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Public Records and the Public Accountant

[NOTE:—The following article has been prepared by the staff of THE JOURNAL OF ACCOUNTANCY after prolonged investigation. The information upon which the article is based has been obtained from a large number of individual accountants, who spoke in many cases only from personal experience and memory. For this reason THE JOURNAL can not accept responsibility for omissions or inaccuracies which may occur in the following discussion, but as the utmost care has been exercised in its preparation it is believed that the article presents a fair and trustworthy picture of present conditions.—EDITOR.]

The theory of independent audit of financial records is sound beyond a doubt in application to the activities of government. Public offices and institutions exist for the sole and express purpose of serving the taxpayers who choose and support them. Officers' accountability to their constituents is no less urgent than that of corporation officers to stockholders.

The position of accountants in the employ of political units is theoretically comparable to that of privately employed accountants in industrial companies, but in fact the financial investigations and reports of government employees are often unsatisfactory, because in some cases such employees are chosen for political reasons rather than for personal efficiency.

It would be an inexcusable injustice to cast any reflection upon the integrity and ability of accountants and auditors in government employ as a class, because most of them are honest and able men, but in any consideration of the proper financial administration of political units the possibility of abuse of the power of appointment under existing conditions must be recognized.

In view of the wide acceptance and approval of the principle of independent audit in business, industrial and financial circles, it is astonishing, not to say discouraging, to discover to what a comparatively limited extent public accountants are engaged in audit of the accounts and records of government offices and public institutions.

LEGISLATION RELATIVE TO INDEPENDENT AUDITS

There has been an irregular tendency, during recent years, toward state legislation which would require periodical audits, by public accountants, of the books, accounts and records of state and county officers and departments, but the movement has

been wholly without coöperation. Most bills of this kind have seemed to lack enthusiastic support, and the large majority of them met a natural and painless death after reposing upon figurative tables until the adjournment of the legislatures concerned.

Some such bills have passed, but often through ignorant or careless phraseology much of their effectiveness has been impaired. Some bills have failed to specify that the audits be conducted by professional public accountants, leaving the way open for appointment of political favorites, who sometimes are accountants in no sense of the word.

The worst defect of present legislation of this type, however, is its haphazard and inconsistent nature. With a few exceptions, there is in no state a thorough plan of independent audit of the accounts of public servants. In some states the accounts of county officers are subject to periodical examination by public accountants appointed by district judges or grand juries; in others, the state auditor or controller or some other financial officer is authorized (in a few cases compelled) to appoint independent auditors to investigate the records of state departments, school districts, jails, hospitals, universities or other institutions, et cetera, in combinations of infinite variety. Many city charters stipulate that the fiscal affairs of the city be scrutinized by independent auditors, but the stipulation is not always obeyed and in a large number of cities there is no such provision.

BIDS FOR PUBLIC AUDITS

Even in some cases where the statutory provisions are all that could be desired, however, there is an unfortunate condition in administration of the law which weakens it considerably—the custom of accepting bids for the audit of public records. This is especially characteristic of municipal engagements. The system of bids may be effective and praiseworthy when it applies to purchases of materials, to contractors' services, to employment of artisans, or to anything in which the quantity and quality of goods or services rendered are evident, but it is unquestionably pernicious when professional functions are concerned, because the work tends automatically to fall into the hands of the least qualified practitioner. There are good and bad accountants, and the quality of their work varies. No layman, furthermore, can

be expected to know whether a completed audit is adequate or not, until some subsequent development proves the auditor's foresight or negligence. The acceptance of bids for audit is as unreasonable as would be the engagement of a physician on the same basis. Few patients would care to entrust themselves to a doctor whose sole qualification was the cheapest fee.

As a consequence, much of the auditing of public records, especially those of cities, is inferior. In many parts of the country reputable firms of accountants have little to do with such audits. Some of them refuse to submit lump-sum bids, feeling it contrary to professional dignity. Others periodically offer their services at a fair price in order to show willingness to cooperate, but under the bid system the engagement often goes to some accountant who is willing to accept a fee lower than that generally regarded as a minimum for professional service of an acceptable standard. In some cases the daily compensation for the whole audit has been less than that commonly recognized as a minimum fee for the services of a junior assistant.

Ignorance and inertia on the part of public officers are undoubtedly largely responsible for the continuance of bidding for public audits. A Texas court recently held that a statute requiring bids for county contracts did not control engagement of an auditor. The attorney-general of Florida is said to have delivered an opinion to the same effect. It is probable that in most places there is no legal necessity for bids for accounting engagements.

Arguments against bids for audits have been presented on several occasions in the editorial pages of THE JOURNAL OF ACCOUNTANCY and it may be safely said that the system has the disapproval of accredited public accountants in general.

EXTENT OF INDEPENDENT AUDIT OF PUBLIC RECORDS

It appears that in very few states is it required by law that public accountants be engaged for examination of governmental accounts of any kind, and in at least two states where there is such a law it is practically robbed of its strength by the system of bidding. In nearly two thirds of the states it is said that public accountants are rarely employed for this type of work, except in desultory municipal engagements. In about one third of the states professional practitioners are called in at more or less frequent intervals, in the discretion of state authorities.

Often it is only the advent of trouble that finally induces the engagement of public accountants. Fraud, or the suspicion of it, occasionally incites the taxpayers to insist on an independent audit of the records of some particular officer or department. It seems not to occur to most citizens, however, that such an audit at periodical intervals would preclude the possibility of mismanagement of public funds.

It may be presumed that officers with discretionary powers in the matter of engaging public accountants shy at the expense involved in regular audits, or, as is often the case, the appropriations at their disposal may be simply inadequate. It would require only a brief trial to demonstrate, as has so often been demonstrated in the past, that the periodical audit is an indubitable economy.

In a report of the governor of Pennsylvania, dated January 21, 1929, addressed to the state assembly, the results of audits of state departments are revealed, and the facts disclosed are in themselves a hearty endorsement of the value of independent audit of governmental affairs. Quotation from the report may be of interest:

“Charged with direct responsibility for the fiscal condition of the state, I desired to be informed in detail with regard to the affairs of the several departments, boards and commissions, particularly at the beginning of the first biennium of my administration, June 1, 1927. With this in mind, I requested practically all departments, boards and commissions to obtain and submit to me audits as of May 31, 1927. In response to this request, most of the departments, boards and commissions employed public accountants to make audits as requested. . . .

“The department of justice advised me it could find nothing in any statute which renders examination, by public accountants, unlawful or inconsistent with the functions of the auditor general, and that it was therefore entirely proper for the several departments, boards and commissions, if and when necessary for the intelligent management of their own affairs and for enabling them to give to the governor such information as he desired, to employ persons to make such examinations.

“Accordingly, three firms of public accountants were employed and comprehensive studies were made at a cost of \$509,574.44. To November 30, 1928, there had been actually recovered and deposited in the state treasury as a result of these audits, \$286,826.29, and charges of \$282,671.72

entered upon the books to be collected, making a total of \$569,498.01. Cash surpluses aggregating \$2,080,835.42, held by departments, boards and commissions, were disclosed, as of May 31, 1927, which had accumulated from various sources for many years. In many instances these surpluses were not heretofore considered state funds, but the department of justice advised me that these surpluses are state funds, no part of which may be used unless authorized by the general assembly. I, therefore, request the general assembly to require the several departments, boards and commissions having these surpluses in their possession to pay them into the state treasury.

"The public accountants estimated further, that approximately \$2,500,000.00 could have been collected or saved for the biennium ending May 31, 1927, if different methods had been pursued.

"Therefore, the audits resulted not only in more than paying for themselves by actual moneys received or to be received but also in suggesting the introduction of better practices which would involve the saving of substantial sums of money each biennium. With the knowledge gained from the audits it has been possible to bring under budgetary control expenditures not heretofore so regulated. . . .

"The audits further disclosed deficiencies in state welfare institutions for periods prior to June 1, 1927, amounting to \$136,525.17."

In Utah there is said to be a general appreciation among public officers of the services which public accountants are in a position to render the governmental administrators. Especially in school districts has the value of such services been proven, not only in audits but in budget preparation as well. The laws of that state require that all cities, counties and school districts operate under a budget plan and that all counties of the state and all cities of the first and second class be audited at least biennially and annually, respectively, by competent public accountants. While state officers, in adopting the system of bids in execution of these laws have unfortunately exposed the state to the danger that the accounting work will be done too cheaply and therefore perhaps incompletely, the situation in Utah is nevertheless far more satisfactory than in the great majority of the states.

In Colorado, although an anomalous condition exists, it results in rather extensive employment of public accountants. Normally the state public examiner, a subordinate of the state auditor, is required to audit the records of all the counties of the state, but frequently there is inadequate appropriation—sometimes

none at all—with which to carry out the work. In these circumstances it is customary for the counties themselves to call on public accountants, although, as a matter of fact, many counties regularly retain independent auditors, whether audits are performed by the state officers or not. It is estimated that about twenty-five per cent. of the counties of the state, and perhaps ten per cent. of the cities and towns, have had their accounts audited periodically by public accountants for many years. In 1929 records of about half of all the counties in the state were audited by public accountants because the state public examiner had no appropriation for the purpose. About a decade ago in Colorado every state institution's accounts were audited by public accountants at the instance of a voluntary organization devoted to encouraging more economical administration of public affairs.

In a great many states a state auditor or examiner has a nominal authority or duty to audit accounts of governmental subdivisions, but there seems to be much evidence that the work is in some cases done sporadically and superficially. In several states special boards or departments have been created whose functions include the audit of subdivisions. For instance, in Alabama an examiner of public accounts is charged with the duty; in California the state department of accountancy supervises the work; in Ohio it is a board of state examiners and in South Dakota a division of audits and accounts. In Wisconsin public accountants are practically excluded from municipal or governmental audits by the functions of the board of public affairs, the director of budgets and the state tax commission, whose staffs make such investigations. It is entirely possible that this type of organization may produce satisfactory results, but business corporations generally have found that audit by officers and employees of the company itself is not enough. In any activity of complicated structure, in which considerable sums of public money are involved, the independent audit is necessary to complete efficiency and safety.

In order to indicate the wide variety of public records in the several states which have been audited by public accountants on various occasions in the past—proof, incidentally, that there is hardly a state by which the need for professional accountants has not been recognized at some time or other—it may be of interest to list the different types of engagements which have actually been undertaken by public accountants.

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UNITS WHOSE RECORDS HAVE BEEN AUDITED
BY PUBLIC ACCOUNTANTS

Counties	State public-welfare commission
Cities	State industries (mills, etc.)
School districts	State banks
Irrigation districts	Municipal sinking fund
State treasurer's office	Municipal street, sewer and levee districts
State comptroller's office	Municipal light plants, water department, street-railway department, etc.
State tax commission	Library (municipal)
State tax collector	Board of education
Department of finance	Teachers' retirement fund association
Bank examiner's office	Bankrupts
State broker's commission	Licensed moneylenders
State insurance commission	Public utilities (for rate revision)
State highway department	Factory inspector
State university	State institutions (hospitals, prisons, etc.)

Following are some of the officers or boards in the different states which have appointed public accountants for such engagements:

Governor	State accounting department
Legislature	Commissioner of banking
Grand jury	Commissioner of securities
State comptroller	Bank examiner
State auditor	Public service commission
Examiner of public accounts	Mayor
Board of auditors	Board of education
County courts	City council
County commissioner	

During the 1929 sessions of state legislatures a good many bills dealing with audit of public records were introduced, but except in a few cases they were, as usual, received with apathy and suffered to die unnoticed. The mere fact of their introduction indicates an interest in the subject, however, and a tendency in the right direction. It seems that state societies of certified public accountants might perform a useful service by appointing committees to survey conditions in their own states and by recommending and supporting legislation designed to improve matters. The theory of the independent audit is as sound in application to governmental affairs as to those of business, but in this, as in other things, governmental practice is woefully behind that of industry and commerce.

Perhaps it might not be amiss for the American Institute of Accountants to appoint a special committee to study the situation and report on the desirability of drafting model legislation for the use of state societies. In such a project, as well as in effecting passage of such model bills, the Institute might receive the coöperation of some national organization devoted to the scientific conduct of government, such as the National Institute of Public Administration, or the Institute for Government Research.

Following are brief summaries of the conditions in all the states from which information could be obtained:

ALABAMA

The law of Alabama provides that in cities and towns the mayor shall appoint an "expert" accountant to audit the books and records at least once a year. The work is usually let on the basis of competitive bids, although some public accountants have obtained municipal engagements on the regular per-diem fee basis. The department of the examiner of public accounts conducts the examination of records of all county offices and it is only upon occasion of misappropriation of funds that the assistance of independent auditors is ever requested.

ALASKA

The laws of Alaska provide for a board of auditors consisting of three government officers and authorizes the board to employ expert accountants to assist in its auditing work. In the past this board has retained a firm of public accountants which makes biennial examinations of governmental records and reports to the legislature.

ARIZONA

There is no law in Arizona requiring audit of any department of the state by public accountants. Such audits are the duty of the state auditor, but up to this time the legislature has made no appropriation to enable him to discharge the duty. The auditor is empowered by law to employ and fix the compensation of a "competent accountant" for the purpose of auditing the accounts of the Arizona industrial commission. The auditor is also given indirect authority to employ assistants for the examination of books and records of any licensed money-lender. Public accountants have been employed by the legislature to audit the

books and records of the state highway department on at least one occasion.

ARKANSAS

In Arkansas public accountants have audited municipalities, improvement districts, highway, street, sewer and levee districts as well as counties. A bill was passed at the 1929 session of the legislature providing that certified public accountants audit the accounts of the state highway department, but the terms of the engagement provided in the law were found to be impracticable. The state board of accountancy advised the officers in charge of administering the law that those terms were incompatible with the customary procedure of reputable public accountants, and after some deliberation it was decided to conduct the audit in accordance with procedure suggested by the board of accountancy.

There is no other law in the state requiring public accountants to audit public records, but professional accountants nevertheless are engaged for a large amount of this sort of work in counties and cities. It is not believed, however, that professional accountants have often examined the books and records of state departments.

CALIFORNIA

The division of budgets and accounts of the department of finance of the state of California maintains a staff to audit the accounts of state boards, departments and commissions. Under the law certain official accounts and records are audited by public accountants. Public accountants are also employed to quite a large extent in conducting audits of municipalities whose charters grant authority for such audits.

COLORADO

The state public examiner of Colorado is required to audit records of all counties, but frequently he is left without appropriation or with inadequate appropriation to carry on the work. In such circumstances public accountants are called upon, although some counties always retain public accountants regardless of the examinations conducted by the state examiner. It is estimated that about twenty-five per cent. of the counties, and perhaps ten per cent. of the cities and towns, have had their accounts audited regularly by public accountants for many years. Occasionally

special audits of state institutions are conducted by public accountants.

CONNECTICUT

The state authorities of Connecticut have engaged public accountants for specific examinations, but there is no statutory requirement for independent audit of public records. It is provided in the charters of some municipalities that certified public accountants may conduct periodic audits of the books, records and accounts of the place concerned. A law passed at the 1929 session of the state legislature provides that any town may employ a public accountant or a firm of public accountants to replace its town auditors.

DELAWARE

Several municipalities in Delaware have employed public accountants for audits of the books and records and also for the installation of accounting systems. A public accountant has for some time made up the budget of the state highway department, and the state auditor has engaged independent auditors to examine the accounts of state institutions. About ten years ago public accountants were employed for the purpose of installing an accounting system for the state.

DISTRICT OF COLUMBIA

In the District of Columbia examination of public records which might ordinarily be delegated to public accountants is conducted by the bureau of efficiency and the Institute for Government Research.

FLORIDA

There seems to be no law in Florida requiring engagement of public accountants by state officers. The state auditor and the state comptroller are supposed to conduct audits of the accounts of counties and of state banks. Many cities in Florida require periodic audits by public accountants, but in most cases the system of competitive bidding is in effect. As far as could be learned no audit of county accounts had ever been conducted prior to 1930 by a public accountant although certain county boards, particularly boards of education, had engaged independent auditors. The governor is legally empowered in certain cases to direct that the accounts of certain public bodies be audited at the

petition of taxpayers, but even in these cases the work has been done by the state auditors. A bill was passed at the 1929 session of the legislature authorizing appointment of public accountants by county commissioners.

GEORGIA

The state auditor of Georgia has the duty of auditing all departments of the state government. He is provided with a limited staff and has from time to time, with the approval of the governor, employed public accountants to assist in investigations, particularly of the highway department. The superintendent of banks has called upon accounting firms for assistance in the liquidation of defunct institutions and in special examinations of closed banks. The public-service commission rather infrequently calls upon public accountants for investigations incident to petitions of public utilities for rate revisions. Fees for this sort of work are restricted to a per-diem rate of \$20 a man, plus expenses. The Georgia banking act of 1919 requires semi-annual examinations of state banks, and the directors are authorized to engage certified public accountants to conduct these examinations. Independent auditors are frequently engaged in this way. It is said to be a fairly general practice among all counties of the state and among municipalities of 5,000 population or more to employ public accountants to conduct annual audits. This work, however, is usually awarded on the basis of competitive bids and the engagements are generally obtained for compensation disproportionate to the effort necessary for thorough audits of this type.

HAWAII

No practising public accountant has opportunity to audit public records in the territory of Hawaii. All such matters are subject to the jurisdiction of an officer of the territory entitled "Auditor," whose principal duty is not to conduct audits but merely to check disbursements and ascertain that warrants issued are legitimate charges against specific appropriations.

IDAHO

Records of state departments in Idaho are usually audited once a year and county records as a rule every two years. Information obtained from Idaho does not indicate that there is any

special requirement for the employment of public accountants for such audits. The only statutory provision requiring audit appertains to independent school districts whose accounts must be audited at least once every four years. The state department of education may require examination of the books of any independent or common school district when it is deemed advisable.

ILLINOIS

The law of Illinois requires that in all counties which do not have an elective auditor (that is, counties of 75,000 people or less) the county board shall appoint an auditor and fix his compensation, but there is no stipulation that such auditor shall be a public accountant. The law requires examination of county accounts every two years and it may be amended to provide for annual audit. In cities under commission form of government an annual examination is required. It seems that public accountants participate to a limited extent in the audit of county records, but there is no requirement in the state that public accountants be engaged for any governmental audit.

INDIANA

Public accountants in Indiana are not engaged for the examination of public records, as the law of the state delegates this duty to the state board of accounts. In occasional instances public accountants have been engaged to audit the records of such public institutions as utilities owned by municipalities wherein public officers disbursed consumers' money rather than that of the general taxpayer.

IOWA

There seems to be no legal requirement for the employment of public accountants by state subdivisions in Iowa. The principal units which have recently been audited by public accountants are school districts, and municipal water works and coliseums. Public accountants have been engaged to install accounting systems in municipal light plants.

KANSAS

Public accountants are not employed by the state of Kansas for examination of public records. Under the law the state accountant is supposed to be a practising public accountant, al-

though not all incumbents of the office have been professional accountants. The state accountant is responsible for audit of all departments, commissions and institutions of the state. He usually has a staff of about six men. The legislative intent in creating the office was that it should take the place of outside firms of accountants in audit of state records.

County commissions, city councils and other governing units engage public accountants frequently, although the regularity of audits by professional practitioners is uncertain. Often counties or cities delay examination by public accountants until financial confusion arises or until there is suspicion of defalcation of public funds.

Laws have been introduced in the legislature to create a state department which would audit accounts of all cities, counties, etc., as under the Indiana and Ohio plans, but such a law has never been passed in Kansas. At the last two sessions of the legislature a bill to require county audits by certified public accountants, to be appointed by district judges, was introduced but failed of passage.

KENTUCKY

There seems to be no provision in the statutes of Kentucky authorizing the engagement of public accountants for the audit of governmental records. The commissioner of banking and the commissioner of securities have in the past employed public accountants to make special investigations. The state legislature has on one or two occasions authorized employment of public accountants to make examinations of the records of the state highway commission and has appropriated funds from the state treasury to fulfil the expenses of such examinations. In the city of Louisville the sinking fund, the board of park commissioners, the free public library and the school board are said regularly to engage public accountants to audit their accounts. On one occasion the city water company, by authority of the city council, caused an independent audit of its records.

LOUISIANA

It appears that governmental records are rarely, if ever, examined by public accountants in Louisiana. The referee in bankruptcy is empowered to appoint accountants, but inquiry does not reveal that he has ever appointed practising public accountants to assist him.

MAINE

Some cities and towns of Maine engage public accountants to conduct annual audits. The charter of the city of Portland contains a clause directing such an audit, but it has recently been ignored by the authorities. It can not be learned that the state accounts have ever been examined by public accountants.

MARYLAND

All state institutions in Maryland are audited by the state auditor, who is appointed by the governor. At one time when there was reason to believe that a shortage existed in the funds of the state roads commission, public accountants were called in to make a thorough audit. Municipalities and county commissioners frequently employ public accountants, but not with any regularity. There has been some agitation in the state to require that state departments be audited by a public accountant.

MASSACHUSETTS

The Commonwealth of Massachusetts authorizes and provides for audit of the accounts of cities and towns by the division of accounts, of which the director is a certified public accountant. A permanent staff of 20 to 30 men is employed by the division. The department may undertake an audit on its own initiative or at the request of local authorities and also may assist cities and towns in installing systems and in reorganizing financial procedure. Reasonable fees are charged for these services. The division has a good reputation and is said to have accomplished able work. Its services in most cases receive preference over those of public accountants. State institutions are also audited by a department of the commonwealth and public accountants are called upon only on special occasions. It is not uncommon, however, for public accountants to be engaged for special kinds of work. The accounts of the city of Boston have been audited by public accountants on behalf of the financial commission, the good government association and other organizations.

MICHIGAN

In Michigan there seems to be no statutory requirement for the employment of public accountants to audit public records. The auditor-general maintains a large staff to audit periodically the accounts of state departments and institutions. Cities,

towns, villages, townships and school districts sometimes engage public accountants under authority of municipal councils or boards, but the number of these instances is small. In such cases bids are usually required. Such governmental subdivisions as the department of street railways of Detroit, the University of Michigan and a board of county road commissioners have had accounts audited by public accountants.

MINNESOTA

There seem to be no statutes in Minnesota requiring that public records be examined by public accountants, although there are certain laws requiring examinations by the public examiner, an appointed officer. Professional accountants are regularly engaged by some municipalities, school districts, etc., to conduct annual or biennial audits. State banks must be examined by the commissioner of banking but public accountants are sometimes engaged to make examinations of a state bank on behalf of the examining committee of the board of directors.

MISSISSIPPI

In 1924 the legislature of Mississippi created a bureau under the auditing department in charge of a chief accountant, whose duty is to audit the records of state institutions and all counties, with the aid of three assistants. The law also provides for adoption of a uniform accounting system in the counties. The chief accountant is required by law to be a certified public accountant. There is no law in the state giving authority for audit of state departments, but the attorney-general has ruled that it is within the scope of authority of any department head to use funds appropriated for general maintenance for audit of the accounts of his individual department. By authority of this opinion public accountants have audited the books and records of the state tax commission, state insurance commission, state tax collector, state highway department and other minor commissions, such as the factory inspector's office, etc. A bill to authorize audit of the accounts of the governor and the state auditor, by a public accountant, has been introduced in the 1930 session of the legislature.

MISSOURI

There is no statute in Missouri requiring that public accountants audit the records of political units in the state and little of this

kind of work is done by professional accountants. The charter of Kansas City permits engagement of public accountants for audit of the city records, but it is believed that the provision has never been invoked. The charter of St. Louis provides that the books should be audited by a public accountant and such audits have been conducted there. Public accountants occasionally are engaged to devise systems of accounts for counties or municipalities and sometimes to audit the records of treasurers of counties or cities when there is a shortage.

MONTANA

Public accountants are not usually engaged for examination of governmental records in Montana. The accounts of counties and cities, school districts, irrigation districts, etc., are audited by a branch of the state bank examiner's department. On some occasions public accountants have been called upon for a more complete audit than that conducted by the state officers.

NEBRASKA

The accounts of the county treasurers in Nebraska are examined at least once in two years by political appointees of the auditor of public accounts. In some instances examinations made later by firms of public accountants have shown that these official examinations are not always thorough. In recent years many county commissioners have engaged professional accountants to examine all county records and occasionally they have specified that the work must be done by certified public accountants. The tendency of the county boards to engage professional accountants seems to be increasing and it is hoped that the practice may become nearly universal.

NEVADA

State and county records in Nevada are audited by the state auditor, who is a political appointee. There is no law requiring examination of any public records by public accountants but county commissioners have authority to appoint other auditors to supplement the examinations of the state auditor. Some cities regularly employ public accountants to audit their accounts.

NEW HAMPSHIRE

There is no statute in New Hampshire requiring the examination of public records by public accountants. Independent

auditors have, however, been employed to examine the records of the state university.

NEW JERSEY

The records of the state of New Jersey have not been audited by outside accountants since 1915, when an investigation of comptrollers' accounts was conducted, with particular reference to the state highway funds. During the 1929 session of the legislature a bill was introduced providing an appropriation of \$150,000 for an audit of state accounts and a general revision of the accounting system. The commission created by this bill designated the National Institute of Public Administration to carry out the work. The audit of municipal and county records is in some cases conducted by public accountants, but the contracts are awarded on the basis of bids.

NEW MEXICO

Public accountants are engaged to a certain extent in the examination of public records in New Mexico. There is nothing in the law to prevent employment of public accountants by the state comptroller in discharging his duty of auditing the accounts of counties or other political subdivisions or institutions. However, in practice, the comptroller does practically all the work himself. Several state departments have in the past been examined by public accountants. During recent years the accounts of several counties, a few municipalities and some school districts have been audited by public practitioners.

NEW YORK

Cities of New York state which are empowered to do so by their charters may engage public accountants to conduct audits, but no other unit of the state has authority to engage independent accountants. In certain cases courts have compelled villages to restore money paid for auditors' fees because there was no specific authority for the engagement of the auditor. Westchester has a law empowering municipalities to employ independent accountants to audit certain departments. Public accountants have been employed for specific investigations of certain departments in the city of New York.

NORTH CAROLINA

The accounts of a great many public institutions of North Carolina are audited by public accountants, as are the records of

the state and local highway commissions. Many school boards have audits of their accounts and many do not. Under a recent act of legislature the audit of counties must be approved by the government advisory commission, which is appointed by state officers. This commission prescribes the form of the report and the information to be submitted by the accountant. It is said that a large number of counties, cities and small towns in North Carolina employ public accountants for audits of their books and accounts.

NORTH DAKOTA

The government of North Dakota has interested itself somewhat in state-owned industrial enterprises, and public accountants have been employed to some extent to conduct audits of these industries. Counties have also engaged independent auditors on certain occasions. In 1928 a firm of public accountants represented the state receiver of closed banks in a hearing before the master in chancery. The state law requires that records of political subdivisions be examined annually by the state examiner at a cost not to exceed \$10 a day. In these circumstances public accountants do not participate to a great extent in audits of municipalities or school districts.

OHIO

Accounts of the various political subdivisions of the state of Ohio are audited by a board of state examiners and, consequently, little or no work of this character is available for public accountants.

OKLAHOMA

The law of Oklahoma requires that all state and county examinations be made by the state examiner and inspector, whose office is elective. Cities and boards of education may employ accountants in their discretion or may apply to the state examiner and inspector for deputies to conduct examinations of their records. In either case the cost of the audit is borne by the municipality or board.

OREGON

The laws of Oregon provide that every county court in the state shall have an annual audit conducted by a "competent" accountant. The courts pass on the question of competence and

public accountants are not always engaged. At least one county has of its own volition employed a certified public accountant to install a modern accounting system. The city of Portland and some other cities in the state whose charters provide for audit employ public accountants, but usually on the basis of bids. The teachers' retirement-fund association, an adjunct of the school board, has recently obtained new legislation and one section of the law requires audit by a certified public accountant. Practitioners in the state hope for increasing recognition from governmental authorities.

PENNSYLVANIA

The governor of Pennsylvania recently directed audit of all departments, boards and commissions of the state, many of which employed public accountants for the purpose. It is the function of the auditor-general to ascertain whether or not the various state subdivisions have paid into the state treasury all moneys which should be so paid and whether or not there have been irregularities in the use of public funds. But beyond this there are many phases of operation and disbursement in which the governor and agencies of the state government have an administrative responsibility, and they are apparently at liberty to engage public accountants to conduct examinations necessary to obtain such information as may be desired. State officers have availed themselves of the services of public accountants to a considerable extent. A law of Pennsylvania known as the fiscal code requires the auditor-general to effect a considerable number of audits and it seems to be implied that he has authority to engage public accountants for the purpose.

PHILIPPINE ISLANDS

The bureau of audits of the Philippine Islands is required by law to audit all insular, provincial and municipal accounts and maintains a large staff for the purpose. Many of the employees of the bureau, as well as of the treasury bureau and the bureau of internal revenue are certified public accountants. It is said that most Filipino certified public accountants are in government service. Practising public accountants have only in rare instances been called upon to examine public records. They have, however, frequently been appointed judicial referees in cases where contracts and accounts were involved.

PORTO RICO

Inquiry has evoked no information of any case in which a public accountant has been engaged by the municipal governments or the insular government of Porto Rico.

RHODE ISLAND

Prior to the 1929 session of the Rhode Island legislature the laws provided for audit of public accounts by public accountants only in the case of the public-welfare commission in charge of penal and charitable institutions of the state. At the most recent session of the legislature a law was enacted providing that on request of a city or town the state commissioner of finance would perform an audit for a period of not more than one year and might also upon request install an accounting system. Half the cost of the work would be borne by the city or town making the request. Larger towns of Rhode Island have for some years been audited by public accountants and to a limited extent occasional audits of smaller towns have also been made by professional practitioners.

SOUTH CAROLINA

There are no laws in South Carolina compelling employment of public accountants for audit of public records but the value of accountants' services is widely recognized by state authorities. In several counties grand juries have recently stipulated that only certified public accountants should be employed to examine the county records. In the state bank examiner's office and in that of the comptroller, audits by public accountants are being recommended in an increasing number of instances. A recent act of the legislature authorizing an examination of the records of the state highway department provided that the work should be done under the direction of a public accountant.

SOUTH DAKOTA

The division of audits and accounts, an agency of the government of South Dakota, is required to examine the records of county officers every two years or oftener at the request of the board of county commissioners or on petition of taxpayers. The division also audits the accounts of cities of the first class annually and other cities, towns and school districts upon request.

Public accountants do very little of this kind of work. A few occasions when they have been engaged were during sessions of the legislature when special investigations were needed.

TENNESSEE

There is very little auditing of public records by professional accountants in Tennessee. Some counties and municipalities have engaged public accountants under authority of commissioners or mayors, but these engagements are infrequent. Audits of state departments are conducted by state auditors under the direction of the commissioner of finance and accounts. The charter of the city of Jackson is so phrased that public accountants must be engaged to audit the city records.

TEXAS

Various institutions of Texas undergo audits by public accountants who are selected, engaged and are acting for the heads of the various institutions. Such audits, however, are not made compulsory by statute but are merely in the discretion of local authorities and for their own purposes. At the 1929 session of the legislature a bill was passed by the house providing for the creation of the office of state auditor and his necessary assistants, this officer to be appointed by a majority vote of three persons, the governor, lieutenant-governor and speaker of the house. In this original draft, the person to be appointed was not required to be a certified public accountant. When the measure reached the senate, it was amended to provide that the auditor shall be a certified public accountant with not less than five years' experience and that the appointment shall be made in the manner of other executive appointments, by the governor with the advice and consent of the senate. The law was so enacted. The office was created for the purpose of examining the various departments, institutions and financial activities of the state, and the auditor is required to report his findings biennially to the governor and the legislature, including a report upon efficiency of personnel and suggestions for general improvement of the state financial system.

UTAH

Public accountants are frequently engaged in Utah to conduct the examinations of cities, counties, school districts and state

departments. Utah statutes provide that all counties must be audited at least biennially by competent public accountants and cities of the first and second classes are required by law to have their accounts audited annually by public accountants. However, in accordance with the official interpretation of the statutory requirements accountants have been required to submit bids and, therefore, the engagements have to a large extent been let on a competitive basis, resulting in inferior audits in many cases. The value of public accountants' services seems to be recognized to the greatest extent by school districts. Various boards of education have sought the aid of public accountants, not only in examination of records but also in the preparation of budgets. Cities, counties and school districts of Utah are required by law to operate under a budget plan. Officers are beginning to recognize generally the value of adequate accounting records and of assistance which public accountants may render.

VERMONT

In Vermont the law permits, but does not require, the governor to employ a public accountant to audit the records of the state treasurer's office. Public accountants have been employed for this purpose during the past four years.

VIRGINIA

Audits of a considerable number of municipalities and counties in Virginia are open to public accountants, but the system of bidding is in effect, which results often in lowering the compensation to an undesirable point. The present law of the state requires examination of county records by the state accounting department and it is believed that little work of this kind is now done by public accountants. The auditor of public accounts is empowered to employ certified public accountants in investigations of the accounts of state departments, offices, boards, commissions or institutions, provided that compensation of such accountants does not exceed sums available by appropriation for the conduct of his office.

WASHINGTON

Public accountants in the state of Washington do very little auditing of public records. A state department of efficiency is charged with the duty of examining records of public officers.

In at least two cases, one of them caused by the suspicion of fraud, public accountants have been engaged for the audit of county records and the accounts of a state institution. In both cases the state authorities questioned the legality of payment of the accountants' fees. Recently a firm of public accountants was engaged to conduct a survey of the city of Seattle with a view to elimination of departments and introduction of a better system of accounting.

WISCONSIN

There is no law in Wisconsin requiring the employment of public accountants to audit the books of any state department. The board of public affairs conducts all such audits for branches of the government. A law passed at the 1929 session of the legislature provides that the director of budgets shall make an annual examination of the accounts of the board of regents of the state university and of the normal schools, the state board of control, the highway commission and other departments. The state tax commission supervises municipal accounting and maintains a staff to audit accounts of towns, cities or counties at request of the governing body or of its own volition if it appears necessary. Practising public accountants are practically excluded from the field of municipal or governmental audits.

WYOMING

It appears that no auditing of public records in Wyoming is done by independent auditors. The law provides that the state examiner shall conduct annual examinations of the books and accounts of cities, counties and school districts. This provision is not always complied with because of lack of facilities.