Inefficiency of New York City’s Accounts.

New York Times Review

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

Part of the Accounting Commons

Recommended Citation
Available at: https://egrove.olemiss.edu/jofa/vol9/iss2/10

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.
Inefficiency of New York City’s Accounts.

It may seem extravagant to say that the condition of New York is worse than in Tweed’s time, but only to those not familiar with the conditions. There was a limit to the Tweed Ring’s thefts, and there was a summary remedy. But the waste now going on is larger in volume than the Tweed robberies, and no summary remedy is possible. There is no man whom it seems possible to send to jail for errors of inefficiency, buttressed by precedents, and defended by ancient customs. Or if by chance any were punished for the waste of millions his associates would proceed on the old methods unless new ones are provided.

Some think that New York keeps all the accounts necessary. It is true that it keeps tons of them, many in sham iron safes, with wooden backs. But these accounts are of the simple primitive sort required to account for the expenditure of cash received by balancing totals in and out. This may be done perfectly—as a matter of fact it is done badly—and yet almost everything would remain to be desired. A merchant would be headed straight for bankruptcy if he knew no more about his business than his cash-book showed him. What the merchant wants to know is what his costs are, for the only way to increase profits is to decrease costs. No man can be sure that he is not expending his capital unless he knows that his costs are below his selling price. No man can know what his selling price ought to be unless he knows what his costs are, and no man can know that he is making the profits his business ought to make unless he knows every item of cost, so that waste may be discovered and a check may be placed upon it at the earliest possible moment.

There are those to whom this is too evident for argument, who yet deny that it is applicable to governmental affairs. Cities make no profits, they contend, so that they have no need for profit and loss account. The resources of a city are the resources of the aggregate of its citizenry, so that the municipal corporation cannot have a balance sheet. Accordingly the City of New York keeps no capital accounts. The entries necessary to construct such an account may exist, but the accounts are not organized to show them, and do not show them, except after rare and expensive investigations, which lock the door after the horse is gone. In truth, a city needs a cost sheet more than any merchant. His selfish interest keeps him watchful as the price of solvency. And his hand is on the safety valve through consecutive years. But no one has a selfish interest in a city’s solvency except the bondholders, who have no way of detecting waste and inefficiency, nor any means of checking them except by refusing further credit.

Take New York’s investment of a hundred millions or so in bridges. It is not disputed that they are a public benefit, but the accounts do not show how beneficial they are, nor, what is more important yet, whether they are as beneficial as they ought to be. No such study of their traffic capacity has ever been made, as was one of the first things done for any private enterprise. No depreciation account is kept. Their
The Journal of Accountancy.

cost is amortized—that is to say, the payment of the bonds is provided for by the sinking fund, but there is no attempt to make the bridges pay for themselves. The city is just awaking to the fact that its expenditure of borrowed funds places it in the position of a merchant who has been selling below cost and living on his capital, and is amazed because bankruptcy disclosed it to him before his accounts did. The city's ferries are another speculative enterprise run in defiance of mercantile maxims. Who ever heard of any discussion of what it costs to transport a passenger or a ton? The ferries to one borough are known to absorb all the taxes that borough pays. Public opinion would not sustain a proposition to exempt that borough from the payment of taxes, but it prohibits the abandonment of the ferries. It is not suggested that they ought to be abandoned, but they ought to be run on business principles, or, if not, at least it ought to be known exactly how uncommercially they are run. And why? Then public opinion could form and express itself intelligently.

With the payrolls when presented for audit "no evidence whatever is presented as to service rendered." The approval of heads of departments is accepted, although it is known that no time records are kept and no certificates are exacted from those who have knowledge as to whether employees are even present at the respective stations named.

* * *

In passing this class of claims there is not a line of evidence reviewed, and not a signature of a person affixed to a document who has any knowledge as to the validity or the justice of the claim. Even in the Department of Finance no record is kept from which a payroll may be reviewed. Men have been away from their posts for weeks at a time in the bureau of audit itself, and others have been in a drunken condition at their posts, yet the payrolls have been passed. It is no wonder, therefore, that men on the city payrolls are regularly employed as bartenders and in other occupations, not even taking the time to come to a city office to draw their pay."

In this manner the city disburse in excess of $30,000,000 annually. The absence of any system of control, of comparison of efficiency, of costs of production, impresses itself upon even indifferent attention.

The same may be said regarding the sort of accounts which the city does keep as a safeguard against pigmy Tweedisms at the spigot, while millions are running from the bunghole. Speaking of one department, the author says:

"Orders are copied three times; invoices are copied in toto twice; they are initialled fifteen times—five times on each of three copies; they are stamped six times—twice on each of three copies; they are numbered six times—twice on each of three copies; the name of the contractor in each invoice is written in the book ten times; the date on each invoice appears in the books sixteen times; the amount of each invoice is written seven times; the invoices are distributed to the same appropriation five times, and the requisitions are recorded six times."

And yet the city needs more accounts? Incredible. The city needs different accounts.—New York Times review of Dr. Frederick A. Cleveland's "Municipal Administration and Accounting."