts – An Experience."<sup>256</sup> February's issue contained "Auditing Problems Relating to Cost-Plus-A-Fixed-Fee Contracts" by Dr. Victor Z. Brink, a C.P.A. who was then serving as an Army Major "attached to the Fiscal Division, Headquarters, Services of Supply."<sup>257</sup> Rounding out the quarter, March's issue contained three other war-tinted articles. Two of the articles related to the salary and wage stabilization act administered by the Treasury Department and the National War Labor Board, and one, entitled "Auditing Afloat," recounted the ship auditing duties of a Naval Supply Officer – Lieutenant Commander Lewis Gluick, C.P.A.<sup>258</sup>

The second quarter of 1943 likewise contained several war oriented articles. April's issue included brief comments from the "Symposium on Post-War Problems of the Accountant."<sup>259</sup> Two others spoke on a current and future concern of the profession - manpower problems; Saul Levy, pointed to the important role of accountants in public service and identified "one or two conspicuous examples" including: Brigadier General Arthur H. Carter and "two other past presidents of [the New York] Society, Col. Andrews

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<sup>256</sup> Wentworth F. Gantt, ed., "Authors of Article in this Issue," *New York Certified Public Accountant* 13, no. 4 (January 1943): 173.

<sup>257</sup> Wentworth F. Gantt, ed., "Authors of Article in this Issue," *New York Certified Public Accountant* 13, no. 5 (February 1943): 217.

<sup>258</sup> Wentworth F. Gantt, ed., "Authors of Article in this Issue," *New York Certified Public Accountant* 13, no. 6 (March 1943): 255.

<sup>259</sup> Joseph J. Klein, et al., "Symposium on Post-War Problems of the Accountant held . . . on March 22, 1943," *New York Certified Public Accountant* 13, no. 7 (April 1943): 272-283.

Stewart, and Lt. Col. Morris C. Troper” who were serving together in the Fiscal Division, Headquarters, Services of Supply.<sup>260</sup> The May issue was completely devoted to one topic – contract renegotiation, and contained viewpoints from both the Army Air Force and Navy presented respectively by Lt. Col. Charles H. Dyson and Commander N. Loyall McLaren. Of no small significance to the readers, Commander McLaren was a former A.I.A President while Colonel Dyson was a member of the A.I.A., the NYSSCPA, and the New Jersey Society of Certified Public Accountants.<sup>261</sup>

The third quarter of 1943 opened with two war-related items in the July issue of *The New York Certified Public Accountant*. One was an article by Lieutenant Commander Lewis Gluick entitled “The Navy Eats” in which he assured the folks back home that “by and large the Navy eats well; thanks in part, to you civilians readers who are skimping on many foods.”<sup>262</sup> A second more serious article again addressed the “Manpower Problems of the Profession” and was in fact a reprinted article that first appeared in the May 22<sup>nd</sup> issue of the *Wall Street Journal*.<sup>263</sup> August’s issue was almost entirely devoted to war-generated difficulties and contained two articles covering the termination of governmental contracts while a third article dealt with the determination of war contracts costs and profits. This last article, by Victor Stempf, in addressing costs and profits went into considerable detail on war contract renegotiation and reserves for reconversion. Pointing to the need for postwar reserves, Mr. Stempf quoted from the Truman Committee report and offered, “It does not aid, either the Country, or the

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<sup>260</sup> Ibid., 273- 274.

<sup>261</sup> Wentworth F. Gantt, ed., “Authors of Article in this Issue,” *New York Certified Public Accountant* 13, no. 8 (May 1943): 323.

<sup>262</sup> Lewis Gluick, “The Navy Eats,” *New York Certified Public Accountant* 13, no. 10 (July 1943): 402-406.

<sup>263</sup> F. B. Dezeddorf, “Manpower Problems of the Profession,” *Wall Street Journal*, May 22, 1943, reprinted in *New York Certified Public Accountant* 13, no. 10 (July 1943): 376-378.

peacetime manufacturer who has been put out of business, to put all wartime manufacturers out of business, too.”<sup>264</sup> The third quarter closed out with a full slate of articles in the September issue that either directly or in passing touched on the war and its effects on accounting.

Beginning the fourth quarter, October’s issue carried two articles on martial topics, “Service Club Accounting” and “Monthly Examinations Under War-Time Conditions.”<sup>265</sup> In the November issue two-thirds of the articles were war-related. One of these by Maurice Peloubet, entitled “Accounting Problems in War Contracts,” observed that “almost everything connected with war contracts eventually turns on costs or estimates of costs” and thus, “to a large extent, it is now the accountant who determines how much income the enterprise will receive.”<sup>266</sup> Drawing the year to a close, the December issue of *The New York Certified Public Accountant* contained one article that demonstrated the difficulties accountants were having in their dealings with governmental bureaucracies. In “Confirmation of Accounts Receivable from the Government,” Roland McNamara presented the governments’ viewpoint and observed, that “at the present time, the volume of business transacted with the various Federal agencies has reached a point at which a great majority of commercial firms have a large percentage of their accounts receivable owing from the government.”<sup>267</sup> To facilitate the governments’ ability to respond to confirmation requests, Mr. McNamara recommended

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<sup>264</sup> Victor H. Stempf, “War Contracts, Costs, and Profits,” *New York Certified Public Accountant* 13, no. 11 (August 1943): 440.

<sup>265</sup> Wentworth F. Gantt, ed., “Table of Contents,” *New York Certified Public Accountant* 14, no. 1 (October 1943).

<sup>266</sup> Maurice E. Peloubet, “Accounting Problems in War Contracts,” *New York Certified Public Accountant* 14, no. 2 (November 1943): 58, 67.

<sup>267</sup> Roland J. McNamara, “Confirmation of Accounts Receivable from the Government,” *New York Certified Public Accountant* 14, no. 3 (December 1943): 108-110.

that firms adopt a modified form for confirmation purposes that took into account the differences between methods utilized by industry versus the government.

Although *The New York Certified Public Accountant* began 1944 with a series of tax-themed articles in the January issue, there was absolutely no mistaking that the country was still at war. January's issue opened with a war-themed address from the New York Society's President, Saul Levy, contained an update on the new gasoline rationing regulations that applied to accountants, and closed with a question and answer session concerning wage and salary stabilization. The February issue was largely silent as to war concerns, save for a single article titled, "Inventory Methods."<sup>268</sup> This article outlined the problems auditors faced when dealing with war contractors who "omitted taking physical inventories, either voluntarily or by direction of the government, in order not to interrupt necessary production of war materials."<sup>269</sup> In March 1944, the publication contained articles on contract termination procedures and considerations in the installation of cost systems. The latter article, by Lawrence Sherritt, recognized that "public accountants were receiving an increased number of calls for either the installation of new cost systems or the reorganization of existing ones . . . undoubtedly due, directly or indirectly, to the tremendously increased industrial production supplying the war machines."<sup>270</sup> In his article, Dr. Sherritt repeatedly commented on the professions' "manpower shortages" and reported that "under present conditions . . . it is imperative

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<sup>268</sup> Henry A. Esser, "Inventory Methods," *New York Certified Public Accountant* 14, no. 5 (February 1944): 219-222.

<sup>269</sup> *Ibid.*, 219-220.

<sup>270</sup> Lawrence W. Sherritt, "Preliminary Considerations to the Installation of the Cost System," *New York Certified Public Accountant* 14, no. 6 (March 1944): 267.

that the personnel situation be thoroughly scouted before final installation plans are completed.”<sup>271</sup>

Beginning in the second quarter of 1944, April’s issue focused on internal control with two articles on the topic. In one of the articles, Prior Sinclair opened by stating, “If industry’s war production programs are to be fully met, a basic necessity is a well devised system of internal control and constant attention to its performance by a capable and ample staff of internal auditors.”<sup>272</sup> In the May issue of *The New York Certified Public Accountant*, every article dealt with the topic of war contract terminations. Far from exhausting the topic, July’s issue again carried two more articles concerning other aspects of war contract terminations. In September, the publication turned its attention to America’s war on inflation, when an article by William Gotten explained that “to avoid the suffering inflation like that of the First World War, the Government has placed ceilings on the prices of many of the necessities of life, established maximum rents in certain areas, taxed away excess profits, and stabilized wages and salaries.”<sup>273</sup> This last issue of 1944 ended where the January 1944 issue began – on the topic of wage and salary stabilization. December’s issue printed select questions and answers concerning wage and salary stabilization. Of major importance to public accountants and their clients, the session brought forth some of the penalties that could be levied for violations, which included: disallowance of the entire wage or salary for tax deduction purposes and for “purposes of computing costs under Government contracts.”<sup>274</sup> Even more severe,

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<sup>271</sup> Ibid., 270.

<sup>272</sup> Prior Sinclair, “Internal Control – From the Viewpoint of the Public Accountant,” *New York Certified Public Accountant* 14, no. 7 (April 1944): 307-316.

<sup>273</sup> William Gotten, “Stabilization of Wages and Salaries in War Time,” *New York Certified Public Accountant* 14, no. 12 (September 1944): 544.

<sup>274</sup> Wentworth F. Gantt, ed., “Wage and Salary Stabilization,” *New York Certified Public Accountant* 14, no. 15 (September 1944): 694-695.

“willful” violators were “subject to criminal penalties” including “a \$1,000 fine and a year in jail.”<sup>275</sup>

*The New York Certified Public Accountant* began the final year of the war, 1945, with four articles devoted to taxation in the January issue and a message from the president of the NYSSCPA, Mr. Henry A. Horne. In sermon-like fashion, President Horne expounded that the war was “basically, a contest between animalism and spirituality” and rallied, that “with clear conscience and firm resolve we can face the coming bitter year.”<sup>276</sup> February’s issue followed with a group of related articles that suggested time-saving techniques for various aspects of an audit. Three of these articles made express mention of the difficulties firms faced due to manpower shortages brought about by the war. The war again weighed heavily on the topics in March’s issue that featured an article on the OPA and two others that discussed an accountant’s reporting responsibilities for possible and actual violations of Federal wartime emergency acts. The April 1945 issue contained an article by Major General A. H. Carter, a past president of the NYSSCPA, who was then serving as the Fiscal Director, Headquarters, Army Service Forces. In his article, General Carter highlighted the duties of “the world’s busiest comptroller, the biggest life insurance institution, the most extensive banker and cashier and the greatest paymaster” that the world had ever witnessed until that time.<sup>277</sup>

As the war was nearing its dramatic conclusion, transitional items began to appear in articles of *The New York Certified Public Accountant*. In the May 1945 bulletin one such article appeared with the heading “Cooperation with Clients and Credit Grantors in

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<sup>275</sup> Ibid.

<sup>276</sup> Henry A. Horne, “A Message from the President To the Members,” *New York Certified Public Accountant* 15, no. 1 (January 1945): 11.

<sup>277</sup> Arthur H. Carter, “Round the Clock with the Finance Department,” *New York Certified Public Accountant* 15, no. 4 (April 1945): 177-182.

Wartime and Post-War Periods.”<sup>278</sup> Others followed in June’s issue. One of which was simply titled “Looking Ahead” and the other “The Position of the Woman Accountant in the Postwar Era.” Finally, in the July issue, Samuel Broad, President of the AIA, triumphed “we have just completed a major part of the war and the stupendous nature of our victory thrills our souls.”<sup>279</sup> Pointing to the remaining threat in the Pacific, President Broad advised, “Our full energies must be . . . directed to the completion of the task.”<sup>280</sup> That task was accomplished sooner than hoped. Prompted by the atomic bombings of Hiroshima and Nagasaki on August 6<sup>th</sup> and 9<sup>th</sup>, Emperor Hirohito announced Japan’s capitulation to the U.S. on August 15, 1945.

Throughout the war and even preceding it, *The New York Certified Public Accountant* provided significant guidance to accountants. The war created vast difficulties for American industry and therein increased the demand for the services of certified public accountants. Through the guidance provided by the New York publication, accountants were alerted to impending industrial problems and counseled how best to prepare for and alleviate such client difficulties. Faced with crushing manpower shortages, articles in *The New York Certified Public Accountant* recommended how the accounting profession should respond and thus encouraged the efficient utilization of this scarce resource. The publication also served a broader purpose by encouraging accountants to meet all of their responsibilities not only as accountants but also as Americans. By these means the New York State Society of Certified Public

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<sup>278</sup> Max Block, “Cooperation with Clients and Credit Grantors in Wartime and Post-War Periods,” *New York Certified Public Accountant* 15, no. 5 (May 1945): 213-217.

<sup>279</sup> Samuel J. Broad, “The Business of Peace,” *New York Certified Public Accountant* 15, no. 7 (July 1945): 329-337.

<sup>280</sup> Ibid.

Accountants provided invaluable assistance to the profession and the nation during World War II.

*NACA Year Book*

The National Association of Cost Accountants (NACA) was organized in 1919 in Buffalo, New York. Open to both men and women who were “sincerely interested” “in the problems of industrial accounting,” the NACA quickly grew in number from a founding group of thirty-five members to over 6,000 by 1931.<sup>281</sup>

Part of the NACA’s rapid growth was doubtlessly fueled by its objectives:

to develop a better understanding of the true nature and value of accounting, especially cost accounting, in industry; to study and improve technical methods and to establish sound general principles; to supply to its members information on the most up-to-date methods and to assist them in solving their individual problems.<sup>282</sup>

A second reason for its growth was identified by T. H. Sanders, who observed the many friendships that developed between members and “leading figures in the cost accounting world.”<sup>283</sup> In comments along similar lines, another observed “the Association furnishes a means of coming in contact with some of the best men in the profession.”<sup>284</sup>

Rephrased, members recognized that few organizations of the day presented an opportunity where a lowly cost clerk, or accounts receivable bookkeeper could associate with the president or controller of a large company. However, the lion’s share of the credit for the NACA’s rapid rise belongs to Stewart Cameron McLeod or as he was better known, Doc McLeod.

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<sup>281</sup> NACA, *The National Association of Cost Accountants: An Association Devoted to the Problems of Industrial Accounting* (1931), 3-4.

<sup>282</sup> Ibid.

<sup>283</sup> Ibid., 11. A letter by T. H. Sanders concerning the NACA.

<sup>284</sup> Ibid., 7. A letter by S. C. Allyn, Treasurer, The National Cash Register Company, concerning the NACA.



The chief architect, Doc McLeod, was “an organizer, salesman, and most of all a showman.”<sup>285</sup> Surprisingly though, he was neither a cost nor public accountant but instead an “economist and business analyst.”<sup>286</sup> During its formative period, Doc McLeod “made many visits to the chapters, and as he was both an excellent speaker and a clear and incisive writer, created a spirit of loyalty among the members that was remarkable.”<sup>287</sup> So persuasive was McLeod that even the “highest officials of very large companies took a great interest in the NACA and spent many hours of their time, and much money in promoting its interest.”<sup>288</sup>

Due to its solid foundation, organizational structure, and the untiring efforts of Doc McLeod, the NACA continued to flourish and by the beginning of the prewar industrial mobilization effort in America was well positioned to provide sound guidance to its members. According to the NACA, its “most important activity . . . is its publications.”<sup>289</sup> Of first rank, the *NACA Year Book* was internationally recognized at the time “as one of the most valuable contributions to the literature of cost accounting.”<sup>290</sup> Providing a “complete report of all the papers and discussions” from the NACA’s annual conventions, each *Year Book*, captured the distilled “experience of hundreds of men . . . talking about the work they have studied for years and were engaged in every day.”<sup>291</sup> As such, the *Year Book* offers critical insight into the pressing problems facing industrial

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<sup>285</sup> Maurice E. Peloubet, *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting*, ed. by Alfred R. Roberts. Studies in the Development of Accounting Thought, vol.3. (Amsterdam: JAI, 2000), 71.

<sup>286</sup> Ibid.

<sup>287</sup> Ibid.

<sup>288</sup> Ibid.

<sup>289</sup> NACA, *The National Association of Cost Accountants: An Association devoted to the Problems of Industrial Accounting* (1931), 8.

<sup>290</sup> Ibid.

<sup>291</sup> Ibid., 8-9.

accountants during the World War II period and provided needed direction for cost accountants of the period.

On the morning of Tuesday, June 24, 1941, the NACA held the opening session of its Twenty-Second International Cost Conference “in the Grand Ballroom of the Waldorf-Astoria, New York City.”<sup>292</sup> Calling the session to order, the NACA President, Mr. Victor Stempf, noted that “the crescendo of cannon and drums has intensified during this past year. The defense emergency has quickened,” and “our responsibilities have enlarged in full measure.”<sup>293</sup> Although U.S. forces had yet to engage any enemy, the same could not be said for U.S. industry. The defense emergency program was a major topic of discussion and accordingly “because of the inconceivable magnitude and present impact of this undertaking, it was eminently appropriate that the first technical address of this convention should be a statement of some of the cost problems which arise from it.”<sup>294</sup>

From the Office of Production Management (OPM), Mark S. Massel addressed the gathering on the subject, “Accounting Under the Defense Program: Some General Cost Problems.”<sup>295</sup> Pointing to the multitude of new problems facing industry due to the “tremendous defense program,” Massel concluded that “business as usual” could “no longer be followed.”<sup>296</sup> Continuing, Massel specifically mentioned:

the volume of government orders; the necessity for shifting facilities and organizations into new fields of production; the establishment of priorities

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<sup>292</sup> Victor H. Stempf, “Opening Remarks by President Victor H. Stempf,” in *National Association of Cost Accountants Year Book 1941: Proceedings of the Twenty-Second International Cost Conference* (New York: American Book-Stratford Press, Inc., 1941), 3.

<sup>293</sup> Ibid.

<sup>294</sup> Ibid., 5. Comments of Session Chairman Arthur Chubbuck.

<sup>295</sup> Mark S. Massel, “Accounting Under the Defense Program: Some General Cost Problems,” in *National Association of Cost Accountants Year Book 1941: Proceedings of the Twenty-Second International Cost Conference* (New York: American Book-Stratford Press, Inc., 1941), 5-17.

<sup>296</sup> Ibid., 5.

for important materials; the utilization of unusual types of government contracts, such as cost-plus-a-fixed-fee; the need for new capacity, both privately and governmentally financed; [and] the increasing importance of taxes and [the] national budget.<sup>297</sup>

On Wednesday morning, Dr. Herbert F. Taggart opened the conference proceedings with the topic, “Price Stabilization and Control.”<sup>298</sup> Dr. Taggart was well-qualified to offer such guidance due to his work as Head of the Cost Accounting Section within the Office of Price Administration and Civilian Supply (OPACS).<sup>299</sup> In his address, Dr. Taggart outlined the “four principal duties” of the OPACS as follows:

1. Control over prices.
2. Stimulation of supplies of materials and commodities for civilian use, once military needs have been met.
3. Equitable distribution of those materials and commodities among competing civilian groups.
4. Protection of consumer interests.<sup>300</sup>

Bringing the message home, Dr. Taggart stated that cost accountants had an important role to play “with respect to price stability” as “advisers on price and production policies” and suggested that they should consider in their deliberations the “probable benefits to the defense program, and to the country as a whole, rather than with an eye solely on the balance sheet.”<sup>301</sup> The Twenty-Second International Cost Conference concluded the following day with more defense-related discussions that foreshadowed many war-themed conferences to come.

While the Twenty-Second Conference (the last prewar conference) was dominated by the defense program and its demands upon industry, the conferences during

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<sup>297</sup> Ibid., 5-6.

<sup>298</sup> Herbert F. Taggart, Herbert F. Taggart, “Price Stabilization and Control,” in *National Association of Cost Accountants Year Book 1941: Proceedings of the Twenty-Second International Cost Conference* (New York: American Book-Stratford Press, Inc., 1941), 218-232.

<sup>299</sup> Although initially charged with Civilian Supply, this function was later transferred to the Office of Production Management resulting in the OPACS simply becoming the OPA.

<sup>300</sup> Ibid., 219.

<sup>301</sup> Ibid., 231.

the war years stressed other war-related themes. The 1942 *Year Book* presented the proceedings of the Twenty-Third International Cost Conference -- held in Chicago on June 22 -24, 1942. At this conference the focus was on war matters with sessions one through five respectively covering (1) wartime problems and responsibilities, (2) wartime inventory problems, (3) accounting problems arising from war contracts, (4) wartime cost problems and finally, (5) taxes and postwar problems. In opening the conference, President Harry Howell justified the proceedings as a “war necessity” by offering,

the problems facing industry in conversion to war production, in the handling of war production, in the financing of war contracts and fiscal arrangements with the government, and the financial problems arising from the necessarily heavy tax burden, have presented problems of major consequence which require, we believe, the concentrated effort of many minds to bring forth a satisfactory solution.<sup>302</sup>

In 1943, the NACA’s Twenty-Fourth International Cost Conference was held in Boston on June 21 – 23. During the war-themed conference, day one was devoted to war contract problems and featured three distinguished certified public accountants then serving in uniform – Lieutenant Colonel John W. McEachren, Commander J. Harold Stewart, and Commander N. Loyall McLaren.

Commander Stewart, a past president of the Massachusetts Society of Certified Public Accountants, spoke on the recent trends concerning governmental contracts and revealed that of late both the Navy and War Departments were, “wherever possible,” shifting to fixed-price contracts instead of “the cost-plus-fixed-fee contracts which had

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<sup>302</sup> Harry E. Howell, “Opening Remarks by President Harry E. Howell,” in *National Association of Cost Accountants Year Book 1942: Proceedings of the Twenty-Third International Cost Conference* (New York: J.J. Little & Ives Co., 1942), 3.

been so widely used.”<sup>303</sup> Foreseeing another difficulty on the horizon, Commander Stewart identified contract termination and cancellation as a source of concern.

Commander McLaren, the immediate past president of the AIA, had been spending his time as a member of the Navy’s Price Adjustment Board in New York and as such was amply qualified to speak on, “Renegotiation of War Contract Prices.”<sup>304</sup> In his speech, the Commander provided an overview of the workings of contract renegotiation within the U.S. Navy’s Price Adjustment Board. Beyond this, Commander McLaren identified the resources available to assist manufacturers whose contracts were subject to renegotiation. One such resource was the panel of supervising auditors.

The sessions on day two of the conference covered the wartime accounting problems confronting industry and ended the day with a panel discussion open to the members. In addition to talks on cost control and inventory problems during wartime, office problems arising from the war were discussed by Mr. Douglass Barrows. In his overview, Mr. Barrows disclosed, “we all know that we can get no new typewriters, adding machines, calculators, or anything of that sort for the duration. We find ourselves running short of even such items as paper clips and pins.”<sup>305</sup> An even more serious problem was staff shortages; as Mr. Barrows personally observed, “our trained help has gone to the war plants or to the services. Our credit man may be in the Solomons; our order clerk in North Africa; our accounts payable ledger man is an Air Corps cadet; and

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<sup>303</sup> J. Harold Stewart, “Recent Developments and Trends Affecting War Contract Accounting,” in *National Association of Cost Accountants Year Book 1943: Proceedings of the Twenty-Fourth International Cost Conference* (New York: J.J. Little & Ives Co., 1943), 20.

<sup>304</sup> N. Loyall McLaren, “Renegotiation of War Contract Prices,” in *National Association of Cost Accountants Year Book 1943: Proceedings of the Twenty-Fourth International Cost Conference* (New York: J.J. Little & Ives Co., 1943), 28-39.

<sup>305</sup> Douglass M. Barrows, “Wartime Problems of the Industrial Accounting Office,” in *National Association of Cost Accountants Year Book 1943: Proceedings of the Twenty-Fourth International Cost Conference* (New York: J.J. Little & Ives Co., 1943), 115.

even our favorite stenographer is in the WAACS [Women's Army Auxiliary Corps]."<sup>306</sup> Positively, rather than just moaning the losses, Barrows pointed out potential solutions to these matters and suggested maintenance contracts for equipment. As for lost personnel, Barrows suggested two groups with potential as replacements -- those 60 and above and "girls just out of school."<sup>307</sup> On day three, the 1943 conference ended on an optimistic note with session five devoted to postwar problems.

With an opening session on Monday, June 26, 1944, the Twenty-Fifth International Cost Conference – the last of the war -- began in Chicago. Like the preceding war-time conferences of the NACA, this conference continued to focus on the war's impact in its addresses and panel discussions. At the opening session, John H. DeVitt, the NACA President, expressed that the decision to hold the conference was predicated on the "value of this conference to the war effort."<sup>308</sup> To validate his claim, President DeVitt stated, "the multiplicity of problems facing industry seem to require the help of many minds for their solution. . . . but your attendance is evidence of the fact that they exist and that they require discussion."<sup>309</sup>

There was an interesting progression of the topics that occurred during these wartime conferences. The 1941 conference focused on industrial defense efforts. In 1942, the theme was wartime problems and responsibilities with an emphasis on inventory, cost, and war contracts. The 1943 conference covered nearly the same agenda as the one in 1942 with only greater emphasis on war contracts. However, the 1944

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<sup>306</sup> Ibid.

<sup>307</sup> Ibid., 1220.

<sup>308</sup> John H. DeVitt, "Opening Remarks by President John H. DeVitt," in *National Association of Cost Accountants Year Book 1944: Proceedings of the Twenty-Fifth International Cost Conference* (New York: J.J. Little & Ives Co., 1944), 3-4.

<sup>309</sup> Ibid.

conference marked a shift in theme. While the first two sessions were devoted to war contract terminations, the remaining three sessions dealt with the cost accountant's role in the postwar competitive market and postwar property accounting. This increased emphasis on the postwar period reveals the growing positive outlook possessed by many and the important role of cost accountants in facilitating a smooth transition from military to consumer production.

The 1945 *NACA Year Book* was the only one of the war period that did not consist of the proceedings from the annual meeting. In cooperation "with government efforts to reduce wartime travel," the International Cost Conference was cancelled and the conference committee instead opted for a "conference by mail."<sup>310</sup> The committee "selected as a general theme . . . "The Postwar Problems of the Industrial Accountant," and obtained exceptional "authorities to prepare papers on the topics included in the program outline."<sup>311</sup> While an annual convention might not have been justified by war constraints, the need for direction in postwar reconversion necessitated the 1945 *Year Book*. The *Year Book* also revealed the abundant confidence in America's ultimate victory against Japan, which occurred after the papers had been submitted and the *Year Book* was in process.

Through the publication of its *Year Book*, the NACA provided guidance through the tempestuous seas of war-time industrial conversion, war contract negotiation, renegotiation, and termination, and industrial reconversion efforts. Its volumes provide a window to the past not only revealing the pressing problems but also novel solutions and

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<sup>310</sup> NACA, "Preface," *National Association of Cost Accountants Year Book 1945: Conference by mail replacing the Twenty-Sixth International Cost Conference* (New York: J.J. Little & Ives Co., 1945), iii.

<sup>311</sup> *Ibid.*

best practices in industry. Moreover, the NACA, through its publications, asserted its importance and proved its worth by aiding in the effective, efficient promulgation of the war effort.

*The Woman C.P.A.*

In addition to the publications of the larger societies, such as the AIA, NACA, and NYSSCPA, publications emerged from other accounting societies that also addressed the war effort and its effect upon the profession. Two of these organizations, the American Woman's Society of Certified Public Accountants (AWSCPA) and the American Society of Women Accountants (ASWA) jointly published a journal beginning in 1939.

The ASWA was a relatively new arrival "conceived by a group of women C.P.A.'s in May of 1938."<sup>312</sup> As for its sister organization, the AWSCPA, it was scarcely older having been established in 1933. In fact, the AWSCPA provided the impetus behind the establishment of the ASWA.<sup>313</sup> The scarcity of women C.P.A.'s necessitated the creation of the second more encompassing society because in 1938, while there were "only 130 women C.P.A.'s in this country" "there were more than 17,000 women accountants in the United States."<sup>314</sup>

One war-time writer for the *Woman C.P.A.* acknowledged the positive impact war demands had occasioned for women in the accounting profession and offered, "Women have had a long struggle to attain any position in the field of Accountancy. Now the

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<sup>312</sup> Heloise Brown, ed., "Coast-to-Coast," *The Woman C.P.A.* 6, no. 4 (June 1944): 5.

<sup>313</sup> Terrie Thamer, "A History of the AWSCPA," AWSCPA.Org <http://www.awscpa.org/frameset.php?cf=awards.htm> (accessed on 8/16/2010).

<sup>314</sup> Heloise Brown, ed., "Coast-to-Coast," *The Woman C.P.A.* 6, no. 4 (June 1944): 5; Terrie Thamer, "A History of the AWSCPA," AWSCPA.Org <http://www.awscpa.org/frameset.php?cf=awards.htm> (accessed on 8/16/2010).



Golden Opportunity has arrived and it is up to us to use it.”<sup>315</sup> Foreseeing the possibilities, the author continued that, “If our jobs are really well done, the postwar world will find us partners of men instead of merely assistants or office domestics.”<sup>316</sup>

During the war, the *Woman C.P.A.* covered more than just the new career opportunities for female accountants. Critical issues relating to postwar planning, income taxes, excise taxes, and postwar reserves were addressed in its February 1944 issue.<sup>317</sup> In April, the bimonthly publication included articles that outlined relief provisions of the excess profits tax, advocated simplification of taxes, and, in its Tax News section, summarized a host of changes resulting from the Revenue Act of 1943. The June 1944 edition continued to focus on war-related issues, with articles on contract terminations, the proposed Individual Income Tax Bill of 1944, and the place of women in postwar business.<sup>318</sup> Finally, the April 1945 issue rallied the membership to action by editorializing that, “At this time one of the prime concerns of all accountants should be to help put the closing entries on the ledger of Nazism—BUY MORE WAR BONDS.”<sup>319</sup>

In the immediate postwar period the soldiers had ceased fighting, but accountants at home were still struggling to untangle the aftermath. Two of the areas still requiring the attention of accountants were contract renegotiation and reconversion costs. Accordingly, in the December 1945 and February 1946 issues of the *Woman C.P.A.*, the topics received renewed attention. Of particular interest was the December issue that contained an article addressing both topics entitled, “Reconversion Costs in

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<sup>315</sup> Anita M. Hage, “Value of Membership,” *The Woman C.P.A.* 6, no. 2 (February 1944): 5.

<sup>316</sup> *Ibid.*

<sup>317</sup> Volume 6, no. 2 (February 1944) was the earliest available resource located by the author.

<sup>318</sup> *Woman C.P.A.*, “Index Volume 6,” *The Woman C.P.A.* 6, no. 6 (October 1944): 15.

<sup>319</sup> Mary C. Gildea, “Editorially Speaking,” *The Woman C.P.A.* 7, no. 3 (April 1945): 3.

Renegotiation.”<sup>320</sup> In this article, the authors sought to answer the question foremost upon the minds of military contractors – “will reconversion costs be allowed against profits on Government war contracts?”<sup>321</sup>

Throughout the war period, the *Woman C.P.A.* provided direction, information, and motivation to the nation’s female accountants. The bimonthly journal published the addresses of the Presidents of the AWSCPA and ASWA that exhorted women accountants to cooperate with other professional organizations in solving “the economic problems brought about by war” and to “work for the future that is unfolding directly in our path.”<sup>322</sup> In 1944, the bulletin enlightened the members on contract termination, taxation, and postwar reserve issues. In the closing year of the war, the *Woman C.P.A.* again provided necessary guidance on a range of issues from taxation and the consolidation of foreign subsidiaries to termination financing and airline accounting. However, perhaps the most important service the publication provided was to encourage female accountants that there would be a place for them in the postwar profession. As the ASWA President, Dorothy Miller rallied, “we have just begun to impress the business world of the vital position women accountants will have in the postwar period.”<sup>323</sup>

#### *The Texas Accountant*

The *Texas Accountant*, a state society publication of the period, extensively covered war-related issues and the professions’ response to them. As the official bulletin of the Texas Society of Certified Public Accountants (TSCPA), the *Texas Accountant*

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<sup>320</sup> Gertrude M. Ruskin, and Gertrude Priester, “Reconversion Costs in Renegotiation,” *The Woman C.P.A.* 8, no. 1 (December 1945): 12-15.

<sup>321</sup> *Ibid.*, 13.

<sup>322</sup> Hazel J. Skog, “The Presidents Message AWSCPA,” *The Woman C.P.A.* 6, no. 6 (October 1944): 6; Dorothy J. Miller, “Presidents Message ASWA,” *The Woman C.P.A.* 6, no. 6 (October 1944): 7.

<sup>323</sup> Dorothy J. Miller, “Presidents Message ASWA,” *The Woman C.P.A.* 6, no. 6 (October 1944): 7.

was well established and into its fourteenth volume by January of 1942. However, in the first issue following the Pearl Harbor attack, the bulletin was strangely silent concerning the war. Off to a slow start, February's issue only indirectly broached the subject of war by announcing that "in view of the war" the AIA would be holding its annual meeting in Chicago instead of at the originally selected locale in Miami, Florida.<sup>324</sup> Even so, February's issue identified, in its 'Folks We Know' section, four TSCPA members, three of whom were then on active duty in the military and one who had just returned from one year's service in military.

Like many other societies, the first response of the TSCPA was to relinquish its youngest members to serve in the armed forces. Accordingly, the recognition of members departing for and returning from service became a regular feature in the *Texas Accountant* and was punctuated on occasion by a more formal "Honor Roll" listing of those in service.<sup>325</sup> On one such occasion the bulletin identified 90 members of the Texas Society who were serving in uniform.<sup>326</sup> This practice continued well into 1947 when it announced the returns of Albert O. Schnabel, Stanley J. Scott, and C. J. Brasher in the February issue and the release of one straggler, John E. Smith, from "active duty" with the U.S. Navy in the November issue.<sup>327</sup> As the war was drawing to a close the *Texas Accountant* revealed that "on June 30, 1945, nearly one hundred of [their] members were in military service" while "many others had gone into civilian work with the government

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<sup>324</sup> Thomas W. Leland, ed., "Institute Meeting Change," *Texas Accountant*14, no. 2 (February 1942): 8.

<sup>325</sup> See Appendix F and G for two listings of TSCPA members in uniform.

<sup>326</sup> N. D. Durst, ed., "Members of the Texas Society of Certified Public Accountants in Military Service January 1, 1945," *The Texas Accountant*17, no. 1 (January 1945): 3.

<sup>327</sup> Thomas W. Leland, ed., "John E. Smith," *Texas Accountant*19, no. 11 (November 1947): 6.

for the duration.”<sup>328</sup> When compared with the total membership of the TSCPA at this time (640 members), the significance of their participation becomes apparent.

In addition to providing recognition to and honoring those in uniform, the *Texas Accountant* identified potential problems that accountants would be called upon to solve in relation to the war effort. Early in the war a massive build-up was occurring within the defense industries. Accordingly, one of the *Texas Accountant*'s first war-related articles appeared in the June 1942 issue with the heading “Defense Production and Accelerated Depreciation.”<sup>329</sup> This article provided practitioners with an overview that covered “the terminology, the method, and the technique of [the] procedure.”<sup>330</sup> Accelerated depreciation for the purposes of certain emergency production facilities in actuality meant extremely accelerated depreciation. Specifically, “Section 124 of the Revenue Act of 1941 contained detailed provisions governing the amortization of emergency facilities” that permitted “the cost of such facilities [to] be written off over a 5-year period” by companies for income tax purposes.

However, in motivating, the *Texas Accountant* may have offered its greatest service. Beyond merely identifying problems or honoring those of its members in uniform, the bulletin served this larger purpose – it rallied accountants to the flag. In the July/August issue, the outgoing president, Mr. Fred F. Alford suggested that “for the duration of the emergency our thoughts must be turned toward winning the war. . . . By helping other clients comply with multitudinous regulations, new income taxes, O.P.A.

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<sup>328</sup> Laurence H. Fleck, “1945-49, A Challenge,” *The Texas Accountant* 17, no. 10 (October 1945): 1.

<sup>329</sup> Earl A. Saliers, “Defense Production and Accelerated Depreciation,” *Texas Accountant* 14, no. 6 (June 1942): 3.

<sup>330</sup> *Ibid.*

rulings, priority rulings, etc.”<sup>331</sup> In the same issue, the incoming president of the Texas Society, Mr. Joseph Cobb, acknowledged “there is again a great demand for accountants because we are now in the midst of another period of business upheavals, extending governmental participation in, and regulation of industry . . . In light of the profession’s history . . . and present demands we cannot fail.”<sup>332</sup> Continuing his message, President Cobb reminded the membership of their “personal and individual” duty and encouraged them that “through cooperation and concerted effort real benefits may be attended for the profession.”<sup>333</sup> Together, the Texas Society presidents presented a consistent, forceful call to arms.

While earlier issues of the *Texas Accountant* may have offered only passing coverage of the war and its demands, the September issue marked a turning point. In the September 1942 bulletin, on page one, the Office of Price Administration (OPA) appealed to Texan CPAs to “place their technical training at the disposal of Local War Price and Rationing Boards” by serving either as members or advisors to such boards.<sup>334</sup> Page three contained John Carey’s address, entitled “Contribution of Accountancy to the War Program, which was delivered on June 11, 1942, at the annual meeting of the Texas Society.”<sup>335</sup> In this address, the AIA Secretary outlined the important role that accountants were playing in providing personnel to the armed services, to war agencies, and, most importantly, in servicing existing clients then engaged in war production. The remainder

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<sup>331</sup> Fred F. Alford, “President’s Report: F. F. Alford, 1941-1942,” *Texas Accountant* 14, no. 7 and 8 (July/August 1942): 8.

<sup>332</sup> Joseph C. Cobb, “A Message from the President,” *Texas Accountant* 14, no. 7 and 8 (July/August 1942): 1.

<sup>333</sup> *Ibid.*

<sup>334</sup> OPA, “An appeal to Certified Public Accountants of Texas,” *Texas Accountant* 14, no. 9 (September 1942): 1.

<sup>335</sup> John L. Carey, “Contribution of Accountancy to the War Program,” *Texas Accountant* 14, no. 9 (September 1942): 3-5.

of the September issue disclosed other war-time concerns including, among others: the appointments to the TSCPA's Committee on War Activity, a special meeting of the NACA's Dallas Chapter that discussed "the duties and responsibilities of public accountants in connection with war contracts," and the activities of a number of the Texas Society members in uniform.<sup>336</sup> Rounding out the year, many other important topics were covered in the remaining 1942 issues including: the Natural Business Year program, various OPA and WPB industrial reporting requirements, and the status of public accountants under gasoline rationing regulations.

Continuing the theme, in 1943, the *Texas Accountant* ran a multitude of war-related articles. January's issue included an article entitled "Accounting Problems in War Contracts." Leading February's issue was an article entitled "Accounting Problems arising from Department Construction Contracts." Probably most indicative of a major problem confronting accountants was the recurring appearance of articles on taxation. The April, May, July, August, and September bulletins each ran lead articles on taxation problems ranging from estate and trust issues to the Revenue Act of 1942. Returning to matters more directly affecting those in public practice, the final three issues (No. 10-12) of the year included articles that respectively dealt with the effects of the salary stabilization law upon firms, manpower shortages within the firms, and the essential criteria for obtaining occupational deferment of accountants from the Selective Service.

Kicking off 1944, the *Texas Accountant* began to focus on matters closer to home -- petroleum. The January issue carried an article on gasoline rationing that suggested that "accountants may be eligible for 'preferred mileage' to permit travel required for . . .

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<sup>336</sup> Thomas W. Leland, ed., "Dallas Chapter – NACA Meets," *Texas Accountant* 14, no. 9 (September 1942): 5.

preparing inventory schedules and labor, production, and material cost records for essential establishments.”<sup>337</sup> February’s issue led with a lengthy article entitled “Some Phases of Accounting for the Oil Industry.”<sup>338</sup> Continuing on the topic of rationing, February’s issue, in a second article, warned members in the Fort Worth area not to expect “preferred mileage eligibility . . . for the preparation of tax reports and financial statements for stockholders” because the Washington office had “determined that work . . . not necessary to the physical operation or functioning of eligible establishments.”<sup>339</sup>

Another theme came to the fore in the March 1944 issue -- Tax Simplification. No less than three articles dealt with the topic. All of which supported the position that the present federal system was too complex and in need of a major overhaul. One writer observed that even the experts “found it impossible to obtain a fair understanding of [its] meaning.”<sup>340</sup> Another criticized “the ‘Alice-in-Wonderland’ maze which is our present Revenue Law and the Star Chamber tactics by which it is administered” and called for a return to “the days – not so long ago – when a prepared income tax return was a reasonably accurate estimate of the tax liability instead of . . . merely an invitation to ‘negotiate.’”<sup>341</sup> Nor were these alone, calls from other quarters advocating tax simplification quickly followed.

April’s issue contained three separate references to tax simplification including a reprint of an article from *The Houston Post* headed “Even Experts Ask Simple Tax

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<sup>337</sup> Thomas W. Leland, ed., “Gasoline Rationing,” *Texas Accountant* 16, no. 1 (January 1944): 6.

<sup>338</sup> T. Dwight Williams, “Some Phases of Accounting for the Oil Industry,” *Texas Accountant* 16, no. 2 (February 1944): 1, 3-9.

<sup>339</sup> Waller M. Collie, “Rationing Attorney Makes Statement on Gasoline Rationing,” *Texas Accountant* 16, no. 2 (February 1944): 10.

<sup>340</sup> C. F. Milledge, “Suggestions for Improvement of Present Federal Income Tax System,” *Texas Accountant* 16, no. 3 (March 1944): 3.

<sup>341</sup> Waymon G. Peavy, “Taxation Committee Chairman Requests Members Support Tax Simplification,” *Texas Accountant* 16, no. 3 (March 1944): 6.

Law.”<sup>342</sup> The *Post* article publicized the stance taken by the Texas Society’s Board of Directors who had called for the creation of a “simple revenue law.”<sup>343</sup> Somewhat humorously, *The Houston Post* observed in the article that, “even the experts are so bumfuzzled about this business of paying federal income taxes that they have passed a formal resolution crying for relief.”<sup>344</sup>

In addition to publishing cries for tax simplification, the *Texas Accountant* served to help keep the members abreast of educational opportunities. April’s issue announced an upcoming “wartime accounting conference” to be held in Houston.<sup>345</sup> Beginning on April 21, 1944, the events’ speakers, officers, and committee chairman from the AIA, covered topics ranging from Federal taxation and war contract termination to problems of small business and of the accounting profession. One of the speakers, the AIA’s President Mr. Victor Stempf, displaying an optimistic attitude about the successful outcome of the war, titled his speech “The Post-Victory Challenge.”<sup>346</sup> For those who missed this conference, the July/August issue of the *Texas Accountant* contained with its mailing a copy of the proceedings that included six addresses from the “Wartime Accounting Conference.”<sup>347</sup> The dates of other conferences soon followed. The September 1944 issue announced the dates and locations of the AIA’s annual meeting and of a series of contract settlement conferences held by the Smaller War Plants Corporation.

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<sup>342</sup> Houston Post, “Even Experts Ask Simple Tax Law,” *The Houston Post* (Sunday, February 20, 1944) reprinted in *Texas Accountant* 16, no. 4 (April 1944): 2.

<sup>343</sup> Ibid.

<sup>344</sup> Ibid.

<sup>345</sup> T.W. Leland, ed., “Wartime Accounting Conference,” *Texas Accountant* 16, no. 4 (April 1944): 1.

<sup>346</sup> Ibid; It is noteworthy that his speech actually predated the Normandy Invasion.

<sup>347</sup> T.W. Leland, ed., “Bulletin of Conference Proceedings Available,” *Texas Accountant* 16, no. 7 and 8 (July/August 1944): 4.



Entering the last year of the war, the *Texas Accountant* turned its sights to the relief provisions of the Excess Profits Tax in its January 1945 issue. Although the war was going well for the Allies, wartime restrictions at home were still causing disruptions for the profession. In June, the *Texas Accountant* revealed that due to such restrictions, the annual meeting of the Texas Society would be curtailed from a general convention to a one-day “business meeting.”<sup>348</sup> Finally, in September 1945, with victory attained, the publication triumphantly announced “The veteran is returning!”

From the June 1942 issue to the close of the war, the *Texas Accountant* consistently alerted its readers to vital issues and supplied them with the necessary guidance to navigate a safe course for themselves and their clients. When the final bombs were dropped and WW II came to its sudden climatic end, public accountants, though longing for a period of rest, refectation, and recuperation, instead discovered that a period of maximum effort was called for in relation to the retraining of servicemen, contract settlement, and the reconversion of industry. As always, the *Texas Accountant* was there to assist.

#### Advertising for War

Following December 7, 1941, America was at war and the advertisements in *The New York Certified Public Accountant* soon begin to resonate with that theme. Although there were general advertisements in *The New York Certified Public Accountant* for adding machines, typewriters, posting machines and the like, these were joined by many public service type ads. These advertisements or solicitations encouraged the membership to participate in the war effort by engaging in a variety of prowar activities

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<sup>348</sup> N. D. Durst, ed., “Annual Meeting of the Texas Society,” *Texas Accountant* 17, no. 6 (June 1945): 1.

including buying defense bonds and donating to the Red Cross. More importantly these ads served as a constant reminder that America was at war, and that accountants had an important role to play.

Beginning in January, 1942, three pages contained solicitations including one from The War Fund of the American Red Cross and two encouraging members to “Buy A Share In The Future Of America; INVEST IN DEFENSE SAVINGS BONDS.”<sup>349</sup> The February issue contained four such ads with one proclaiming, “It is the Patriotic Duty of Every American Citizen to: GIVE to the Red Cross, INVEST in Defense Savings Bonds.”<sup>350</sup> Three other advertisements appeared in the February issue – two for the Red Cross and another for U.S. defense savings bonds. In February a new theme developed in the general ads as they began to pound on the war drums. One ad for Burroughs Adding Machine Co., hit on the war theme with the heading “Figures are vital in speeding war production.”<sup>351</sup>

The trend of an increasing number of war advertisements continued in the March issue, which contained five public service type ads. The largest of these, approximately three quarters of a page advertised, “SOMEWHERE . . . an American sailor’s life has just been saved by a transfusion of blood, collected by the Red Cross and put on his ship by the Red Cross. Remember this when you’re asked to give or give again to the RED CROSS WAR FUND.”<sup>352</sup> The remaining ads that month were a mix of Red Cross and Defense Savings Bond advertisements.

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<sup>349</sup> *The New York Certified PublicAccountant* 12, no. 4 (January, 1942): 301, 302, back cover.

<sup>350</sup> *The New York Certified PublicAccountant* 12, no. 5 (February, 1942): 315, 333, 338, 341.

<sup>351</sup> *Ibid.*, back cover.

<sup>352</sup> *The New York Certified PublicAccountant* 12, no. 6 (March, 1942): 357, 364, 372, 381, 389.

Companies likewise followed this trend with their own patriotic advertisements. One general ad in March for the Underwood Elliott Fisher Company contained an embedded public service solicitation stating in small type, “Invest in America! Buy Defense Bonds and Stamps.”<sup>353</sup>

The April issue of *The New York Certified Public Accountant* contained three public service type ads and another embedded ad in an Underwood Elliott Fisher Company advertisement.<sup>354</sup> In May’s issue three Red Cross ads were present with the latest appealing, “If you can’t go GIVE!”<sup>355</sup> Two defense bond ads also appeared in the May edition with one reminding readers to “REMEMBER PEARL HARBOR! BUY DEFENSE BONDS.”<sup>356</sup> The June issue contained a record six, of the public service type advertisements with four encouraging the purchase of defense bonds, one advocating the Red Cross, and one a combination of both.<sup>357</sup> The largest of the ads in June, a full page, featured a minute man and encouraged readers to, “Sign YOUR Pledge To Buy WAR BONDS; Everybody every payday 10%.”<sup>358</sup> In July, although all of the articles were by U.S. officers, yet only three ads appeared in the issue.<sup>359</sup> Likewise, the August issue contained three of the public service type announcements promoting donations to the Red Cross and purchases of war bonds.<sup>360</sup> The September issue contained five advertisements of the types previously mentioned.<sup>361</sup>

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<sup>353</sup> *Ibid.*, 393

<sup>354</sup> *The New York Certified PublicAccountant* 12, no. 7 (April 1942): 400, 403, 448, 446.

<sup>355</sup> *The New York Certified PublicAccountant* 12, no. 8 (May 1942): 458, 465, 491.

<sup>356</sup> *Ibid.*, 469, 476.

<sup>357</sup> *The New York Certified PublicAccountant* 12, no. 9 (June 1942): 507, 517, 526, 529, 542, 544.

<sup>358</sup> *Ibid.*, 544.

<sup>359</sup> *The New York Certified PublicAccountant* 12, no. 10 (July 1942): 553, 574, 577.

<sup>360</sup> *The New York Certified PublicAccountant* 12, no. 11 (August 1942): 586, 594, 602.

<sup>361</sup> *The New York Certified PublicAccountant* 12, no. 12 (September 1942): 610, 615, 620, 623,

October's four public service advertisements included two for war bonds, one for the Red Cross Fund and one that was a combination of the two.<sup>362</sup> In the November issue four ads, two each for the Red Cross and War Bonds, were presented with the last being a full page war bond ad entitled For Victory. Bringing the year to a close, December's issue published a record seven ads all of a public service nature.<sup>363</sup> In addition to the typical three Red Cross and three war bond ads, the last was a combination ad for Christmas Seals and war bonds. As the year 1942 drew to a close, *The New York Certified Public Accountant* had published a total of fifty-two solicitations for Defense War Bonds and the Red Cross.<sup>364</sup>

Advertising works, J. Arthur Marvin, president of The New York Society of Certified Public Accountants, informed the membership on December 2, 1942, that due to their cooperation "in buying and in urging the purchase of War Bonds and Stamps" the State Society was now "a substantial investor in these Bonds."<sup>365</sup>

The advertisements for the Red Cross and War Bonds continued in 1943 with a total of six in January,<sup>366</sup> six in February,<sup>367</sup> and four in March.<sup>368</sup> One new advertisement that appeared in February issue urged recycling by warning, "HITLER WANTS YOUR SCRAP TO REMAIN IDLE!"<sup>369</sup> This was not the first such prompting given to accountants. A year earlier in February 1942, the Industrial Salvage Section of

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<sup>362</sup> *The New York Certified Public Accountant* 13, no. 1 (October 1942): 6, 9, 28, 32.

<sup>363</sup> *The New York Certified Public Accountant* 13, no. 2 (December 1942): 69, 73, 84, 89, 97, 109, 116.

<sup>364</sup> Because of the binding process used for journals the numbers of reported ads may actually be understated.

<sup>365</sup> J. Arthur Marvin, "War Bonds," *The New York Certified Public Accountant* 13, no. 2 (December 1942): 67.

<sup>366</sup> *The New York Certified Public Accountant* 13, no. 3 (January 1943): 124, 135, 143, 161, 164, 169.

<sup>367</sup> *The New York Certified Public Accountant* 13, no. 4 (February 1943): 189, 199, 205, 212, 215, 216.

<sup>368</sup> *The New York Certified Public Accountant* 13, no. 5 (March 1943): 224, 230, 240, 247.

<sup>369</sup> *The New York Certified Public Accountant* 13, no. 4 (February 1943): 185.

the Bureau of Industrial Conservation requested that Society “members take an immediate, active part in the campaign to round up scrap materials needed for our war effort.”<sup>370</sup> Included in this announcement was a simple program developed by the Industrial Salvage Section that Society members were urged to implement as soon as possible. There were shortages of many critical materials during this period and the Bureau of Industrial Conservation singled out some of the most essential as “iron and steel scrap, non-ferrous metals, cotton and woolen rags, paper and rubber.”<sup>371</sup>

The second quarter kicked off with only three ads in April – one for war bonds, another for the Red Cross, and the final ad for the American Society for the Control of Cancer. The advertisements slowed in May and June totaling only six for the Red Cross and war bonds in the two-month period.<sup>372</sup> As if chastised for their lack, seven advertisements appeared in the July issue of *The New York Certified Public Accountant*.<sup>373</sup> However, only two advertisements, one for war bonds and the other the Red Cross, made the August edition.<sup>374</sup> September’s issue closed out the quarter by including a total of six ads for either war bonds or the Red Cross.<sup>375</sup>

Only two ads appeared in the October issue. One solicitation called for readers to “Match Their Gallantry With Your Giving Support the National War Fund” and a second reasoned, “Let Your Heart Decide Support the National War Fund.”<sup>376</sup> These two ads coincided with the kick off of the National War Fund Campaign, which ran from on

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<sup>370</sup> “Notice to Members,” *New York Certified Public Accountant* 12, no. 5 (February 1942): 310.

<sup>371</sup> *Ibid.*

<sup>372</sup> *The New York Certified Public Accountant* 13, no. 8 & no. 9 (May – June 1943): 300, 303, 308, 316, 362, 330.

<sup>373</sup> *The New York Certified Public Accountant* 13, no. 10 (July 1943): 375, 378, 387, 401, 406, 409, 411.

<sup>374</sup> *The New York Certified Public Accountant* 13, no. 11 (August 1943): 431, 449.

<sup>375</sup> *The New York Certified Public Accountant* 13, no. 12 (September 1943): 466, 467, 473, 489, 493, 498.

<sup>376</sup> *The New York Certified Public Accountant* 14, no. 1 (October 1943): 7, 30.

October 5<sup>th</sup> to December 7<sup>th</sup>, 1943.<sup>377</sup> In November, five advertisements reminded readers of their obligations to purchase war bonds, and give to the Red Cross and the National War Fund.<sup>378</sup> The December issue closed out 1943 with five public service ads for the Red Cross, National War Fund and war bonds.<sup>379</sup>

In 1943, *The New York Certified Public Accountant* ran approximately forty-three public service type advertisements or announcements. In 1944, the pleas to give and the exhortations to buy continued with regularity in each monthly issue. This constant reminder served to rally New York accountants in pro-defense efforts and impress upon them the seriousness of the times.

Though prodigious in their efforts, the New York Society did not act alone. Other societies, including the American Woman's Society of Certified Public Accountants (ASWCPA) and the American Society of Women Accountants (ASWA) likewise participated in non-accounting war promotion measures. In April 1944, the official publication of the two societies, the *Woman C.P.A.*, contained appeals to "BUY MORE BONDS" and to "DONATE TO THE BLOOD BANK."<sup>380</sup> The June publication promoted the 5<sup>th</sup> War Loan by admonishing readers to "Buy More Than Before."<sup>381</sup> In the editorial column of the October 1944 issue, significant coverage was given to the forthcoming Sixth War Loan campaign drive, particularly to the "'Pin Money Bond' promotion, aimed at pre-drive savings among housewives and women of moderate means."<sup>382</sup> The editorial advised that, "women's organizations will be essential elements

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<sup>377</sup> *The New York Certified Public Accountant* 14, no. 2 (November 1943): 48.

<sup>378</sup> *Ibid.*, 51, 57, 70, 71, 72.

<sup>379</sup> *The New York Certified Public Accountant* 14, no. 3 (December 1943): 91, 97, 103, 107, 110.

<sup>380</sup> *Woman C.P.A.*, "For Victory!" *The Woman C.P.A.* 6, no. 3 (April 1944): 9.

<sup>381</sup> *Woman C.P.A.*, "5<sup>th</sup> War Loan: Buy More Than Before," *The Woman C.P.A.* 6, no. 4 (June 1944): 9.

<sup>382</sup> Ethleen Lasseter, "Editorially Speaking," *The Woman C.P.A.* 6, no. 6 (October 1944): 4.

in the success of this promotion and each chapter president is urged to secure material from their War Finance Chairman in order to carry out the program within their chapters.”<sup>383</sup> Calling for the full support of the membership, the editor challenged, “Can we as a national organization afford to do any less to back up the gallant soldier who is *upto his neck, too*, but carries courageously on?”<sup>384</sup>

Similarly, the 7<sup>th</sup> War Loan Drive, which ran from May 14<sup>th</sup> to June 30<sup>th</sup> 1945, received ample coverage in the April 1945 issue. Concerning this drive, Elinor Hill, offered that “the over-all quota is 14 billion dollars,” and suggested that “American women accountants have an excellent opportunity to boost War Bond sales by recommending bonds as investments to clients and personnel in clients’ offices.”<sup>385</sup> In closing, Hill advised that “all members of the AWSCPA and ASWA can and should participate to the best of their abilities in furthering the sale of War Bonds.”<sup>386</sup> Immediately following Hill’s letter in the editorial, was a reminder of “that other great war need – blood donations” with the plea that “blood plasma is urgently needed to save the lives of our wounded fighting men.”<sup>387</sup>

Though not as vivid or voluminous as the ads appearing in the *Woman C.P.A.*, the *Texas Accountant* nevertheless promoted various non-accounting war measures. Beginning in the February 1942 issue, two advertisements appeared in the Texas bulletin urging members to “Join the American Red Cross,” and to “Buy Defense Bonds.”<sup>388</sup> Later in the October issue of 1943, the pleas were repeated to “Back the Attack—Buy

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<sup>383</sup> Ibid.

<sup>384</sup> Ibid, italics in original.

<sup>385</sup> Mary C. Gildea, “Editorially Speaking,” *The Woman C.P.A.* 7, no. 3 (April 1945): 4.

<sup>386</sup> Ibid.

<sup>387</sup> Ibid.

<sup>388</sup> Thomas W. Leland, Ed., *Texas Accountant* 14, no. 2 (February 1942): 3, 10.

War Bonds” and to “Give to the Red Cross.”<sup>389</sup> The issues that followed in November, January, February, March, April, and June all promoted the purchase of war bonds or stamps with the June issue specifically encouraging participation in the “5<sup>th</sup> War Loan Campaign.”<sup>390</sup> The final mention of the war loan campaigns in the *Texas Accountant* occurred on the eve of the seventh and last drive of the war.<sup>391</sup> In the 1945 April issue a lengthy article, entitled “Report of Sixth War Loan Drive,” provided a breakdown and overall sales for the Fourth, Fifth, and Sixth War Loan Drives and noted that based on “aggregate sales” “the Sixth War Loan Drive was more successful than any of the earlier drives.”<sup>392</sup> In billions, the aforementioned drives generated national sales of \$16.7, \$20.6, and \$21.6 respectively. State-wide, Texas generated sales of \$591,844,000 and \$612,624,000 for the Fifth and Sixth War Loan Drives.<sup>393</sup>

While it would be incorrect to suggest that the success of these efforts hinged entirely on the Texas Society of Certified Public Accountants or for that matter the accounting profession as a whole, the profession nevertheless actively endorsed the war loan campaigns and a variety of other war promotion efforts. Through their publications, the profession consistently presented advertisements that served to rally accountants to aid the war effort and to constantly remind them of the seriousness of the times.

The aid provided by the War Loan Campaigns cannot be overstated. The U.S. war program required unprecedented levels of spending; from 1941 to 1945, \$281 billion

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<sup>389</sup> Thomas W. Leland, Ed., *Texas Accountant* 15, no. 10 (October 1943): 2.

<sup>390</sup> Thomas W. Leland, ed., “Participate in the 5<sup>th</sup> War Loan Campaign,” *Texas Accountant* 16, no. 6 (June 1944): 8.

<sup>391</sup> The Seventh War Loan Drive ran from May 14<sup>th</sup> to June 30<sup>th</sup>.

<sup>392</sup> Nelson D. Durst, ed., “Report of Sixth War Loan Drive,” *Texas Accountant* 17, no. 4 (April 1945): 5-6.

<sup>393</sup> *Ibid.*, 6.



was required for war efforts alone.<sup>394</sup> Unfortunately, “taxes and other non-borrowing sources” covered only “45 percent.”<sup>395</sup> In order to meet the remainder of its obligations the U.S. turned to sales of savings bonds. During the war, seven campaign drives occurred and an eighth immediately followed running from October 29<sup>th</sup> to December 8<sup>th</sup>, 1945. In promoting this effort, the accounting profession played its part in a massive national advertising effort.<sup>396</sup> Raising a total of \$185.7 billion, the success of the campaigns was of inestimable value to the war effort.<sup>397</sup>

While the primary purpose of the drives was to obtain adequate financing for the war effort, they also served to check inflation by removing surplus funds from circulation. However, the campaigns also served other important purposes. The war bond campaigns united Americans by stoking their spirit of nationalistic pride with a touch of consumerism. For those at home, the campaign provided an outlet “in which the patriotic attitudes and the spirit of sacrifice could be expressed. . . . While the initial goal of the war bond campaign was to finance the war, the positive impact on the morale of home-front Americans was perhaps its greatest accomplishment.”<sup>398</sup>

### Authors

One of the more subtle manners in which accounting societies influenced their members was in the selection of the authors whose articles they chose to include in their

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<sup>394</sup> Total budgetary expenses from 1941-1945 approached \$317 billion.

<sup>395</sup> Wikipedia, “Series E bond,” *Wikipedia: The Free Encyclopedia*, [http://en.wikipedia.org/wiki/Series\\_E\\_bond](http://en.wikipedia.org/wiki/Series_E_bond) (accessed 8/21/2010).

<sup>396</sup> For a further discussion of the national advertising effort see Ed Adams, “Combating Advertising Decline in Magazines During WWII: Image Ads Promoting Wartime Themes and the War Loan Drives,” *Web Journal of Mass Communication Research (WJMCR)* <http://www.scripps.ohiou.edu/wjmcr/vol01/1-1a-B.htm#intro> (accessed 8/21/2010).

<sup>397</sup> Wikipedia, “War bond,” *Wikipedia: The Free Encyclopedia*, [http://en.wikipedia.org/wiki/War\\_bond](http://en.wikipedia.org/wiki/War_bond) (accessed 8/21/2010).

<sup>398</sup> “Brief History of World War Two Advertising Loans and Bonds,” Duke University Rare Book, Manuscript, and Special Collections, <http://library.duke.edu/digitalcollections/adaccess/warbons.html#specific> (accessed 8/21/2010).

publications. As the war progressed, a significant percentage of the articles that appeared were written either by U.S Military officers or by civilians engaged in war-related capacities for the government. Their articles frequently enlightened practitioners to challenging and somewhat glamorous job opportunities available in the military or governmental agencies. Some of the publications devoted nearly entire issues to military matters so that all articles were from those engaged in war-related activities. Influential accountants, many of whom were engaged in governmental capacities, were frequent contributors. Whether by intent or design, the publications of the profession honored those serving and by doing so encouraged others to support the war effort.

There is another interesting aspect about the authors. While one might expect the societies to exhibit a certain degree of aloofness toward those belonging to other organizations such was not the case. This was due in part to the tendency of leading accountants to join multiple organizations on the national and state level. Accordingly, a society's publications frequently contained articles from authors who belonged to other organizations and reprints of articles from other societies' publications. In like manner, the merger of the American Society of Certified Public Accountants with the Institute in 1936 played a major role in unifying the profession. This absence of societal bias in the selection of authors is but one testimony to the unity of the profession during this critical period.

*The New York Certified Public Accountant*, published by the largest of the state societies, certainly enjoyed one of the widest circulations of all the accounting publications of the period. This monthly periodical also exhibited some of the traits mentioned above. In its December 1941 issue, all four of the authors were members of

both the NYSSCPA and the AIA but none were military personnel. One of the authors, Walter A. Cooper, enjoyed overlapping committee responsibilities by virtue of being on the Committee on Federal Taxation for both organizations.<sup>399</sup>

However, in the July 1942 issue, five of the authors were officers in the U.S. military. On June 15, 1942, the New York State Society of Certified Public Accountants, teaming with five area chapters of the National Association of Cost Accountants (NACA), held a special meeting on "Production for Victory."<sup>400</sup> At that meeting, Colonel Edward S. Greenbaum, Colonel J. K. Clement, Lieutenant Colonel George H. Foster, Lieutenant Commander E. H. McKitterick, and Captain Kermit J. Berylson outlined the process by which companies could convert their civilian production capabilities into essential war commodities. As acting-president J. Arthur Marvin stated in his introduction, "The principal purpose is to give business organizations not now engaged in war production an authoritative guide as to just how they may ascertain what types of material are needed which they can produce most readily, and what steps are then necessary to obtain contacts and get this production moving ahead promptly."<sup>401</sup> The five addresses given by the officers of the Army and Navy that day were reprinted for those unable to attend in the July issue.<sup>402</sup>

Of the two main articles in the September 1942 issue, one was by Lieutenant (j.g.) T. Reginald Cloake. Lieutenant Cloake, a member of the AIA and the New York

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<sup>399</sup> Wentworth F. Gantt, "Authors of Articles In This Issue," *New York Certified Public Accountant* 12, no. 3 (December 1941): 229.

<sup>400</sup> Wentworth F. Gantt, "Production for Victory," *New York Certified Public Accountant* 12, no. 10 (July 1942): 550.

<sup>401</sup> J. Arthur Marvin, "Introductory Remarks," *New York Certified Public Accountant* 12, no. 10 (July 1942): 554-555.

<sup>402</sup> Wentworth F. Gantt, "Production for Victory," *New York Certified Public Accountant* 12, no. 10 (July 1942): 550.

Society, was then serving in the Branch Office of the Supervisory Cost Inspector, Forth Naval District.<sup>403</sup>

Saul Levy, then serving as first vice-president of the AIA, was one of three authors in the October 1942 issue. Although his topic was not of a military nature his consulting work at that time was decidedly so. Mr. Levy was then serving as an expert consultant with the War Department. Specifically he was advising on legal and accounting matters with the Accounting and Audit Supervisory Branch, Fiscal Division, Headquarters, Services of Supply.<sup>404</sup> Services of Supply was the original name for the Army Service Forces – the command where both Arthur H. Carter and Andrew Stewart were running the Fiscal Division.

One of the three articles in the November issue was written by Herbert F. Taggart. Dr. Taggart, on leave from the University of Michigan, was then serving as Director of Accounting at the Office of Price Administration (OPA) in Washington D.C. This was not Dr. Taggart's first foray in government service. From 1933 to 1935, he served in the National Recovery Administration where he was Chief of the Cost Accounting Unit. In 1938, he consulted with the Department of Commerce. As far as professional organizations are concerned, Dr. Taggart was a member of the AIA, the NACA, the Michigan Association of CPAs and President of the American Accounting Association (AAA).<sup>405</sup>

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<sup>403</sup> Wentworth F. Gantt, "Authors of Articles In This Issue," *New York Certified Public Accountant* 12, no. 12 (September 1942): 628.

<sup>404</sup> Wentworth F. Gantt, "Authors of Articles In This Issue," *New York Certified Public Accountant* 13, no. 1 (October 1942): 33.

<sup>405</sup> Wentworth F. Gantt, "Authors of Articles In This Issue," *New York Certified Public Accountant* 13, no. 2 (November 1942): 63.

In January 1943, J. Arthur Marvin and George O. May each published articles in *The New York Certified Public Accountant*. While neither wore the uniform, the two prominent accountants were nevertheless involved in the war effort. J. Arthur Marvin, then President of the New York State Society, was also serving as a supervising auditor for the U.S. Navy in New York. In addition to his New York Society membership, Mr. Marvin also was a member of the Illinois and Virginia State Societies as well as the national organizations of the AIA and NACA.<sup>406</sup>

Mr. George O. May, a retired partner from Price, Waterhouse & Co., was a long-time member of the AIA, who for years headed its Committee on Accounting Procedure. He held memberships in many organizations including the New York Society of Certified Public Accountants. George O. May, who was widely regarded in the profession, was at this point in his career lecturing at Harvard University in the Graduate School of Business. Of greater importance to the war effort, May was also serving as a director for the Council on Foreign Relations.<sup>407</sup>

The February 1943, issue of *The New York Certified Public Accountant* carried only two articles. However, one of these was by Victor Z. Brink who published “Auditing Problems Relating to Cost-Plus-A-Fixed-Fee Contracts.”<sup>408</sup> Mr. Brink should have been well-versed on this topic because by this time, he was serving as a Major in the same outfit as General Carter -- the Services of Supply, Fiscal Division.<sup>409</sup>

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<sup>406</sup> Wentworth F. Gantt, “Authors of Articles In This Issue,” *New York Certified Public Accountant* 13, no. 4 (January 1943): 173.

<sup>407</sup> Wentworth F. Gantt, “Authors of Articles In This Issue,” *New York Certified Public Accountant* 13, no. 4 (January 1943): 173; George O. May was a director of the Council on Foreign Relations from 1927 to 1953. <http://www.cfr.org/about/history/cfr/appendix.html>

<sup>408</sup> Wentworth F. Gantt, “Authors of Articles In This Issue,” *New York Certified Public Accountant* 13, no. 5 (February 1943): 217.

<sup>409</sup> *Ibid*; The Services of Supply was renamed in March of 1943 to the Army Service Force in order to better reflect its duties. [http://en.wikipedia.org/wiki/Services\\_of\\_Supply](http://en.wikipedia.org/wiki/Services_of_Supply) (accessed 7/1/2010).

Lewis Gluick, a long-time New York Society member dating back to 1924, published an article entitled “Auditing Afloat” in the March issue.<sup>410</sup> Gluick’s article described some of his unique auditing duties on board a U.S. Navy vessel. Due to war-time necessity, Lieutenant Commander Lewis Gluick was serving as a Supply Corps officer in the U.S. Naval Reserve.

The May 1943, issue ran two main articles both by high-ranking military personnel. The authors, Lieutenant Colonel Charles H. Dyson of the American Air Force and Commander N. Loyall McLaren of the U.S. Navy, each covered the procedures for contract renegotiation from the standpoint of their respective branches of service. Lt. Colonel Dyson was a member of the New York and New Jersey Societies of Certified Public Accountants and prior to the war was a partner at Price Waterhouse & Co. The other author, Commander McLaren, who was the AIA president at the outbreak of the war, laid aside his civilian pursuits and immediately enlisted in the Navy following Pearly Harbor. By April of 1943, Commander McLaren was serving in Washington as “Chief of the Cost and Audit Division of the Office of Procurement and Material.”<sup>411</sup>

After a four-month hiatus, Lieutenant Commander Lewis Gluick returned with another insightful article in the July issue. This article, entitled “The Navy Eats,” was more interesting than educational, but nevertheless effectively conveyed the message that there were also tangible benefits to government service in addition to those of prestige or

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<sup>410</sup> Wentworth F. Gantt, “Authors of Articles In This Issue,” *New York Certified Public Accountant* 13, no. 6 (March 1943): 255.

<sup>411</sup> Wentworth F. Gantt, “Authors of Articles In This Issue,” *New York Certified Public Accountant* 13, no. 8 (May 1943): 323.

patriotism.<sup>412</sup> By this point in the war, Lieutenant Commander Gluick was stationed aboard the U.S.S. Charles Carroll.<sup>413</sup>

The August 1943 issue featured an article by another of Major General Arthur Carter's officers, Major Jacob B. Taylor. Major Taylor's article was titled, "Termination of Government Contracts."<sup>414</sup> Major Taylor served "in the Accounting and Audit Procedures Branch, Technical Coordination Division, Office of Fiscal Director, Headquarters, Army Service Forces."<sup>415</sup>

September's issue, while devoid of military authors, nevertheless covered many military topics. One published article included a panel discussion on contract renegotiation. One of the participants on the panel, Mr. Robert S. Binkerd was serving as Chairman of the Army's Price Adjustment Board in the Rochester District.<sup>416</sup> The Chairman answered many questions and presented the Government's position on renegotiation matters. Two of the three other remaining articles also addressed the war or its aftereffects.

Leo H. Seitelman, a member of the U.S. Army, authored "Service Club Accounting: A Study of an Accounting System."<sup>417</sup> His article, which appeared in the October 1943 issue of *The New York Certified Public Accountant*, detailed the operations of enlisted men's clubs located on army posts and the accounting systems they used.<sup>418</sup>

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<sup>412</sup> Wentworth F. Gantt, "Authors of Articles In This Issue," *New York Certified Public Accountant* 13, no. 10 (July 1943): 412.

<sup>413</sup> Ibid.

<sup>414</sup> Wentworth F. Gantt, "Authors of Articles In This Issue," *New York Certified Public Accountant* 13, no. 11 (August 1943): 459.

<sup>415</sup> Ibid.

<sup>416</sup> Wentworth F. Gantt, ed., "Panel Discussion on Renegotiation of Government Contracts," *New York Certified Public Accountant* 13, no. 12 (September 1943): 474.

<sup>417</sup> Wentworth F. Gantt, "Authors of Articles In This Issue," *New York Certified Public Accountant* 14, no. 1 (October 1943): 40.

<sup>418</sup> Ibid.

In the November 1943 issue, Maurice E. Peloubet authored “Accounting Problems in War Contracts.”<sup>419</sup> Though not in uniform, Mr. Peloubet had served as Assistant Chief of the War Production Board’s Accounting Advisory Branch. His professional memberships’ included the AIA and the New York State Society. In connection with the latter, Mr. Peloubet was serving as Chairman of the Special Committee on War Contracts at this time.<sup>420</sup>

“Confirmation of Accounts Receivable From the Government,” an article in the December 1943 issue, was written by Roland J. McNamara.<sup>421</sup> Mr. McNamara, a member of the New York State Society of Certified Public Accountants, had enlisted in the U.S. Army. Fortunately for McNamara, the military utilized the skills he had acquired as a civilian CPA. In the Army, he audited commercial vouchers in numerous finance offices and in so doing was on the receiving end of many of the confirmation requests coming from accounting firms.<sup>422</sup>

In 1943, only two issues of *The New York Certified Public Accountant*, April and June, failed to contain articles by those serving in uniform or in governmental capacities. Even so, these issues addressed the profession’s concern for war-related issues. April’s issue even included the talks from a “Symposium on Post-War Problems of the Accountant.”<sup>423</sup>

The publication of such a large number of articles by those in government service reflected the increasing necessity of accountants to the war effort. Furthermore, the

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<sup>419</sup> Wentworth F. Gantt, “Authors of Articles In This Issue,” *New York Certified Public Accountant* 14, no. 2 (November 1943): 72.

<sup>420</sup> Ibid.

<sup>421</sup> Roland J. McNamara, “Confirmation of Accounts Receivable From the Government,” *New York Certified Public Accountant* 14, no. 3 (December 1943): 108.

<sup>422</sup> Ibid.

<sup>423</sup> Wentworth F. Gantt, ed., “Table of Contents,” *New York Certified Public Accountant* 13, no. 7 (April 1943).



inclusion of their articles served to encourage other accountants to aid in the war effort, and to honor those already serving. Their articles motivated accountants to give their utmost in service to their nation and profession, offered solutions to complex war-related issues, planned for the postwar environment, and solicited funds for the government through promoting war bonds. Some of the articles even offered humorous anecdotal tales of the adventures of accountants then in service. Whether with serious intent or merely to entertain, the readers of the professional publications received a steady diet of articles from those in the military. The recognition of such a large number of accountants in uniform provided a positive seal of approval and proclaimed to the nation at large that accountants were serving a vital role in the defense of liberty. Moreover, the select publication of articles by military authors quite subtly stirred the consciences of those remaining at home and prompted them, in self-examination, to ask, "See here, these men are serving in uniform. What am I doing for the war effort?"

Through both state and national societies, the accounting profession went to great lengths to ease the war-time burdens being placed upon its members and American industry. At the same time, the profession championed those called to serve in uniform or in consulting capacities to government agencies. The depth of their efforts is revealed in part through the statements and actions of their leaders, and committees. Likewise, their publications provide a lasting testimony to the role of the societies and their members during World War II.

## CHAPTER VII

### THE PROFESSION RESPONDS TO WAR-TIME TAXATION

#### Introduction

At first glance the topics of taxation and war appear to be strange bedfellows indeed with little in common. However students of history are quick to point out that a major factor in the American Revolutionary War was taxation without representation. In fact, it seems that as a rule in America, times of war often give rise to new taxes or to significant changes in those existing. During the American Civil War, the Union and later the Confederacy each enacted a progressive income tax. One year prior to the outbreak of World War I in Europe, the U.S. Congress ratified the Sixteenth Amendment, which permanently established the income tax as “a permanent fixture of American Life.”<sup>1</sup> N. Loyall McLaren recalled that in America the income tax “rates were insignificant until 1916. However, during the war period there [was] an enormous increase in tax rates both for individuals and corporations.”<sup>2</sup> By the time the Great War ended in 1918, the income tax occupied center stage in the nation’s federal revenue system. However, everything that came before was but a prelude to the changes that emerged during World War II.

“In 1939 fewer than 6% of all individuals in the United States were legally required to pay any federal income tax. By the end of World War II, over 74% of a

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<sup>1</sup> Gary John Previts and Barbara Dubis Merino, *A History of Accountancy in the United States: The Cultural Significance of Accounting*, Historical Perspectives on Business Enterprise Series, (Columbus: Ohio State University Press, 1998), 181.

<sup>2</sup> N. Loyall McLaren, *Norman Loyall McLaren, Business and Club Life in San Francisco: Recollections of a California Pioneer Scion*, An Interview by Gabrielle Morris and Ruth Teiser, The Society of California Pioneers Oral History Series, The Bancroft Library, (1977-1978), 80-81. <http://www.archive.org/stream/clublifeinsanfran00mclarichclublife#page/80/mode/2up/search/income>.

larger population had to pay it.”<sup>3</sup> As originally structured, the nation’s income tax system primarily affected only the affluent and most average Americans offered little objection to this ‘soak the rich’ policy. However, during World War II this ‘class tax’ mutated into a broad-based ‘mass tax.’ No longer just the bane of the wealthy, the income tax became a working man’s tax and part of the patriotic duty of all Americans. Only under the cover of war was such a tremendous expansion possible without violent protest.

Substantial increases in income tax rates likewise accompanied the massive expansion in the tax base. During the war period, top marginal rates for individuals soared to 94%, while those for corporate taxpayers “doubled from 19% to 38%.”<sup>4</sup> The end result -- these changes established the federal income tax as the dominate source of financing for the country and firmly ensconced the accounting profession in general and the tax practitioner in particular as an indispensable partner in ‘all things tax.’

### **War-Time Tax Legislation**

As 1941 dawned, World War II was raging in Europe, Asia, and Africa. America, though still neutral, was equipping her military for either defensive or offensive operations depending on unfolding events. Wars and even national preparedness efforts require adequate financing. A year earlier in January of 1940, President Roosevelt had requested less than \$2 billion dollars for national defense, but following the fall of France and the majority of Western Europe to the Axis powers, the President called for “defense expenditures of \$6.4 billion for 1941.”<sup>5</sup> In the U.S., the question of how to obtain such

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<sup>3</sup> Ray M. Sommerfeld and John E. Easton, “The CPA’s Tax Practice Today –And How It Got That Way,” *Journal of Accountancy* 163, no. 5 (May 1987): 170.

<sup>4</sup> Ibid.

<sup>5</sup> Roy G. Blakey and Gladys C. Blakey, “The Federal Revenue Act of 1942,” *The American Political Science Review* 36, no. 6 (December 1942), 1069.

financing was paramount. As in previous times, Congress turned in part to taxation for the answer.

### The Revenue Act of 1941

The first answer came in the form of the Revenue Act of 1941. The Act implemented sweeping changes in the nations' income tax system. In addition to broadening the base by reducing the amount allowed for personal exemptions, surtax rates were increased while the previous \$4,000 surtax credit was removed. Under the Act, the individual income tax rate consisted of two components a "Normal tax," applied at 4% to net income and a "Surtax," with graduated rates ranging from 6% to 77%, which was applied to net income.<sup>6</sup> Personal exemptions, which had been reduced in 1940 from \$2,500 to \$2,000, were further lowered under the new law to \$1,500 for married couples. Not since the 16<sup>th</sup> Amendment was ratified in 1913 had the personal exemption credit been lower. As a result, the Revenue Act of 1941 significantly "increased the personal income tax payable and created a vast army of new federal income taxpayers."<sup>7</sup>

Other taxes also increased under the revenue act. Excise taxes were increased on tires and alcohol; and prior increases were made permanent. The Excess Profits Tax, which had been enacted in the preceding year, also saw its top marginal rate increased to 60%. Nor were corporations spared, their income tax rates rose to 31% in the top marginal bracket.<sup>8</sup>

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<sup>6</sup> Ibid., 322; the normal tax was applied to net income after deductions of personal exemption, dependent credits, interest on federal bonds, and the earned income credit. The surtax was applied to Net income after deductions of personal exemption, and dependent credits.

<sup>7</sup> Nicholas Salvatore, "Comparison of Federal and New York State Income Tax Requirements," *New York Certified Public Accountant* 12, no. 5 (February 1942): 316.

<sup>8</sup> Blakey and Blakey, "Act of 1942," 1074.

Perhaps the most lasting impact of the 1941 Revenue Act was the creation of an optional simplified version of the tax return form – the 1040A. This form was available for use by resident aliens or citizens whose “gross income d[id] not exceed \$3,000 and consist[ed] wholly of salary, wages, compensation for personal services, dividends, interest, rent, annuities or royalties, or some combination of . . . these forms of income.”<sup>9</sup> Such a format was necessary in order to convert a tax on the elite into a mass tax. Its popularity was immediately apparent. Almost as many taxpayers filed their returns using the simplified form 1040A in 1942 (10,369,708) as did in total in 1940 (11,389,562).<sup>10</sup>

#### The Revenue Act of 1942

The disaster at Pearl Harbor brought war planning, including the financing of such, to a fever pitch. In January, 1942, President Roosevelt responded to the war crisis by calling for “\$50 to \$60 billion (or more than half of the expected national income) to prosecute the war.”<sup>11</sup> To help pay for the defense outlays, the Federal Revenue Act of 1942 aimed to provide approximately \$25 billion. Of this total, two-thirds was to be derived from individual income taxes and the remaining one-third from corporate income taxes and excise taxes.

To carry out these goals, the 1942 Revenue Act increased individual and corporate income tax rates while reducing the personal and dependent exemption amounts. The changes were substantial for individuals. “Under the previous law, the maximum income surtax rate of 77 per cent applied to income in excess of \$5,000,000; under the Act of 1942, the maximum surtax rate of 82 per cent applied to income over

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<sup>9</sup> J. M. Maguire, “Federal Income Tax Returns in 1942,” *Bulletin of the American Association of University Professors* 28, no. 1 (February 1942): 102.

<sup>10</sup> Blakey and Blakey, “Act of 1942,” 1078; from 1940 to 1942 the number of filed tax returns more than trebled.

<sup>11</sup> Blakey and Blakey, “Act of 1942,” 1069.

\$200,000.”<sup>12</sup> Exemption amounts were also significantly reduced. The Personal Exemption was slashed by 25%, reducing it to \$1,500 for married persons, while that for a single person was cut by 33% from \$750 to \$500. The obvious impact of these changes required greater numbers of citizens to file tax returns, paying higher rates of taxation on greater sums of income.

In 1942, corporations likewise saw their top rate rise from 31% to 40% for income in excess of \$25,000. At first glance, this appears somewhat mild in comparison to individual income tax rates. However, looks are deceiving. In addition to the corporate income taxes, companies were also subject to the Excess Profits Tax. This tax, after permitting a \$5,000 exemption, imposed a confiscatory flat rate of 90% on all excess profits. As steep as these rates appear the worst was yet to come.

#### The Revenue and the Current Tax Payment Acts of 1943

The Current Tax Payment Act and the Revenue Act of 1943 provided defining moments in American history. First, on June 9, 1943, the Current Tax Payment Act was signed into law and Americans witnessed an innovation in the collection method of income taxes -- the permanent installation withholding at the source.<sup>13</sup> Under this collection method, employers withheld income taxes from each employee’s paycheck and then remitted the collected taxes quarterly.<sup>14</sup> Needless to say this fostered greater compliance while easing the administrative burden and lowering collection costs.

Until this time there had been, by design, a large lag in tax payments. For example, taxpayers were required to pay their taxes for one year on March 15<sup>th</sup> of the

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<sup>12</sup> Ibid., 1072.

<sup>13</sup> Withholding had been utilized in the Civil War and was in 1913 but these earlier attempts had both faded – this time withholding became a permanent fixture in the tax code.

<sup>14</sup> IRS, “Historical Highlights of the IRS,” IRS.gov  
<http://www.irs.gov/irs/article/0,,id=101101,00.html>.

following year; thus income taxes for 1940 were due on March 15, 1941. Now under the new law, income would be taxed and payments collected as wages were earned rather than in the following year. Accordingly, on July 1, 1943, the Current Tax Payment Act went into effect and employers began withholding 20% of employee income after allowing appropriate exemptions.<sup>15</sup>

Then, on February 22, 1944, President Roosevelt vetoed the proposed Revenue Act of 1943.<sup>16</sup> Two days later, the House voted overwhelmingly to override his veto. When the Senate voted in like manner on February 25, 1944, it marked the first time in the history of the nation that Congress had overridden a presidential veto of a revenue bill.<sup>17</sup> That this occurred in the midst of the greatest war the country had ever witnessed made the event all the more remarkable. Sparks flew on Capitol Hill. Majority leader Alben Barkley, incensed by the President's dressing down of Congress, characterized Roosevelt's rebuttal not only as misleading, but also as "a calculated and deliberate assault upon the legislative integrity of every member of the Congress of the United States."<sup>18</sup> Expressing his displeasure, Barkley submitted his resignation as the majority leader.

As for the Revenue Act, it raised the corporate excess profit tax rate from its already lofty 90% to a pinnacle of 95%. Still, some relief was provided for corporations by raising the specific exemption for the excess profits tax from \$5,000 to \$10,000.

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<sup>15</sup> Roy G. Blakey and Gladys C. Blakey, "Federal Revenue Legislation, 1943-1944," *American Political Science Association* 38, No. 2 (April 1944): 325-330. 328.

<sup>16</sup> Franklin D. Roosevelt, "Veto of a Revenue Bill: February 22, 1944," in John T. Woolley and Gerhard Peters, *The American Presidency Project* [online]. Santa Barbara, CA. <http://www.presidency.ucsb.edu/ws/?pid=16490> (accessed 9/21/2010).

<sup>17</sup> Roy G. Blakey and Gladys C. Blakey, "Federal Revenue Legislation, 1943-1944," *American Political Science Association* 38, No. 2 (April 1944): 327.

<sup>18</sup> *Ibid.*, 326.

Nevertheless, for multi-million dollar industries the increased exemption proved a negligible benefit at best.

Individuals fared little better. While tax rates on individual incomes remained stable, Congress raised the yield on individual income taxes by reducing the available deductions. The Victory tax rate was trimmed from 5% to 3% but the provision for a postwar refund was scrapped. For taxpayers in the highest bracket the maximum combined “amount of normal tax, surtax, and Victory tax” was capped at 90% of net income.<sup>19</sup> Finally, most all excise taxes were increased including those on alcohol, jewelry, telephones and other luxury items with the increases becoming effective on April 1, 1944.

#### The Individual Income Tax Act of 1944

In January 1944, President Roosevelt submitted his 1945 budget request and explained that in 1943 the government had spent approximately \$80 billion. He continued that over 95% of those expenditures were for military-related activities and to service interest on public debt. For the current fiscal year, the President predicted that government expenditures would exceed \$99 billion of which 95% would be war-related.<sup>20</sup> To help meet these financial requirements the Individual Income Tax Act was passed on May 29, 1944.

After much complaining by the President and the public at large, Congress finally passed a simplified income tax law that helped to streamline the tax process for individuals. The first step in the simplification effort led to the elimination of the Victory tax. With this obstacle removed, individual taxpayers were once again subject to only

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<sup>19</sup> Ibid., 329.

<sup>20</sup> Ibid., 330.



two taxes, the normal and surtax. An additional measure, an optional “standard deduction,” further simplified the effort required to fill out a tax return by permitting taxpayers to quickly calculate their deduction on Form 1040.<sup>21</sup> Previously, taxpayers had to list each deduction in a separate statement, and then deduct that sum from gross income to determine the amount of income on which the income tax would be assessed. Streamlining this process, the Individual Income Tax Act permitted taxpayers to take a \$500 deduction if gross income exceeded \$5,000 and a deduction of 10% of income “for those whose gross income was less than \$5,000.”<sup>22</sup> However, for all their efforts the new law was far from simple. It permitted three methods of reporting income taxes. Now variety may be the spice of life, but permitting multiple options only added to the law’s complexity.

### **A Sea of Complexity**

Brutal -- the yearly revisions, convoluted language, and retroactive provisions of the Revenue Acts created a potent brew of complexity from which few desired to drink, but all were bidden. Adding to the morass of confusion, were novel tax experiments including the introduction of the Victory tax in 1942, the frequent increases in excise taxation, and the ever changing provisions of the Excess Profits Tax. With the tax brackets, rates, and rules in a constant state of flux, taxpayers and accountants alike faced increasing difficulties in their attempts to interpret and apply the code as the war progressed.

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<sup>21</sup> IRS, “Historical Highlights of the IRS,” IRS.gov  
<http://www.irs.gov/irs/article/0,,id=101101,00.html>.

<sup>22</sup> Albert D. Early, “The Simpler 1944 Income Tax,” *The American Journal of Nursing* 45, No. 1 (January 1945): 38. <http://0-www.jstor.org.umiss.lib.olemiss.edu/stable/pdfplus/3417150.pdf?acceptTC=true>

As previously mentioned, the Victory Tax, established in 1942 and abolished in 1944, was one factor that increased the complexity of individual income taxation. Passed as part of the Revenue Act of 1942, the Victory Tax first went into effect in 1943 and could be best described as an income tax for the masses.<sup>23</sup> It applied a 5% rate to a taxpayer's net annual income after allowing for a \$624 deduction. The operation was such that an individual or married person who had \$1,000 gross income would owe \$18.80. Had this been the only tax individuals faced on income, it would probably not have been viewed harshly. Unfortunately, individual taxpayers had been and still were subject to 'normal' and 'surtax' rates on their incomes. A third tax with distinct rules was a bridge too far.

Nevertheless, the Victory Tax contained several interesting elements and was similar to plans in Great Britain and Canada that combined a compulsory savings plan with collection-at-the-source features. The savings portion was in the form of postwar credits or rebates of 25% or 40% of the Victory tax for single and married persons respectively. However, the truly revolutionary feature was not the tax itself but in its method of collection. Collection-at-the-source had been envisioned in laws thirty years before but was previously rejected. Now for the first time it was put into practice. While this was a great boon for collection efforts, it merely transferred the difficulties from one group, hourly employees, and transferred them to another, employers.

Businesses, already burdened with detailed record-keeping for Social Security Tax purposes, and payroll deductions for war bonds, were now further imposed upon to collect victory taxes for the federal government. To fulfill this unfunded mandate, payroll and accounting departments across the nation were laden with the task of

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<sup>23</sup> Blakey and Blakey, "Act of 1942," 1075.

calculating the five percent victory tax on the earnings of some 43,000,000 employees.<sup>24</sup> The calculations were made every pay period and had to take into account the fixed exemption. This would be a daunting task even with computer technology – which they lacked.

Many were displeased with the introduction of the Victory tax because of its incumbent complexities. Although it added many lower income taxpayers to the tax rolls, the existing structure of the income tax could have accomplished the same end without the addition of an entirely new tax. The President strongly objected to its retention in the proposed Revenue Act of 1943, and bitterly complained, “It ignores the most obvious step toward simplifying taxes by failing to eliminate the clumsy Victory Tax.”<sup>25</sup> Ultimately, the Victory Tax was repealed in May 1944 with the passage of the Individual Income Tax Act. As for withholding, it was established as a foundational element of our current tax structure by the Current Tax Payment Act in June, 1943.

Another factor adding to the difficulty of the tax environment was the use of retroactive provisions in the tax legislation. Such provisions increased the uncertainty for businesses and their financial advisors and reduced planning to guess work. As an example, on October 21, 1942, President Roosevelt signed the Revenue Act of 1942 into law. While this Act allowed the new rates for excise taxes to go into effect on November 1<sup>st</sup>, the amendments related to individual and corporate income tax provisions were “applicable generally to taxable years beginning after December 31, 1941.”<sup>26</sup> Imagine a

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<sup>24</sup> L. J. Benninger, “Business and Withholding Taxes,” *Accounting Review* 19, no. 3 (July 1944): 303; The Victory Tax provision applied to some 43,000,000 employees.

<sup>25</sup> Franklin D. Roosevelt, “Veto of a Revenue Bill: February 22, 1944,” in John T. Woolley and Gerhard Peters, *The American Presidency Project* [online]. Santa Barbara, CA. <http://www.presidency.ucsb.edu/ws/?pid=16490> (accessed 9/21/2010).

<sup>26</sup> Blakey and Blakey, “Act of 1942,” 1075.

football game that is played where one learns neither the rules nor what constitutes a score until half-way through the fourth quarter. This is precisely the situation that confronted taxpayers and their advisors during 1942. Thus with only two months left in the year there was little opportunity for taxpayers to minimize their income taxes or for planning to occur.

Excepting all else, just the process of deciphering a new revenue law or laws each year needlessly burdened taxpayers and their accountants. Numerous governmental agencies were already flooding industry with requests for statistical and financial reports. The manpower crisis affecting the accounting profession had also taken its toll on industry by eating into managerial ranks through the draft and the enormous war-time industrial expansion. Stretched thin, businesses and their management groups were subjected to the further demands of staying up to date on the myriad provisions of an ever changing tax code.

Authors of the period, commenting on the complex language of the 1942 Revenue Act, observed, that “Involved sentences, phrases, and clauses, and endless cross references to other sections of this law and also to various sections of the Code, are very trying to inexpert readers and taxpayers who try to decipher the law; but they should furnish unlimited and unending employment to lawyers, accountants, and courts.”<sup>27</sup> Time heals many wounds; unfortunately the tax code was not one of them.

No less an authority than President Roosevelt waded into the debate on tax complexity. Vetoing what eventually passed as the Revenue Act of 1943, FDR railed

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<sup>27</sup> Blakey and Blakey, “Act of 1942,” 1075.

that the proposed legislation, was “not a tax bill but a tax relief bill providing relief not for the needy but for the greedy.”<sup>28</sup> Continuing, he warned Congress, that

The Nation will readily understand that it is not the fault of the Treasury Department that the income taxpayers are flooded with forms to fill out which are so complex that even Certified Public Accountants cannot interpret them. No, it is squarely the fault of the Congress of the United States in using language in drafting the law which not even a dictionary or a thesaurus can make clear.<sup>29</sup>

Of course one thing that complexity in any field brings about is a clearer understanding of the need for professionals. This fact was not lost upon the profession.

### **The Profession Responds**

On January 11, 1943, J. K. Lasser addressed the NYSSCPA’s meeting on Federal Taxation at the Waldorf-Astoria Hotel and commented, “We have had a great many drastic changes in our tax laws. . . . Fundamentally, these changes look like the tax man’s paradise.”<sup>30</sup> However, one must be careful for what they wish -- all that glitters is not gold. While these changes were a boon to the tax profession, they came to pass at a time when the profession was ill-equipped to take on large volumes of additional work because of critical manpower shortages.

#### Filing Extensions

As one of the first steps in addressing this situation, the accounting profession repeatedly called for extensions of time for filing tax returns. The American Institute of Accountants’ Committee on Federal Taxation was the Institute’s main arm on tax matters in its dealings with administrative and legislative authorities during the war. On one

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<sup>28</sup> Franklin D. Roosevelt, “Veto of a Revenue Bill: February 22, 1944,” in John T. Woolley and Gerhard Peters, *The American Presidency Project* [online]. Santa Barbara, CA. <http://www.presidency.ucsb.edu/ws/?pid=16490> (accessed 9/21/2010).

<sup>29</sup> Franklin D. Roosevelt, “A Roosevelt Tribute,” *The Spokesman* 14, no. 6 (March 1944): 4.

<sup>30</sup> J. K. Lasser, “Corporate Taxes under the 1942 Law,” *The New York Certified Public Accountant* 13, no. 4 (January 1943): 151.

occasion, in January 1943, the Committee met in Washington “with representatives of the Bureau of Internal Revenue [the precursor of the IRS] and the Treasury Department . . . and submitted in writing a plan under which extensions of time for filing tax returns might be granted without inconvenience or disadvantage to the Treasury.”<sup>31</sup> At the AIA Council’s midyear meeting, the Committee on Federal Taxation reported the positive outcome of their lobbying efforts, “which led to the granting of extensions of time for filing federal income-tax returns of corporations and to extensions of time for filing claims under Section 722 of the Internal Revenue Code.”<sup>32</sup> The Committee also “persuaded the Bureau of Internal Revenue to maintain a reasonably flexible policy in permitting changes from calendar-year to fiscal-year closings.”<sup>33</sup>

Nor was this the first time the AIA had campaigned for the availability of time extensions. Before the passage of the Revenue Act of 1942, its Federal Taxation Committee “recommended to the House Ways and Means Committee that corporate taxpayers should have an absolute right to an extension up to three months for the filing of federal tax returns with the understanding that the time for payment of the first installment would not be extended.”<sup>34</sup> This effort was supported by other societies.

The New York State Society of Certified Public Accountants’ (NYSSCPA) Committee on Federal Taxation added their support to the endeavor by publishing Wartime Problems Release No. 16 on July 20, 1942. Release No. 16 called attention to the need for swift action by NYSSCPA members in order to secure adequate provisions

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<sup>31</sup> American Institute of Accountants, “Activities of the American Institute of Accountants: Committee on Federal Taxation,” *Certified Public Accountant* 23, no. 2 (February 1943): 2.

<sup>32</sup> American Institute of Accountants, “Council Meeting: Federal Taxation,” *Certified Public Accountant* 23, no. 6 (June 1943): 7.

<sup>33</sup> John Carey, *The Rise of the Accounting Profession: To Responsibility and Authority, 1936-1969*, (New York: American Institute of Certified Public Accountants, 1970), 49.

<sup>34</sup> “Wartime Problems Releases: Release No. 16,” *New York Certified Public Accountant* 12, no. 11 (August 1942): 581.

for time extensions “in the revenue act now pending.”<sup>35</sup> It specifically urged them and their clients to write “to their Congressmen, indicating their reasons for the adoption of the proposal.”<sup>36</sup>

The results of such coordinated efforts reduced the work overload that accountants were facing at the peak of their busy season by allowing them to spread out corporate tax return filings over a much longer period of time. Because many firms were already seriously shorthanded, it was imperative to place as much distance as possible between year-end audit work and corporate tax filings. The Bureau of Internal Revenue also benefited. This lessened the strain on their personnel who were likewise shorthanded.

#### Legislative Recommendations

In addition to their advocacy of time extensions, the professional societies actively advised Congress on a multitude of other issues. The AIA’s Committee on Federal Taxation “made countless recommendations on legislative proposals, as well as administrative policies, related to wartime taxes.”<sup>37</sup> The pay-as-you-go tax plan was one such important issue.

The Institute took a strong stand in support of changing to the pay-as-you-go basis. On January 26, 1943, newspapers carried articles that indicated sixteen members of the AIA, acting on their own behalf, “had reviewed the text of a letter from Beardsley Ruml, sponsor of the pay-as-you-go plan . . . and had expressed their opinions with

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<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> John Carey, *The Rise of the Accounting Profession: To Responsibility and Authority, 1936-1969*, (New York: American Institute of Certified Public Accountants, 1970), 49.

respect to Mr. Ruml's conclusion concerning the fiscal status of the Treasury under such a program."<sup>38</sup> Their opinion, in part, follows:

Since the United States Treasury operates on a cash-receipts basis there is, in my opinion, no reason to suppose that the receipts from taxation of individuals in 1943-1944 would be any less if the pay-as-you-go system were adopted than on the present basis. Furthermore, over a long period of years it is likely that the income of this country will increase and the receipts under the pay-as-you-go system would be greater with the same tax rates than under the present system.<sup>39</sup>

Their strong endorsement was quickly followed by that of the AIA's executive committee, who in a meeting two days later passed a resolution that contained, in near verbatim text, the previously cited opinion. Additionally, the executive committee's resolution stated as fact that the AIA had for "over twenty-five years" "advocated the collection of federal income taxes on a current basis, by withholding at the source as much of the tax as possible, to make payment easier for taxpayers and collection more certain for the government."<sup>40</sup> In further support, the executive committee authorized the AIA's president to disseminate the resolution and the AIA's Committee on Federal Taxation to appear before and "to correspond with Congressional committees on any accounting questions which may be referred to it on the subject."<sup>41</sup>

Acting on that authority, the Committee on Federal Taxation reported in early May that one of its committee members had appeared "before the House Ways and Means committee, endorsing the 'pay-while-we-earn' principle."<sup>42</sup> The Committee also disclosed that they would be presenting proposed amendments to the Tax Code, "at the

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<sup>38</sup> American Institute of Accountants, "Institute Members Comment on Pay-As-You-Go Tax Plan," *Certified Public Accountant* 23, no. 2 (February 1943): 4.

<sup>39</sup> *Ibid.*

<sup>40</sup> American Institute of Accountants, "Pay-As-You-Go Tax Resolution," *Certified Public Accountant* 23, no. 2 (February 1943): 4.

<sup>41</sup> *Ibid.*

<sup>42</sup> American Institute of Accountants, "Council Meeting: Federal Taxation," *Certified Public Accountant* 23, no. 6 (June 1943): 7.



next hearing of the House committee.”<sup>43</sup> These efforts were not in vain. On June 19, 1943, the Current Tax Payment Act, which incorporated withholding, was signed into law.

The accounting profession was also vocal in challenging retroactive provisions in proposed tax laws. On July 10, 1942, the chairman of the Institute’s Committee on Federal Taxation, Mr. Walter Cooper, mailed a letter to the chairman of the House Ways and Means Committee, Mr. Robert Doughton, that opposed “provisions of the pending tax bill which would make changes in the law and in tax rates applicable to fiscal years beginning in 1941 and ending in 1942.”<sup>44</sup> Although these retroactive provisions had been “retained by the House,” the Committee on Federal Taxation planned to officially “oppose their enactment in a statement . . . presented before the Senate Finance Committee.”<sup>45</sup>

In addition to the efforts of the AIA, the New York State Society of Certified Public Accountants (NYSSCPA) was also an active participant in the federal legislative process. On March 4, 1942, the Society’s Committee on Federal Taxation provided the U.S. Treasury Department with no less than “twenty-five recommendations for changes in federal income and excess profits taxes.”<sup>46</sup> The proposed “changes were designed to simplify computations and [to] liberalize relief provisions under the new revenue act.”<sup>47</sup>

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<sup>43</sup> Ibid.

<sup>44</sup> American Institute of Accountants, “Activities of the Month,” *Certified Public Accountant* 22, no. 8 (August 1942): 1.

<sup>45</sup> Ibid.

<sup>46</sup> Wentworth F. Gantt, ed., “Recommendations of Federal Taxation Committee,” *New York Certified Public Accountant* 12, no. 6 (March 1942): 358.

<sup>47</sup> Ibid.

While not all of their proposals were accepted, a surprisingly high number were. Speaking at a war time conference in March of 1943, Maurice Austin observed the success of the professional societies and commented,

Last year this Society [NYSSCPA], the American Institute and many other accounting organizations, made numerous and detailed recommendations to Congress for technical amendment of the tax laws. The vast majority of these – a percentage far higher than ever before – were accepted and constitute the bulk of that part of the 1942 legislation which is not directly concerned with tax rates.<sup>48</sup>

#### Education

To aid their members on taxation issues, the professional societies held numerous educational meetings and, when need arose, turned to direct correspondence. One such meeting was held by the AIA's Committee on Federal Taxation on January 24, 1943. The main items on the agenda of the all-day affair covered "extensions of time for filing tax returns and relief claims, practice before the United States Tax Court, and proposals for new tax legislation."<sup>49</sup>

On another occasion, the Committee on Federal Taxation received items of such importance that they were immediately forwarded to the membership. For instance on February 11, 1943, the Committee received correspondence from the Commissioner of the Bureau of Internal Revenue that "outlined changes in the policy of the Treasury Department in granting extensions of time for filing corporate income and excess-profits-tax returns."<sup>50</sup> Due to the extremely vital nature of the communication, the Committee mailed this letter to all AIA members and associates on February 11 – the same day it

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<sup>48</sup> Joseph J. Klein, et al., "Symposium on Post-War Problems of the Accountant held . . . on March 22, 1943," *New York Certified Public Accountant* 13, no. 7 (April 1943): 278.

<sup>49</sup> American Institute of Accountants, "Activities of the American Institute of Accountants: Committee on Federal Taxation," *Certified Public Accountant* 23, no. 2 (February 1943): 2.

<sup>50</sup> American Institute of Accountants, "Activities of the American Institute of Accountants: Committee on Federal Taxation," *Certified Public Accountant* 23, no. 3 (March 1943): 1.

was received. For those who may have been overlooked, the *Journal of Accountancy* carried a reprint of the letter in its March issue.

The NYSSCPA also maintained a steady program of tax meetings during the war. On the evening of January 12, 1942, Andrew Stewart, the president of the NYSSCPA, opened one meeting by offering that the Society had “a serious duty to maintain . . . the important service we render to society and, in so doing, to make our contribution to ultimate victory.”<sup>51</sup> To be equipped to perform this service, President Stewart singled out the role of tax meetings that he “considered essential to the successful accomplishment of our national and state tax programs.”<sup>52</sup> Continuing, he assured that “monthly meetings will be continued and it is hoped that all of this effort will be not merely an aid to all members . . . but also an inspiration to them to aid the national interest in many other ways.”<sup>53</sup> The president’s remarks were more than just bluster, the New York Society’s Committee on Federal Taxation announced in the March issue of the *New York Certified Public Accountant* that unlike in preceding years their “tax meetings would not terminate on March 15<sup>th</sup>, but would be continued throughout the year.”<sup>54</sup> The Committee believed that the tax problems that would confront the members would “be of such import and concern that continuing attention should be devoted to them.”<sup>55</sup> Accordingly, they scheduled their next meeting for April 20, 1942.

Through the use of meetings, memos, and society publications, the professional societies assisted their members in staying abreast with the changing tax environment

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<sup>51</sup> Andrew Stewart, “January Society Meeting,” *New York Certified Public Accountant* 12, no. 4 (January 1942): 239.

<sup>52</sup> *Ibid.*

<sup>53</sup> *Ibid.*

<sup>54</sup> “State Society Activities: Federal Taxation Meetings,” *New York Certified Public Accountant* 12, no. 4 (January 1942): 355-356; during the war period March 15<sup>th</sup> was the tax filing deadline.

<sup>55</sup> *Ibid.*

during World War II. The frequency of the changes in tax law complicated this effort but in no way prevented it. By providing for the educational needs of the members in a multitude of formats the societies ensured that tax practitioners would not be left adrift in a sea of complexity. In so doing, the societies provided substantial support to the successful implementation of U. S fiscal policy during the war.

### Tax Simplification

Even the experts are so bumfuzzled about this business of paying federal income taxes that they have passed a formal resolution crying for relief. ---- *Houston Post*, February 20, 1944

It is possible to have too much of a good thing. Anytime the prime beneficiaries of a law begins to cry for help it is probably well past the time that such advice should have been heeded. Such was the case of tax work for the accounting profession. The sea of complexity brought about by frequent changes in the tax laws may have appeared to be “a tax man’s paradise” to J. K. Lasser, but had turned into a nightmare for the average citizen and was approaching a level of complexity that even accounting experts could not tolerate.<sup>56</sup>

So on August 6, 1943, the AIA’s Committee on Federal Taxation began the process of organizing and synthesizing recommendations on income tax simplification “in accordance with a request for the advice of the accounting profession received from . . . [the] Joint Committee on Internal Revenue Taxation.”<sup>57</sup> However, this was not the first recognition by accountants of problems in the tax code. The president of the Pennsylvania Institute of Certified Public Accountants, John Parry, waded into the

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<sup>56</sup> J. K. Lasser, “Corporate Taxes under the 1942 Law,” *The New York Certified Public Accountant* 13, no. 4 (January 1943): 151.

<sup>57</sup> American Institute of Accountants, “Activities of the American Institute of Accountants: Federal Taxation,” *Certified Public Accountant* 23, no. 9 (September 1943): 4.

subject in 1938 and wrote that “Self-assessment of taxes sounds well, but when the rules and regulations of the game run into volumes and the self-assessor wanders in a maze . . . it’s time to call a halt.”<sup>58</sup> His solution – “Tax simplification should receive equal consideration with tax fairness.”<sup>59</sup>

Unfortunately, all were not aware of the profession’s long drive for simplicity in the tax code. Because of this, the profession received a black eye in September 1943, when several Scripps-Howard newspapers ran editorials that advocated tax simplification but implied that accountants were opposed to such endeavors. The editorials painted with a wide brush and insinuated that “because of the work created for them by tax complexities” both “accountants and Treasury tax experts” were opposed to tax simplification efforts.<sup>60</sup>

After receiving “a flood of indignant letters” the New York *World-Telegram* ran a second editorial on September 28<sup>th</sup> entitled “Apology and Suggestion.”<sup>61</sup> In addition to exonerating the accounting profession, the editorial contained an interesting rebuttal they had received from the AIA that read,

In contradiction to any idea that a “make-work policy exists for the benefit of those in practice, the accountancy profession long has been on record as opposed to complicated tax laws, on the ground that they create confusion and uncertainty in the mind of the taxpayer; hamper the orderly planning and conduct of business; make the payment of taxes a burden and, incidentally, make the independent accountant’s work more difficult.”<sup>62</sup>

Given the recent attention generated in the press, it is hardly surprising that the issue should reemerge at the American Institute of Accountant’s 1943 annual meeting.

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<sup>58</sup> John C. Parry, “From Our President,” *The Spokesman* 8, no. 5 (March 1938): 1.

<sup>59</sup> *Ibid.*

<sup>60</sup> American Institute of Accountants, “Accountants and Tax Simplification,” *Certified Public Accountant* 23, no. 10 (October 1943): 5-6.

<sup>61</sup> *Ibid.*

<sup>62</sup> *Ibid.*

On October 19<sup>th</sup>, the AIA set the record straight by adopting a resolution firmly in support of efforts to simplify the tax law. The resolution that emerged stated that “since the enactment of the original income tax law in 1913 there have been twenty . . . revisions of the tax laws [that] have resulted in the creation of a very complex tax structure which is highly detrimental to the prosperity of the country.”<sup>63</sup> In closing, the resolution urged Congress to create “a qualified non-partisan commission . . . to write a simple revenue law which will express a permanent and consistent policy of federal taxation.”<sup>64</sup>

Soon thereafter, state societies of certified public accountants joined with the AIA in advocating simplification of the tax laws. Societies in Maine, Minnesota, Nebraska, New York, and Wisconsin each adopted tax resolutions similar to the AIAs.<sup>65</sup> Other state societies quickly followed suit. The president of the AIA even contacted the state societies and suggested that all the states should pass such proposals.

The accounting profession’s intense lobbying campaign and the general public’s near universal agreement and support for simplification was not lost on those in authority. On January 10, 1944, Congress became involved when Kansas Representative Frank Carlson introduced “a joint resolution to establish a Federal tax commission (H. J. Res. 211) and [to] declare the policy of Congress to be . . .

- (1) To simplify the Federal tax system, including forms of taxation, and methods of administration;
- (2) To establish a streamlined, long range, integrated Federal tax policy designed to meet present and postwar financing needs;

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<sup>63</sup> T. W. Leland, ed., “Institute Adopts Timely Resolutions,” *Texas Accountant* 15, no. 11 (November 1943): 8.

<sup>64</sup> *Ibid.*

<sup>65</sup> American Institute of Accountants, “Tax Resolutions,” *Certified Public Accountant* 23, no. 12 (December 1943): 4.

(3) To raise the necessary revenue for the support of the government with the least possible burden on individual taxpayers and business enterprises and with the greatest possible incentive to capital invested in production enterprise . . .”<sup>66</sup>

Yet with all the impetus on simplification, Congress missed the mark. In February 1944, Congress presented the President with their proposed revenue act that unfortunately was plagued with complexity and failed to provide for the additional revenue FDR was seeking. President Roosevelt vetoed it on February 22, 1944. In his veto measure, the President reminded Congress that the “taxpayer has been promised of late that tax laws and returns will be drastically simplified. This bill does not make good that promise. It ignores the most obvious step toward simplifying taxes by failing to eliminate the clumsy Victory Tax.”<sup>67</sup> Continuing his strongly worded rebuke, President Roosevelt urged Congress to “act as quickly as possible for simplification of the tax laws which will make possible the simplification of the forms and computations now demanded of the individual taxpayers.”<sup>68</sup> He stressed, that “taxpayers, now engaged in an effort to win the greatest war this Nation has ever faced, are not in a mood to study higher mathematics.”<sup>69</sup> FDR closed his veto message by reminding Congress of their responsibility “to achieve real simplicity for millions of small income taxpayers. In the interest of strengthening the home front, in the interest of speeding the day of victory, [he] urged the earliest possible action.”<sup>70</sup> His veto was overridden and the proposed Revenue Act of 1943 became law.

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<sup>66</sup> I. Russell Bush, “The President’s Message,” *The Spokesman* 14, no. 5 (February 1944): 1.

<sup>67</sup> Franklin D. Roosevelt, “Veto of a Revenue Bill: February 22, 1944,” in John T. Woolley and Gerhard Peters, *The American Presidency Project* [online]. Santa Barbara, CA. <http://www.presidency.ucsb.edu/ws/?pid=16490> (accessed 9/21/2010).

<sup>68</sup> *Ibid.*

<sup>69</sup> *Ibid.*

<sup>70</sup> *Ibid.*

Unfortunately, the President could not write laws or even revise those on the books. That authority belonged to Congress. Even so, others were quick to concur with his call for action. One author of the period observed, “It is imperative that the government simplify and stabilize as much as possible the procedures and reports required in collecting taxes at the source. Much of the difficulty in reporting to the government results from the absence of clear-cut and authoritative interpretations and regulations from the governmental administrative bureau in charge.”<sup>71</sup>

Accountants showed no sign of backing down from the issue. In Washington, AIA representatives met on March 2, 1944, “with a committee representing the staff of the Joint Committee on Internal Revenue Taxation, the Treasury Department, and the Bureau of Internal Revenue.”<sup>72</sup> At the meeting the AIA spokesmen provided recommendations for income tax simplification that were the product of the discussions from “an all-day meeting of the Institute’s committee on federal taxation.”<sup>73</sup> Moreover state societies continued to push for support. For example, in the *Spokesman*, J. N. Aitken exhorted that members should contact their representatives and voice their support for tax simplification. He also suggested that withholding should only be viewed as a “temporary expedient until the larger problem of a revision of tax laws themselves is disposed of.”<sup>74</sup>

Support continued to grow for the AIA’s proposal that Congress establish “a non-partisan body of experts” to help simplify the income tax laws. In March 1944, the *Tax*

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<sup>71</sup> L. J. Benninger, “Business and Withholding Taxes,” *Accounting Review* 19, no. 3 (July 1944): 304.

<sup>72</sup> T. W. Leland, ed., “Simplification of Individual Income Tax Returns,” *Texas Accountant* 16, no. 4 (April 1944): 8.

<sup>73</sup> *Ibid.*

<sup>74</sup> J. N. Aitken, “Just Another Column,” *The Spokesman* 14, no. 6 (March 1944): 1



*Review* dedicated its entire issue to tax simplification plans. “The article referred to the Institute’s proposal . . . and analyzed three principal bills [H.J. Res. 23 – Knutson bill; H.J. Res. 211 – Carlson bill; H.R. 4086 – Forand bill] introduced in Congress to give it effect.”<sup>75</sup> The article revealed that the ABA was actively supporting the proposal and closed with praise. “Its inauguration would be highly encouraging to all who are now lost in the tax maze, and the successful completion of the task would be enormously stimulating to all taxpayers in the post-war period.”<sup>76</sup>

The lament of one weary accountant who in early 1945 called for “simplicity, even at the occasional sacrifice of fairness” revealed that the desired simplification had yet to occur.<sup>77</sup> Yet this sage of old was well on point in offering, “A simple tax law fairly administered is preferable to a fair law so complicated that even the tax administrator is unable to understand it.”<sup>78</sup>

Toward the close of 1945, William J. Carter, the NACA vice president, gave an address in New Orleans on Federal taxation trends. Though pointing out that “there never was a perfect tax and never will be,” he was definitely in favor of efforts to achieve such.<sup>79</sup> To that end, Carter expressed his opinion that Congress should follow the advice of the AIA and “set up a non-partisan tax commission to make a thorough study of the science of taxation as it applies to all branches of government.”<sup>80</sup> Regretfully, he

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<sup>75</sup> American Institute of Accountants, “Non-Partisan Body of Experts to Help Simplify Tax Laws,” *Certified Public Accountant* 24, no. 4 (April 1944): 4-5.

<sup>76</sup> *Ibid.*

<sup>77</sup> Michael D. Bachrach, “Tax Simplification,” *Accounting Review* 20, no. 1 (January 1945): 103.

<sup>78</sup> *Ibid.*

<sup>79</sup> William J. Carter, “The Trend of Federal Taxation,” in “Just Simple Taxes?” *Certified Public Accountant* (December 1945): 14.

<sup>80</sup> *Ibid.*

informed his audience that all of the bills that had been “introduced into Congress for such action . . . had been lost in the shuffle.”<sup>81</sup>

Although the profession did not achieve the level of income tax simplification that it had strived for during the war, it nevertheless gained the admiration, respect, and goodwill of American taxpayers and public officials alike. In hindsight, perhaps this was the greater victory. Sometimes even in defeat there is victory if the cause is just. While the accounting profession may not have won this legislative battle, it definitely won the public relations war.

### Jerry Lane

In 1925, Jerry Lane was born in Philadelphia, Pennsylvania and for the next two decades he called Philly home. While in junior high, Lane became aware of his knack for numbers and decided at that point that he would be either a banker or an accountant. Upon graduating from high school he entered the University of Pennsylvania’s Wharton School of Business in 1943 and graduated with his degree five years later.<sup>82</sup>

Even during his youth Mr. Lane possessed a tremendous capacity for work. While attending Wharton as a full-time student, he also worked a full-time job. Recalling the time he offered, “I worked night and day because I worked my way through college. I had to work [at] the railroad to get tuition to go to school.”<sup>83</sup>

To obtain the necessary funding for school, Mr. Lane gained employment at the Pennsylvania Rail Road (PRR). At the time PRR, was the largest railroad in the world in terms of traffic and revenue and was conveniently headquartered in Lane’s home town of

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<sup>81</sup> Ibid.

<sup>82</sup> Jerry Lane, interview by Mark E. Jobe, August 6, 2010, Digital recording.

<sup>83</sup> Ibid.

Philadelphia. Massive in scale and scope, the PRR system included “approximately 130 subsidiaries, which included different railroad lines, coal mines, hotels, bridges.”<sup>84</sup>

Although he had been originally hired for another job, Lane was quickly transferred into PRR’s tax department when they learned of his major. Lane recalled, “There was a shortage of accountants and when they found out I was studying accounting they asked me to move to the tax department.”<sup>85</sup> From that point forward, Mr. Lane was engaged strictly in tax work on the PRR’s 130 subsidiaries including state, federal, and excess profits taxes.

This was fortunate in a variety of ways. First, the accounting department was within easy walking distance of the University of Pennsylvania campus, which greatly facilitated his work and educational pursuits. Second, it gave him valuable training in tax work. While still only a part-time accounting student, Mr. Lane performed detailed state, federal and excess profit tax returns. Third, it provided him with valuable insight into the operations of the headquarters of one of the largest companies in the world. In his own estimate, “they must have had 500 - 600 employees in the [headquarters] building . . . and about forty to fifty in the tax department.”<sup>86</sup> Finally, the tax department in which he worked was a very rich environment as far as diversity was concerned. “We had probably 50% women [in the tax department] because a lot of the men were in the service. They were trying to get any qualified person.”<sup>87</sup>

The PRR was not alone in its quest for skilled technicians. Most accounting firms, corporations, and governmental agencies were suffering from a lack of adequate

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<sup>84</sup> Ibid.

<sup>85</sup> Ibid.

<sup>86</sup> Ibid.

<sup>87</sup> Ibid.

replacements. Some of the results when replacements were not up to par could be humorous.

This war time scarcity of technical personnel was well illustrated by the reported explanation given by the New York office of the Commissioner of Internal Revenue when it was stated that three different results had been tentatively approved by the Commissioner's office on the same set of tax facts. The reported explanation for this inconsistency was that most of the tax experts have been taken into the armed forces and that those remaining possessed questionable and varied tax-determining abilities.<sup>88</sup>

Some of Mr. Lane's most difficult assignments involved the Excess Profits Tax.

Excess profits taxation came about as a desire of the government to prevent war-time profiteering. The government had a strong aversion to the idea of anyone getting rich over spilled blood, so during the war rates for excess profits taxes rose to over 90%. However, the tricky part for accountants was trying to measure what was considered "excess profit." Lane recalled, "They had two ways of measuring excess profits taxes."<sup>89</sup> The first option was based on an average of your prewar earnings. The amount by which your current income exceeded your prewar average would then be subject to excess profits taxation. "The other basis . . . the government allowed you to make a reasonable return on your investment and everything above that would be considered excess profits. Since railroads had a huge investment in roadway and equipment," PRR chose the latter method that provided them with a much higher level of profits than the average earnings method.<sup>90</sup>

During this period of work, Lane had frequent dealings with agents of the Bureau of Internal Revenue, "because they were wondering how we did our calculations. In fact

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<sup>88</sup> Lawrence W. Sherritt, "Preliminary Considerations to the Installation of the Cost System," *New York Certified Public Accountant* 14, no. 6 (March 1944): 270.

<sup>89</sup> Jerry Lane, interview by Mark E. Jobe, August 6, 2010, Digital recording.

<sup>90</sup> *Ibid.*

there was a big case one time with the Pennsylvania Rail Road.” In an effort to show a larger investment on its books, which would permit a larger return before excess profits taxes began, the PRR began adding the value of all the sidings that ran from the main line to the loading docks of various companies. The real problem emerged because in some instances the railroads would provide these spurs free of charge to substantial shippers, while smaller volume outfits had had to install and pay for their own spurs. Lane recalled, “That was a real battle, a real test. Who made the investments, the tenants or the railroad? And is the railroad entitled to use that as part of their capital base to determine their profits?”<sup>91</sup>

In 1948, Mr. Lane obtained his degree from Wharton and resettled in Dallas, Texas. After satisfying the one-year experience requirement, he took and passed the CPA exam in 1950. At that time he started his own firm, Lane, Gorman, & Truman and remained with them until reaching age 75. Since his first retirement, Lane has joined a local firm near his home in North Dallas where he remains in practice. He is still an active member of the AICPA and the Texas Society of Certified Public Accountants.

During his time at Wharton and the Pennsylvania Rail Road, Jerry Lane did not appear before Congress, advise legislators, argue for extensions, write tax articles, or lobby for simplification. Instead, he went to work every day and did his duty both in the classroom and in the office. By far the vast majority of tax accountants followed his pattern – they went to work and performed their duties to the best of their abilities. By this means, Jerry Lane and thousands of others like him rendered thankless service to their companies and invaluable assistance to the country during World War II. Beyond a doubt this was the greatest responsibility tax practitioners fulfilled.

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<sup>91</sup> Ibid.

## Conclusions

Numerous changes took place within the income tax code during World War II. A law initially designed to be a class tax on the wealthy was transformed into an enormous revenue generating mass tax. To accomplish this feat, exemptions were steadily lowered, which brought millions to the tax rolls. In fact, from 1939 to 1945, the number of taxpayers in America rose 975% from 4 million to 43 million or when compared to the population as a whole from 0.33% to 33%.<sup>92</sup> These efforts were so successful that by the close of the war, taxpayers earning as little as \$500 were subject to a 23% tax rate.

To broaden the tax base, the tax code inherited many simplifying features still in use today including form 1040A, estimated tax payments, and withholding. Through all of the changes that occurred, accountants were actively involved not only in implementing the final resulting legislation but also in policy formation. As John Carey recalled, "the committee on federal taxation made countless recommendations on legislative proposals, as well as administrative policies, related to wartime taxes."<sup>93</sup> Nor were they alone. Other professional accounting organizations also engaged in cooperative lobbying efforts that gave added weight and additional leverage to overall professional legislative goals. Unsurprisingly, the accounting profession achieved an enviable success rate in Washington..

This high degree of success was due in no small part to the high esteem in which the profession was held. One period writer observed that their legislative agenda

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<sup>92</sup> United States Department of the Treasury, "Fact Sheet: Taxes," <http://www.treas.gov/education/fact-sheets/taxes/ustax.shtml> (accessed 9/22/2010).

<sup>93</sup> John Carey, *The Rise of the Accounting Profession: To Responsibility and Authority, 1936-1969*, (New York: American Institute of Certified Public Accountants, 1970), 49.

succeeded “largely because of the high regard with which the accounting profession and the organizations representing it were held in Washington.”<sup>94</sup> He continued, “Our profession is accorded very high standing by those in government charged with the administration of these laws. Never in the history of the profession have we been regarded as highly down in Washington and the other centers of tax administration.”<sup>95</sup>

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<sup>94</sup> Joseph J. Klein, et al., “Symposium on Post-War Problems of the Accountant held . . . on March 22, 1943,” *New York Certified Public Accountant* 13, no. 7 (April 1943): 278.

<sup>95</sup> *Ibid.*

## CHAPTER VIII

### THE IMPACT OF WWII ON POSTWAR ACCOUNTANCY

Observe how all things are continually being born of change; teach yourself to see that Nature's highest happiness lies in changing the things that are, and forming new things after their kind. Whatever is, is in some sense the seed of what is to emerge from it.

Marcus Aurelius: Meditations

#### Introduction

Many of the great changes in the accounting profession had their genesis in war-time problems. Friedrich Nietzsche observed, "That which does not kill us makes us stronger." Accordingly, World War II did not destroy the profession but instead taxed it, requiring accountants to exhaust substantially larger amounts of time on auditing, consulting, taxation, and governmental services than in comparable prewar years. As through exercise the body grows stronger, so too through the strain of work the profession of accounting emerged from the war strengthened.

Accounting firms somehow met these increasing demands with diminishing staff while still servicing existing clients. To accomplish this most difficult challenge, accountants were forced to look inwardly and reevaluate procedures, processes, timing of work, and even their own prejudices and preconceived notions about who could be a public accountant. While this inward evaluation was taking place, war-time accountants also turned their gaze outwardly in search of short and long-term solutions to problems vexing the profession that could not be dealt with internally. The profession entered the war-period by looking back at its World War I actions for inspiration and guidance in the



present emergency, yet took time, even in the midst of war, to plan for the future of the profession.

The profession successfully accomplished a multitude of new war-time assignments while fulfilling its normal prewar purposes. In so doing, accounting firms improved their internal efficiencies, broadened their selection and training criteria, and expanded the scope of their capabilities. Likewise, cost and governmental accountants enjoyed increased opportunities to apply their skills due to war-time successes. Resulting from its war-time successes, the accounting profession was held in highest regard in the postwar period and became accepted as an influential advisor in all things accounting.

### **Staff Shortages**

Accounting firms throughout the war enjoyed an extremely high level of demand for their services and their personnel. Unfortunately for accounting firms, most were woefully unprepared for this surge of new work. While war-related regulations and laws were creating new demands for CPA services, other factors, including the draft, were simultaneously depriving firms of the staff essential to meet such demands. The resulting outcome was that accounting firms were caught in a vicious cycle of escalating demand for their services and diminishing capacity to meet those demands.

This manpower crisis, sweeping across all boundaries, was a major source of concern for the accounting profession, industry, and governmental sectors of the economy throughout the war. From the national level on down, the accounting societies attempted to provide guidance both to their memberships and also to various governmental authorities on how to mitigate the deleterious effects of chronic staff shortages in accounting firms, industry, and government.

However, the profession was not without its warning of this pending crisis. While Pearl Harbor may have caught America off guard, the same cannot be said concerning the manpower crisis in accounting. In November 1941, Stephen Chan, a member of the NYSSCPA and Chairman of its Committee on Accountants' Office Procedure, advised firms that, "both as a result of the draft and of the fairly lucrative positions available to trained accountants in private industry and in government service," there would be a shortage of available personnel.<sup>1</sup> Accordingly, Mr. Chan encouraged the firms not to wait until the usual hiring periods of January and February to address their staffing needs but instead to currently obtain the services of "a portion of the men" they would "require during the winter months."<sup>2</sup>

Immediately after the United States entered the war, Charles H. Towns, a CPA and former director of the NYSSCPA, went on record identifying the problem of staff shortages. On the evening of January 12, 1942, the New York State Society gathered for its monthly meeting to hear two addresses, the final of which Mr. Towns delivered. During his speech, Towns recounted a conversation he had with a London chartered accountant in April 1940. Back then Great Britain had been at war for only seven months, yet the chartered accountant confided that conditions had deteriorated in his office to the point that only eight staff out of an original forty were left.<sup>3</sup>

Towns then directed his attention to problems at home stating, "Now, however, we are facing squarely the problems that come with wartime conditions. Available accountants are becoming scarcer . . . Personnel problems are now serious and present

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<sup>1</sup> Stephen Chan, "Thoughts on Accountants' Office Procedure," *The New York Certified Public Accountant* 12, no. 2 (November, 1941): 90.

<sup>2</sup> Ibid.

<sup>3</sup> Charles H. Towns, "Some Wartime Problems of Public Accountants," Supplement issue, *New York Certified Public Accountant* 12, no. 4 (January 1942): 12.

indications are that they will become more difficult as the war progresses.”<sup>4</sup> With the attentive audience now thinking along the same line, Towns gave voice to the hanging question. “The natural question is, ‘What is the solution?’ A part of the answer is that there is no single solution and that the partial solutions must be used with energy, skill and care to meet the requirements.”<sup>5</sup>

The first of Towns’ partial solutions called for replacing some of the departing staff with men who fell outside of the Selective Service age limits, with men declared unfit for military service, and with women. His second partial solution encouraged methods to distribute the workload more evenly throughout the year and included encouraging clients to adopt a natural business year, maximizing interim audit work, and arranging for time extension on various reports. His final and most creative partial solution considered the use of college students by having them shift their summer vacation to winter breaks so as to be available for audit work.<sup>6</sup>

Early in the war, the leaders of the profession were beginning to recognize the serious nature of staffing shortages. The NYSSCPA’s Special Committee on Wartime Problems attacked this dilemma by calling for, among other measures, “the employment of qualified women as staff members as a war-time measure and development of client acceptance of this practice.”<sup>7</sup> Although this hardly qualified as a ringing endorsement for female accountants, given the dire economic necessity, many firms were willing to consider such harsh “war-time measures.” On March 14, 1942, the Special Committee

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<sup>4</sup> Ibid., 11.

<sup>5</sup> Ibid., 12.

<sup>6</sup> Ibid; Today all of the major accounting firms employ accounting students as part of their internship programs.

<sup>7</sup> Special Committee on Wartime Problems, “Wartime Problems of the Accounting Profession: Release No. 1,” *New York Certified Public Accountant* 12, no. 6 (March 1942): 354.

distributed its initial war-release to all members of the New York Society and the release included the idea of using women as staff accountants. Others in the profession soon echoed the call.

Almost a month later at an April 13<sup>th</sup> meeting of the New York State Society of Certified Public Accountants, the secretary of the AIA, John L. Carey offered a few suggestions for dealing with the staffing shortages. First he offered that firms “may have to reduce nonessential work. For example, accounting services to golf clubs may have to be curtailed.”<sup>8</sup> Second, Carey pointed out that “even to render essential services accounting firms may have to find replacements for their staffs among women and older men whose training can be adapted to accounting work.”<sup>9</sup> Mr. Carey concluded this topic by affirming that firms must take all possible measures to more evenly distribute their work load – including: encouraging clients to adopt a natural business year, seeking time extensions for issuing reports to regulatory bodies, and completing all possible audit work on an interim basis.<sup>10</sup>

Another prominent leader, Victor Stempf, a past president of both the National Association of Cost Accountants and the New York State Society of Certified Public Accountants, called attention to this problem before the Philadelphia Accounting Forum on May 7, 1942, and identified some potential solutions.<sup>11</sup> Providing an overview of the situation, Stempf observed that, “members of the profession have already made a splendid contribution to the war effort. Many accountants and accounting students have

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<sup>8</sup> John L. Carey, "The Accounting Profession in War," *New York Certified Public Accountant* 12, no. 8 (May 1942): 475.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Stempf, Victor H., “Changing Concepts of the Responsibilities of the Accountant,” *New York Certified Public Accountant* 12, no. 9 (June 1942): 518-526.

joined the fighting forces; many are in the civilian war agencies, and others hold high ranking commissions in the army and navy.”<sup>12</sup> Stempf further added, that many of those commissioned were filling vital roles in audit, cost, fiscal, and budgetary administration. Nevertheless, departures for military service, along with departures for service in vital industrial capacities, had created a substantial gap in the professional ranks, at a time when demand for all accounting services was skyrocketing. Stempf concluded that in spite of this gap the profession still must “facilitate production and efficient operation” in both vital war industries and industries crucial to the stability of the civilian economy.<sup>13</sup>

To help accounting firms meet these challenges, Stempf outlined the steps currently being taken by the profession. First, the AIA and NACA had appealed to the Selective Service in an attempt to stem the flood of accountants being drafted from “essential war industries or in those essential to war-time civilian economy” whether such accountants were privately or professionally employed.<sup>14</sup> Second, the AIA’s Committee on Auditing Procedure, while rejecting any relaxation of auditing standards, called for “a maximum amount of interim work.”<sup>15</sup> Third, Stempf identified the ongoing efforts of the AIA’s committee on public information in advocating a more wide-spread adoption of the natural business year by companies. Finally, he pointed to requests made by the profession to both the S.E.C and the Stock Exchange seeking time extensions for companies in regards to their filing of 10K reports and financial statements respectively. These steps sought to preserve the ranks of current accountants, and to encourage their efficient utilization by spreading their work more evenly over the year. Stempf ended

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<sup>12</sup> Ibid., 523.

<sup>13</sup> Ibid., 524.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

this discourse with the hope “that other appropriate proposals may evolve in due course.”<sup>16</sup> Interestingly however, Stempf remained silent on the use of women in the profession to fill staff vacancies.

The proffered solutions of Towns, Carey, Stempf, and the NYSSCPA’s Special Committee on Wartime Problems summarize into two basic policies:

1. Replacement Personnel: Stem manpower shortages by hiring women, men who were unqualified for military service because of age or disability (4f), and accounting students during breaks from school.
2. Redistribute Workloads: Maximize the use of existing personnel by advancing the usage of the Natural Business Year by clients; requesting extensions of time for filing assorted reports, returns, etc. with Governmental agencies and the stock exchanges; and seeking to spread audit workloads by completing all possible work in interim periods.

### Dire Straits

While the idea of using men beyond the draft age and young students looked good on paper, there were obvious flaws in this approach. When the draft first began in October 1940, only “men between the ages of 21 and 35” were required to register with their local draft boards.<sup>17</sup> This would have left a large pool of potential workers in the form of students under the age limit and men above it. However after the U.S. entered the war, the age requirements were expanded to include men from 18 to 45 years old. This dramatically reduced the potential pool of replacements.

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<sup>16</sup> Ibid., 524-525.

<sup>17</sup> Wikipedia, “Selective Training and Service Act of 1940,” [http://en.wikipedia.org/wiki/Selective\\_Training\\_and\\_Service\\_Act\\_of\\_1940](http://en.wikipedia.org/wiki/Selective_Training_and_Service_Act_of_1940) (accessed 9/25/2010).

While some older men were available to work in the firms, the demanding pace posed its own drawbacks. Firms were forced to absorb much of the lost personnel by working increasingly longer hours. The strains of this pace were too much for many. Quite simply, older accountants often worked themselves to death.<sup>18</sup> Some things cannot be entirely mitigated – the loss of accounting firm personnel was one. This left only one truly viable pool of replacements – women.

Only significant deficiencies in the professional ranks could warrant such “extreme measures” as women in the workplace, but such was the case. In March, 1942, an informal study of 2,000 accounting staff members indicated that since the previous July approximately 15% of them had left public practice.<sup>19</sup> These permanent staff members were now engaged in either industrial war production, or government service. Of the larger accounting firms the percentages were even greater. Since July 1, 1941, certain of these firms, or offices in them, had lost 24% of their full-time accountants. Even greater, in some offices the losses ran as high as 50%.<sup>20</sup> The gaps in the profession only worsened as the war continued. The War Manpower Commission conducted a survey in 1943 and found that the public accounting profession had lost nearly one-third of its entire audit personnel to the war effort.<sup>21</sup>

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<sup>18</sup> See Appendix E -- Changing of the Guard.

<sup>19</sup> John L. Carey, “Accountants in War,” *New York Certified Public Accountant* 12, no. 6 (March 1942): 363-364.

<sup>20</sup> Walter A. Cooper, “Extensions,” *New York Certified Public Accountant* 12, no. 6 (March 1942): 360-362.

<sup>21</sup> War Manpower Commission, “The Professional Personnel Situation in Public Accounting firms as of May, 1943,” *Bulletin No. 7 National Roster of Scientific and Specialized Personnel*, (Washington: U.S. GPO, June 6, 1944).

The mass-production industries, never keen on the “idea of employing women,” nevertheless recognized that war necessities had changed the situation.<sup>22</sup> By September of 1943, there were an estimated “four million women . . . employed in munitions and essential industries” and there were plans to add another million before the close of the year.<sup>23</sup> One maker of precision devices, Sperry Gyroscope was employing 13,000 women out of a total workforce of 30,000. Even in the heavy industries, including steel and shipbuilding, women were employed as laborers. In the latter, women comprised “15 per cent of the total work force and in some large yards the percentage [was] 25 per cent.”<sup>24</sup> Likewise, the staffing shortages in public accounting, though crippling for the firms, opened doors of opportunity for one disenfranchised group -- women. “Rosie the Riveter” was not the only female to show up for work in a male dominated industry – “Annie the Accountant” was about to make her entrance.

### Replacement Personnel

In 1942, at the April 13<sup>th</sup> meeting of the New York Society, Gertrude Priester, a former two-time president of the American Women’s Society of Certified Public Accountants, raised the typical reasons usually offered for denying women employment in public firms and then one by one disabused each of the old prejudices. The reasons, recited by Priester included, “‘It won’t work,’ ‘Clients object,’ ‘No firm has women on its staff,’ ‘women cannot stand the strain’ etc.”<sup>25</sup> She then effectively countered that “if the above statements are true, how was it possible for 180 women to obtain C.P.A.

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<sup>22</sup> A. G. Mezerik, “The Factory Manager Learns the Facts of Life,” *Harper’s Magazine* 187, no. 1120 (September 1943): 289.

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*, 290.

<sup>25</sup> Gertrude Priester, “Women on the Staff – How and What They Can Contribute,” *New York Certified Public Accountant* 12, no. 8 (May 1942): 466.



certificates in the United States?”<sup>26</sup> To the particularly thorny argument that clients objected to women auditors, Priester reported that, “women accountants have found no objection on the part of clients, because the client is primarily concerned with the fact that he wants his books audited by someone qualified to do the work.”<sup>27</sup> She concluded her talk with a question for the members, “The women are willing to do their part, will you give them the opportunity?”<sup>28</sup>

“While the Victorian ethics and double standards in effect then may seem almost comical today, they were very real back in those days.”<sup>29</sup> Furthermore, they resulted in serious repercussions for the profession. Because these views permeated the public profession of accounting and had so for years, there was an insufficient supply of female CPAs to fill the void created by the war. A *New York Times* article from December 26, 1942, accurately captured the situation.

On paper, women have never been barred from the ranks of certified public accountants. Actually, however, the requirements of two years’ public accounting experience stopped them from qualifying, since few firms would take women and thus give them the necessary experience.<sup>30</sup>

Even though many women had been able to successfully pursue accounting as a major in college, relatively few had earned their CPA certificate because most states required two to three years of public practice prior to testing for certification. Entry barriers to public accounting had stifled the number of women CPAs so that in 1937 there were only an estimated 125 to 130 in the entire country.<sup>31</sup> The situation had scarcely

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<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid., 469.

<sup>29</sup> Shari H. Wescott, and Robert E. Seiler, *Women in the Accounting Profession*, (New York: Markus Wiener Publishing 1986), 43.

<sup>30</sup> “Women Make Good In Accounting Jobs,” *The Certified Public Accountant* 23 no.1 (January 1943): 6-7

<sup>31</sup> Ibid., 206.

improved by the outset of WWII in that the number of certified female accountants had risen only to 180.<sup>32</sup> By 1943 the need for auditors far outstripped the supply. A study that year by the War Manpower Commission revealed that “the entire supply of available qualified personnel, both men and women, would be only about half enough to fill the then existing needs.”<sup>33</sup> Because of the crushing demands, and the encouragement of the professional societies, some of the major firms began looking to women to fill the voids.

In the spring of 1942, Price Waterhouse & Co. crossed the gender line and began hiring women into staff positions in New York. Mr. Robert D. Gracey, a personnel manager for the firm, offered that some of the female hires were able to go straight to work because of prior business and accounting experience. During September of 1942, other new female employees were enrolled in a three-week crash course at the New York University School of Commerce. Dean Wellington Taylor, who organized day-long sessions for the new hires, covered the class work “but almost all their waking hours out of class were spent in the laboratory, which was Price Waterhouse’s offices.”<sup>34</sup> The women, who enrolled in this course came from varied backgrounds and included many young graduates who had majored in accounting, a buyer for a New York department store, and a stay-at-home mother. In reflecting on the quality of those hired in the spring, Mr. Gracey lauded, “Some have done extremely well and have really made a mark for themselves.”<sup>35</sup> They were also changing the complexion of Price Waterhouse & Co. By

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<sup>32</sup> Priester, “Women on the Staff,” 466.

<sup>33</sup> Wescott and Seiler, *Women in the Accounting Profession*, 53.

<sup>34</sup> “Women Make Good In Accounting Jobs,” *The Certified Public Accountant* 23 no. 1 (January 1943): 6-7.

<sup>35</sup> *Ibid.*

the end of 1942, females represented 10% of the staff accountants in the New York office.<sup>36</sup>

In all likelihood, Price Waterhouse & Co. recognized the need for a more substantial training program and thus “began in the spring of 1943 to recruit recent female college graduates for a special eleven-week course in accounting and auditing at Northwestern University.”<sup>37</sup> The firm engaged Richard Donham, then a professor at Northwestern, to recruit the recent college graduates and supervise their training. Deans from over twenty Midwestern colleges were asked to recommend recent female graduates and assisted by offering more than 60 references. Professor Donham interviewed the group and recruited twenty-one who were willing to aid the firm.<sup>38</sup>

For the duration of the program, the women resided in the Northwestern dormitories and received a small allowance from the firm. The recruits were joined by two other ladies who, having previously taken accounting courses in college enrolled only in the auditing portion. In addition to their scholastic instruction other more personal training was needed.

While the girls were all of high type they nevertheless looked absurdly young and immature with their long bobs, moccasins and “bobby” socks so that before they finished the school work Christensen’s secretary spent an evening with them to discuss proper dress and appearance in a professional office, particularly stressing that stockings and hats were necessary.<sup>39</sup>

With the completion of their accounting and fashion training, the female recruits were sent to work in Price Waterhouse’s Chicago Office. The experiment was a

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<sup>36</sup> Ibid.

<sup>37</sup> Charles W. Wootton and Wanda G. Spruill, “The Role of Women in Major Public Accounting Firms in the United States During World War II,” *Business and Economic History* 23, no. 1 (Fall 1994): 244.

<sup>38</sup> C. W. DeMond, *Price, Waterhouse & Co. In America: A History of A Public Accounting Firm*, (New York 1951), 293.

<sup>39</sup> Ibid., 293-294.

resounding success on all fronts. According to DeMond, a partner in the firm, the recruits “turned out especially well and were essential to the firm during the war years.”<sup>40</sup> Fears of client disapproval also proved unfounded. Instead, “they were very well received by clients and appeared to have no difficulty in obtaining full and frank information from certain clients who had previously been reluctant to disclose the more confidential particulars of their accounts.”<sup>41</sup> In his history of Price Waterhouse & Co., Mr. DeMond reasoned that their acceptance by clients was likely due to their “excellent appearance and obvious good background.”<sup>42</sup>

The true measure of the success of any program, like any good performance, is in the call for its repeat performance. Once again, Price Waterhouse & Co. contracted with Professor Donham who in the spring of 1944 arranged for additional classes at both Northwestern and at the Connecticut College for Women. This second training program consisted of approximately twenty-five female recruits at each location. E. C. Davies taught the Northwestern group, while George Eckleberry, an accounting professor from Ohio State, instructed the Connecticut recruits. When the second group of recruits completed the program most were assigned to either the Chicago or New York offices, but a few were allocated to other offices.<sup>43</sup>

The initial recruits from the previous year were not forgotten either. They along with other female accountants who had come on board in the intervening period also received additional instruction beginning in the spring of 1944. In the Chicago office,

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<sup>40</sup> Ibid., 294.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid., 294-295.

Professor Davies oversaw a follow-up course that “proved quite satisfactory.”<sup>44</sup> With a year’s experience under their belts, and with the added benefit of continuing education, the female staff accountants in the Chicago Office “became of much more value in the conduct of examinations.”<sup>45</sup>

Jack Inglis, a partner from the New York headquarters, and future managing partner of the firm, was responsible for general staff oversight at this time and accordingly this program fell under his supervision. At Northwestern and Connecticut Mr. Inglis addressed the training classes and actually sat in on a few lectures with them. In his memoirs Mr. Inglis reflected on this group of women and the contribution they made and observed that, “the firm could not have undertaken its regular engagements and all its special war time work without the services of these excellent girls.”<sup>46</sup>

The situation in the New York and Chicago offices were hardly unique. Other offices of Price Waterhouse & Co. obtained valuable assistance by recruiting female graduates and young ladies with prior business experience. At certain Price Waterhouse offices during the war females made up 30% to 40% of the accounting staff.<sup>47</sup> In the 1945 November issue of *Mademoiselle*, one writer observed that “what started as an experiment had proved its worth.”<sup>48</sup> Indirectly acknowledging the extent of Price Waterhouse & Company’s “experiment,” the article disclosed that “One of the most distinguished national accounting firms has, since 1942, financed the training – at Connecticut College and Northwestern University – of more than 100 women from as

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<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

<sup>46</sup> John B. Inglis, *My Life and Times: An Autobiography*, (Passaic, NJ: George Dixon Press, 1974) 115.

<sup>47</sup> DeMond, “Price, Waterhouse & Co.” 294.

<sup>48</sup> Gertrude Gordon Sachs, “A Head for Figures,” *Mademoiselle*, (November 1945) cited in “Editorial,” *The Woman C.P.A.* (December 1945): 4.

many colleges around the country for postgraduate courses leading to junior accountant positions on its staff.”<sup>49</sup>

Price Waterhouse was joined by other firms who were willing to put “Annie the Accountant” to work. A representative of Columbia University’s School of Business reported that in the spring of 1942 “an outstanding firm took one of our women students on its staff, and the experiment worked out so well that four more were hired. Certified public accounting firms now are combing banks, real estate offices and investment houses for women private accountants.”<sup>50</sup>

The recruitment of women into the field of public accounting had not gone unnoticed. Gertrude Priester reported in April of 1942 that over “the last few months, several firms that never before employed women accountants, have offered positions to women as staff accountants.”<sup>51</sup> The War Manpower Commission survey confirmed her initial observations and found that from September of 1941 to May of 1943 the number of females employed in public accounting had risen 140% from 341 to 821.<sup>52</sup> Of course this study included in the employment numbers women in secretarial as well as staff positions. Perhaps a more accurate depiction of the strides made by female accountants during the war-period can be seen by way of a comparison with those from an earlier period. From the passage of the first CPA law in 1896 to 1940, over a forty-year span,

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<sup>49</sup> Ibid.

<sup>50</sup> “Women Make Good In Accounting Jobs,” *The Certified Public Accountant* 23 no. 1 (January 1943): 6-7.

<sup>51</sup> Gertrude Priester, “Women on the Staff – How and What They Can Contribute,” *New York Certified Public Accountant* 12, no. 8 (May 1942): 466.

<sup>52</sup> War Manpower Commission, “The Professional Personnel Situation in Public Accounting firms as of May, 1943,” *Bulletin No. 7 National Roster of Scientific and Specialized Personnel*, (Washington: U.S. GPO, June 6, 1944).

only 197 women obtained their certification. However, during the six-year span “from 1940 to 1946, 137 women obtained the certificate.”<sup>53</sup>

While it would be nice to report that women were welcomed into the profession with open arms following World War II, sadly this was not the case. Nevertheless the war opened doors and provided women with an opportunity to prove themselves in public accounting. Taking full advantage of these opportunities before them, female accountants demonstrated a record of excellence that did much to deflate the old arguments. Perhaps most importantly, many women accountants through their war-time work in accounting firms were able to satisfy the experience requirements for the CPA exam -- resulting in an explosive 70% increase in the number of female CPA's by 1946. This provided a critical mass for the group. Tired arguments might still remain that ‘the client did not prefer’ or ‘it is just not a suitable occupation’ but of one thing there could be no dispute, women accountants had provided capable service as staff accountants.

One former student of Henry Rand Hatfield, in commenting on the “old arguments” stated, “These objections can no longer be advanced by anyone intelligent enough to be an accountant.”<sup>54</sup> By working in the firms during the war, female accountants laid waste to long-held beliefs and arguments that they had neither the intellect nor stamina for the demands of public accounting practice. Once this formerly supposed ‘Pandora’s Box’ was opened it could not be shut. From the seeds planted during World War II, female accountants have in time grown into a bountiful harvest now outnumbering men entering the profession.

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<sup>53</sup> Jennie M. Palen, “The President’s Message,” *The Woman C.P.A.* (October 1946): 6.

<sup>54</sup> Catherine DeMotte Quire, ‘Pioneers in Accounting,’ *Accounting Review* (January 1947) reprinted in *The Woman C.P.A.* (April 1947): 12.

## Redistribution Efforts

The second major policy pursued by the accounting profession to alleviate the manpower crisis include an array of actions designed to shift some of the work load from the busy season to slower periods thereby spreading the work more evenly throughout the year. As previously outlined this policy included efforts to: maximize the use of existing personnel by advancing the usage of the Natural Business Year by clients; gain extensions of time for filing assorted reports, returns, etc. with Governmental agencies and the stock exchanges; and spread the audit workloads by completing all possible work in interim periods.

### **Natural Business Year**

One of the curses of public accounting had always been the peak load of work in the first quarter of the year and the resultant high percentage of temporary staff for that period.<sup>55</sup>

From the mid-1930's onward the accounting profession and other likeminded groups aggressively pressed for the widespread adoption by industries of a "natural business year." At that time, most industries adhered to a policy of ending their fiscal years on December 31 instead of closing their books at the end of their annual business cycle when inventories were typically at their lowest point.<sup>56</sup> This created a peak audit season for accounting firms running from January to March that coincided with their

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<sup>55</sup> Paul Grady, "Arthur Andersen & Co. Partnership Experiences," in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 54.

<sup>56</sup> In 1909, a federal corporate tax law was passed that required all corporations to shift from the prevailing natural fiscal year basis of accounting to a calendar year system. Although the law was subsequently changed, a large majority of firms were still using the arbitrary calendar year in 1940. John C. Perry, "An open letter from the Pennsylvania Institute of Certified Public Accountants," Supplement to the March issue of *The Spokesman* 8, no. 5 (1938).



peak tax season.<sup>57</sup> For the first four decades of the twentieth century, U.S. accounting firms had adapted to the peak season by relying on large numbers of less skilled temporary employees to meet the rush of work. However, as the U.S. drew closer to World War II, industrial and governmental opportunities and demands made serious inroads into this pool of temporary workers.<sup>58</sup>

To encourage companies to change their fiscal year to their natural business year, “the Research and Statistical Division of Dun & Bradstreet, Inc., in cooperation with the Natural Business Year Council, published . . . a series of Bulletins analyzing the seasonal characteristics of various industries” and recommended more “appropriate fiscal dates for the various types of industries studied.”<sup>59</sup> By February 1941, twenty-five such bulletins had been published ranging from Women’s Trimmed Hat Manufacturers to Meat Packers.

National and state societies of professional accountants also took active parts in spreading the message. In mid 1942, the American Institute of Accountants’ Committee on Public Information published “a pamphlet urging more extensive adoption of the natural business year,” and pressed “the S.E.C. and the Stock Exchange . . . to exercise their powers, or persuasion, to induce companies to make such appropriate changes.”<sup>60</sup>

The New York State Society of Certified Public Accountants carried numerous articles in *The New York Certified Public Accountant* promoting the natural business year including

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<sup>57</sup> During the war and afterward the tax filing deadline was March 15 instead of the present April 15.

<sup>58</sup> Stephen Chan, “Thoughts on Accountants’ Office Procedure,” *The New York Certified Public Accountant* 12, no. 2 (November, 1941): 90.

<sup>59</sup> Wentworth F. Gantt, ed., “Dun & Bradstreet Natural Business Year Studies,” *New York Certified Public Accountant* 11, no. 5 (February 1941): 287.

<sup>60</sup> Stempf, Victor H., “Changing Concepts of the Responsibilities of the Accountant,” *New York Certified Public Accountant* 12, no. 9 (June 1942): 524.

coverage of a discussion luncheon on “Problems of Financial Reporting under Wartime Conditions,” that focused exclusively on promoting the natural business year concept.<sup>61</sup>

At that luncheon meeting, held on May 26, 1942, Mr. Saul Levy, vice-president of the NYSSCPA, served as the discussion chairman and in his introduction, summarized the heavy burden being laid upon the accounting profession and their clients; observing:

The rapid transition from a peacetime to a wartime economy has relieved us of no part of our ordinary financial reporting burden. We still have to keep books of account, prepare tax returns, seek credit on the basis of our financial statements, file reports with governmental agencies and stock exchanges, issue periodic reports to stockholders, and keep management currently informed so that business may be intelligently directed. These usual requirements are all still with us, only more so than ever. For we now have to deal with an ever increasing volume of business, with the manufacture of new products often under totally new physical and economic conditions, the acquisition and installation of new facilities, the change-over to double-shift and three-shift production schedules, with heavier and more complicated taxes than ever before, with innumerable unprecedented financial contingencies and accounting difficulties. Add to all this the extraordinary though essential requirements of the War Production Board, the Office of Price Administration and of the various procurement agencies of the Government with whom, directly or indirectly as sub-contractors, we are now transacting so much of our business.<sup>62</sup>

Lamenting, Levy offered that “in the face of this rising tide of financial reporting work, we find it difficult or *well nigh impossible to expand our personnel*. . . . In this predicament we must make the most of every device or expedient that offers some measure of relief.”<sup>63</sup>

The expedient under consideration at this meeting was aimed at reducing, “a conspicuous bottleneck in financial reporting” by the widespread adoption by companies

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<sup>61</sup> Saul Levy, “Problems of Financial Reporting under Wartime Conditions: Concluding Remarks by Saul Levy, C.P.A.,” *New York Certified Public Accountant* 12, no. 9 (June 1942): 541-542.

<sup>62</sup> *Ibid.*, 530.

<sup>63</sup> *Ibid.*, 530-531; italics mine.

of a natural business year.<sup>64</sup> Vice-President Levy reported that the opportunities were great because, although over 22,000 had changed over to a natural business year since 1925, “75% of all business enterprises still clung to calendar year.”<sup>65</sup> While the opportunity was great, the rate of conversion would have to substantially increase in order for this solution to offer sizeable relief to the accounting profession during the war. Philip L. West, an acting director at the New York Stock Exchange offered that only “seven listed companies changed from the calendar year to another fiscal period representing their natural business year” in 1941.<sup>66</sup>

Still, the adoption of the natural business year offered major benefits for companies. Mr. West remarked that companies making the change could “simplify their problems of year-end adjustment and reduce the cost of stocktaking, besides permitting a more efficient and more economical audit.”<sup>67</sup> Additional benefits to the companies would be increased comparability to companies within their industry and a more accurate depiction for investors of a company’s operations.

Also speaking at the luncheon was the Chief Accountant of the SEC, Mr. William Wertz. He commented on the advantages that result when companies adopt the natural business year and stated that the SEC had “on several occasions expressed the belief that a wider adoption of the natural business year would yield significant advantages to investors. Perhaps the principal advantage to the investor [was] the increased dependability of the financial statements presented.”<sup>68</sup> The Chief Accountant further

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<sup>64</sup> Ibid.

<sup>65</sup> Ibid.

<sup>66</sup> Philip L. West, “Problems of Financial Reporting under Wartime Conditions: Address by Philip L. West,” *New York Certified Public Accountant* 12, no. 9 (June 1942): 533-534.

<sup>67</sup> Ibid.

<sup>68</sup> William W. Wertz, “Problems of Financial Reporting under Wartime Conditions: Address by William W. Wertz,” *New York Certified Public Accountant* 12, no. 9 (June 1942): 531-533.

extolled that “in many cases the operating results are more clearly defined when expressed on a natural business year basis.”<sup>69</sup>

Contra-wise, not every Government agency was as supportive of this program. During the war, the Bureau of Internal Revenue rejected a number of applications when it suspected that the “principal purpose was the hope of reducing taxes.”<sup>70</sup> In May 1943, John Carey, the AIA’s Secretary, responded to this frustration and suggested that “some requests have been rejected which perhaps would have been granted if the more important reasons for the desired changes had been made clear. A change of fiscal period which has the legitimate purpose of placing the taxpayer on a natural business year will undoubtedly be permitted.”<sup>71</sup> Taking the Bureau to task, Secretary Carey opined that

Anything which increases efficiency and economy in these times should be encouraged by the government. The shortage in accounting manpower, which the Bureau itself has recognized in granting extensions of time for filing corporate taxes returns . . . would be alleviated by widespread adoption of natural business years. . . . It has been approved in principle by high authorities in the fields of business, accounting, and government. It deserves enthusiastic and unflagging support by all three groups.<sup>72</sup>

Unfortunately, even after this rebuke, the Bureau of Internal Revenue continued erect roadblocks for companies attempting to change to different fiscal years. J. K. Lasser, reported the Bureau’s intransigent behavior in the December 1943 issue of the *Journal of Accountancy*. In an article, Lasser explained,

The Bureau apparently agrees that a natural business year should also be a tax year, but then sets up the rule (if we understand it) that a business of a highly seasonal nature must have one or more months whose income greatly exceeds others and the request must come for a change to a period

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<sup>69</sup> Ibid.

<sup>70</sup> John L. Carey, ed., “Changes to Natural Fiscal Years,” *Journal of Accountancy* 75, no. 5 (May 1943): 391-392.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

right after that peak. When the peak is spread over a three or four month period, it is not too agreeable to a change.<sup>73</sup>

This intransigent behavior by the Bureau of Internal Revenue led the profession to look for exceptions. In the November 1943 issue of the *Texas Accountant*, Lyle R. Sproles, the president of the Texas Society of Certified Public Accountants, highlighted the recommendation of “The Natural Business Year of the American Institute of Accountants” “to establish a fiscal year other than a calendar year for charitable and eleemosynary institutions.”<sup>74</sup> Sproles praised it as “a splendid idea” and observed that it was “not necessary to make application to the Commissioner of Internal Revenue for the change from a calendar year to a fiscal year.”<sup>75</sup> Based on his personal experiences, the president recalled that most of such audits “are usually taken on one of three different bases:

- (a) Entirely gratis
- (b) At cost
- (c) At a liberal discount.<sup>76</sup>

Another group was identified in March of 1945, when J. K. Lasser reported that partnerships did not need to secure permission from the Commissioner of Internal Revenue to change fiscal years. According to Karl K. Morris, the reason for this exception turned on the definition of a taxpayer. The Internal Revenue Code defined a partnership as a person, but not a “person subject to tax” – and as such the partnership

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<sup>73</sup> J. K. Lasser, “Changes of Fiscal Years,” *Journal of Accountancy* 76, no. 6 (December 1943): 504.

<sup>74</sup> Lyle R. Sproles, “Presidents Column,” *The Texas Accountant* 15, no. 11 (November 1943): 5.

<sup>75</sup> *Ibid.*

<sup>76</sup> *Ibid.*

only filed information returns.<sup>77</sup> Thus, “the code provided that only a taxpayer is required to obtain permission from the Commissioner.”<sup>78</sup>

The results of this program were mixed. From 1939 to 1943, over 10,000 companies received the Bureau of Internal Revenue’s consent to adopt a different fiscal year. While, “in the first three years of this period, the number of changes was maintained at somewhat more than 2,500 a year. In 1942 the number dropped to about 1,500, and in 1943 to about 800.”<sup>79</sup> The AIA’s Secretary, John Carey commented that the primary impediments “to widespread changes to natural fiscal years seem to be the inertia of management and the rules of the Bureau. The accounting profession can do much to reduce both barriers.”<sup>80</sup>

Where positive results occurred, the accounting profession reaped immediate and long-term benefits. Immediately, accounting firms benefited by being able to conduct more audits with fewer personnel. As additional companies shifted to non-calendar year endings, this spread the work more evenly over the year, thereby allowing for the more efficient utilization of remaining firm personnel. In time, this helped to increase stability and professionalism within firms by obviating the need for large pools of temporary workers.

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<sup>77</sup> J. K. Lasser, “Fiscal Years of Partnerships,” *Journal of Accountancy* 79, no. 3 (March 1945): 244.

<sup>78</sup> *Ibid.*

<sup>79</sup> John L. Carey, “Natural Business Year,” *Journal of Accountancy* 79, no. 6 (June 1945): 429-430.

<sup>80</sup> *Ibid.*

## Interim Audit Work

Not everyone was sold on the idea that large numbers of companies would be willing to adopt “a so-called natural business year [NBY].”<sup>81</sup> Rather than relying solely on outside concerns to come to the aid of the accounting profession, others suggested that firms should also reevaluate their own internal processes and look for ways to reduce workloads. Charles Towns, John Carey and Victor Stempf had all recommended maximizing the amount of interim audit work, especially that related to review of internal control, observation of inventories, and confirmation of receivables.

Another such forward thinker was Paul Grady. Mr. Grady, who was in 1940 serving as administrative partner at Arthur Andersen & Co., doubted the efficacy of the NBY program in bringing “substantial relief and believed that the major solution to the peak problem must come from rearranging the habits of work within the profession itself.”<sup>82</sup> Acting on his belief, he launched a plan “requiring studies of internal control and examination of cash transactions” set to begin around the middle of 1940 “for all clients who would permit” such action.<sup>83</sup> Regrettably, Grady lacked the full clearance of Arthur Andersen and the program was subsequently scrapped upon his return from an extended Florida vacation. Nevertheless, Grady implemented “an outline on staff training in auditing procedures,” which placed considerable emphasis on transitioning “from the balance sheet approach to the examination of income and expenses.”<sup>84</sup> By 1940, the staff training manual was completed and “placed in use in all offices” at Arthur

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<sup>81</sup> Paul Grady, “Arthur Andersen & Co. Partnership Experiences,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 54.

<sup>82</sup> *Ibid.*

<sup>83</sup> *Ibid.*

<sup>84</sup> *Ibid.*

Andersen & Co.<sup>85</sup> When Grady later joined Price Waterhouse & Co. the manual was again put to use within that firm.

The April 1945 issue of the *Journal of Accountancy*, contained an article by Paul Grady entitled, “Developments in Auditing.”<sup>86</sup> A recognized expert in the field, Grady was serving at that time as the chairman of the AIA’s committee on auditing procedure and as a partner in Price Waterhouse & Co. In the article, Grady offered that “commendable efforts have been made by the profession towards promoting the adoption of a natural business year . . . these efforts should be continued, [but] we should not be so sanguine as to expect phenomenal results.”<sup>87</sup>

To respond to the situation, Grady pointed toward the “considerable progress” that had been achieved in recent years from changing the “emphasis of balance-sheet verification at the close of the year.”<sup>88</sup> Continuing, he offered that “the solution to the peak problem . . . may be obtained by the following three related steps.”<sup>89</sup>

- 1) Better planning.
- 2) More effective surveys of internal control and major accounting policies.
- 3) Increased emphasis on study of business and examination of operations.

Elaborating on the three, Mr. Grady counseled that “planning should be based on the general objective of spreading the maximum practicable portion of the time requirements out of the first quarter of the year and transferring it, preferably to the second and third quarters.”<sup>90</sup> As for the second step, he likewise encouraged that “practically all the work . . . can be done advantageously in the second and third quarters

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<sup>85</sup> Ibid., 55.

<sup>86</sup> Paul Grady, “Developments in Auditing,” *Journal of Accountancy* 79, no. 4 (April 1945): 272-278.

<sup>87</sup> Ibid, 273..

<sup>88</sup> Ibid.

<sup>89</sup> Ibid.

<sup>90</sup> Ibid., 274.



of the year.”<sup>91</sup> In relation to the third step, he urged “the relaxation of the strictly balance-sheet approach in favor of a rational program which will include a more careful study of business factors underlying the accounts and a more comprehensive review of the operations.”<sup>92</sup> In this manner, Grady suggested that the knowledge gained would “permit a considerable reduction in the strictly balance-sheet auditing work.”<sup>93</sup>

In April 1945, his old professor, A. C. Littleton, wrote to Grady with enthusiastic endorsement of his proposals to “spread the work.” Littleton proclaimed, “It is high time that we outgrew, in the practice and in the literature, the balance-sheet-audit framework.”<sup>94</sup> Littleton further observed that Grady’s proposals would not only provide “relief for the profession” but also, and more importantly, benefit the client by “having their business studied rather than merely having their accounts audited.”<sup>95</sup>

The wisdom of these proposals was not lost upon the profession during the war or after. Because of war-time necessities, improved audit techniques were developed and employed. This investigative approach to auditing provided accountants not only with sufficient knowledge to form an opinion but also with a foundation from which constructive suggestions could be offered to clients. This added benefit facilitated the role of accountants in consulting activities. Thus out of war-time necessity, the profession developed stronger audit capabilities and enhanced its ability to counsel clients.

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<sup>91</sup> Ibid., 275-276.

<sup>92</sup> Ibid.

<sup>93</sup> Ibid.

<sup>94</sup> A. C. Littleton, “Letter from Professor A. C. Littleton,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 174.

<sup>95</sup> Ibid., 175.

## Extensions

During the war, one of the major policies, pursued by the accounting profession to alleviate the effects of the manpower crisis, included calling for time extensions. By using extensions, accountants were able to shift some of their peak work-load activity from the busy first quarter season to naturally slower periods in the second and third quarters. The profession's level of success in gaining time extensions helped to offset the tremendous losses in accounting firm personnel and advanced the growing influence and power of the profession.

Early in the war, the American Institute of Accountants (AIA) requested time extensions from the S.E.C., the New York Stock Exchange, Bureau of Internal Revenue and the Treasury Department. From the S.E.C., the AIA sought "blanket extension of 120 to 180 days after the close of fiscal years for the filing of 10-K reports."<sup>96</sup> The New York Stock Exchange was requested, in regard to companies operating on a calendar year, to:

- (a) Suspend the requirement for the filing of financial statement within three months.
- (b) Encourage postponement of annual meetings.
- (c) Modify the 20-day rule as to issuance of annual reports so as to relate that period to the date of adjourned annual meetings.<sup>97</sup>

However, an early battle with the Treasury Department and the Bureau of Internal Revenue proved most interesting.

When collectors for the Bureau of Internal Revenue announced that "all requests for extensions of time for filing federal income or excess-profits-tax returns of corporations must be submitted to the Commissioner of Internal Revenue, and would be

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<sup>96</sup> Stempf, "Changing Concepts," 524.

<sup>97</sup> Ibid., 524-525.

granted only in most unusual circumstances,” the Institute was inundated with petitions from the state societies and AIA members that steps be taken to change the ruling.<sup>98</sup> Seeking a solution, agents of the AIA consulted with ranking officials at the Bureau of Internal Revenue, including the Commissioner, and at the Treasury Department, including the Assistant Secretary. The AIA representatives soon discovered that the problem had originated with Treasury officials who needed “reliable estimates of revenue” for a starting point in upcoming tax legislation and believed “the extension privilege had been abused in the past.”<sup>99</sup>

Responding to these concerns, Walter A. Cooper, the chairman of the AIA’s committee on federal taxation wrote to the Treasury’s Assistant Secretary, Mr. John L. Sullivan, in February 1942, and outlined “the reasons why the present policy on extensions should be modified.”<sup>100</sup> In his letter, Cooper identified six factors that led to “insurmountable” difficulties in meeting the March 15<sup>th</sup> filing deadline for many companies. These were:

- (1) Audits of the taxpayers’ accounts must be completed before reliable statements of income and expenses can be reported for tax purposes.
- (2) The mass of statistical data required of taxpayers by war agencies has placed an extraordinary burden on the accounting and clerical staffs, and on their professional accounting advisers.
- (3) Certified public accountants themselves have been burdened, in addition, by unusual demands related to the war effort.
- (4) The increasing complexities of the taxing statutes (notably the excess-profits tax) have increased the number of taxpayers who require the assistance of members of the accounting profession.
- (5) The accounting profession has suffered a serious loss of personnel, through the Selective Service Act, voluntary service to the government, and a diversion of staff accountants to defense industries.

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<sup>98</sup> American Institute of Accountants, “Tax Return Extensions,” Supplement to *The Certified Public Accountant* (February 16, 1942): 1-2.

<sup>99</sup> Ibid.

<sup>100</sup> Ibid.

- (6) With respect to some tax problems, such as consolidated returns, the regulations have not yet been issued.<sup>101</sup>

Because of these factors, Mr. Cooper requested that both Treasury and Internal Revenue revisit their present policy on extensions. As for the Treasury Department's needs, Cooper's letter warned "that returns which appear to be final but which must be amended later may be more misleading for statistical purposes than tentative returns prepared as accurately as possible."<sup>102</sup> While the Treasury was still deciding how to respond, the *Certified Public Accountant* included much of this narrative in a supplement to its February 1942 issue and also disclosed the determined counsel of the AIA's executive committee to bring Congress into the picture if the request was denied by the Treasury Department.

With all the cards on the table, it was up to the Treasury Department to call or fold. On February 27<sup>th</sup> the Treasury folded. The Internal Revenue Commissioner contacted "all revenue collectors" and informed them that they would once again be permitted to decide upon "all applications for extension of time" on "all types of income-tax returns."<sup>103</sup> The Commissioner further recommended that "full consideration be given to conditions now existent and that sixty-day extensions be granted where justified."<sup>104</sup> After "weeks of discussion and correspondence" between Institute and Treasury representatives, the Institute prevailed.

In a repeat performance the following year, AIA representatives met in Washington, D.C. with their counterparts from the Treasury and Bureau of

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<sup>101</sup> Ibid.

<sup>102</sup> Ibid.

<sup>103</sup> American Institute of Accountants, "Tax Extensions," *The Certified Public Accountant* 22, no. 3 (March 1942): 1.

<sup>104</sup> Ibid.

Internal Revenue to discuss a proposal for granting corporations “extensions of time for filing tax returns.”<sup>105</sup> On this occasion, the Institute personnel traveled with company. Bolstering the Institute’s federal taxation committee were similar groups from “the New York State Society of Certified Public Accountants, the New Jersey State Society of Certified Public Accountants, and the Controllers’ Institute of America.”<sup>106</sup> “The accounting organizations made it clear that the shortage of accounting manpower, transportation difficulties, and new complexities introduced by the 1942 revenue act . . . had seriously impaired the ability of taxpayers and their professional advisers to file corporate calendar-year returns by March 15<sup>th</sup>.”<sup>107</sup>

On February 10, 1943, within one month of the initial meeting, the Acting Commissioner of Internal Revenue, approved their request and issued “instructions to the collectors of internal revenue authorizing the granting of extensions for a period of not more than sixty days.”<sup>108</sup> John Carey reported that “the Treasury’s reply to these representations shows a wholly cooperative attitude.”<sup>109</sup>

The immediate benefits to the accounting profession were of course to reduce the work overload that practitioners were facing at the peak of their busy season. It cannot

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<sup>105</sup> American Institute of Accountants, “Activities of the American Institute of Accountants: Committee on Federal Taxation,” *Certified Public Accountant* 23, no. 2 (February 1943): 2.

<sup>106</sup> J. A. Phillips, Norman D. Cann, “Tax Return Extensions,” *Journal of Accountancy* 75, no. 3 (March 1943): 281-283; On January 11, 1943, Phillips estimated that accountants had lost an estimated 50% of their trained personnel.

<sup>107</sup> John L. Carey, “Editorial: Tax Return Extensions,” *Journal of Accountancy* 75, no. 3 (March 1943): 193-194.

<sup>108</sup> J. A. Phillips, Norman D. Cann, “Tax Return Extensions,” *Journal of Accountancy* 75, no. 3 (March 1943): 281-283.

<sup>109</sup> John L. Carey, “Editorial: Tax Return Extensions,” *Journal of Accountancy* 75, no. 3 (March 1943): 193-194.

be overstressed that in their formal request the AIA estimated that firms had lost 50% of their trained personnel. Because many firms were already seriously shorthanded, it was imperative to place as much distance as possible between year-end audit work and corporate tax filings. As for postwar impacts, the effect of acquiring extensions is somewhat nebulous. One cannot point to a battle that was won because of this effort. Yet the roles played by the accounting profession in the efficient workings of capital markets and in obtaining financing for the war were critical.

The true postwar impacts, on the profession in general and the AIA in specific, from the success in obtaining time extensions included increased influence in Washington; increased standing within the business community; and increased unity within the profession. Lasting benefits redounded to the profession. Success bred success. The AIA and other professional accounting societies had united to successfully overcome a major hurdle confronting the profession and industry alike. Years earlier, the American Society of Certified Public Accountants had formed when it appeared that the AIA was not doing its duty to protect the profession. This charge could absolutely not be raised in regard to extensions.

### **Management Consulting**

Of lasting significance to the profession, World War II ushered in the era of the accountant as management consultant. While the demands of the war did not initiate the practice of accountants offering their services as management consultants, it instead drove their practice of such to a fine art. The manpower shortages confronting the accounting profession likewise plagued industry at the management level. The “rush of work and the shortage of trained personnel during wartime provided CPAs with

opportunities to apply their skills and expand their involvement in new areas of consulting.”<sup>110</sup> Accordingly, when manufacturers sought advice and counsel from trusted experts – they called for their accountants.

One early effort during the war occurred when a Lockheed affiliate, Vega Aircraft Corporation, ran into problems with their new material control system that operated on punched-card equipment. When Lockheed’s management group arrived at an impasse on the problem, they contacted their accountants at Arthur Young & Company and asked for a “systems expert.”<sup>111</sup> The expert, a manager from Chicago, quickly diagnosed the problem and indicated in passing the basic form and format of the required records. The results of his thorough investigation and report so impressed the management group at Lockheed that “the firm was requested to plan and install a complete material control system.”<sup>112</sup> Soon after the completion of this project, two other of the firm’s Los Angeles clients, “Consolidated Vultee Aircraft Corporation and the Ryan Aeronautical Co.” likewise called for assistance with their systems.<sup>113</sup>

Accountants quickly extended the scope of their services during the war to meet critical client needs. “Prior to the war, the average accounting practice was largely composed of audit work and preparation of tax returns, sweetened on occasion by nonrecurring system engagements or cases dealing with new financing.”<sup>114</sup> However, once the war effort began, accountants were called upon to “verify compliance with war-

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<sup>110</sup> Robert Mednick, and Gary John Previts, “CPA SERVICES: The Scope of CPA Services: A view of the Future from the Perspective of a Century of Progress,” *Journal of Accountancy* 163, no. 5 (May 1987): 226.

<sup>111</sup> Thomas G. Higgins, *Thomas G. Higgins, CPA: An Autobiography*, (New York: Comet Press, 1965), 188.

<sup>112</sup> *Ibid.*, 189.

<sup>113</sup> *Ibid.*; Higgins expressly identified this work as “what we would call management services work today.”

<sup>114</sup> Donald P. Perry, “Professional Accounting Practice Today and Tomorrow,” *L. R. B. & M. Journal* 25, no. 4 (September 1944): 14.

time rules for wage and salary stabilization, wages and hours regulations, price ceilings, and rationing procedures;” to “assist in negotiation and renegotiation of government contracts;” to aid “in inspection, audit, and termination procedures;” and to help in meeting the numerous reporting requirements constantly flowing from Washington.<sup>115</sup>

One partner from Lybrand Ross Bros. & Montgomery observed during the war that

Practicing accountants have thus been gaining wider experience and new stature, and at the same time business management and government representatives have had opportunity to appraise the ability of the accountant when he is confronted with new situations. To the extent that the profession has had a measure of success, it may confidently anticipate future calls to meet the problems and controls which face business in the post-war period . . .<sup>116</sup>

Indeed the difficulties of war-time production, “led many clients to turn to professional accountants for assistance.”<sup>117</sup> The success of the profession in satisfying these demands paved the way for a “wider field of practice in the future.”<sup>118</sup>

In 1963, Maurice Newman, from the firm of Haskins & Sells, spoke on “Career Opportunities in Management Advisory Services” to a group of honor students at the University of Illinois. In his speech he confirmed that to a great extent the origins of this service lay in war.

Out of this background of consultation and accounting systems development, which was carried on within the regular accounting practice, there arose a number of individuals who were more suited to this type of work than others. Eventually, most of the accounting firms came to realize that they should establish groups to handle these types of engagements. The impetus came from many sources; from the demands

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<sup>115</sup> Ibid.

<sup>116</sup> Ibid.

<sup>117</sup> Ibid.

<sup>118</sup> Ibid.



of war plant expansion, from the wartime and post-war period, and more recently from the development of electronic computers.<sup>119</sup>

On June 11, 1946, John Carey went one step better in a speech given at the annual meeting of the Texas Society of Certified Public Accountants. In his address, the Secretary of the AIA identified the three main fields of public accounting practice as: “(1) independent auditing”; “(2) tax practice; and (3) services to management.”<sup>120</sup> Focusing on threats to the third area, Mr. Carey warned that “if the accounting profession ignores its opportunities in this direction for too long, it may find the field virtually monopolized by another profession.”<sup>121</sup>

The postwar impact of war-time consulting is a dissertation in and of itself. War-time efforts planted the seeds for what would grow into the dominant field of public accounting in the coming decades. While this development may have occurred without the war, the war and its demands definitely hastened the process. This one issue, management accounting services, has left an indelible mark upon the accounting profession.

### **Governmental Demand**

“The war has brought forth many opportunities for general services to business and government in connection with procurement, renegotiation of excess profits, and termination of war contracts. The need for constructive accounting services in the government will not be lessened with the close of the war.”<sup>122</sup>

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<sup>119</sup> Maurice S. Newman, “Career opportunities in Management Advisory Services,” Haskins & Sells Selected Papers, 1963: 45-50; accessed from <http://clio.lib.olemiss.edu/cdm4/document.php?CISOROOT=/Mono&CISOPTR=19316&REC=15>

<sup>120</sup> John L. Carey, “The Uncertain Future,” *The Texas Accountant* 18, no. 9 (September 1946): 1,3-6.

<sup>121</sup> *Ibid.*

<sup>122</sup> Paul Grady, “Developments in Auditing,” 172.

One of the more obvious impacts of the war on accountants was an increasing appreciation of and demand for their services by those in governmental and private sectors. One manifestation of this esteem occurred during the waning days of World War II. From the depression years of the 1930's through 1943, America had witnessed the creation of no less than 72 government corporations. Increasingly disturbed by their number, size, and near-autonomous nature, Congress passed two pieces of legislation during 1945 that required the General Accounting Office (GAO) to audit the fiscal transactions of all government corporations in accordance with the same standards applicable to their commercial counterparts.<sup>123</sup>

Government corporations included, among a host of others, the Reconstruction Finance Corporation, the Tennessee Valley Authority, the Federal Deposit Insurance Corporation, the Export-Import Bank of Washington, the Federal National Mortgage Association, the Federal Crop Insurance Corporation, the Defense Plant Corporation, the Metals Reserve Company, the Petroleum Reserves Corporation, the Rubber Development Corporation and the War Damages Corporation.<sup>124</sup> In its entirety the audit responsibility that fell to the GAO encompassed one hundred and one government corporations, with total assets in excess of \$29 billion.<sup>125</sup> To carry out these daunting new audit responsibilities, the GAO promptly established the Corporation Audits Division on July 10, 1945.<sup>126</sup>

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<sup>123</sup> U.S. General Accounting Office, *The GAO Review: 50<sup>th</sup> Anniversary Edition 1921-1971*, (Washington, DC: GPO, Summer 1971), 88-89. The George Act and The Government Corporation Control Act.

<sup>124</sup> *Ibid.*, 89.

<sup>125</sup> *Ibid.*, 89-90.

<sup>126</sup> *Ibid.*, 88.

## T. Coleman Andrews

The personnel selected to conduct the GAO audits did not have the luxury of extended training; initially they had to be able to stand in the trenches, to hit the ground running. To staff this new division, the Comptroller General of the GAO, Lindsay C. Warren, turned to men of the “highest caliber”; those distinguished by character, ability and experience.<sup>127</sup> He turned to professional accountants.

Based on the urgency of his need and the wartime shortages of accountants, Warren appealed to Congress and was granted ten exemptions from the Classification Act.<sup>128</sup> When the AIA was called upon to recommend personnel, T. Coleman Andrews’ name quickly rose to the top of the list. Born in 1899, Andrews, a native Virginian, was serving as a Major in the U.S. Marine Corps. when he accepted the call and became the first director of the Corporation Audits Division.<sup>129</sup>

Prior to the war, T. Coleman Andrews had distinguished himself in both accounting and public service circles. In 1921, Andrews became the youngest person to pass the CPA exam in the state of Virginia. By the mid twenties, Andrews had established his own public accounting firm and was serving in prominent positions within the American Society of Certified Public Accountants.<sup>130</sup> Throughout the 1930’s, Andrews became increasingly involved with governmental accounting – twice taking extended leaves from his firm to serve first as Auditor of Public Accounts for the state of Virginia, and then later as Director of Finance for his home town, Richmond.

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<sup>127</sup> Ibid., 91.

<sup>128</sup> Ibid., 90.

<sup>129</sup> Edward N. Coffman, and Daniel L. Jensen, eds., *T. Coleman Andrews: A Collection of His Writings*, Thomas J. Burns Series in Accounting History, vol. 2, (Ohio State University, 1996), xvii.

<sup>130</sup> Ibid., xv-xvi.

With war on the horizon in 1941, Mr. Andrews once again took leave of his firm, going to Washington, D.C. to assist the Fiscal Director in the Office of the Undersecretary of War.<sup>131</sup> By June of 1941, Mr. Andrews was serving alongside other members of the AIA, including Harold R. Caffyn, John A. Lindquist, Andrew Stewart, and Arthur Carter. In this capacity, T. Coleman Andrews, along with the previously mentioned gentlemen, served as deputies to then Colonel Arthur Carter in the newly established Accounting and Auditing Section of the Purchase and Control Branch of the Office of the Undersecretary of War. On April 15<sup>th</sup>, 1941, in a statement before the Truman Committee, Undersecretary Robert Patterson, disclosed the formation of this section, its director, the “distinguished accountant, Colonel Arthur H. Carter,” and its purpose, “to examine accounting practices in effect in the supply services and to make recommendations for improved methods.”<sup>132</sup> In 1942, Andrews “joined the staff of the Contract Renegotiation Division of the Navy Department in the Office of the Undersecretary of the Navy, where he worked until he joined the U.S. Marine Corps.”<sup>133</sup>

In January 1943, Andrews formalized his relationship with the military by accepting an appointment as Captain in the U.S. Marine Corps Reserves. From 1943 to 1945, Captain Andrews’ duties carried him far and wide from the burning sands of North Africa to the vast blue of the Central Pacific. In Algiers, Andrews was assigned to the State Department where he worked as Chief Accountant and Director of Transportation for the North African Economic Board. In this capacity, Captain Andrews served on

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<sup>131</sup> Thomas J Burns, and Edward N. Coffman, *The Accounting Hall of Fame: Profiles of Fifty Members*, 3<sup>rd</sup> ed. (Ohio State University: 1991), 3.

<sup>132</sup> “National Defense,” *Certified Public Accountant* 21, no. 6 (Juner 1941): 2.

<sup>133</sup> Coffman and Jensen, *T. Coleman Andrews*, xvii.

General Eisenhower's staff.<sup>134</sup> Captain Andrews returned to Quantico, Virginia, in January 1944, where he entered Aviation Ground Officers' School. After several months of instruction, he "sailed from San Diego, California" on the 27<sup>th</sup> of May 1944, on board the USS *Nehenta Bay* – a Casablanca class escort carrier.<sup>135</sup> On June 3<sup>rd</sup>, she arrived at Pearl Harbor, where Captain Andrews disembarked and was assigned "temporary duty with Headquarters Squadron, 3<sup>rd</sup> Marine Aircraft Wing."<sup>136</sup> On the 18<sup>th</sup> of June, Captain Andrews "sailed from Pearl Harbor aboard the USS *Long Island* and arrived on at "Majuro Atoll, Marshall Islands" on the 26<sup>th</sup> of June.<sup>137</sup>

From July 6, 1944, to May 5, 1945, Captain Andrews served on General Staff in the headquarters of the Fourth Marine Base Defense Aircraft Wing at Majuro Atoll and Kwajalein Atoll in the Marshall Islands. His duties included: Squadron Officer (10 days), Assistant Wing Intelligence Officer (June 6-October 10), Wing Intelligence Officer (October 11-May5), Wing Chief Censor, and Wing Historical and Records Officer. On May 6, 1945, Andrews was detached to U.S. Marine Corps Headquarters in Washington, D.C. where he remained until placed on inactive status in June.<sup>138</sup> In fact, the reason for his early return was so that he could serve as the "initial director of the newly created Corporation Audits Division of the General Accounting Office."<sup>139</sup> For his

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<sup>134</sup> Ibid; Later as President, Eisenhower appointed Coleman as the Commissioner of Internal Revenue.

<sup>135</sup> Thomas Coleman Andrews. "018040 Record of Andrews, Thomas Coleman Marine Corps," Obtained by Freedom of Information Act Request, July 13, 2010.

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

<sup>138</sup> Ibid.

<sup>139</sup> Coffman and Jensen, *T. Coleman Andrews*, xviii.

“meritorious service in connection with operations against the enemy,” Captain Andrews was promoted to Major and awarded the “Bronze Star and a presidential citation.”<sup>140</sup>

Upon arriving at the GAO, Andrews was quickly joined by a veteran cast of accountants including among others: Harold Morse, a retired partner from Scovell, Wellington and Co. with forty years of accounting experience; Mel Werner, an Arthur Andersen staff manager from Chicago; Howard Bordner, an Arthur Andersen supervising Manager with seventeen years of public accounting experience; Steve Ives, a Lybrand, Ross Bros. & Montgomery resident manager from Atlanta with seventeen years experience; and Irwin Decker, an officer and director of numerous industrial companies as well as a public accountant with twenty-six years of experience.<sup>141</sup> Like Andrews, many of his key lieutenants not only possessed years of public accounting experience but had also put their training to use during World War II. Howard Bordner served with the Navy Price Adjustment Board. Steve Ives was a member of the War Department’s Price Adjustment Board. And Irwin Decker served with the Navy Cost Inspection service for five years.<sup>142</sup> Government service would continue to be a recurring theme for many of these men.

By September 1947, Mr. Andrews and his staff had successfully organized the Corporation Audits Division and guided it through the initial round of audits for each government corporation.<sup>143</sup> Having successfully achieved the establishment of a professional audit division within the federal government, Mr. Andrews chose this time

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<sup>140</sup> Thomas Coleman Andrews. “018040 Record;” Coffman and Jensen, *T. Coleman Andrews*, xviii.

<sup>141</sup> U.S. General Accounting Office, *The GAO Review: 50<sup>th</sup> Anniversary Edition 1921-1971*, (Washington, DC: GPO, Summer 1971), 91-92.

<sup>142</sup> Ibid.

<sup>143</sup> Ibid.

to step down as Director.<sup>144</sup> In recognition of his accomplishments, Mr. Andrews received the AICPA's Gold Medal Award for distinguished service to the profession in 1947.<sup>145</sup> However, his return to the private sector was short lived. T. Coleman Andrews was drawn back into government service as chairman of the Accounting Policy Committee for the Hoover Commission. In 1953 Andrews resigned from public practice and accepted the post of Commissioner of the Federal Bureau of Internal Revenue. In so doing, Mr. Andrews became the first CPA to hold this position.<sup>146</sup> T. Coleman Andrews resigned from this post in 1955, and, in 1956, ran for the Presidency of the United States as a states' rights party candidate advocating the abolishment of the income tax – unfortunately he did not win.<sup>147</sup>

T. Coleman Andrew's career, though extraordinarily rich, was not unique in the sense of opportunities. Following the war, accountants increasingly found themselves in great demand. A consideration of Andrew's staff at the Corporation Audits Division provides a vivid illustration. Many advanced to high-ranking positions in other governmental agencies including: John P. Abbadessa, Controller of the Atomic Energy Commission; Arthur L. Litke, Chief Accountant of the Federal Power Commission (he later became a founding member at the Financial Accounting Standards Board), and Donald W. Bacon, Assistant Commissioner of the Internal Revenue Service.<sup>148</sup> While these members of the Corporation Audits Division made an impression on their governmental counterparts, other alumni came to the attention of private industry. James

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<sup>144</sup> Coffman and Jensen, *T. Coleman Andrews*, xviii.

<sup>145</sup> Burns and Coffman, *Accounting Hall of Fame*, 100.

<sup>146</sup> *Ibid.*, 3.

<sup>147</sup> Coffman and Jensen, *T. Coleman Andrews*, xxii.

<sup>148</sup> U.S. General Accounting Office, *The GAO Review: 50<sup>th</sup> Anniversary Edition 1921-1971*, (Washington, DC: GPO, Summer 1971), 94.

R. Blakemore departed for Ford Motor Company. Robert Brumagim landed in the controller's position at Mohasco Industries, Inc. And E. Allen Kenyon, after a brief stint with the Reconstruction Finance Corporation as controller, joined ranks with the West Penn Electric Company.<sup>149</sup>

In the postwar period, many accountants, like those in the Corporation Audits Division, saw their opportunities for service in the upper echelons of industry and government abound. Without doubt, many of the postwar opportunities were a direct result of the profession's success during the war. Arthur Carter and Paul Grady, who each successfully carried out accounting and auditing programs in the Army and Navy (respectively) during the war, were again summoned to Washington, D.C. to serve on the Hoover Commission. As an increasing number of accountants began to occupy ranking positions, the stature and influence of the profession likewise increased.

### **Educational Front**

“We live in the present, we dream of the future, and we learn eternal truths from the past.”<sup>150</sup>

“They have been compelled to make greater economic sacrifice and every other kind of sacrifice than the rest of us, and are entitled to definite action to help take care of their special problems. . .the Congress is to be congratulated on the prompt action it has taken.”<sup>151</sup>

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<sup>149</sup> Ibid., 93.

<sup>150</sup> “Symposium on Post-War Problems of the Accountant Held at the Hotel Waldorf-Astoria on Marcy 22, 1943,” *The New York Certified Public Accountant* 13, no. 7 (April 1943): 272; a quote widely attributed to Madame Chiang Kai-shek.

<sup>151</sup> Franklin D. Roosevelt, “President Franklin D. Roosevelt's Statement on Signing the G.I. Bill: June 22, 1944,” in [http://www.gibill.va.gov/gi\\_bill\\_info/history.htm](http://www.gibill.va.gov/gi_bill_info/history.htm).



## G.I. Bill of Rights

With the above words, President Franklin D. Roosevelt signed into law the “Servicemen’s Readjustment Act of 1944,” more commonly known as the “G.I. Bill of Rights.”<sup>152</sup> This law provided generous benefits to returning servicemen and women including educational assistance, loan guarantees for the construction of homes, hospital facilities and unemployment compensation. As affecting the accounting profession, one of the most important aspects of the new law was the provision relating to education.

Prior to World War II, colleges and universities were to a great extent “a privilege then reserved for the rich.”<sup>153</sup> In fact, a majority of Americans did not even possess a high school education. However, under the G.I. Bill, former military personnel had the options of pursuing higher educational or technical training “not only without tuition charge up to \$500 per school year, but [also] with the right to receive a monthly living allowance while pursuing their studies.”<sup>154</sup> While this level of support would barely provide for books today, in 1946 it was more than sufficient “for a free ride to Harvard, Yale, or any other college, technical program, acting school, or chef’s institute in America.”<sup>155</sup> With this aid, millions of servicemen “who would have flooded the job market instead opted for education.”<sup>156</sup>

The G.I. Bill had a very favorable impact on the accounting profession. Many of its future leaders, including members of the Accounting Hall of Fame, directly credit the

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<sup>152</sup> U.S. Department of Veterans Affairs, “GI Bill History,” [http://www.gibill.va.gov/GI\\_Bill\\_Info/history.htm](http://www.gibill.va.gov/GI_Bill_Info/history.htm) (accessed 8/25/2010).

<sup>153</sup> Ibid.

<sup>154</sup> Franklin D. Roosevelt, “President Franklin D. Roosevelt’s Statement on Signing the G.I. Bill: June 22, 1944,” in [http://www.gibill.va.gov/gi\\_bill\\_info/history.htm](http://www.gibill.va.gov/gi_bill_info/history.htm).

<sup>155</sup> Edward Humes, *Over Here: How the G .I. Bill Transformed the American Dream* (Orlando, FL: Harcourt, 2006), 31.

<sup>156</sup> U.S. Department of Veterans Affairs, “GI Bill History,” [http://www.gibill.va.gov/GI\\_Bill\\_Info/history.htm](http://www.gibill.va.gov/GI_Bill_Info/history.htm) (accessed 8/25/2010).

G.I. Bill for their educational attainments. Dr. Don Edwards and Dr. Robert Sterling are two. According to Dr. Edwards, who served in the war as a Marine Corps drill instructor, “If it wasn’t for the G.I. Bill I wouldn’t have gone to college.”<sup>157</sup> Likewise, Robert Sterling, who served in the Army Air Corps, recalled, “Had it not been for the G.I. Bill, I’m not sure I could have gone [to college] at all. I think it was like that for all of us.”<sup>158</sup>

Dr. Sterling was on point. It was indeed like that for many servicemen – sans G.I. Bill, sans college. After serving with the U.S. Navy, George F. McKnight, a member of the Georgia Society of Certified Public Accountants, also went to college on the G.I. Bill. Allen McKimney recalled the profound impact the war had on his life. “Instead of being probably locked into a . . . lower level [career] at Heckler Mining, the world was opened to me.”<sup>159</sup> McKimney was discharged from the service in early 1946 just in time to enroll at Gonzaga. Completing his accounting degree, he graduated in June 1949. These gentlemen were joined by many other veterans. “In the peak year of 1947, veterans accounted for 49 percent of college admissions.”<sup>160</sup>

This overall influx of students and funding provided a much needed boost to universities around the nation, many of which had almost completely shut down during the war. Surprisingly, almost half of those in service took advantage of the opportunity to further their education. “By the time the original GI Bill ended on July 25, 1956, 7.8 million of 16 million World War II veterans had participated in an education or training program.”<sup>161</sup>

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<sup>157</sup> James Don Edwards, in discussion with the author, January 2010.

<sup>158</sup> Robert Raymond Sterling, in discussion with the author, January 2010.

<sup>159</sup> Allen McKimney, interview by Mark E. Jobe, August 24, 2010, Digital recording.

<sup>160</sup> U.S. Department of Veterans Affairs, “GI Bill History,” [http://www.gibill.va.gov/GI\\_Bill\\_Info/history.htm](http://www.gibill.va.gov/GI_Bill_Info/history.htm) (accessed 8/25/2010).

<sup>161</sup> Ibid.

The impact on America in general, and the accounting profession specifically, was profound. Through the educational opportunities provided by the G.I. Bill, America reaped

fourteen future Nobel Prize winners, three Supreme Court justices, three presidents, a dozen senators, two dozen Pulitzer Prize winners, 238,000 teachers, 91,000 scientists, 67,000 doctors, 450,000 engineers, **240,000 accountants**, 17,000 journalists, 22,000 dentists – along with a million lawyers, nurses, businessmen, artists, actors, writers, pilots, and others.<sup>162</sup>

Throughout the war, the profession had suffered from a severe shortage of trained personnel. The accounting profession's cries for help were finally answered by the G.I. Bill. With 240,000 accountants being added to the profession the famine of manpower shortages was brought to a swift end.

#### Continuing Education

Congress was not alone in its recognition of responsibility for returning service men. On the eve of their return, the *Texas Accountant* led with the article "He's Coming Back," which reminded the profession that "we owe him a debt and have a responsibility for him."<sup>163</sup> To meet that responsibility, the profession had to address several problems one of which involved the occupational rehabilitation of returning men and women.

While some in service needed to begin or complete their college education, others who had been working in the profession but were drafted into service needed only retraining or refresher courses. Along these lines, Mr. Carr, the author of the article, insisted that firms must actively "cooperate in re-training" those discharged from service in order to bring them up to speed on the "various changes in accounting practices . . . brought about through changed situations arising from the impact of war."<sup>164</sup>

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<sup>162</sup> Edward Humes, *Over Here: How the G.I. Bill Transformed the American Dream* (Orlando, FL: Harcourt, 2006), 6; italics mine.

<sup>163</sup> William P. Carr, "He's Coming Back," *The Texas Accountant* 17, no. 9 (September 1945): 1.

<sup>164</sup> *Ibid.*

While the Texas Society was actively reminding those at home of their responsibility to veterans, the New York State Society of Certified Public Accountants (NYSSCPA) was busily engaged in contacting its members in service. The NYSSCPA mailed letters to their 750 members in the military soliciting suggestions on how to aid them in their transition back into the business world. Letting them know they had not been forgotten, the New York Society informed these uniformed accountants that plans were “already under way on refresher courses and placement facilities for veterans.”<sup>165</sup>

In like manner, the American Institute of Accountants was also actively involved in retraining efforts, and by mid July 1945 had prepared a “refresher course” for such purposes. Entitled “Contemporary Accounting,” the course was “designed primarily to prepare servicemen for their return to practice as public accountants.”<sup>166</sup> In advertising this thirty-eight chapter course, the American Institute emphasized its utility for “persons now in public practice, accounting executives . . . and for staff training.”<sup>167</sup> This marked the “first Institute venture into continuing education.”<sup>168</sup>

*Contemporary Accounting* proved an enormous success. The first run of 9,600 books “was immediately exhausted,” which prompted a second printing.<sup>169</sup> Identifiable book orders from veterans exceeded 2,500 copies. Without doubt, the quality of the material contributed much to the success. Many outstanding accountants contributed to the chapters including: Carmen G. Blough, , Eric L. Kohler, J. K. Lasser, George O. May,

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<sup>165</sup> John L. Carey, “Cooperation with Veterans,” *Journal of Accountancy* 79, no. 4 (April 1945): 268-269.

<sup>166</sup> Nelson D. Durst, ed., “American Institute Refresher Course in Accounting,” *The Texas Accountant* 17, no. 7 and 8 (July/August 1945): 8.

<sup>167</sup> *Ibid.*

<sup>168</sup> John Carey, *The Rise of the Accounting Profession: To Responsibility and Authority, 1936-1969* (New York: American Institute of Certified Public Accountants, 1970), 287.

<sup>169</sup> *Ibid.*

Maurich E. Peloubet, Walter A. Staub, C. Oliver Wellington, and William W. Wertz to name but a few.

The venerable AIA secretary, Mr. John Carey astutely observed at the time that it was “as much for the benefit of the profession itself as for display of gratitude to those who have fought that arrangements [were] made for the rapid reabsorption of able and experienced men.”<sup>170</sup> Beyond mere patriotic duty, other important factors led firms to adopt continuing education programs – chief among which were financial considerations. “CPA firms began programs of continuing education out of necessity. At the close of World War II the United States and other free world economies experienced explosive resurgence, and the services offered by CPAs were in great demand.”<sup>171</sup> In order to meet client demands in this lucrative business environment, accounting firms began formal training programs to expedite the development of new staff members from the armed forces and college.

Others in academia recognized the value of continuing professional education including the renowned A. C. Littleton. In April of 1945, Professor Littleton expressed his conviction “that colleges cannot hope to train them [junior accountants] specifically and adequately – even though a college degree in accounting should become the recognized avenue of entry into the profession.”<sup>172</sup> According to Paul Grady, what Professor Littleton proposed was “a comprehensive program of continuing education in

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<sup>170</sup> John L. Carey, “Cooperation with Veterans,” *Journal of Accountancy* 79, no. 4 (April 1945): 268-269.

<sup>171</sup> Robert E. Schlosser, Bernard Z. Lee, and George A. Rabito, “Continuing Professional Education 1887-1987,” *Journal of Accountancy* 163, no. 5 (May 1987): 242.

<sup>172</sup> A. C. Littleton, “Letter from Professor A. C. Littleton,” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 175.

the accounting profession, comparable to that now required by law or regulation in most of the states.”<sup>173</sup>

Through the G.I. Bill and continuing education efforts, men entered the firms who truly understood the meaning of the words duty, honor, integrity, discipline, and timeliness. They personified courage and would not be easily shaken by anything they faced in the corporate world. The men who entered the field were seasoned from service, ready to work, upright in their bearing, and unyielding in their integrity. The entrance of 240,000 such men of character would produce a most dramatic effect in any profession.

### **Prestige and Influence**

There is very little past in an organization; there is only a present and a future.<sup>174</sup> General Arthur H. Carter

During the midst of the war, the accounting profession experienced a major expansion. In 1943, the president of the AIA, Mr. George S. Olive revealed that the membership of the Institute was fast approaching 7,000 CPAs and the circulation of the *Journal of Accountancy* exceeded 18,000 – both “having doubled in the past seven years.”<sup>175</sup> In the president’s eyes this could mean only one thing -- “this growth was indicative of the rapidly expanding prestige and influence of the accounting profession.”<sup>176</sup>

Supporting his claim, President Olive pointed to the ongoing work of Institute committees “with War and Navy Department officials on auditing, termination, and renegotiation;” with Treasury and Internal Revenue personnel on administrative and

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<sup>173</sup> Paul Grady, “Author’s Note (1977),” in *Written Contributions of Selected Accounting Practitioners, Volume 2: Paul Grady* (Urbana-Champaign, IL: University of Illinois, 1978), 177.

<sup>174</sup> John W. Queenan, “Arthur H. Carter: a memorial,” *H&S Reports* 2 (spring 1965): 14-15

<sup>175</sup> George S. Olive, “American Institute of Accountants,” *New York Certified Public Accountant* 13, no. 10 (July 1943): 373-374.

<sup>176</sup> *Ibid.*

legislative aspects of income and excess profits taxation; with Selective Service and War Manpower Commission agents on the effective utilization of accountants; and with various “government agencies and business and financial organizations.”<sup>177</sup> The conclusion was obvious. Accountants were eagerly being accepted into the halls of power.

Accountants working in consulting capacities were also a credit to their profession. One example was the Navy’s Supervising Auditors. Working as civilian certified public accountants, they actively engaged in field work during the war for the Price Adjustment Board, and did “much to enhance the reputation of the accounting profession.”<sup>178</sup>

As the war progressed, accountants became increasingly cognizant of their elevated stature in the eyes of public. In May, 1944, Henry A. Horne, offered that CPAs are “now held in high esteem. A half-century of experience has made the American business world aware of the two outstanding characteristics of professional accountancy: first, integrity of character and, secondly, competence in the performance of technical tasks.”<sup>179</sup>

In fact, this growing professional admiration was for the accountants and their profession came from both the business community and those in governmental sectors. John Carey, the AIA secretary was well-positioned to observe the service of the profession during the war and the postwar consequences of the effort. The AIA Secretary concluded:

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<sup>177</sup> Ibid.

<sup>178</sup> N. Loyall McLaren, “The First Year of Renegotiation,” *The Journal of Accountancy* (June 1943): 489.

<sup>179</sup> Henry A. Horne, “Election of Officers,” *The New York Certified Public Accountant* 14, no. 8 (May 1944): 341.

The accounting profession served creditably in the war and emerged from this difficult period with increased prestige. Many of its members occupied high places in the armed forces; others served with distinction in a civilian capacity. Washington came to know the accounting profession better than ever before, and today recognizes the value of services which professional accountants can render to the government.<sup>180</sup>

This growing admiration was not without its pecuniary advantages. Carey revealed that, "The practice of public accounting has become more attractive and more lucrative. A recent study by the Bureau of Economic Research suggests that the average earnings of certified public accountants are higher than those in any of the other professions."<sup>181</sup>

With the close of World War II, the future looked extremely bright for the accounting profession and the present -- not bad either. Round after round, the profession had answered the bell and overcome the challenging demands brought about by the war-time economy, the draft, and regulatory hurdles. For this, there was reward, not only a bright future, but also an enhanced standing among the professions.

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<sup>180</sup> John L. Carey, "The Uncertain Future," *The Texas Accountant* 18, no. 9 (September 1946): 1, 3-6.

<sup>181</sup> *Ibid.*



## CHAPTER IX

### SUMMARY AND CONCLUSIONS

“The only limit to our realization of tomorrow will be our doubts of today. Let us move forward with strong and active faith.”<sup>1</sup> FDR

#### Introduction – The End of War

On April 12, 1944, President Franklin Delano Roosevelt penned the above words as he was working on his Jefferson Day Address at his retreat in Warm Springs, Georgia – they were his last. The man who had led America through the depths of the depression and the darkest days of World War II died that afternoon of a cerebral hemorrhage. Before the month was over, the President was joined in death by both Hitler, and Mussolini. Within a month of FDR’s death, the war ended in Europe with the unconditional surrender of Germany on May 8, 1945. “The Combined Chiefs of Staff, meeting at Quebec in September 1944, figured that it would take eighteen months after the surrender of Germany to defeat Japan.”<sup>2</sup> Those estimates were quickly revised when on August 6<sup>th</sup> and 9<sup>th</sup> the U.S. Air Strategic command exploded atomic bombs over the Japanese cities of Hiroshima and Nagasaki. Quickly thereafter, Japan capitulated on August 14, 1945, and signed the official articles of surrender on September 2, 1945. The war had ended.

This chapter highlights the exploits of American accountants and the accomplishments of their societies during the World War II and provides coverage of the major impacts of the war on the postwar profession of accountancy. First is a summary

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<sup>1</sup> Samuel Eliot Morison, Henry Steele Commanger, and William E. Leuchtenburg, *The Growth of the American Republic*, 6<sup>th</sup> ed. Vol. 2 (New York: Oxford University Press, 1969), 610.

<sup>2</sup> *Ibid.*, 613-614.

of the actions of accountants and their societies. Next, an evaluation of the war's impact upon the profession of accountancy is conducted. Then, a discussion of the purposes of the investigation is undertaken. Finally, the last section ends with conclusions about the accounting profession's contributions to World War II and opportunities for future research.

### **Summary of Service**

Stars always shine brightest in the darkest of nights-- alas not so. For in truth, stars always shine bright, but only in the blackest of nights is their brilliance most clearly observed. -- Unknown

Accountants shined forth brightly in the execution of their war-time service. Against the backdrop of war, accountants aided in every theater of operation, every branch of the service, every bureau and agency in Washington, D.C. and in countless war-industries across the nation. Their stellar performance provided a mark of distinction for the profession and a lasting legacy for all subsequent generations of accountants. Because of their achievements, the profession of accountancy was elevated to unprecedented levels in terms of prestige, power, and popularity.

Major General Arthur Hazelton Carter was the highest ranking accountant in the Army during the war and headed the Fiscal Division of the Army Service Forces (ASF). General Carter, together with many ranking accountants under his command, had oversight of vast government expenditures. If the Army procured an item, Carter saw to its payment. Military expenditures ranging from: tanks to trousers, flame throwers to flannel shirts, radar sets to railway cars, and socks to surgical instruments were acquired with abandon by the ASF and Carter saw to their payment.

The scale of the expenditures General Carter oversaw is best illustrated by the fact that the enormous cost of the Manhattan Project was easily hidden in the voluminous procurement activities of the ASF. Payroll also fell under his purview, which amounted to 8 million checks monthly at the height of enlistment levels. Beyond mere oversight of existing operations, Carter was instrumental in establishing accounting procedures for the fiscal division and auditing manuals for civilian and military personnel.

Rear Admiral Norman Loyall McLaren was one of --if not the -- highest ranking accountant in the U.S. Navy. Though serving as the president of the AIA when the war began, McLaren quickly obtained a commission as a Commander in the Naval Reserve. His service carried him to Washington, D.C. where he was assigned to the Navy's Cost and Audit Division -- then charged with audit responsibility for Navy cost-plus-fixed-fee contractors. Soon after his arrival, the Renegotiation Act was passed on April 28, 1942. "As senior officer in the Division, Commander McLaren was largely responsible for recruiting the personnel, and establishing the principles and procedures" necessary to carry out contract renegotiations for the U.S. Navy.<sup>3</sup>

In executing his duties, McLaren "contributed in large part" to the "organization and administration of the panel of supervision auditors" -- "a cross section of outstanding certified public accountants . . . all partners or principals of leading firms."<sup>4</sup> "These men offered their services to the Navy Department, on a part-time basis . . . for accounting work in connection with the renegotiation of war contracts," and relieved the department of a most difficult personnel problem."<sup>5</sup> Edwin H. Barker, Chairman of the Navy's Price

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<sup>3</sup> N. Loyall McLaren, "Fitness Report: Navy Department, Navy Price Adjustment Board, February 26, 1946," obtained by Freedom of Information Act Request, July 5, 2010.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

Adjustment Board, considered this action as “one of the most valuable contributions to the Navy Department and to the Government” and “a tribute to his [McLaren’s] skill, tact and executive and administrative ability.”<sup>6</sup>

Joining General Carter and Admiral McLaren in uniformed service was a host of accountants who served in all theaters. In Washington, Colonel Andrew Stewart, the president of the NYSSCPA served with the ASF Fiscal Division along with Colonel Morris C. Troper and Lt. Col John W. McEachren. In the Pacific, accountants in uniform were present at the Pearl Harbor attack, the Fall of Bataan, on Guadalcanal, Kwajalein, Guam, Siapan, Australia, New Guinea, and on Okinawa – some were wounded, others killed. In the European theater, airmen flew from bases in Italy and England into the heart of Nazi Germany on bombing sorties – suffered horrendous losses – and returned for more. Accountants in Combat Engineer Units built bridges while under constant enemy fire. Others served with ground forces including Colonel Andrew Barr who served as the intelligence officer for the “Spearhead”, the 3<sup>rd</sup> Armored Division. Their military service brought them into contact with some of the highest ranking military leaders of the day including General Douglas MacArthur, General Dwight David Eisenhower, Secretary of Navy Admiral James Forrestal, and Under Secretary of War Robert Patterson. Through their outstanding service they in no small way elevated the standing of the accounting profession.

Not all service by accountants was rendered by those in uniform. In Washington, many accountants served in civilian capacities in a plethora of newly created war-time agencies. As mentioned in connection with Admiral McLaren, many ranking accountants across the country served the Navy in their capacity as auditors including the panel of

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<sup>6</sup> Ibid.

supervising auditors who assisted on contract renegotiations. Others who aided in the U.S. Naval headquarters included George Auld, and Paul Grady who worked with Secretary of the Navy Forrestal. Assisting in the Office of Price Administration were C. Oliver Wellington and Dr. Herbert F. Taggart who served as the Director of Accounting. Working for the War Production Board were Maurice E. Peloubet, Carman G. Blough, Eric L. Kohler, and Ernest Seatree. Saul Levy performed consulting work for the Fiscal Division, Headquarters, Army Service Forces. Several of the civilian accountants worked with one of the WPB's predecessor organization, the Office of Production Management, including Ernest Seatree, C. Oliver Wellington, and Maurice Peloubet. In December 1941, Eric L. Kohler was serving on the Advisor Commission to the Council of National Defense. The fact that all these men represented the elite in their field only adds to the magnitude of their contribution during the war. These represent but a small portion of the number of accountants who worked in the country's war-time agencies, but demonstrate to a great degree the extent to which leading men in the profession willingly served.

Still another major contribution to the war effort was made by those who remained in their firms. These accountants carried on the day to day operations of their craft that were so vital to the effective functioning of America's economy. These practitioners not only had to bear the load of work left by those going into service, industry, or governmental agencies, but also to meet an array of ever increasing demands from existing and new clients seeking help with system installations, new reporting requirements, contract renegotiations, taxation issues, etc.

In total, the individual efforts of accountants to the war effort were staggering. But there is even more to this story of service. Not only as individuals but also in groups, accountants sought to further the national war effort.

The societies of the accounting profession were far from negligent in their duties to either their membership or their nation during the war period but instead provided consistent steady direction, leadership, and counsel to their members, Congressional representatives, and governmental agencies. Committees from the AIA, the New York State Society of Certified Public Accountants, the New Jersey State Society of Certified Public Accountants, and the Controllers' Institute of America worked in concert to obtain time extensions from the Bureau of Internal Revenue and the Treasury Department. Their success was not a victory for the profession and their clients at the expense of Uncle Sam, but instead a victory for the nation as a whole in promoting the efficient collection of the nation's tax levies while not unduly burdening taxpayers. The AIA and numerous state societies lobbied for tax simplification, sought ways to ease the administrative burdens imposed on businesses by governmental agencies, advised congressional committees on pending legislation and encouraged members to eagerly meet the ever-increasing demands being placed upon them. As for leadership, many in society leadership positions esteemed service to their country in times of war of far greater value than the financial rewards of public practice and eagerly stepped down from lucrative positions within their firms to support the efforts of governmental agencies. Many followed their example.

The societies also rendered significant aid to accountants by instructing on how to best assist their clients with contract renegotiation, and termination procedures; victory

tax, excess profits tax, surtax, and normal tax computations (in an ever changing tax environment); filing reports mandated by governmental agencies; and on the auditing requirements for the various types of governmental contracts (cost-plus-a-fixed-fee, etc.). To accomplish this aid, the societies held frequent meetings on and continued the steady publication of articles about major topics of professional concern.

Notwithstanding the daily grind of addressing the immediate war-time issues, the societies never lost sight of the fact that the war would eventually end and thus spent much time in discussing and planning for the postwar profession. Perhaps the best illustration of their efforts and success revolves around planning for the influx of returning servicemen. Anticipating the need for refresher courses the AIA published the 700-page “Contemporary Accounting” that was designed to update accountants to the changes in professional practice since the beginning of the war.

Through it all, the fighting in foreign lands, the fighting in Congress, accountants and their professional societies preformed their duties with gallantry. Because of the profession’s ability to successfully deal with crisis upon crisis without wavering or breaking under the strain, the profession that emerged from the war was a stronger, abler, more open profession, with vastly expanded duties, and opportunities.

#### Postwar Impact

While the accounting profession was exerting its all in fighting the good fight, the war was exerting its own changing influence upon the profession. Because of manpower shortages, brought about by the rapidly expanding demand for accountants in defense industries, governmental agencies, and the armed forces (draft), doors of opportunity were opened for women within all fields of endeavor including accounting. Accordingly,

women poured into the workforce in record numbers. Quite a few labored in heavy industry, work formerly deemed “man’s work”, and thereby forever decimated arguments about what women were or were not capable of doing. Major accounting firms began actively recruiting and training women for work as staff accountants. The seeds planted by these women would produce a full harvest in the coming decades.

Other proposals for replacement personnel did not work out during the war – specifically the proposal for employing students. While this idea did not find great momentum during World War II, it was not without its merits. Now, most major accounting firms make extensive use of internship programs.

Staffing shortages also led to changes in audit techniques. The AIA and the New York State Society of Certified Public Accountants encouraged firms to perform the maximum possible amount of interim audit work in order to reduce the crush of work in the traditionally heavy first quarter. Once firms adopted this new approach, many observed improved audit quality at diminished cost. And so practices once deemed a war-time expedient became accepted practice.

Tax filing deadlines also added to the congestion of work during the first quarter for accounting firms. To alleviate this burden, the professional societies unabatedly lobbied governmental agencies for time extensions throughout the war period. Their successes in this endeavor brought immediate relief to the firms and industry and added to the growing respect and standing of the profession.

Another ongoing project received added reinforcement during the war -- the campaign promoting adoption of a natural business year. From the mid-thirties, the accounting profession was an active participant with a number of other groups that



recommended companies should adopt their natural business year for financial reporting purposes. From 1939 to 1943, over 10,000 companies did so. The relief this provided to the accounting profession, in terms of spreading the work load to slower quarters, was inestimable and lasting.

Manpower shortages in war industries prompted companies to call upon their accountants for a variety of management services. Once these doors of opportunity were opened, accountants proved remarkably versatile. Their success provided the foundation for much of the postwar growth that accounting firms enjoyed in the consulting field.

The governmental sector of the nation's economy underwent a significant expansion during World War II. The government's demand for new war-time agencies seemed to be matched only by their demand for accountants. Because of their record of achievement and close contacts during the war with many in the federal government, postwar accountants enjoyed new opportunities for government service at ever-increasing levels of importance. Major, T. Coleman Andrews, for instance, became the first director of the GAO's Corporation Audits Division and later under Eisenhower's administration the Commissioner of the IRS. In the same way, many other postwar openings became available for accountants in the governmental sector.

One of the main impacts on the postwar accounting profession resulted from the influx of thousands of returning servicemen into the profession. This was made possible because of two major factors – the G.I. Bill and the implementation of continuing educational. Hardened by war, many an American youth grew up on the battlefields of World War II. When they returned to the U.S, they were primed to make a difference, to

make their lives have meaning. Thus, many took advantage of the G.I. Bill to become accountants. Their entrance into the profession provided an incalculable benefit.

Other prewar accountants, whose professional lives had been interrupted by the war, were speedily prepared for reentry into the field by refresher courses made available by the accounting profession. The re-entry of such a solid corps of accountants into the field added significantly to the influence and prestige of the profession. These men truly understood the importance of words like duty, honor, and integrity and accordingly possessed maturity and wisdom far in excess of their years.

The impact of World War II upon the profession of accountancy was vast, spanning all fields of practice. The war spurred the profession to improve its operational efficiencies (procedures, interim work, natural business year), training (CPE), and openness (female recruitment), while also expanding the opportunities (tax, consulting, auditing) for accountants to apply their craft. Finally, the war created a multitude of opportunities for accountants to provide significant contributions to the nation, and provided a platform from which their successes could be readily observed.

### **Purpose of this Study**

What roles did leading accountants play in World War II? What impact did the war-time service of the accounting profession, its members and societies, have on the postwar practice of the profession? How did the war shape the profession and enhance its influence and status? These are the questions addressed in this study.

In chapter one, four goals were established for this paper. The first was to provide a more complete history of the roles that accountants played during the turbulent period of World War II. Chapters three, four, and five identify and describe accountants

who served this nation in and out of uniform during World War II. Chapter three specifically covered the actions of those in uniform who either enlisted or were drafted into service. While ranking members of the profession served in high level headquarter positions in Washington, D.C., many younger accountants served in harm's way. Their war-time activities have been glossed over in most typical accounting biographies, if covered at all; however most would affirm that their experiences during the war forever altered their outlook on life and fundamentally enhanced their career opportunities afterword.

Chapter four focuses on accountants who served in advisory capacities in many of the war-time governmental agencies (OPA, OPM, WPB, etc.). Some of the best and brightest in the field came to the aid of the nation by serving in critical positions in the newly created agencies. Through their work, the war effort was advanced, administrative reporting burdens were reduced on industries, and the profession gained even greater status in the halls of power.

Chapter five reveals the actions of accountants in two vital industries, magnesium and aircraft manufacturing. Accountants were sought who could provide expert systems' analysis and design. The service that they rendered facilitated the rapid development of many critical manufacturing activities and established a broader basis for future consulting service activity.

A second goal of this study concerns the role that the accounting societies played in advancing the war effort. Chapter six, *Societies at War*, examines the efforts of several national and state societies on a host of war-related issues. Chapter seven investigates their efforts on the issue of Federal taxation. These chapters reveal that the professional

societies were proactive and persistent in their response to the war and its demands. Through their leaders, committees, meetings, and publications, the societies instructed their members on how best to serve, inspired them by revealing the actions of ranking members and committees, provided recognition to the gallant accomplishments of accountants, and assisted their memberships in traversing the constantly changing requirements of war-time accounting practice. The solidarity of the accounting profession's societies was outstanding throughout this period and enabled the profession to exert a tremendous influence on legislative affairs, especially in realms of taxation.

A third purpose of this study was to expand the body of accounting history. While World War II has been thoroughly exhausted by historians, sadly, the accounting profession's role therein has not. Thus, this study represents an important addition to the body of historical literature concerning the accounting profession and contributes to the long-term goal of creating a full and objective account of the accounting profession's participation in World War II.

The final purpose of this study was to examine several of the postwar impacts on the accounting profession brought about by World War II and the war-time actions of accountants. Chapter eight discusses the manpower crisis, the various professional responses during the war, and the resulting permanent changes in the postwar profession. The acceptance of women into the public practice of accounting during the war provided a basis for their inclusion into the profession in ever greater numbers in the postwar periods.

The chapter also reveals how the profession received a boost in its management consulting activities during the war that provided many in management a fresh

opportunity to evaluate the effectiveness of accountants as consultants. The outcome of such close working relationships further increased the demand from companies for additional management advisory services in the postwar era. As in industry, so too in governmental sectors, the close working relationships that the profession enjoyed during the war with those in governmental agencies, coupled with their record of outstanding service and success provided the accounting profession with greatly expanded opportunities for future service. The influx of many veterans into the profession was greatly facilitated by the G.I. Bill and refresher courses. The addition of so great a body of seasoned, matured individuals into the field had a profound impact on the profession. The profession's remarkable level of achievement during the war augmented its already high standing, cemented professional unity behind the national society (the AIA), and amplified the profession's influence in governmental affairs.

### **Conclusions**

America's build-up for and execution of World War II brought about extraordinary changes in the nation, its industries, and its societal norms. Possibly no other profession or avocation was affected more than that of accountancy. During the crisis, the profession adapted to new methods of taxation, auditing, and personnel shortages, while rendering vital aid by implementing improvements in manufacturing cost systems, and facilitating the massive expansion of America's productive capabilities. These changes required accountants to expand their knowledge base in order to meet the crushing demands for their services.

The societies of the profession were likewise vigilant in galvanizing and marshalling the efforts of the accounting community to meet the nation's war-time

demands. The profession accepted its responsibility to help maintain the financial fabric of the nation by aiding in the establishment of sound and efficient procedures, processes, laws, and regulations in both governmental and industrial sectors of the economy. Calling to their members, the accounting societies stressed that they must lend all possible effort. They responded unstintingly.

Broadly speaking, the accounting profession's effective responses to the emergencies of war garnered praise, recognition, and acclaim to the profession. Those who endured the trials of the period vividly recalled the results. One wrote,

The accounting profession emerged from the war and its aftermath with a vastly altered image. Doing business in America's highly competitive mass market, in war and peace, now was more complicated than ever and the accountant's knowledge, skills and counsel were indispensable. He was no longer the man in the green eyeshade or the "high-class bookkeeper." He was an accepted member of the management team.<sup>7</sup>

Even while the war was still underway, the nation and profession were preparing for the postwar era and the return of service men. The G.I. Bill and society-sponsored refresher courses enabled tens of thousands of veterans to enter or reenter the accounting profession. This provided an enormous stimulus to the profession that had been plagued by staffing shortages throughout the war and helped to develop a new generation of accountants.

Throughout the duration of the fighting, the accounting profession made immense contributions and had an enormous impact upon the successful conclusion of the war. Future generations of accountants owe a tremendous debt to this great generation of accountants. Hopefully, when future emergencies arise, the accountants of that

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<sup>7</sup> Betty Lou White, ed., *Perspective 1924-1974: Lester Witte & Company* (Chicago: Witte, 1978), 23.

generation will learn from their predecessors and build upon that legacy that was earned through blood and sweat and toil during the desperate days of World War II.

### Future Research

There are abundant opportunities for further research into the actions of the accounting profession during World War II. One opportunity includes a consideration of the distinct roles that accounting firms took both domestically and abroad in promoting the war effort. Another opportunity is to explore the international response of the accounting profession. Although the present study was limited to the U.S., accountants in the British Empire rendered yeoman service during World War II. An examination of their actions and those of their societies will doubtlessly reveal many notable accomplishments.

An additional avenue available for further amplification would be to examine the significant work of accounting academics during the war and postwar period. This investigation should include an evaluation of the critical role played by America's universities and colleges, especially their accounting and finance departments, during the war and postwar period.

Another area worthy of future consideration would be to examine structural changes that may have occurred in the profession during the war in response to governmental, industrial, or other environmental stimuli.

Finally, the war provided a springboard of opportunity for accountants to serve in increasingly more prominent positions within the postwar government. An examination of the first and second Hoover Commissions should shed further insight into the

prominent roles of leading war-time accountants including Arthur H. Carter, T. Coleman Andrews, Paul Grady, and L. Norman McLaren in this epic postwar undertaking.



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## APPENDICES

## APPENDIX A

### MEMBERS OF THE ACCOUNTING HALL OF FAME AND THE YEAR ELECTED WWII VETRANS INDICATED BY \*

1950	George Oliver May Robert Hiester Montgomery William Andrew Paton
1951	Sir Arthur Lowes Dickinson Henry Rand Hatfield
1952	Elijah Watt Sells Victor Hermann Stempf
1953	Arthur Edward Andersen Thomas Coleman Andrews * Charles Ezra Sprague Joseph Edmund Sterrett
1954	Carman George Blough Samuel John Broad Thomas H. Sanders Hiram Thompson Scovill
1955	Percival Flack Brundage
1956	Ananias Charles Littleton
1957	Roy Bernard Kester Hermann Clinton Miller *
1958	Harry Anson Finney Arthur Bevins Foye Donald Putnam Perry
1959	Marquis George Eaton
1960	Maurice Hubert Stans
1961	Eric Louis Kohler
1963	Andrew Barr * Lloyd Morey



1964	Paul Franklin Grady Perry Empey Mason
1965	James Loring Peirce
1968	George Davis Bailey John Lansing Carey * William Welling Werntz
1974	Robert Martin Trueblood *
1975	Leonard Paul Spacek
1976	John William Queenan
1977	Howard Irwin Ross
1978	Robert Kuhn Mautz *
1979	Maurice Moontiz
1980	Marshall Smith Armstrong
1981	Elmer Boyd Staats
1982	Herbert Elmer Miller
1983	Sidney Davidson *
1984	Lord Henry Alexander Benson *
1985	Oscar Strand Gellein *
1986	Robert Newton Anthony *
1987	Philip Leroy Defliese *
1988	Norton Moore Bedford *
1989	Yuji Ijiri
1990	Charles Thomas Horngren *
1991	Raymond John Chambers

1992	David Solomons *
1993	Richard Thomas Baker
1994	Robert Thomas Sprouse *
1995	William Wager Cooper
1996	William Henry Beaver Charles Arthur Bowsher Donald James Kirk
1997	Thomas Junior Burns * John Campbell Burton
1998	Arthur Ramer Wyatt
1999	Jay Michael Cook Ray John Groves
2000	Joel Stanley Demski Shaun Fenton O'Malley Ross MacGregor Skinner * Charles Waldo Haskins
2001	Nicholas Dopuch James Don Edwards *
2002	Stephen Addam Zeff
2003	Phillip W. Bell * Edgar O. Edwards * James J. Leisenring
2004	Dennis Robert Beresford Gerald Albert Feltham William Joseph Vatter
2005	William Threipland Baxter Edmund Lowell Jenkins
2006	Robert Samuel Kaplan Robert Raymond Sterling *
2007	Katherine Schipper

2008

Anthony George Hopwood  
Walter Paul Schuetze

2009

Thomas Richard Dyckman  
Raymond John Bell

## APPENDIX B

### Sample Freedom of Information Act Request

Office of the Secretary  
Department of Defense  
The Pentagon  
Washington, DC 20301

Dear Secretary,

Under the provisions of 5 U.S.C. 522, I am requesting access to all records concerning Major General **Arthur Hazelton Carter**, who was Executive Accountant in the office of the Under Secretary of War Robert P. Patterson and who served as Fiscal Director of the Army Service Forces under Lt. General Brehon Somervell during World War II.

This request for records is for the purpose of completing biographical research. I am a faculty member at the Arkansas State University and am pursuing this avenue of research as part of my dissertation. As this project is in the public interest, I am requesting a waiver of any fees for searching or copying the records requested. If this waiver cannot be granted, please supply the records without informing me if the fees do not exceed \$50. If the fees exceed \$50, please telephone me in advance at (662) 416-1562 or contact me at [mjobe@astate.edu](mailto:mjobe@astate.edu) for agreement to such charges.

Enclosed is a copy of a newspaper obituary which includes the date and place of birth (1/6/1884 - Kansas) and date of death (1/3/1965) for the above mentioned individual. If all or any part of this request is denied, please cite the specific law or regulation for the denial, and inform me of the appeal procedures available to me under the law.

I would appreciate your handing this request as quickly as possible, and I look forward to hearing from you within ten days.

## APPENDIX C

### American Institute of Accountants' Special Committee on National Defense As originally constituted in September, 1940<sup>1</sup>

1. T. Coleman Andrews, Richmond, VA
2. George P. Auld, New York, NY
3. Albert D. Berning, New York, NY
4. Eric A. Camman, New York, NY
5. George Cochrane, New York, NY
6. Charles B. Couchman, New York, NY
7. George P. Ellis, Chicago, IL
8. John F. Forbes, San Francisco, CA
9. Fredrick H. Hurdman, New York, NY
10. Lincoln G. Kelly, Salt Lake City, UT
11. S.D. Leidesdorf, New York, NY
12. John K. Mathieson, Philadelphia, PA
13. N. Loyall McLaren, San Francisco, CA
14. Warren W. Nissley, New York, NY
15. Maurice E. Peloubet, West Orange, NJ
16. Prior Sinclair, New York, NY
17. Rodney F. Starkey, New York, NY
18. Victor H. Stempf, New York, NY
19. C. Oliver Wellington, New York, NY

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<sup>1</sup> John L. Carey, ed., "Special Committee on National Defense," *Certified Public Accountant* 20, no. 9 (September 1940): 8.

## APPENDIX D

Members of the American Institute of Accountants engaged in Defense Activities

June 1941<sup>1</sup>

1. George P. Auld – Special Assistant to Paymaster General of Navy, Washington, D.C.
2. Daniel Badger – Auditing Consultant of U.S. Army, Philadelphia Ordnance Department.
3. Charles F. Bridewell – Field Auditor, Fort Riley, Kansas.
4. Robert B. Brown – Service Company, 34<sup>th</sup> Infantry, Fort Jackson, SC.
5. Eric A. Camman --- Chief, Planning and Cost Estimating Branch, Division of Purchases, Office of Production Management, Washington, D.C.
6. Charles H. Dyson – Expert Consultant to Secretary of War, U.S. War Department.
7. Frank S. Glendening – Lieutenant, Naval Reserve, Philadelphia, PA.
8. Adlai Richard Lewis – Major, Field Artillery Reception Center, Fort Oglethorpe, GA.
9. Hermann C. Miller – Lieutenant Commander, U.S.N.R., on active duty at Bethlehem, PA.
10. Garrison Norton – Navy Department, Washington, D.C.
11. Maurice E. Peloubet – Office of Production Management, Washington, D.C.
12. Remington Stone – Field Auditor (G.M.C. – U.S. Army), Hoff General Hospital, Santa Barbara, CA.
13. Homer N. Sweet – Special assignment, Boston, MA.
14. Morris W. Whitaker – Lieutenant, Senior Grade, U.S. Navy Supply Corps.

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<sup>1</sup> “National Defense,” *Certified Public Accountant* 21, no. 6 (June 1941): 2-3.

July 1941<sup>2</sup>

15. Walter E. Brown – Lieutenant Commander, Supply Corps, U.S. N.R.,  
Washington, D.C.
16. Howard W. Hinnman – Major, U.S. Army, Fort Sam Houston, Texas.
17. Abraham Kraditor – Cost Inspection Division of Bureau of Supplies and  
Accounts – Naval Cost Inspector of the Bethlehem Steel Co., Bethlehem, PA.
18. R. Louis Lazo – Lieutenant, U.S.N.R., Bureau of Supplies and Accounts,  
Washington, D.C.
19. Ernest G. Maihack – Serving on U.S. Selective Service Advisory Board for  
Registrants, Roselle Park, NJ.
20. Francis Small – Chief supervising auditor of the Fourth Naval District,  
Philadelphia, PA.

August 1941<sup>3</sup>

21. Harold B. Barnett – Executive assistant, Office for Emergency Management – In  
Office of Price Administration and Civilian Supply, Washington, D.C.
22. Arthur C. Meade – Lieutenant, Senior Grade, U.S.N.R. – Cost Inspection  
Division of Bureau of Supplies and Accounts, Washington, D.C.
23. Carl Mur – Chairman, Local Draft Board No. 165, Brooklyn, NY.
24. Allen E. Murison – Supervising Payroll Auditor (O.C.Q.M.), Anniston Ordnance  
Depot, Anniston, AL.

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<sup>2</sup> “National Defense,” *Certified Public Accountant* 21, no. 7 (July 1941): 4.

<sup>3</sup> “National Defense,” *Certified Public Accountant* 21, no. 8 (August 1941): 4.

25. J. Carl Smith – Lieutenant (j.g.), U.S.N.R. – Cost Inspection Division of Bureau of Supplies and Accounts, Washington, D.C.
26. Leonard K. Story – Cost Inspection Division of Bureau of Supplies and Accounts – In Office of Naval Cost Inspector, Curtiss-Wright Corporation, St. Louis Airplane Division, Robertson, MO.
27. Irwin Sturz – Field Auditor, Quartermaster Corps, Picatinny Arsenal, Dover, NJ.
28. Joseph P. Sullivan – Lieutenant (j.g.), U.S.N.R. – Cost Inspection Division of Bureau of Supplies and Accounts, Washington, D.C.
29. John D. Van Epps, Jr. – Serving on U.S. Selective Service Advisory Board for Registrants, Fort Lee, NJ.
30. Albert J. Watson, Jr. – Ensign, U.S.N.R. – Cost Inspection Division of Bureau of Supplies and Accounts, Washington, D.C.
31. Emil G. Wunner – Lieutenant Commander, U.S. Navy Cost Inspector, Bethlehem Steel Co., San Francisco, CA.

September 1941<sup>4</sup>

32. Martin L. Black, Jr. – Policy assistant, accounting department, Office of Price Administration and Civilian Supply, Washington, D.C.
33. Paul Grady – Chief supervising auditor, Ninth Naval District, Chicago, IL.
34. Maurice A. Haas – Commander, United States Coast Guard Auxiliary Flotilla No. 504. Chairman of Registrant Advisory Board, Local Draft Board No. 739, Pelham, NY.

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<sup>4</sup> “National Defense,” *Certified Public Accountant* 21, no. 9 (September 1941): 1-2.



35. Norman Loyall McLaren – Chief supervising auditor, Twelfth Naval District, San Francisco, CA.

36. Prior Sinclair – Chief supervising auditor, Third Naval District, New York, NY.

37. J. Harold Stewart – Chief supervising auditor, First Naval District, Boston, MA.

38. Rodney D. White -- Chief supervising auditor, Thirteenth Naval District, Seattle, WA.

39. Robert W. Williams – Chief supervising auditor, Eleventh Naval District, Los Angeles, CA.

October 1941<sup>5</sup>

40. Walter J. Zollinger – Field Auditor, San Jacinto Ordnance Depot, Houston, TX.

November 1941<sup>6</sup>

41. F. C. Belser – Division of Contract Distribution, Office of Production Management.

42. George Brewer – Temporary duty with United States Air Corps.

43. Warren W. Nissley – Temporary duty with United States Air Corps.

44. Nelson O. Richardson – Chief supervising auditor, Eighth Naval District, Beaumont, Texas.

December 1941<sup>7</sup>

45. Robert H. Andrews – First Lieutenant, Ordnance Dept., Assigned as, Chief, Fiscal Division, Philadelphia Ordnance District.

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<sup>5</sup> “National Defense,” *Certified Public Accountant* 21, no. 10 (October 1941): 15.

<sup>6</sup> “National Defense,” *Certified Public Accountant* 21, no. 11 (November 1941): 4.

<sup>7</sup> “National Defense,” *Certified Public Accountant* 21, no. 12 (December 1941): 3.

46. Ernest G. Maihack – Consultant to the Staff of the Office of Production Management, Training within Industry Division, State of New Jersey.
47. Richard D. Sheehan – Area Auditor, United States Air Corps; headquarters New York City.
48. Frank L. Wilcox – Supervising Auditor, Eighth Naval District.

January 1942<sup>8</sup>

49. W. Ernest Seatree – Special assistant, priorities division, Office of Production Management and assistant to the executive director, Supply, Priorities, and Allocations Board.
50. Abraham Kraditor – Lieutenant, United States Naval Reserve.
51. Daniel A. N. Pattarson – Resident auditor, United States Army Air Corps, Milwaukee, WI.
52. C. A. Schommer -- Resident auditor, United States Army Air Corps, South Bend, IN.
53. C. G. Thedieck – Lieutenant-commander, United States Naval Reserve.

March 1942<sup>9</sup>

54. Perry Mason – Regional accountant, Office of Price Administration, San Francisco.

April 1942<sup>10</sup>

55. Clem W. Collins – Regional director, Office of Price Administration, for the Rock Mountain region (Colorado, New Mexico, Wyoming, Utah, Montana, and Idaho).

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<sup>8</sup> “National Defense,” *Certified Public Accountant* 22, no. 1 (January 1942): 4.

<sup>9</sup> “National Defense,” *Certified Public Accountant* 22, no. 3 (March 1942): 3.

<sup>10</sup> “Members of the Institute Engaged in War Activities,” *Certified Public Accountant* 22, no. 4 (April 1942): 2.

56. Edward A. Dinkelspiel – Major, United States Army, Camp Bowie, TX.
57. D. F. Houlihan – Director of fiscal affairs, War Shipping Board, Washington, D.C.

May 1942<sup>11</sup>

58. Robert O. Berger, Jr. – Lieutenant, Expert Aerial Navigator, Air Corps Reserve.
59. William M. Black – Special assistant on requirements, Bureau of Industry Operations, war Production Board.
60. Stanton C. Brumfield – United States Naval Reserve.
61. Harold A. Buras – Ensign, United States Navy.
62. Maurice D. Clelland – Lieutenant, United States Naval Reserve.
63. Gayle L. Dalferes – Ensign, United States Navy.
64. Ralph G. Davis – Major, United States Army Air Corps, Finance Officer, Lubbock, Tx.
65. Joseph G. Ehrlicher – Lieutenant, United States Naval Reserve.
66. O. P. Gokay – Captain, Corps of Engineers, United States Army.
67. B. Bernard Greidinger – Major, Army School of Finance, Fort Benjamin Harrison, IN.
68. William W. Jackson – Lieutenant, Armored Force School, Fort Knox, Kentucky.
69. Lucien J. Moret – Lieutenant Colonel, United States Army.
70. Ellsworth W. Muller – Captain, Finance Department, Officers Reserve Corps.
71. Donald K. McAllen – Lieutenant, United States Army, Fifth Corps Area, Fort Hayes, Columbus, OH.

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<sup>11</sup> “Members of the Institute Engaged in War Activities,” *Certified Public Accountant* 22, no. 5 (May 1942): 2.

72. John W. McEachren – Lieutenant Colonel, United States Army; Chief, Cost Accounting Section.
73. Joseph L. Overlock – Chicago Regional Director, War Production Board.
74. Neal F. Pendleton – Lieutenant, United States Navy.
75. Peter f. Ratigan – Civilian Personnel, Central Procurement District, Detroit, MI.
76. E. E. Rosborough – Lieutenant, Quartermaster School, Camp Lee, VA.
77. Andrew Stewart – Lieutenant Colonel, United States Army; Chief, Accounting and Audit Supervisory Branch.
78. J. S. Seidman – Lieutenant Commander, Supply Corps, United States Naval Reserve.
79. Morris C. Troper – Lieutenant Colonel, United States Army; Chief, Cost Analysis Section.

June 1942<sup>12</sup>

80. Haver E. Alspach – Ensign, U.S.N.R., Supply Corps, Washington, D.C.
81. T. Coleman Andrews – Supervising Auditor, Navy Department.
82. Donald F. Carroll -- Lieutenant, U.S. Military Academy – teaching.
83. Benjamin M. Davis – Captain, Military Intelligence Section, U.S. Army, Fort Sam Houston, TX.
84. O. W. Ecuyer – United States Naval Reserve.
85. Samuel E. Ellis – Lieutenant, U.S.N.R., Supply Corps, Washington D.C.
86. Arthur F. Evans – U.S. Army Air Corps, officer Candidate School, Miami FL.

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<sup>12</sup> “Members of the Institute Engaged in War Activities,” *Certified Public Accountant* 22, no. 6 (June 1942): 9.

87. Fred R. Kohler – War Department, Army Field Auditor in charge of Army Fiscal Field Office, Cleveland Ordnance District.
88. Burke G. Piper – S/Sgt., Medical Detachment, Jefferson Barracks, MO.
89. August J. Pousson – First Finance Training Battalion, Fort Benjamin Harrison, IN.
90. Adam Rhodes – 1<sup>st</sup> Lieutenant, Signal Corps, U.S. Army, Washington, D.C.
91. Walter D. Snell – Captain, Army Air Corps, Technical Training Command, Scott Field, IL.
92. Francis Small – Chief Supervising Auditor, Fourth and Fifth Naval Districts.
93. Gordon C. Stubbs – 1<sup>st</sup> Lieutenant, War Department, fiscal Division, Headquarters, Services of Supply, Accounting and Audit Supervisory Branch, Cost Analysis Section, Washington D.C.
94. Herbert F. Taggart – Director of the Accounting Division, Office of the Accounting Division, Office of Price Administration, Washington, D.C.

July 1942<sup>13</sup>

95. Roy Andreae – Chief Supervising Cost Inspector, Ninth Naval District.
96. Josef A. Baird – 28<sup>th</sup> Technical School Squad, Jefferson Barracks, MO.
97. M. H. Barnes – Chief Supervising Cost Inspector, Sixth Naval District.
98. Robert I. Barry – Chief Accountant, Central Procurement District, Army Air Forces.
99. Robert P. Briggs – Chief of Audit Division, Detroit Ordnance District.

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<sup>13</sup> “Members of the Institute Engaged in War Activities,” *Certified Public Accountant* 22, no. 7 (July 1942): 3.

100. Victor Z. Brink – Captain, U.S. Army, Contracts and Purchases Section,  
Accounting and Audit Supervisory Branch, Fiscal Division, Service of Supply,  
Washington, D.C.
101. T. Reginald Cloake – Lieutenant, Supply Corps, U.S. Naval Reserve.
102. Earl R. Dahlquist – U.S. Army, Jefferson Barracks, MO.
103. Joseph B. Fyffe – Lieutenant, U.S. Navy, Washington, D.C.
104. Albert J. Henke – Ensign, Supply Corps, U.S. Naval Reserve.
105. Anson Herrick – Chief Supervising Cost Inspector, Twelfth Naval District.
106. Marvin P. Kahl – Captain, Army Air Corps.
107. Eric L. Kohler – Management Services Staff, Division of Industry Operations,  
War Production Board, Washington D.C.
108. R. Louis Lazo – Lieutenant Commander, Supply Corps, U.S. Naval Reserve,  
San Juan.
109. I. B. McGladrey – Major, United States Army, Fort Francis, E. Warren, WY.
110. William A. Munroe – Lieutenant, U.S. Navy, Boston.
111. Harry O. Parker – 1<sup>st</sup> Lieutenant, Supply Headquarters of the War Department,  
Washington, D.C.
112. Adolph T. Samuelson – Lieutenant, Supply Corps, U.S. N. R., Manitowoc, WI.
113. Henry P. Seidemann – Deputy Director and Executive Officer, Army Specialists  
Corps, Washington, D.C.
114. George R. Talmage – Finance Officer, Camp Haan, TX.
115. Fladger F. Tannery – Accounting Consultant for the Air Forces of the United  
States Army, Washington, D.C.

116. Herbert R. Thielman – United States Naval Reserve.
117. Norman H. S. Vincent – Chief Supervising Cost Inspector, First Naval District.
118. William H. Walker – Lieutenant, United States Army.
119. William C. Woodard – Lieutenant, U.S.N.R., Eighth Naval District.

August 1942<sup>14</sup>

120. Rosecrans Baldwin – Lieutenant, U.S.N.R., Bureau of Aeronautics, Washington, D.C.
121. Thomas H. Carroll – Lieutenant, U.S.N.R., Office of Procurement and Material, Cost and Audit Department, Washington, D.C.
122. E.C. Friedel – Officers Training School, Ft. Benjamin Harrison, IN.
123. Lawrence R. Goldfarb – Chief Petty Officer, U.S.N.R., Baltimore, MD.
124. J. Edwin Hanson – Lieutenant (j.g.), Supply Corps, U.S.N.R.
125. Jesse F. Kaufmann – supervisory Auditor, Cost and Audit Branch, Office of Procurement and Material, Third Naval district.
126. Joseph I. Lubin – Deputy Chief of Investigations, Inventory Section, Compliance Branch Priority Enforcement, Bureau of Priorities, Bureau of Industry Operations, War Production Board, Washington, D.C.
127. Sol Mach – Lieutenant, U.S.N.R., Field Production Division, Brooklyn, N.Y.
128. Edmund L. O’Brien – State Accountant (R.I.), O.P.A.
129. Roy V. Rester, 1<sup>st</sup> Lieutenant, Army Air Corps, Miami Beach, FL.
130. Elmer W. Ross – Lieutenant Commander, Supply Corps, U.S.N.R. Technical Assistant to the Supervisory Cost Inspector, Fifth Naval District, Norfolk, VA.

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<sup>14</sup> “Members of the Institute Engaged in War Activities,” *Certified Public Accountant* 22, no. 8 (August 1942): 2.

131. W.W. Rostet –1<sup>st</sup> Lieutenant, U.S. Army.
132. John P. Rutherford – Lieutenant (j.g.), Supply Corp, U.S.N.R., Seattle, WA.
133. Clarence S. Springer – First Assistant to the Cost Inspector, U.S. Navy  
Department, Providence, R.I.
134. A. Ernest Stein – Office of Quartermaster General, Washington.
135. Carbis A. Walker – Lieutenant Commander, Supply Corps, U.S.N.R., Mobile  
AL.

September 1942<sup>15</sup>

136. C. Wilber Cissel – Lieutenant (j.g.), Supply Corps., U.S.N.R., Washington.
137. Martin S. Dembo -- Lieutenant (j.g.), Bureau of Naval Supplies and Accounts,  
U.S. Navy, Washington.
138. Harold B. Eversole – Assistant Regional Accountant, Office of Price  
Administration, Chicago, IL.
139. Joseph Geringer – Personnel Section, 69<sup>th</sup> Coast Artillery, San Diego.
140. Clarkson Hill -- Lieutenant (j.g.), Supply Corps, U.S.N.R., Assistant Accounting  
Officer of the Navy Yard, Charleston, SC.
141. Arnold R. Jones – First Lieutenant, Barrage Balloon, Coast Artillery Corps,  
Battery “A,” Battalion 311, U.S. Army, Camp Tyson, TN.
142. Frederic W. Kilduff – Major, U.S. Army Air Corps, Brooklyn, NY.
143. Simon W. Levitan – Lieutenant, Senior Grade, Supply Corps., U.S.N.R.
144. Saul Levy – Expert Consultant, Accounting and Audit Supervisory Branch,  
Fiscal Division, Headquarters, Services of Supply, War Department.

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<sup>15</sup> “Members of the Institute Engaged in War Activities,” *Certified Public Accountant* 22, no. 9 (September 1942): 2-3.



145. Leslie Mills – Lieutenant, Supply Corps, U.S.N.R., Office of Procurement and Material, Washington.
146. L. C. Peppell – Lieutenant Commander, Supply Corps, U.S. Naval Reserve, Executive Assistant to Supervisory Cost Inspector, Twelfth Naval District.
147. E. W. Renker – First Lieutenant, Seventh Corps Area, Post Exchange Officer, Omaha, NE.
148. John Roli – Signal Corps, Replacement Training Center, Fort Monmouth, NJ.
149. Alwin F. Rosslow – Major, Infantry, on foreign service.
150. J. Harold Stewart – Promoted to Lieutenant Commander, Supply Corps., U.S.N.R., Technical Assistant to the Supervisory Cost Inspector, First Naval District.
151. Ralph B. Stratford – Major, Accounting and Auditing Supervisory Branch, Fiscal Branch, Fiscal Division, Headquarters, Services of Supply, War Department.
152. John C. Winn – Captain, Fourth Service Command, U.S. Army.
- October 1942<sup>16</sup>
153. Edred C. Benton, Jr. – 1<sup>st</sup> Lieutenant, Army Exchange Branch, Atlanta, GA.
154. Paul E. Blocher – Lieutenant (j.g.), U.S.N.R., Washington.
155. Walter E. Brown – Lieutenant Commander, Bureau of Supplies and Accounts, Navy Department, Washington.
156. James J. Hastings – Technical assistant to the Supervising Cost Inspector, Third Naval District, Supply Corps, New York, NY.

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<sup>16</sup> “Members of the Institute Engaged in War Activities,” *Certified Public Accountant* 22, no. 10 (October 1942): 10.

157. Richard C. Kennedy – Captain, Army Air Force.
158. Manson McCormick – Lieutenant (j.g.), Purchases Division, Bureau of Supplies and Accounts, Navy Department, Washington.
159. R. S. McIver – Commander, U.S.R.N., Washington.
160. Theodore B. Nickson – Lieutenant Commander, U.S.N.R., Supply Corps, Bureau of Supplies and Accounts, Washington.
161. Edwin P. Noell – Lieutenant, Supply Corps, U.S.N.R., Washington.
162. Charles J. Oraftik – Private, Army of the United States, Camp Pickett, Virginia.
163. James P. O’Shaughnessy – Captain, Headquarters, Army Air Forces, Washington.
164. W. Ingram Parke – Captain, Army Air Forces, Officer Training School, Miami Beach, FL.
165. Leonard Price – Cost Inspector, Cost Analysis Division, Quartermaster Corps.
166. Joseph Pugh – Lieutenant Commander, Supply Corps, U.S.N.R., Washington.
167. E. H. Schuck – Captain, Control Division, Office of the Chief of Finance, Washington.
168. W. Ernest Seatree – Assistant to Deputy Director, division of Industry Operations, War Production Board, Washington.
169. Frank E. Seidman – Economic Adviser, Furniture Industry Branch, War Production Board.
170. Philip K. Seidman – Lieutenant, U.S.N.R., Office of the Supervisory Cost Inspector, Eighth District, New Orleans.
171. Frederic H. Smith – Director of Naval Communications, U.S.N.R., Washington.

172. Wallace N. Vreeland, Jr. –Lieutenant Commander, Supply Corps, U.S.N.R.,  
Office of Procurement and Material, Washington.
173. George Walters – Major, Cost Analysis Section, Fiscal Division, Headquarters,  
Services of Supply War Department, Washington, D.C.
- November 1942<sup>17</sup>
174. Gilbert O. Baker, Jr. – Ensign (SC), U.S.N.R. Assistant to Supervisory Cost  
Inspector, 13<sup>th</sup> Naval District.
175. Andrew Barr – Promoted to Lieutenant Colonel, appointed Assistant Chief of  
Staff, G-2.
176. Carman G. Blough – Chief of the Contract Review Branch, War Production  
Board, Washington, D.C.
177. Darcy R. Bonner – Regional Accountant, Office of Price Administration, Fifth  
region.
178. James B. Burleson – Regional Statistician, War Production Board, Eighth  
Region.
179. Henry T. Chamberlain – Technical Assistant to the Supervising Cost Inspector,  
Ninth Naval District.
180. Francis T. Donahue – Second Lieutenant, United States Army.
181. M. G. Furman – First Lieutenant, U.S. Army Air Corps.
182. Frank W. Harris – United States Coast Guard
183. Bernard B. Isaacson – Cost Auditor, Army Air Forces, Contract Audit Section,  
Eastern Procurement District.

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<sup>17</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 22, no. 11 (November 1942): 5.

184. Julius John Jakobi – First Lieutenant, U.S. Army Air Force.
185. Donald E. Kern – Army Air Corps, Materials Division.
186. Abraham Krador – Cost Inspector, United States Navy.
187. Stewart Y. McMullen – Lieutenant (j.g.) U.S.N.R.
188. William J. McNulty – Lieutenant, Supply Corps, U.S.N.R.
189. Raymond F. Murphy – Lieutenant, Officer in Charge, Branch Office,  
Supervisory Cost Inspector, U.S. Navy.
190. William A. Newman Jr. – Area Auditor, Army Air Forces, Contract Audit  
Section – A.A.F. Material Center, Eastern Procurement District.
191. Dermot A. Noonan – Ensign (SC) U.S.N.R. Assistant to Supervisory Cost  
Inspector, Fifth Naval District.
192. Frederic A. Powers – Territorial Accountant heading O.P.A. accounting staff in  
Hawaii; also, member of the executive staff of the Territorial Director.
193. Leon E. Smith – Lieutenant, Supply Corps, Bureau of Supplies and Accounts,  
Cost Inspection Division, U.S.N.R.
194. Herbert E. Tucker – Supervising Auditor, Office of Procurement and Material,  
Cost and Audit Branch, First Naval District.
195. Maxwell A. H. Wakely – Captain, Army of the United States. In charge,  
Operation Control Section, Army Exchange Branch.
196. Morris W. Whitaker – Promoted to Lieutenant Commander, U.S.N.R.

December 1942<sup>18</sup>

197. Ivan D. Allred – First Lieutenant, U.S. Army, 8<sup>th</sup> Corps Area.

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<sup>18</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 22, no. 12 (December 1942): 2-3.

198. Joseph B. Baernkopf – Supervising Auditor, Cost and Audit Division, Office of Procurement and Material, Ninth Naval District.
199. Martin Lee Black, Jr. –Associate Chief Accountant, Office of Price Administration.
200. Fred A. Burgoyne – Second Lieutenant, Anti-aircraft Artillery, Army of the U.S.
201. Charles J. J. Cox – Lieutenant (j.g.), Supply Corps, U.S.N.R. Assistant to the Supervisory Cost Inspector, Fourth Naval District.
202. Walter J. Goggin – Vice President and Treasurer, New England Aircraft Schools, Inc. Engaged in training airplane mechanics for the U.S. Army Air Force.
203. Chester Martin – Principal Auditor, Reconstruction Finance Corporation, assigned to Defense Plant Corporation.
204. L. Clifford Myers – Office of the Supervisory Cost Inspector, Fourth Naval District.
205. John S. Roth – Lieutenant, U.S. Navy.
206. M. A. Simionescu – Cost Auditor, Army Air Corps.
207. Edward M. Stewart – Apprentice seaman, U.S. Navy.
208. Robert Sutro – Captain, 7<sup>th</sup> Motorized Division, U.S. Army.
209. Paul E. Tierney – Associate Administrator for State of Massachusetts, on War Savings Staff of Secretary of the Treasury.
210. Harry H. Wade – Captain, Coast Artillery.
211. Norman E. Webster – Chief Supervising Auditor, Third Naval District. (Mr. Webster replaces Prior Sinclair, resigned.)

212. Ralph A. Young – Major, U.S. Army.

January 1943<sup>19</sup>

213. John N. Aitken, Jr. – Chief Supervising Auditor, Fourth and Fifth Naval Districts. (Succeeds Francis Small, resigned.)

214. Arthur H. Bowen – Lieutenant (j.g.) United States Navy

215. Charles F. Bridewell – Chief of Cost Analysis Section in connection with renegotiation of war contracts, War Department.

216. William H. Compton – Supervising Auditor, Third Naval District.

217. Arthur W. Eisenhart – Finance Office, United States Army.

218. Samuel W. Price – Lieutenant, U.S.N.R.

219. William O. Sechser – Private, Air Defense Wing, United States Army.

220. Harvey Seelig – Private, 100<sup>th</sup> Infantry Division, United States Army.

February 1943<sup>20</sup>

221. J. W. Barrow – Lieutenant, U.S.N.R., Office of Supervisory Cost Inspector, Ninth Naval District.

222. Aureo B. Garcia – Member, Railroad Committee of the Office of Defense Transportation of P.R.

223. Edmund M. Kagay – Private, Co. B, 4<sup>th</sup> Bn. ORTC (Second Platoon), Aberdeen Proving Ground, Aberdeen, MD.

224. William F. Shors – Lieutenant (S.G.), Supply Corps, U.S.N.R.

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<sup>19</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 23, no. 1 (January 1943).

<sup>20</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 23, no. 2 (February 1943): unnumbered page.

225. Walter H. Sibbert – Captain, Office, Chief of Engineers, Engineer Field Depot Office, Army of the United States.
226. George E. Stanford – Lieutenant, Supply Corps, Cost and Audit Division of the Office of Procurement and Material, U.S.N.R.
227. H. C. Williams – Commander U.S.N.R., Pay Inspector.
228. Carlton N. Chandler – Member of Board of Price Adjustment, War Department, Chemical Warfare Service, Washington, D.C., supervising contract renegotiations.

March 1943<sup>21</sup>

229. Charles J. Albert – Ensign, Supply Corps, U.S.N.R.
230. Robert I. Barry – Promoted to Area Auditor, Central Procurement district, Army Air Force.
231. Edwin L. Bruhl – Captain, United States Army.
232. Willard R. Grinder – Lieutenant Colonel, Army Air Force.
233. George Elsworth Greene – Ensign, Supply Corps, U.S.N.R.
234. Byron P. Harris – Supervisory Auditor, Cost and Audit Division, Navy Department, Sixth Naval District.
235. William C. Hopkins – Lieutenant, U.S.N.R.
236. Harry Kahan – Lieutenant Commander, Supply Corps, U.S.N.R.
237. Irving L. Kornblut – Sergeant, Finance Department, U.S. Army.
238. Oral L. Luper – Major, Quartermaster Corps, U.S. Army.

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<sup>21</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 23, no. 3 (March 1943): unnumbered page.

239. Hermann C. Miller – Promoted to Commander, Supply Corps, U.S.N.R.  
Supervisory Cost Inspector, Fourth Naval District.
240. Vincent E. Moore – Lieutenant (j.g.), U.S.N.R.
241. Kermit M. Pennington – Captain, U.S. Marine Corps Reserve.
242. Dana R. Pickup – Major, Air Corps, Army of the United States.
243. George V. Rountree – Lieutenant Colonel, United States Army. Chief of the  
Fiscal Branch and Chief of Contract Service, Chicago Ordnance District.
244. E. G. Wunner – Promoted to Commander, United States Navy, Cost Inspector.

April 1943<sup>22</sup>

245. T. Coleman Andrews – Captain, United States Marine Corps. (Formerly  
supervising auditor, Navy Department.)
246. Robert D. Haun – State Price Executive, Office of Price Administration,  
Louisville.
247. Raymond Knefel – Ensign, U.S.N.R.
248. Fladger F. Tannery – Promoted to Major, Army Air Forces. Chief of the  
Contract Audit Section.
249. Franklyn S. Weinberg – 2<sup>nd</sup> Lieutenant, Signal Corps.

May 1943<sup>23</sup>

250. Joseph B. Baerncoff – Supervising Auditor, Cost and Audit Division, Office of  
Procurement and Material, Ninth Naval District.

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<sup>22</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 23, no. 4 (April 1943): 7.

<sup>23</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 23, no. 5 (May 1943): 6.



251. Adolph A. Calegari – Captain, Army of the U.S.
252. Harvey T. Casbarian –Special consultant to the Army Air Forces in contract renegotiation.
253. Norman Curtis – Lieutenant, Army of the United States.
254. Richard H. Grosse – Lieutenant, U.S. Naval Reserve.
255. Clarkson Hill – Promoted to Lieutenant, S.C., U.S.N.R.
256. F. M. Hilliard – Head of Analysis and Reports Section, Financial Reporting Branch, Office of Price Administration, Washington, D.C.
257. Fillmore Horwich – Major, Ordnance Dept., U.S. Army, Fiscal Officer, Certifying Officer, and Transportation Officer, Savanna Ordnance Depot.
258. Howard Kroehl, Jr. – Ensign, U.S.N.R.
259. William A. Shute – Promoted to Head Auditor of Reconstruction Finance Corps (War Plants Construction), Washington, D.C.
260. F. E. Trainor – Lieutenant, U.S.N.R., S. C., Price Adjustment Board, Chicago.
- June 1943<sup>24</sup>
261. Francis L. Durham – Ensign, U.S.N.R.
262. Stephen B. Ives – Major, U.S. Army, Chief, Cost Analysis Section, Price Adjustment Board, Washington, D.C.
263. C. Melville Kless – Army Air Forces Resident Auditor, Universal Moulded Products Corp.
264. John J. Martin – Corporal, Army of the U.S.
265. N. W. Simon – Captain, U.S. Army.

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14. <sup>24</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 23, no. 6 (June 1943):

266. Albert W. Tolman, Jr. – Major, U.S. Army.

July 1943<sup>25</sup>

267. Ted Abramson – Captain, U.S. Army.

268. Hugh H. Aiken – Lieutenant, U.S.N.R.

269. Charles B. Allen – Lieutenant, U.S. Army.

270. James G. Allen -- Lieutenant, U.S. Army.

271. Milton Ancker – Lieutenant Commander, U.S.N.R.

272. William N. Anspach – Corporal, U.S. Army.

273. Ralph N. Apple – Lieutenant, U.S. Army.

274. Hamilton V. Bail – Major, U.S. Army.

275. Joe M. Baker – Lieutenant Commander, U.S.N.R.

276. Lester H. Barnes – Captain, U.S. Army.

277. John L. Barnett – Lieutenant, U.S. Army.

278. Charles F. Barrett – U.S. Navy.

279. Jack W. Barrow -- Lieutenant, U.S.N.R.

280. Earl W. Bauman – Lieutenant, U.S. Army

281. Kurt C. Behrens – U.S. Army.

282. Wilbur L. Ellis – Private, Army Air Forces.

283. Karl G. King, Jr. – Ensign, U.S. Navy.

284. W. Fort Jackson – Accountant, Quartermaster Price Adjustment Section, San  
Francisco, CA.

285. Michael E. Levy – Resident Auditor, Army Air Forces.

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2. <sup>25</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 23, no. 7 (July 1943):

286. Clarence J. Mattison – Private, 3<sup>rd</sup> Finance Training Battalion, U.S. Army.

287. A. Lynn Russell – Private, U.S. Army.

August 1943<sup>26</sup>

288. Fred R. Kohler – Ensign, U.S.N.R.

289. John W. McEachren – Advanced to Colonel, Fiscal Division, Headquarters,  
Army Service Forces.

290. Morrison McMullan, Jr. – Lieutenant, U.S.N.R.

291. Theodore A. Perlmutter – Private, Army of the United States.

292. William S. Reagan – Private, U.S. Army

293. Raymond H. Rebsamen – Lieutenant Colonel, U.S. Army.

294. Morris C. Troper – Advanced to Colonel, Finance Department, Office of the  
Fiscal Director, Headquarters, Army Service Forces.

September 1943<sup>27</sup>

295. Howard W. Bordner – Lieutenant Commander, U.S.N.R.

296. Fred Feasel – Colonel, Army Air Forces; Commandant, Army Air Base, Great  
Bend, Kansas.

297. Charles Goldstein – Chief Boatswain's Mate, U.S. Coast Guard Reserve.

298. Samuel D. Kligler – Captain, U.S. Army.

299. Russell M. Riggins – Lieutenant Colonel, U.S. Army; Chief of the Control  
Branch, Field Service Division, Office of the Chief of Ordnance, War  
Department.

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<sup>26</sup> "Members of the Institute in War Activities," *Certified Public Accountant* 23, no. 8 (August 1943): 2.

<sup>27</sup> "Members of the Institute in War Activities," *Certified Public Accountant* 23, no. 9 (September 1943): 7.

300. J. I. Robishaw – Private, Army of the U.S.

October 1943<sup>28</sup>

301. Donald A. Bloom – Corporal, U.S. Army.

302. Fillmore Bloomburg –Lt. Commander, U.S.N.R.

303. Henry H. Bodensiek – Private, U.S. Army.

304. Daniel Borth, Jr. – Major, U.S. Army.

305. George F. Brewer – Colonel, Army Air Forces.

306. David Brooks –Sergeant, U.S. Army.

307. Horace D. Brown – Lieutenant, U.S. Army.

308. Charles B. Bruce – Private, U.S. Army.

309. Frederick M. Bruell – Corporal, Army Air Forces.

310. Cary W. Brukholder – Lieutenant, U.S.N.R.

311. Armand L. Bruneau, Jr. -- Private, U.S. Army.

312. Jeremiah S. Buckley – Lieutenant, U.S.N.R.

313. Milton C. Calechman – U.S. Army.

314. John F. Callahan – Lieutenant, U.S.N.R.

315. John B. Cantwell – Lieutenant, U.S. Army.

316. Thomas J. Capossela – Lieutenant, U.S. Army.

317. Irvin W. Carpenter – Lieutenant Commander, U.S.N.R.

318. Thomas J. Capossela – Lieutenant, U.S. Army.

319. Irwin W. Carpenter – Lieutenant Commander, U.S.N.R.

320. Orville S. Carpenter – Major, U.S. Army.

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<sup>28</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 23, no. 10 (October 1943): 2.

321. Charles L. Castles – Lieutenant, U.S. Army.
322. Donald B. Caton – Lieutenant, U.S.N.R.
323. George S. Cerny – Corporal, U.S. Army.
324. Carle A. Challberg – U.S. Army.
325. Dean Chamberlin – Lieutenant, U.S. Army.
326. C. R. Chambers -- U.S. Army.
327. A. O. Champlin – U.S. Army.
328. Walter B. Chandler – Private, U.S. Army.
329. W. Carl Dale – Lieutenant, U.S. Army.
330. LeRoy B. Daniel – Lieutenant, U.S.N.R.
331. George M. Davis – Lieutenant Colonel, U.S. Army.
332. Irwin S. Decker – Lieutenant Commander, U.S.N.R.
333. James M. Delaney – Captain, U.S. Army.
334. Edward J. Dillion – Ensign, U.S. Navy.
335. Schuyler Dillion – U.S.N.R.
336. David Dodge – Lieutenant, U.S.N.R.
337. J. M. Dodson – Army Air Forces.
338. Paul D. Dohan – Lieutenant, U.S.N.R.
339. Harold A. Downing – Yeoman, U.S. Navy.
340. W. F. Doyle, Jr. – Lieutenant, U.S.N.R.
341. Charles T. Dubin – U.S.M.C.R.
342. Joseph T. Dwyer – Lieutenant, U.S.N.R.
343. Harry J. Greenstein – Private, Finance Dept., U.S. Army.

March 1944<sup>29</sup>

344. H. W. Bottorf – Lieutenant, (j.g.), SC., U.S.N.R.
345. John A. Kerr – Advanced to Lieutenant Commander, SC., U.S.N.R.
346. N. Loyall McLaren – Advanced to Captain, SC., U.S.N.R.
347. Hermann C. Miller – Advanced to Captain, SC., U.S.N.R.
348. John M. Miller – Captain, U.S. Army.
349. Leslie Mills – Advanced to Lieutenant Commander, SC., U.S.N.R.
350. George V. Rountree – Advanced to Col., U.S. Army. Chief of Contract Service  
Division, Chicago Ordnance District.
351. Ira J. Varnedoe – Commander, U.S.N.R.
352. E. H. Wagner, Jr. – Advanced to Commander, SC., U.S.N.R.

April 1944<sup>30</sup>

353. Gordon P. Blich – Lieutenant (j.g.), U.S.N.R.
354. Victor Z. Brink – Advanced to Lieutenant Colonel, Finance Department,  
Headquarters, Army Service Forces.
355. Homer J. Henning – Lieutenant (j.g.), U.S.N.R.
356. James P. Novaro – Private, U.S. Army.
357. Mario Possidente – Privated, U.S. Army.
358. Andrew F. Spatzier – Private, 265<sup>th</sup> Engineers Combat Battalion, U.S. Army.
359. Charles Steinbock, Jr. – 2<sup>nd</sup> Lieutenant, Corps of Engineers, U.S. Army.

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<sup>29</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 24, no. 3 (March 1944): 3.

<sup>30</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 24, no. 4 (April 1944): 9.

360. Ralph B. Stratford – Advanced to Lieutenant Colonel, Chief of the Field Review Section of the Audit Division, Finance Department, Headquarters, Army Service Forces.

361. Albert R. Wood – Budget and Fiscal Office, Contract Audit Branch, Headquarters, Army Air Forces.

May 1944<sup>31</sup>

362. Samuel Aftergut – 1<sup>st</sup> Lieutenant, Quartermaster Corps, Army of the United States.

363. Robert H. Andrews – Advanced to Lieutenant Colonel, Ordnance Dept., Army of the United States.

364. Cyril H. Barrios – Private, U.S. Army.

365. Roland J. Christy – Lieutenant (j.g.) Communications, U.S.N.R.

366. O. Ruffin Crow, Jr. – 1<sup>st</sup> Lieutenant, Army Air Corps.

367. William T. Davis – Lieutenant (j.g.), Supply Corps, U.S.N.R.

368. Charles J. Gaa – Lieutenant, Army Finance School, Duke University.

369. Richard E. Gaylord – Captain, Transportation Corps, U.S. Army.

370. Joseph Geringer – Lieutenant, Army of the United States.

371. Kenneth D. Gillanders – Ensign, U.S.N.R.

372. Oscar Magnus Hansen – Lieutenant Colonel, Ordnance Department, Army of the United States.

373. Harry Kahan – Advanced to Commander, Supply Corps, U.S.N.R.

374. I M. Kramer – Lieutenant (j.g.), U.S.N.R.

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7. <sup>31</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 24, no. 5 (May 1944):

375. Oliver May – Major, U.S. Army.
376. Albert G. Metz, Jr., Ensign, Supply Corps, U.S.N.R.
377. Oakely Clyde Moffatt – Lieutenant, U.S.N.R.
378. Russell M. Riggins – Advanced to Colonel Ordnance Dept., Army of the United States.
379. Harold W. Schaeffgen – Lieutenant (j.g.), Supply Corps, U.S.N.R.
380. Chester P. Shelly – Ensign, Supply Corps, U.S.N.R.
381. E. F. Tedder – Lieutenant (j.g.), U.S.N.R.
382. Russell Urquhart – Lieutenant (j.g.), U.S.N.R.
383. William Edward Ward – Ensign, Supply Corps, U.S.N.R.
384. Robert L. Winslow – Ensign, Supply Corps, U.S.N.R.
385. Ernest L. Young – Ensign, Supply Corps, U.S.N.R.

June 1944<sup>32</sup>

386. Bernard James Burke – Lieutenant (j.g.), SC-V (S), U.S.N.R.
387. Charles J. Busick – Lieutenant (j.g.), U.S.N.R.
388. Dominic Cubello – Sergeant, Budget and Fiscal Section, Army Air Forces.
389. Marshall Granger – Cost Consultant, Procurement Division, Army Engineers.
390. Frank J. Kanis – Lieutenant (j.g.), SC-V (S), U.S.N.R.
391. Raymond Knefel -- Lieutenant (j.g.), U.S.N.R.
392. J. K. McClare -- Lieutenant (j.g.), SC-V (S), U.S.N.R.
393. James X. Muldowney – Ensign, U.S.N.R.
394. George T. Olsson – Captain, Army of the U.S.

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9. <sup>32</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 24, no. 6 (June 1944):



395. Michael C. Paterno – Private, U.S. Army.

August 1944<sup>33</sup>

396. Wilbur L. Ellis – Sergeant, U.S. Army.

397. Dixon Fagerberg Jr. – Lieutenant (j.g.), U.S.N.R.

398. Harry H. Howell – Consultant, War Department.

399. Kenneth W. Hurst – Lieutenant Colonel, Army Air Force.

400. Edgar E. Jackson – Advanced to Major, Army Air Force.

401. Howard B. McAfee – Lieutenant (j.g.), U.S.N.R.

402. Barney L. Morris, Jr. – Lieutenant, U.S.N.R.

403. Albert E. Smith – 1<sup>st</sup> Lieutenant, U.S. Army.

404. Donald F. Stewart – Lieutenant (j.g.), United States Navy.

405. Edwin F. Tedder – Lieutenant (j.g.), U.S.N.R.

September 1944<sup>34</sup>

406. Sali M. Auerbach – 2<sup>nd</sup> Lieutenant, U.S. Army.

407. James Carmon Davis – 1<sup>st</sup> Lieutenant, Price Adjustment Section, Army Air forces.

408. Charles C. Hornbostel – Lieutenant Colonel, Quartermaster Corps, U.S. Army.

409. Everett L. Mangam – Lieutenant (j.g.), U.S. Naval Reserve.

410. Weston Rankin – Lieutenant (j.g.), Supply Corps, U.S. Naval Reserve.

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<sup>33</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 24, no. 8 (August 1944): 2.

<sup>34</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 24, no. 9 (September 1944): 9.

November-December 1944<sup>35</sup>

- 411. Gilbert O. Banker, Jr. – Lieutenant, U.S.N.R.
- 412. William T. Chumney – Lieutenant Colonel, U.S. Army.
- 413. W. Carl Dale – Major, Army Air Forces, Budget and Fiscal Office.
- 414. William J. Elbert – Master Sergeant, U.S. Army.
- 415. Edwin H. Henderson – Lieutenant (j.g.), U.S.N.R.
- 416. Marshall W. Jones – Ensign, U.S.N.R.
- 417. L. C. Peppell – Advanced to Captain, Supply Corps, U.S.N.R.

January 1945<sup>36</sup>

- 418. Guy E. Dance – Ensign, U.S.N.R.
- 419. William H. Davis – Major, U.S. Army.
- 420. Allen E. Murison – Ensign, U.S.N.R.
- 421. Kenneth C. Tiffany – Accounting Associate, Office of Contract Settlement.

March 1945<sup>37</sup>

- 422. Kenneth M. Huddleston – Ensign, U.S.N.R.
- 423. Henry J. Lee – Major, Finance Department, U.S. Army.
- 424. Quentin E. Peterson – Staff Sergeant, U.S. Army.
- 425. Oran Sarrels – U.S.N.R.
- 426. Sidney Steinberg – Private, U.S. Army.

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<sup>35</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 24, no. 11 (November-December 1944): 9.

<sup>36</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 25, no. 1 (January 1945): 10.

<sup>37</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 25, no. 3 (March 1945): 15.

July 1945<sup>38</sup>

427. Arthur C. Meade—Commander, SC, U.S.N.R.

428. R. Warner Ring – Commander, U.S.N.R.

429. Fladger F. Tannery--Colonel, Army Air Forces. Chief Field Headquarters

Office, Contract Audit Division; and Commanding Officer, 6<sup>th</sup> AAF Base Unit.

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<sup>38</sup> “Members of the Institute in War Activities,” *Certified Public Accountant* 25, no. 7 (July 1945): 16.

## APPENDIX E

### THE CHANGING OF THE GUARD, 1941-1946: Prominent Accountants who died during the War Years and its Immediate Aftermath

John K. Mathieson – January 10, 1941<sup>1</sup>

Frank Broaker - November 12, 1941<sup>2</sup>

Homer St. Clair Pace – May 22, 1942<sup>3</sup>

Durand W. Springer – May 18, 1943<sup>4</sup>

Stuart C. McLeod – April 15, 1944<sup>5</sup>

Percy G. Goode – June 19, 1944<sup>6</sup>

John Crockhart Scobie – July 31, 1945<sup>7</sup>

W. Ernest Seatree – November 1, 1945

Walter A. Staub – November 4, 1945<sup>8</sup>

Henry Rand Hatfield – December 25, 1945

Lord Plender – January 19, 1946<sup>9</sup>

Victor H. Stempf – April 18, 1946<sup>10</sup>

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<sup>1</sup> “John K. Mathieson,” *Certified Public Accountant* 21, no. 1 (January 1941): 2.

<sup>2</sup> “Frank Broaker,” *New York Certified Public Accountant* 12 No. 3 (December 1941): 164; “Frank Broaker,” *Certified Public Accountant* 21 No. 12 (December 1941): 5.

<sup>3</sup> “Homer St. Clair Pace,” *New York Certified Public Accountant* 12 No. 9 (June 1942): 500.

<sup>4</sup> “Durand W. Springer,” *Certified Public Accountant* 23, no. 6 (June 1943): 12.

<sup>5</sup> “Stuart C. McLeod,” *Certified Public Accountant* 24, no. 5 (May 1944): 10.

<sup>6</sup> “Percy G. Goode,” *Certified Public Accountant* 24, no. 7 (July 1944): 8.

<sup>7</sup> “John Crockhart Scobie,” *Certified Public Accountant* 24, no. 8 (August 1944): 7.

<sup>8</sup> “Obituaries: Walter A. Staub, W. Ernest Seatree,” *Certified Public Accountant* (November 1945): 15.

<sup>9</sup> “Profession Loses Two Prominent Leaders,” *Certified Public Accountant* (February 1946): 14.

<sup>10</sup> “Institute Loses Former President,” *Certified Public Accountant* (May 1946): 1.

## APPENDIX F

### Honor Roll of Texas Society Members on Active Duty with Armed Forces: As Identified in *The Texas Accountant* May 1942 -- January 1943

- |                          |   |
|--------------------------|---|
| 1. Charles M. Block      | 22. P. Glenn Williams, Jr. <sup>1</sup> |
| 2. Henry C. Bollman      | 23. W. W. Condray                       |
| 3. David E. Box, Jr.     | 24. George Malcolm Davis                |
| 4. Orville S. Carpenter  | 25. S. M. Stubbs                        |
| 5. Arthur H. Carter      | 26. Charles W. Woodard                  |
| 6. Fred T. Crow          | 27. Esir Wyll                           |
| 7. Ben M. Davis          | 28. Winston K. Young                    |
| 8. James M. Dodson       | 29. Jim Sheffield                       |
| 9. Allen M. Early        | 30. Tom C. King <sup>2</sup>            |
| 10. L. L. Fuller         | 31. Robert H. Andrews                   |
| 11. Raymond K. Holliday  | 32. Dudley W. Curry                     |
| 12. Kenneth W. Hurst     | 33. Mahlon H. Grant                     |
| 13. Ernest L. Johnson    | 34. Robert J. Hibbetts                  |
| 14. Franklin D. Price    | 35. Truxton Lee Shaw <sup>3</sup>       |
| 15. W. D. Roten          | 36. Ivan D. Allred                      |
| 16. Louis Rosenberg      | 37. Victor Z. Brink                     |
| 17. Albert Olen Schnabel |   |
| 18. A. C. Schumacher     |   |
| 19. James E. Thomas      |   |
| 20. Charles A. Watson    |   |
| 21. Kurt A. Welgehausen  |   |

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<sup>1</sup> T. W. LeLand, ed., "Honor roll of Texas Society members on active duty with armed forces," *The Texas Accountant* 14, no. 5 (May 1942): 2; Lists members 1-22.

<sup>2</sup> *The Texas Accountant* 14, no. 6 (June 1942): 2; Lists members 23-30.

<sup>3</sup> *The Texas Accountant* 14, no. 9 (September 1942): 1; Lists members 30-35.

- |                                     |                                    |
|-------------------------------------|------------------------------------|
| 38. D. C. Chorpening                | 58. James D. Witte                 |
| 39. John Bruce Cox                  | 59. Regionald Rushing <sup>6</sup> |
| 40. Edwin Hanson                    | 60. W. F. Johnson                  |
| 41. Roy V. Rester                   | 61. C. J. Brasher <sup>7</sup>     |
| 42. James C. Wishart <sup>4</sup>   | 62. Edwin H. Bruhl                 |
| 43. Jim Tom Barton                  | 63. M. C. Finley                   |
| 44. Henry A. Berry                  | 64. Vernon W. Lacey                |
| 45. Chas. O. Galvin                 | 65. Henry R. Lane                  |
| 46. Herbert E. Holm                 | 66. David L. Moonie                |
| 47. Howell Mitcham                  | 67. John T. Talkington             |
| 48. Howard E. Mitchell              | 68. Herbert H. Thaxton             |
| 49. Wm. E. Ponder                   | 69. Sidney A. Padgett <sup>8</sup> |
| 50. Leon E. Smith                   |                                    |
| 51. Fladger Tannery                 |                                    |
| 52. Lawrence M. Wesson <sup>5</sup> |                                    |
| 53. Charles A. Mehlhorn             |                                    |
| 54. Charles W. Leininger            |                                    |
| 55. Herbert Cushman                 |                                    |
| 56. Denice E. Pitcock               |                                    |
| 57. William A. Harrison             |                                    |

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<sup>4</sup> Resolutions Committee "Resolutions," *The Texas Accountant* 14, no. 7 & 8 (July And August 1942): 7; Identifies 7 previously unlisted members 36-42.

<sup>5</sup> *The Texas Accountant* 14, no. 10 (October 1942): 6; Lists members 43-52.

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<sup>6</sup> *The Texas Accountant* 14, no. 11 (November 1942): 8; Lists members 53-59 excepting one duplicate "Ivan D. Allred" #36.

<sup>7</sup> "Members Serving with the Armed Forces," *The Texas Accountant* 14, no. 12 (December 1942): 8; Lists members 60-61.

<sup>8</sup> "Society Honor Roll of Members serving with Armed Forces," *The Texas Accountant* 15, no. 1 (January 1943): 2; Lists members 62-69 excepting one duplicate "Charles W. Leininger."

## APPENDIX G

### Members of the Texas Society of Certified Public Accountants in Military Service: On January 1, 1945\*

- |     |                       |     |                          |
|-----|-----------------------|-----|--------------------------|
| 1.  | Allred, Ivan D.       | 22. | Cushman, Herbert         |
| 2.  | Andrews, Robert H.    | 23. | Dance, Guy E.            |
| 3.  | Barton, Jim Tom       | 24. | Davis, Ben M.            |
| 4.  | Becker, E. D.         | 25. | Davis, George M.         |
| 5.  | Berry, Henry A.       | 26. | Dayton, Wilbur Ol.       |
| 6.  | Block, Charles M.     | 27. | Dietert, Clarence E.     |
| 7.  | Bollman, Henry C.     | 28. | Dillehay, Thomas J., Jr. |
| 8.  | Box, David E., Jr.    | 29. | Early, Allen M.          |
| 9.  | Brasher, C. J.        | 30. | Finley, M. C.            |
| 10. | Brink, Victor Z.      | 31. | Galvin, Charles O.       |
| 11. | Bruhl, E. L.          | 32. | Grant, Mahlon H.         |
| 12. | Carpenter, Orville S. | 33. | Greenfield, George B.    |
| 13. | Carter, Arthur H.     | 34. | Hanson, J. Edwin         |
| 14. | Cherry, Thomas H.     | 35. | Harrison, William A.     |
| 15. | Chorpening, D. C.     | 36. | Hibbetts, Robert J.      |
| 16. | Chumney, W. T.        | 37. | Holliday, Raymond M.     |
| 17. | Clary, Victor R.      | 38. | Holm, Herbert E.         |
| 18. | Condray, William W.   | 39. | Hudlow, W. L.            |
| 19. | Cox, John B., Jr.     | 40. | Hurst, Harry E.          |
| 20. | Crow, F. T.           | 41. | Hurst, Kenneth W.        |
| 21. | Curry, Dudley W.      | 42. | Johnson, E. L.           |

43. Johnson, Worth F.
44. Jones, Marshall W.
45. Jones, Tom C.
46. King, Tom C.
47. Lane, Henry B.
48. Mehlhorn, Charles A.
49. Meroney, Charles A.
50. Miller, Albert H.
51. Mitcham, Leonard H.
52. Mitchell, Howard E.
53. Moonie, David L.
54. Otto, Kenneth K.
55. Padgett, Sidney A.
56. Pitcock, Denice E.
57. Ponder, W. E.
58. Price, Franklin D.
59. Rester, Roy V.
60. Rosenberg, Louis
61. Roten, W. D.
62. Rushing, Reginald
63. Russell, A. Lynn
64. Schnabel, Albert O.
65. Schuhmacher, Alexander
66. Scott, Stanley J.
67. Shaw, Truxton L.
68. Sheffield, Jim Cook
69. Smith, Henry C.
70. Smith, Leon E.
71. Stubbs, Stoney M.
72. Talkington, John T.
73. Tannery, Fladger F.
74. Teagarden, Robin D., Sr.
75. Tedder, E. F.
76. Thaxton, Herbert H.
77. Thomas, J. E.
78. Vaughan, Fred M.
79. Wagner, Winfield J., Jr.
80. Watson, Charles A.
81. Welgehausen, Kurt A.
82. Wesson, Lawrence M.
83. Westfall, Ted B.
84. Williams, P. G., Jr.
85. Wishart, James C.
86. Witte, James D.
87. Woodard, W. C.
88. Wyll, Esir



89. Young, Winston K.

90. Ziegler, S. E.

\* One member, James M. Dodson was killed in action.  
One member, C. W. Leininger, had returned to civilian status.<sup>1</sup>

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<sup>1</sup> "Members of the Texas Society of Certified Public Accountants in Military Service January 1, 1945," *The Texas Accountant* 17, no. 1 (January 1945): 3.

## APPENDIX H

New York State Society of Certified Public Accountants  
Members in Government Service  
From the June 1941 issue of the *New York Certified Public Accountant*:

1. Raymond E. Barker
2. Harold S. Benjamin
3. Kermit J. Berylson
4. Robert S. Brumagim
5. Charles Daum
6. Frederick W. Earnhardt
7. Samuel Eisen
8. Samuel E. Ellis
9. E. George Fuchsman
10. Lewis Gluick
11. Moore P. Huffman
12. Stuart Jenkins
13. Harold Keller
14. Andrew C. King
15. Edward M. Lausted
16. R. Louis Lazo
17. James F. Leach
18. Clifton F. Leatherbee
19. Adlai Richard Lewis
20. David J. Lewis
21. Robert C. Loudon
22. Samuel G. Marcus
23. Wallace A. Mitchell
24. Allen Eugene Murison
25. Harold J. Olson
26. Leon L. Radin
27. Jesse Rubenstein
28. Joseph Schultz
29. Albert Sobel
30. Ernest I. Steinberg
31. Henry van Daalen, Jr.
32. Joseph J. Wagner
33. Charles F. Werber, Jr.<sup>1</sup>

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<sup>1</sup> "Members in Government Service," *New York Certified Public Accountant* 11, no. 9 (June 1941): 495-496.

From the October 1941 issue of the *New York Certified Public Accountant*:

1. Herbert W. Aronson
2. Seymour Edward Blum
3. Donald B. Caton
4. Leonard Edelson
5. Arthur F. Evans
6. Martin Kelton
7. Abraham Kraditor
8. William G. Leary
9. Norman Lewis
10. Mitchell F. Munder
11. Otis K. Smith
12. Maurice Seifert
13. Andrew Weiss
14. Irving Zelon
15. Arthur H. Carter

From the May 1942 issue of the *New York Certified Public Accountant*:

1. Anderten, George L., U.S. Army
2. Dragan, Joseph, U.S. Army
3. Mills, Floyd, Reconstruction Finance Corporation
4. Oraftik, Charles John, Officers' Club, Fort Meade
5. Steers, Philip L., U.S. Army
6. White, H. Edward, Department of Justice
7. Auerbach, Harry S., U.S. Army
8. Evens, Bernard, U.S. Army
9. Kennedy, Joseph Daniel, Jr., U.S. Navy
10. Miller, Richard A., F.B.I.
11. Pepper, Daniel M., U.S. Army
12. Taylor, Jerome Harold, U.S. Navy
13. Walker, Louis, Philadelphia Quartermaster Depot, U.S. War Department
14. Blum, Seymour Edward, U.S. Army
15. Clark, Howard Longstreth, U.S. Navy
16. Frey, Bernard, G.A.O.
17. Hewell, Walter R., War Department, Quartermaster Corps.<sup>2</sup>

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<sup>2</sup> "Elections," *New York Certified Public Accountant* 12, no. 8 (May 1942): 463-465.

## APPENDIX I

Accountants in Uniform:  
A Compilation of Service from the State Societies of Certified Public Accountants

### **The Utah Association of Certified Public Accountants<sup>1</sup>**

Dean W. Chipman	Sergeant, U.S. Army
Robert L. Edwards	Lt. Col., U.S. Army
H. Smith Evington	Lt., U.S. Army
Grant F. Goddard	Lt., U.S. Marine Corps
Charles M. Griffin	Captain, U.S. Army
L. Spry Kelly	Lt., 12 <sup>th</sup> U.S. Naval District

### **The Tennessee Society of Certified Public Accountants<sup>2</sup>**

R. E. Compton	Captain, U.S. Army
Reed B. Grooms	Army Finance School, Wake Forrest
Robert Caldwell	Corporal
Charles E. Wall	2 <sup>nd</sup> Lieutenant
James Hinkle	U.S. Coast Guard
Landon C. Haney	1 <sup>st</sup> Lieutenant
Jesse Willard	2 <sup>nd</sup> Lieutenant
Bill Chapman	Private
Douglas Roland	Private

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<sup>1</sup> The Utah Association of Certified Public Accountants, "Members of the Utah Association of Certified Public Accountants now serving in the Armed Service," *The Utah C.P.A.* (May 1944): unnumbered page.

<sup>2</sup> "Nashville Chapter Notes: Members in Armed Service," *Tenne CPA* 2, no. 4 (October 1942): 6.

**The South Carolina Association of Certified Public Accountants<sup>3</sup>**

Wesley B. Edgar	Lt., U.S. Navy
Sigmund W. Stoudenmire	Lt., U.S. Navy
John C. Winn	Captain, U.S. Army

**The District of Columbia Institute of Certified Public Accountants<sup>4</sup>**

Paul B. Oehmann	Theodore McGann
Irving W. Carpenter	Udell Savage
Elmer A. Hennig	Paul E. Blocker
Louis F. Lucas	Simon Wolfe Levitan <sup>5</sup>

**The New Jersey Society of Certified Public Accountants<sup>6</sup>**

Harold L. Amber	William B. Kaufman
John B. DiCarlo	Allan Krosskove
Sidney Edelstein	Harry Marmorstein
Howard F. Elin	Chester C. Pritch
Carl Gerdes	Morris Schwartz
Charles Goldestein	Adelbert F. Schefter
Max Gottlieb	Wm. A. Sternkopf, Jr.
Leon Howard	James L. Turner

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<sup>3</sup> The South Carolina Association of Certified Public Accountants, "Roll of Honor," *The South Carolina Certified Public Accountant* 3, no. 1 (December 1944): unnumbered page.

<sup>4</sup> The District of Columbia Institute of Certified Public Accountants, "Active Duty" *D.C. Institute of C.P.A.s* 2, no. 1 (October 1941): 10; the Institute was unable to provide the rank or service of these members.

<sup>5</sup> The District of Columbia Institute of Certified Public Accountants, "News Item," *The Certificate* 3, no. 1 (September 1942): 10; Blocker and Levitan resigned from the Board of Governors to enter the armed services.

<sup>6</sup> The New Jersey Society of Certified Public Accountants, "Additional Members Serving in the Armed Forces," *New Jersey C.P.A. Journal* 14, no. 1 (January 1944): 6; the Society did not provide the rank or service of these members.

**The Society of Louisiana Certified Public Accountants**<sup>7</sup>

*United States Army*

Col. Lucian J. Moret  
Lieut. -Col. Thomas F. Bienvenu  
Lieut.-Col. Daniel Borth Jr.  
Lieut.-Col. Charles L. Seeman  
Lieut.-Col. Melvin J. Welsh  
Major Edward A. Dinkelspiel  
Capt. Donald E. McLean  
Lieut. Alphonse C. Elmer  
Lieut. Richard J. Meunier  
Lieut. Harry Nowalsky  
Staff Sgt. W. H. Eversmeyer, Jr.  
Sgt. Wilbur L. Ellis  
Corporal Cyril F. Hoorman  
Bernard S. Jacobs (rank not given)

***Branch not given***

Jewel L. Bates, Jr.  
H. H. Fullilove  
Bernard H. Levy

*United States Navy*

Lieut.-Com. Neal F. Pendleton  
Lieut. Gayle L. Dalferes  
Lieut. J. G. Ehrlicher  
Lieut. Dennis A. Barry  
Lieut. H. H. Aiken  
Lieut. (j. g.) N. F. Anderson  
Lieut. (j. g.) Harold A. Buras  
Lieut. (j. g.) E. P. Verlander  
Ensign Francis L. Durham  
Ensign J. W. LeBlanc, Jr.  
Ensign Walter S. Savage, Jr.<sup>8</sup>

***United States Marines***

Staff Sgt. Joseph J. Falgout  
Mayson Foster (rank not given)

***United States Coast Guard***

Lieut. Joseph M. Carriere  
Ensign Joseph V. DiRosa  
Warrant Officer Jacques A. Livaudais  
Marcel J. Messonier, Jr. (rank not given)

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<sup>7</sup> Laurent J. Roger, ed., "Members in Armed Forces," *News Bulletin: Society of Louisiana Certified Public Accountants* 5, no. 1 (Summer 1945): 11-12.

<sup>8</sup> Otis J. Chamberlain, ed., "Killed in Action," *News Bulletin: Society of Louisiana Certified Public Accountants* 1, no. 3 (April 1942): 3.

**The Massachusetts Society Certified Public Accountants<sup>1</sup>**

*United States Army*

C. Carter Billings

F. Gordon Brigham, Jr.

Arnold F. Cullman

Frederick H. Dodkin

E. Paul Flynn

Charles C. Hornbostel

Walter I. Horlick

John A. Little

Henry Lloyd

Joseph M. Murphy

Frank R. Nims

William A. Reardon

Henry M. Reynolds

Adam Rhodes

William J. Weir

John N. Wilhelm

*United States Navy*

Harry L. Annis

Robert P. Beach

Walter E. Brown

Irwin S. Decker

Taylor A. Duncan

Joseph B. Fyffe

L. Kermit Gerhardt

T. Leroy Martin

William A. Munroe

Parker E. Noyes

Forrest W. Pinkham

Robert D. Robinson

David M. Smith

J. Harold Stewart

Gerald L. Walsh

John G. Whitam, Jr.

Hamilton Young

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<sup>1</sup> "Service Roll," *Massachusetts Society of Certified Public Accountants, Inc.: News Bulletin* no. 2 (December 1942): 11.

## APPENDIX J

### Interview Questions

- Begin by reminding the subject why the interview is happening. Explain when it will be published and why he is important to this story.
- Get the basic facts out of the way. Ask for the complete spelling of names, titles or rank, and firm or unit detail and areas of operation with commanding officers, if applicable.
- Start with the most important questions that you must have answered. Deal with the who, what, when, where, why and how of the story then obtain personal anecdotes for color.

### Questions for all Interviewees

1. Tell me about your activities during World War 2. Military, Public, or Private Accounting?
2. Where did you work?
  - a. City, State or Theater of operations
  - b. With whom? Ex. Name of Service branch, Firm Name, or Company
  - c. When were you in these areas?
  - d. What position or Rank did you hold?
  - e. What recognition or awards did you receive?
3. Briefly, describe your chief duties during this time.
4. How would you characterize the importance of your work during this period?
  - a. What were 2-3 particularly difficult problems you faced?
  - b. How were they surmounted?
  - c. What are some of the biggest misconceptions surrounding your work during this period?
  - d. Of your achievements during this period of which are you most proud? Why?
5. Describe the effect of this period on your postwar career.
  - a. In regards to Career selection
  - b. To Education opportunities – i.e. GI Bill
  - c. To Social Network
  - d. Personal maturity, confidence, leadership
  - e. Work Ethic
  - f. Morality
  - g. Personality: extrovert to introvert or opposite?
6. Which of your colleagues from this time period could shed further light on these actions?



- a. Available for interview?
  - b. Surviving family members?
7. Are you aware of any literature, published or unpublished, that would shed light on your work or your peers?
    - a. Do you have any correspondence, letters or diaries from this period?
    - b. Many gave speeches, most of which are unpublished – are you aware of any?
  8. What has been overlooked by most historians?
    - a. Why this oversight?
    - b. What is the detrimental effect, if any, that results from this oversight?
  9. What did we not discuss that would be of interest to readers, to posterity?
  10. Do you have any questions?

Additional Questions for Military Personnel

11. How old were you when you entered service? Discharged?
12. Were you selected for an accounting/finance/recording function?
  - a. How did the selection process work?
13. Where were you stationed?
  - a. Were you sent overseas? Where?
  - b. Did you see actual combat?
14. What types of training did you receive?
  - a. Where? When?
  - b. Did you receive any specialized training?
  - c. Who were the instructors? Any Notable?
  - d. Were you aware of other training programs similar to yours? Where were these held?
15. Briefly describe the record keeping system in use by the military.
  - a. Did you account for the loss of equipment? How?
  - b. How did the pay get into the field?
  - c. How frequently did your reporting requirements change?
16. Did you audit outside contractors? Where, when, problems?

Additional Questions for Industry Accountants

17. What role or guidance, if any, did the professional societies (NACA) provide?
18. In which industries did you work?
  - a. Were you an employee or private contractor?
  - b. What was your title?
  - c. What types of products did the company produce? Consumer or military? How much was produced? Was this an essential item for war?
19. Briefly describe the accounting system and your involvement with the following:
  - a. Contract renegotiation

- b. Contract termination
  - c. Systems work
20. What records did Washington require for reimbursement?
- a. What percentage of reimbursement did your company receive?
  - b. Who handled the negotiations?
  - c. How did you determine your costs?
21. What role did outside auditors have?
- a. In contract termination
  - b. In systems work
  - c. In audits

#### Additional Questions for Public Accountants

22. What role or guidance, if any, did the professional societies (AICPA & State Societies) provide?
23. How did your firm meet increasing demands with decreasing manpower?
24. What activities consumed the majority of your time during this period?
25. Did you or your firm engage in consulting assignments during the war?
- a. Of what nature?
  - b. For Whom?
26. Describe any work done for major contractors or subcontractors.
27. Did the war force the profession to change or merely hasten changes which were already occurring?
28. What were these changes?
- a. Were the changes brought about desirable or not? Why?
  - b. In the postwar period what new services came into demand?

#### Closing Comments

- Thank them for sharing their past.
- Ask them to contact you if they recall any other pertinent information, uncover documents, or remember other useful sources.
- Ask them for permission to contact them for follow-up questions or clarification of answers.

## **BIOGRAPHICAL SKETCH OF THE AUTHOR**

“It is well for a man to respect his own vocation whatever it is, and to think himself bound to uphold it, and to claim for it the respect it deserves.” Charles Dickens

Mark Ernest Jobe, the son of Ernest and Peggy Jobe, was born in Tupelo, Mississippi, in 1971. Reared in northeast Mississippi, Jobe graduated from Booneville High School in 1989. In 1991, he received his Associate of Arts degree from Northeast Mississippi Community College. Continuing his education at The University of Mississippi, Jobe completed his Bachelor’s and Master’s in Public Accounting in 1993 and 1994 respectively.

Mr. Jobe’s first job was with the Peoples Bank & Trust Company where he worked in a variety of positions including loan review, lending, collections, and auditing. Leaving the banking world, he next ventured into the manufacturing sector where he was the controller for Gateway Incorporated in Corinth, Mississippi. In 1997, Jobe became the General Manager for Indian Head Inc. -- a manufacturer in the sporting goods industry.

Jobe returned to the academic world in 2003 when he began his doctoral work at The University of Mississippi. After completing all coursework requirements, comprehensive final examinations and passing the CPA exam, he joined the faculty at Arkansas State University in 2007 where he continued until the fall of 2010.