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Several days later we made an interim cash verification, obtaining a special statement of the bank account. Our bank reconciliation, which took into account the errors previously noted, showed again that the bank balance according to the books was understated by the amount of the errors, which, of course, positively indicated a defalcation but did not furnish evidence of the method of perpetration or prove definitely who was the defaulter.

In order to determine the exact dates and amounts of the shortage, we requested the general manager to accompany us to the company's bank so that we might examine the bank's ledger sheets. Upon our return from the bank, the general manager found a note from the office manager in which the shortage was admitted. Later a sworn confession was obtained.

The defalcation was perpetrated in two ways. One method, used only during the absence of the general manager, was the issuance of pay-roll checks to fictitious employees. The other method comprehended raising the written figures of regular disbursement checks, properly signed and entered. In this case, the discrepancies between the written figures and the protectograph amounts were apparently overlooked by the paying bank. All of the irregular checks were destroyed.

This particular shortage, though of a comparatively small amount, was perhaps not unusual in the methods of perpetration, or in the manner of attempted concealment. However, the shortage was "covered" on the books by understating an asset, and the arrangements with our eastern client did not comprehend an audit which would disclose understated assets. The case is, therefore, interesting in demonstrating again that even relatively routine tasks, if done carefully, and with thought as to their purpose, may furnish unexpected clues leading to the discovery of a shortage.

### Additions to the Library

American Bankers Association. *The Summary of a Survey of Methods of Computing Interest on Savings Accounts in Banks in the United States.* (New York, American Bankers Assn., 1928. 11 p.)

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—*Methods of Departmentizing Merchandise and Expense Figures for Plumbing and Heating Supply Wholesalers,* by Sidney A. Swensrud. (Boston, n. p. 1928. 35 p. Bulletin No. 72.)

—*Operating Expenses of Plumbing and Heating Supply Wholesalers in the Central States in 1927.* (Boston, George H. Ellis Company, 1928. 35 p. Bulletin No. 71.)

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Schmalz, Carl N. *Standard Departmental Stock-Sales Ratios for Department Stores.* (Ann Arbor, Univ. of Michigan, 1928. 62 p. Michigan Business Studies.)