

11-1921

Traveling Auditor

Herbert W. Joyce

Follow this and additional works at: <https://egrove.olemiss.edu/jofa>



Part of the [Accounting Commons](#)

Recommended Citation

Joyce, Herbert W. (1921) "Traveling Auditor," *Journal of Accountancy*. Vol. 32: Iss. 5, Article 3.
Available at: <https://egrove.olemiss.edu/jofa/vol32/iss5/3>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Journal of Accountancy by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

The Traveling Auditor

By HERBERT W. JOYCE

The traveling auditor representing a large industrial organization must be a man of the resourceful type—a thorough accountant with a clear understanding of prevailing business methods. Although his chief function is to audit the books and accounts, nevertheless many problems outside the realm of what might be termed strictly accounting will be submitted to him for solution, such as matters connected with the extension of credits, collections, matters of general policy, etc. He may not be called upon to solve these problems in an official manner, but considerable dependence will be placed upon his opinion. This article is intended to deal principally with the question of efficiency in the traveling auditor's regular work. His efficiency may be judged in several ways, as follows:

1. By the length of time required to conduct an audit.

It is a well known fact that considerable time may be wasted on an audit through failure properly to plan out the work, and for this reason it is always advisable to lay out an audit programme before commencing the actual auditing work. Experience has taught that by listing the names of the various individuals in the accounting department, together with the various books kept by each individual, considerable time is saved which otherwise would be consumed by duplicate inquiries.

In the auditing of vouchers time can be saved by checking the vouchers in groups and placing a check mark opposite the entry covering the first and last vouchers of the group. By this method, instead of having, say, fifty check marks for a group of vouchers, only two check marks will be made, but the efficacy of the audit will be in no way impaired.

2. By the ability of the traveling auditor to accomplish his work with as little interference as possible in the regular routine work of the office under review.

Upon commencing an audit, it is always well to make arrangements with the chief accountant, advising that the general policy will be to use only such books as can be spared. Under this plan, certain books will be turned over daily and these

books will be available usually for auditing purposes for a certain specified time. It is always desirable, however, for the traveling auditor to have his programme so arranged that, should the accounting department require a book quickly in an emergency, it can be turned over and another branch of the work started without retarding the auditing work. In some cases it has been found advantageous in large offices to maintain loose-leaf voucher record books or bound books covering alternate months for the reason that very often the same book is required by the voucher clerk, the ledger clerk and the traveling auditor at the same time.

Although it is the prevailing custom in most offices to record journal and disbursement vouchers in one book, using the same distribution columns for both classes of vouchers, nevertheless where large numbers of journal vouchers are recorded it is often found desirable to keep a separate voucher record exclusively for journal vouchers. This plan works for efficiency in the same manner as previously outlined for the use of loose-leaf and alternate voucher record books.

3. By his ability to improve the accounting methods.

Very often the traveling auditor will find that there is considerable duplication of work, although perhaps some apparent justification for the keeping of duplicate records will exist. In attempting to remedy a condition of this kind, the traveling auditor must proceed with extreme caution. If necessary a day or two should be spent in going over the subject in great detail with a view to being able to refute any arguments which may be advanced in support of the existing methods by either the local accounting department or by the executives in charge of the office. For instance, if it is found that the accounting department and the sales department are tabulating practically the same information, it may be desirable to have the accounting department furnish the necessary information to the sales department rather than to have both departments keep similar records. This is often the case with statistical information relative to the efficiency of traveling salesmen, various territorial statistics, etc.

One of the most prolific sources of wasted effort in an accounting office is the unnecessary transcribing of records where carbon copies of the original could be used for the permanent record. By the installation of loose-leaf methods the

traveling auditor will often find it possible to cut down the clerical work considerably. When cases of this kind come within the observation of the traveling auditor, he should endeavor to install such labor-saving devices as may be practicable, always, however, consulting with the chief accountant, having in mind that a system adopted with the approval of the local accounting head will probably be heartily supported by the local staff.

4. By his ability to discover any factors contributing to financial loss on the part of the office under review.

It is quite natural to assume that if a traveling auditor represents an annual outlay to his employers of a certain amount per annum, and if he is able in the course of a year to discover overpayments in excess of this amount, his efficiency will not be open to question, because he has been practically self-sustaining, and all work of a constructive nature which he has accomplished during the year has not involved expense to his employers.

There are many ways in which the traveling auditor by the exercise of perception may discover overpayments which might never be brought to light by the local accounting force. In the first place, he is at a great advantage because in conducting his auditing work he is able to concentrate entirely upon it and, unlike the chief accountant, is not occupied with matters of daily routine which must receive attention. Therefore, in the auditing of disbursements, it behooves the traveling auditor to investigate from every possible angle every voucher which comes within his observation. It will be found by experience that vouchers which are apparently correct in every respect may conceal overpayments of substantial amounts. It is only by reference to purchase contracts and other available data that discrepancies may be revealed.

For instance, a carload of goods may be bought "delivered." The shipper may forward the car "freight charges collect." Under the voucher system of accounting, unless complete supplementary records of purchases are carefully maintained, it is quite possible that freight charges of this kind may be absorbed by the receiving plant through failure of the local accounting department to make the proper deduction from the invoice in making settlement. Of course, the voucher would not reveal that this freight had been absorbed although some

clue to the fact might be gleaned from the purchase invoice.

To follow this question of freight still further, it is quite possible that a carload of goods for delivery at Baltimore may be bought f. o. b. Cincinnati, Ohio, "freight collect." The actual shipment may have been made from St. Louis, Missouri. The differential in freight may be \$5 a ton. Unless a careful investigation be made, not only of the contract covering the shipment but also of the "freight inward" account, this additional freight may be absorbed, although it should properly be deducted from the voucher covering payment to the shipper.

Often a plant shipping goods to customers will make some sales contracts f. o. b. shipper's factory while others will be made on a delivered-at-destination basis. The traveling auditor must pay particular attention to the "freight outward" account where such a condition exists because, unless there is a good check on the freight disbursements, there is a possibility that the billing department may fail to charge customers for freight which has been prepaid for their account. Owing to the prevailing high freight rates, overpayments represented by the incorrect handling of freight charges will involve substantial sums and, in nearly every instance, will more than compensate for the time spent in the necessary investigation.

The subject of freight has been covered in some detail owing to its importance (particularly in manufacturing concerns), but many examples of overpayments have been found due to other causes. Frequently overpayments are due to the payment of duplicate invoices, the payment of statements when invoices covering them have previously been paid and the payment of credit memoranda as invoices. Overpayments also may be due to failure to deduct discounts, interest covering anticipated payments and special concessions allowed by contract. Financial loss may result from the distribution to current expenses of charges which are intended for individual accounts. While errors arising in this manner may occur infrequently, the traveling auditor must continually exercise caution in the passing of disbursement vouchers in order to discover anything irregular.

An endeavor has been made in the foregoing to outline various methods whereby the traveling auditor can accomplish results of a nature beneficial to his employers. In conclusion it might be well to state that the reports which he has sub-

mitted to the management will reflect to a great extent the measure of his efficiency. He should prepare at the close of each year a résumé outlining briefly such changes as have been made involving economy of operation and tabulating such recoveries of overpayments as he has been able to make and submit it to the general auditor. By this method not only does he bring to the notice of the general auditor what he has accomplished for the company during the year, but he calls to mind such improvements as have been made and makes it possible for the general auditor to review the results of the year's work and extend the benefits derived to other branches of the company's activities.