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The C. P. A. Bulletin

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No. 12

The National Association of Certified Public Accountants
WM. DE LAROCHE ANDERSON, Acting Editor

Nov. 1, 1922

NATIONWIDE

Service of Accountancy

LESS

Field, Travel, Lost-time, Cost

ENABLES

Higher Remuneration

Lower Cost Better Service

ESTABLISHED THROUGHOUT THE COUNTRY

National Association Starts Constructive Program

Now that the officers of the National Association of Certified Public Accountants feel that the Association has safely secured its position as the leading organization of the profession and that its principles have become generally recognized and approved, a constructive program to make the principles of the Association economically effective, heretofore held back by the necessity of "proving" the Association before the community, is now being inaugurated.

START OF CONSTRUCTIVE PROGRAM

Any constructive program, such as is implied by the charter of the National Association, in its purpose of bringing together of accountants to their betterment and to the improvement of the profession, must be one which to be effective, will bring about a better public service, as well as a better, more profitable and united profession. To this end a National Co-operative service is proposed which, if properly managed by the officers and supported by the membership, will result in more business and more profitable business to the members, a higher standard in not only theory but in practice of the profession and a wider, better and less costly service to the public.

NATIONAL SERVICE INVENTORY

To enable each and every member of National Association of Certified Public Accountants to effectively offer, and to enable the **Business, Financial and Credit** agencies of the country to economically receive, the aggregate service value contained in the largest organization of public accountants in the country, it has been decided it will be necessary, as a first step, in the National constructive program to tabulate, under functional headings, in a central Clearing House, the nature and kind of capabilities which can be offered and where and in what individual they may be located.

NATIONAL SERVICE CLEARING HOUSE

As a second step, it will be necessary to accept National headquarters as being the depository of the records of segregated service capabilities, and the officers of the National the coordinating, controlling and supervising medium of the service.

Continued on Page 7.

Malpractice Insurance.

Under the head of Accountants Indemnity the Maritime Service Corporation, 115 Broadway, N. Y. are offering through circular letters, indemnity to Accountants and Branches for neglect, default or error. Attached to the circular letters is the following, taken from the Journal of Commerce and Commercial Bulletin of May 11, 1922.

Brokers' \$1,171,000 Verdict Cut To \$2,000.

One of the largest verdicts ever awarded by a jury in the Supreme Court was handed down in Justice Lehman's part yesterday afternoon, when W. R. Craig & Co., brokers, of 15 William street, received a verdict of \$1,171,000 in their suit against Barrow, Wade, Guthrie & Co., public accountants, of 120 Broadway.

Justice Lehman reduced the verdict to \$2,000 and told the jury that the case would go to the Appellate Division for decision as to whether his judgment was correct. Max D. Steuer was counsel for the plaintiffs.

The plaintiffs alleged that the accountants had been negligent in the performance of their duty while looking over the plaintiffs' books, which resulted in Robert Moore, an employee, misusing more than \$1,000,000. Moore was sent to Sing Sing Prison in 1918, having been sentenced to serve from two to four years. He was pardoned by former Governor Whitman.

From the above case and from the following copy of Indemnity policy it is interesting to note that the "contractor" accountant in this country is made immune under our laws and court rulings from the results of his negligence and malpractice to the extent of $\frac{2000}{1,171,000}$, or less than two tenths of one per cent, which small liability he may escape by taking out insurance which reimburses him if the Insurance Company cannot entirely beat his suffering client in the court.

Accountants Indemnity.

Policy "A"

Attaching to and forming part of Policy No. effected with Lloyds' Underwriters.

WHEREAS Accountants of Branches, paid \$ Premium or Consideration to us who have hereunto subscribed our names to insure from loss for any claim against them which may arise during twelve calendar months commencing on the day of 19 and ending on the day of 19 both days inclusive, through any act of neglect, default or error on the part of the firm or their predecessors in business, or their partners, or their servants, in the

conduct of their business as Accountants.

Warranted free of all claim for losses not discovered during the currency of this Policy.

It is understood and agreed that this Policy is only to pay the excess of \$2500 in respect of each and every loss.

Now know ye that we the Insurers do hereby binds ourselves each for his own part and not one for another, our heirs, executors and administrators, to pay the said Messrs.

their executors, administrators and assigns all such loss not exceeding the sum of within seven days after such loss is proved, and that in proportion to the several sums by each of us subscribed against our several names.

In the event of claim occurring likely to exceed \$2500 no costs shall be incurred without consent of the Underwriters' hereon. Should the claim become adjustable previous to going into Court for a sum of not more than \$2500 then no costs shall be payable by the Underwriters.

Should, however, the sum for which the said claim may be so adjustable exceed \$2500 then the Underwriters, if they consent to proceedings continuing, shall contribute to the costs in the proportion as their proportion of the liability for the claim as then adjustable bears to the whole amount payable.

"B"

We further agree to pay any such claim or claims which may arise without requiring the Assured to dispute any claim unless Messrs. Butcher, Tanner & Fosler advise that the same could be successfully contested by Assured, and the Assured consents to such claim being contested, but such consent not to be unreasonably withheld.

In the event of our requiring any claim to be disputed by Assured, we agree to pay all costs, charges and expenses in connection therewith.

Announcements.

Louis I. Kane, Certified Public Accountant, State of New York, Member National Association of Certified Public Accountants, announces the removal of his offices from the Aeolian Building to The Bar Building, 36 West 44th St. New York City. Telephone Murray Hill 9199.

Oscar Meltsner, Certified Public Accountant, N. A. announces the removal of his offices from 44 East 23rd Street to 220 West 42nd Street (Candler Building) New York. Phone Bryant 9253.

T. E. Mackintosh, C. P. A., N. A. announces the removal of the offices of Mackintosh & Co., Consulting and Constructive Accountants from the Grand Avenue Temple to the Wirthman Building, Thirty first street and Troost Avenue, Kansas City, Mo. Telephone Number, Hyde Park 4831.

American Institute Members and "State" Certified Public Accountants failing - \$1,000,000 Misappropriation Brought to light by National Member.

The firm of Barrow, Wade, Guthrie & Co., who failed to discover the misuse of more than \$1,000,000. in their examinations of the books of W. R. Craig & Co. of New York City, are members of the American Institute of Accountants and their staff is practically all composed of "State" Certified Public Accountants and members of the American Institute. The Accountant who discovered and reported this condition and showed up the Barrow, Wade delinquency, Richard E. Glide, is a member of the National Association of Certified Public Accountants.

Edward E. Gore, a member of the staff of Barrow, Wade, Guthrie & Co., is President of the American Institute and a member of the board of Examiners of the State of Illinois.

Speaking at Washington against the National Association of Certified Public Accountants, before a Senate Committee, Mr. Gore of Barrow, Wade, Guthrie & Co. had this to say: (Official Hearing-Page 35) "Here we have in the District of Columbia the only place where one can go and get a certificate without going through an examination and displaying the qualities that are required in the various States in this country. I regard it as a disgrace to the United States that here, and that here only, can be obtained a certificate without demonstrating the qualifications that are required by the various States. I am not speaking idly, when I make that charge, because I know of some of the men who hold certificates issued by this National Association, and I know they were not qualified and they are not qualified today." The question arises was Mr. Gore of Barrow, Wade, Guthrie & Co. thinking of Mr. Glide when he gave the U. S. Senate this interesting bit!

Mr. Gore, "State" C. P. A., President American Institute.

(Testimony-Official Hearing Page 36.)

Mr. ANDERSON. How many public accountants can a certified public accountant successfully supervise and give the professional service which is supposed to be back of the degree of certified public accountant?

Mr. GORE. That test would not be on the number of accountants he could supervise, but on the number of different jobs he could supervise. He can supervise from 6 to 10, the really capable man can. Other men are not capable of supervising more than from 2 to 5. It would be a very poor C. P. A. who could not supervise 2 or 3 or 4 or 5 jobs, using, perhaps, from 10 to 30 men on them.

Mr. ANDERSON. How do you define "supervision"?

Mr. GORE. I would start the work, put the men to work, then go with them from time to time, check the work up when finished, see that it is right, and make my report.

Mr. ANDERSON. The supervising accountant does not go over the books at all?

Mr. GORE. He makes a proof on the work.

Mr. ANDERSON. Even though he signs the report?

Mr. GORE. Not at all. It is not his duty. He does not sign the report in my organization. After he makes the report, he passes it on up to the heads of the house, and they make it, using such parts of his work as they want, changing the phraseology as they see fit.

Mr. ANDERSON. The report is not the report of the man who made the audit, but of somebody who has been in the office and who calls himself a certified public accountant.

Mr. GORE. It is the work of men who by their qualifications have found themselves able to command a responsible accounting business, having the confidence of the community and being able by their skill and attention to business to build up such a business as requires the assistance of other men, and who give to it the work that rounds it out, perfects it, and puts upon it the stamp of the character of the establishment.

From which it would appear that Barrow, Wade, Guthrie & Co. following true to Mr. Gore's prescription for "State" C. P. A. practice, "rounded out and perfected" the report to W. R. Craig & Co. "by using such parts of the accountants work as they wanted", apparently not wanting "to use" the little \$1,000,000 item, and put "the stamp of the character of the establishment" upon the service rendered, with the result as above shown under the policy of practice prescribed by the now President of the American Institute of Accountants.

Florida Organizes State Chapter.

Professor of Accounting, University of Florida, President.

Organization of a state chapter of the National Association of Certified Accountants was completed Monday night at a meeting held in the offices of the Hackney Audit company in the First National Bank building, St. Petersburg, Fla.

The following officers were elected: R. E. Callahan, professor of accounting, University of Florida, president; Charles B. Selden, formerly director of finance, Miami, vice president; James H. Hackney, manager Hackney Audit company, St. Petersburg, secretary and treasurer.

Philadelphia Chapter Elects Officers.

The following officers were elected by the Philadelphia Chapter of the National Association of Certified Public Accountants at a meeting held at the Civic Club, Broad and Spruce Streets, on the evening of the 17 of October. President, Weston J. Hibbs, Treasurer U. G. I. Contracting Company, Vice-President G. A. Miller, Secretary, Irving I. Levine, Treasurer, R. A. Wright.

Other cities of Pennsylvania are organizing chapters and it is intended to form the State organization at a meeting of delegates sent from the various Municipal chapters.

Distinguished Visiting Members.

E. P. Kirby Hade of Hiller, Hade & Hartel, Accountants, Auditors and Industrial Engineers of Chicago, Pittsburgh and Milwaukee and B. F. Springer, Secretary of John Schroeder Lumber Co. of Milwaukee, both members of the National, were callers at headquarters in Washington. Mr. Hade has recently been appointed by the secretary of Foreign Relations of the Republic of Mexico as Honorary Consul of Mexico for the City of Milwaukee.

National Co-operative Service Inventory Form

Tentative - Send views, criticism, suggestions, to Editor, C. P. A. Bulletin, 63 Fifth Ave., New York for consideration before final approval of plan by Board of Governors.

When filled out by the members and returned unfolded to Washington "Attention Clearing House" - Some such form as the following will be properly filed to enable members to receive from headquarters "resident field assistance" of the kind and in the locality where required.

CLASSIFICATION OF PRACTICE		<input checked="" type="checkbox"/> General <input type="checkbox"/> Specialty
NAME <u>John Doe</u>		Date <u>October 15, 1922</u>
Street & No. <u>150 South St.</u>		I herewith report qualifications based on personal, practical experience, as follows.
City <u>N. Y.</u> State <u>N. Y.</u>		Signed <u>John Doe</u>
COMMERCIAL INDUSTRIAL — FINANCIAL		Check SPECIALTIES
Code <u>I</u> <u>E</u> <u>D</u>	S1—Amusements	
<input checked="" type="checkbox"/> Import <input checked="" type="checkbox"/> Export <input checked="" type="checkbox"/> Domestic	S2—Branch Accounts	
(M) Production or Manufacture (d) Distribution	S3—Bankruptcy	
<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	S4—Contracting	
Food	S5—Cost Finding	
Textiles <u>DD</u>	S6—Decedents Estates	
<u>DM</u> Clothing <u>dl</u>	S7—Farming	
Wood	S8—Factors	
Supplies	S9—Growing	
<u>DM</u> Machinery <u>DE</u>	<input checked="" type="checkbox"/> S10—Installment Sales	
Automobiles	S11—Municipalities	
<u>DM</u> Metal Products <u>dl</u>	S12—Personal Service	
	<input checked="" type="checkbox"/> S13—Publishers	
	S14—Retail Dept. Stores	
Check General Heads	S15—Real Estate	
Use Symbols against Items	S16—Reorganization	
TRANSPORTATION & UTILITIES		<input checked="" type="checkbox"/> S17—Systems
Code <u>T</u> <u>U</u>	<input checked="" type="checkbox"/> S18—Taxation	
<input checked="" type="checkbox"/> Transportation <input checked="" type="checkbox"/> Utilities	S19—(Others)	
Electric	S20—	
<u>T</u> Rail	S21—	
Water	S22—	
Gas	S23—	
<u>U</u> Telephone & Telegraph	S24—	
	S25—	
Check FINANCIAL	MINERALS	
<input checked="" type="checkbox"/> Banking	Ore	
Insurance	Oil	
<input checked="" type="checkbox"/> Brokerage	<input checked="" type="checkbox"/> Coal	
Promotion		
<input checked="" type="checkbox"/> Exchange		

Front of filing card.

National Association of Certified Public Accountants

Washington, D. C.

Accountants Explanation - (Explain each Sub Division Separately)

DM—Mens Suits	Date Accepted	DE—Auto Motors
DM—Auto Motors		DE & dl—Chandeliers
DM—Chandeliers	12-2-22	S10—Furniture
DD—Cotton Goods		ETC. ETC—
dl—Mens Suits		

FOR HEADQUARTERS USE ONLY

Inquiry	Recommended	To Whom Recommended	Address
Date	Date		
11-29-22	11-29-22	Richard Roe, C. P. A., N. A.	San Francisco

Back of filing card.

Form Prepared by Louis I. Kane, Certified Public Accountant, State of New York, Member National Association of Certified Public Accountants, Bar Building, 36 West 44th Street, New York.

Illustrative.

John Doe is a New York member of the National Association of Certified Public Accountants.

He has received a card from Washington headquarters which he has been asked to fill out, showing his practical experience as an accountant, classified according to the kinds of business and activities which he has had actual experience in serving.

He has filled out the card and returned it unfolded to Washington headquarters, showing that he has had previous practical experience in and is familiar from an accountants stand-point with import, export and domestic business (note checks against I. E. D) he knows the general subject of Production and Distribution (note checks M and d) and specifies by using these symbols and by checks in a general way, the activities he has had experience with. On the back of the card he goes into detail by stating the particular business activity against the symbol used or item checked on front of card.

It is indicated above that he, as a result of having this information at headquarters, has been recommended and accepted by Richard Roe of San Francisco who telegraphed for a New York member, especially familiar with furniture installment houses, to undertake a job for him in New York City.

October 18, 1922.

Mr. William De La Roche Anderson,
Acting Editor, National Association of
Certified Public Accountants,
Franklin Building,
Washington, D. C.

My dear Mr. Anderson:-

No doubt you have noted from the Baltimore papers that the "Blind Pools" are under fire and have been for some time.

In connection therewith I am enclosing to you Exhibits Nos. 1, 2 and 3 which I believe will be good material for your next publication.

For your personal information I will state that the firm of William A. Gillespie & Company is composed of William A. Gillespie, he holding a Maryland certificate, was at one time Secretary of the Board of Examiners and is at present State Auditor. Mr. Gillespie in connection with Mr. Harrison, of Washington, D. C., were the main instigators to defeat the National before the Senate and have formed what is known as the "Americian Society of Certified Public Accountants."

It struck me forcibly when I read the certification letter of August 18th, the last paragraph of which mentions "listed securities" and the second paragraph "capable of meeting all obligations and contracts" and then noting the Receivers' statement of October 17th, to the effect that there are no listed securities and no assets readily marketable.

This brings me back to my letter to you of September 15th, which by the way I note you made use of in the Bulletin of October 1st, and leads me to the belief that with general additional information now furnished you, the members of our Association ought to be more than willing to contribute \$5 each for the preparation of the enlarged responsibility card in the shape that I have outlined to you in my previous letter.

I would thank you to let me have your opinion on this and trusting that the information submitted to you will appear in the next Bulletin, I am

Very truly yours,

Baltimore Subscriber.

On August 19th, there appeared in the issue of The Baltimore News the following 7-inch, double column display advertisement:

**WILLIAM A. GILLESPIE & CO.
CERTIFIED PUBLIC ACCOUNTANTS
UNION TRUST BUILDING
BALTIMORE, MD.**

**NEW YORK OFFICE
140 NASSAU STREET**

**CUMBERLAND OFFICE
LIBERTY TRUST COMPANY**

August 18, 1922.

The Union Finance Company
731 Munsey Building
Baltimore, Md.

Gentlemen:-

Pursuant to your instructions, we report we have made an audit of the books and accounts of your Company from the date of beginning operations to August 15, 1922, and have found same to be correct.

We find your Company to be solvent and capable of meeting all obligations and contracts entered into with your clients.

We further certify that your Company purchases and sells listed securities in large volume, and your inventory of securities at the market at the close of business August 15, 1922, shows a substantial surplus over and above your obligations.

Respectfully submitted,

W. A. G. | M. B.

(Signed) William A. Gillespie & Co.

In the same issue of August 19th, the following Item also appears:

"STOCK POOL" PAYS \$1,000. FOR AUDITING
 OPERATORS REFUSE TO LET APPOINTED MEN DO WORK
 NONE ACCEPTS GRISWOLD OFFER

Though refusing to accept B. Howell Griswold's challenge to have their books audited by accountants appointed by Governor Ritchie, the Union Finance Company, 731 Munsey Building, operators of a so-called stock pool, paid \$1,000.00 to have the audit made by another firm.

The Union Finance Company, according to its manager, Charles W. Keller, has, however, paid the firm of William A. Gillespie \$1,000. to audit its books. The examination, according to a letter from the auditors, which is printed elsewhere as an advertisement, shows the Company to be solvent and capable of meeting its obligations.

REFUSES TO ALLOW AUDIT

Mr. Keller was asked today if he would allow the company's books to be audited by Haskins-Sells, there being certain facts which Mr. Griswold was desirous of proving or disproving which might not have been covered in the other audit.

He refused to allow the audit. Neither would he say why his company has paid \$1,000. for a private audit when a complete examination of the books could have been obtained by the acceptance of Mr. Griswold's challenge.

In the issue of October 17th, the following appears:

"A petition entered in behalf of William L. Noyes, claiming to have invested \$7,000. asking that receivers be appointed for the Union Finance Company, was granted yesterday by Judge A. Arthur Stump in Circuit Court No. 2. Raphael Walter and George M. Brady were named. Bond was fixed at \$50,000.

The plaintiff claimed to have received a check from the company in payment for his investment. This check was drawn to Noyes' order on the Continental Trust Company and dated October 13. Upon presentation at the bank it was returned, marked "insufficient funds."

It was alleged that the company's assets were insufficient to meet its indebtedness and that it was "hopelessly insolvent." Furthermore, the bill sets forth, the "assets are in danger of being dissipated and lost to the creditors."

In the issue of October 18th, the following appears:

UNION SECURITIES IN DOUBT

Property may not be of sufficient worth to pay depositors statement says.

UNION ASSETS UNCERTAIN

George M. Brady and Ralph Walter, appointed receivers for the Union Finance Company Monday, have made a brief examination of the books of the concern and have issued the following statement:

"The books apparently show assets equal to liabilities, but the assets are of such nature that the receivers will not express any opinion as to whether they are worth anything at all or whether they are worth sufficient to pay the depositors. There is very little Cash. There are no listed securities and there are no assets readily marketable. By reason of the nature of the assets it is evident that no distribution can be made in the near future without great loss to the certificate holder.

Continued from Page 1.

EFFECT OF OPERATION

The effect of the operation of such a nationwide co-operation service was indicated in the previous issue of the Bulletin, by means of illustrative correspondence. This correspondence indicated that a local member of the National Association might offer and a local client might receive locally the services of such of the other members of the National Association as would be "resident" in all the various places at which service would be required, rendered by those who had been listed as having the special qualifications particularly required, at a higher remuneration and lower cost to all concerned, and, under the protection of the individual responsibility obligation, subscribed to by all members of the National Association of Certified Public Accountants. This undoubtedly will be the effect of a successful operation of this plan, proposed by the National Association of Certified Public Accountants to start its constructive program, upon the foundation of individual public responsibility which it has established among its members, with the general approval of the community and the emulation of other professional organizations.

Who's Who- Against The National Association of Certified Public Accountants - and Why?

Those who are professional accountants know quite well who is fighting the National Association and why?

They know that they are those who have been for years enjoying special privilege in the profession and immunity from criticism, by the control of the rating which indicated before the public competency to practice, to criticise and to judge the profession, or to speak with authority concerning it, and they are those who now see in the National Association a power, beyond their control, standing for the interest of the profession as a profession, which has the will and the ability to establish itself before the public, and the professional capability and intent to challenge the careless, negligent, irresponsible and oft times misleading and fraudulent practice, rendered under high sounding titles and theories of practice, which have heretofore sufficed to "get away with it". None in the profession, but the most gullible, believe there is anything in the charges or actions against the National Association but for the purpose of prevention of the passing to the profession of a special power and a privilege heretofore vested in the few.

None but believe that the National, hammered by the power of money, entrenched position, prestige and influence, would have long since been the deadest instead of the livest organization of the profession, had it actually been what its enemies claimed it to be - had its make up been in any considerable measure of a low order and not of the highest.

Those in the profession know these things, but outside the profession, with business and with the banks it is different - there are still those who do not grasp the complexities of the professional situation and give ear to National's detractors. As it is important to each member of the National Association and to their clients that the truth in this matter should be generally known to business and to the banks, and, that the matter should be presented so that it may be judged by them on its merits, there will be published each month, in the Bulletin, cases, such as appear in this and in the next previous issue, showing the character of practices and the quality of practitioners who are setting themselves up as superiors and judges of the National Association, and, showing that the "State" granted C. P. A. is possessed by and used by ex-convicts, self-designated frauds, and general "no-accountants" as well as by capable professionals.

DEFENSE FUND

Members have been asked to contribute money to a legal defense fund.

The Editor of the Bulletin now asks all members to contribute information for a "Business Defense Fund."

These contributions must be well supported and relate to negligent or misleading practices of accountants who are opposing the National Association, stating their personal record and what their professional rating is and how it was secured?

Each month there will be presented articles, such as appear in this and the next previous issue to be used, not among other accountants but with Business with the Banks, and with the local press, as an irrefutable answer to Who's Who against the National—and Why? If ordered within 30 days any number of additional copies of this issue may be secured by members for circulation in their communities at 5 cents the copy.