

Some Transactions Very Bad; Others Were Worse

SPECIAL AUDITOR APPOINTED BY OLD GOVERNMENT REPORTS ON DEALINGS OF FARM SETTLEMENT BOARD

Board Made Practise of Buying Farms for Cash and Reselling to Same Persons on Long Time Terms—E. S. Carter's Charges Regarding Fullerton Farm Fully Upheld—Methods Condemned

Following is the report of T. V. Williams, the special auditor appointed by the old government to investigate the accounts of the Farm Settlement Board. It was laid on the table of the legislature on Friday, and it should be read by every elector in the province, for it shows the manner in which the affairs of the board have been mismanaged, particularly with respect to the farms which have been bought and resold to the same parties, or to parties bearing the same name, or to others whose names were so similar, that there is a clear indication of close relationship.

The report also makes it clear that the facts in connection with the Fullerton farm in Albert county are exactly as E. S. Carter declared they were, notwithstanding the emphatic denials of Hon. J. A. Murray at the time. Mr. Carter, it will be remembered, submitted proof to show that this farm was not sixteen acres but one-half an acre, and that the late ex-Governor McClellan held a mortgage on it for \$200. Read what the special auditor has to say about this farm.

Mr. Williams began the report for Hon. J. A. Murray and completed it for Hon. Mr. Foster after the defeat of the government. From the portion of the report to Mr. Foster it will be seen that in the absence of Hon. Mr. Murray in England, the acting minister of agriculture, Hon. B. F. Smith, sold some farms in Carleton county, which sales were apparently countermanded by Mr. Murray on his return.

The auditor strongly condemns the methods of bookkeeping used.

Portion of Report to Hon. J. A. Murray.
Fredericton, N. B., Feb. 5, 1917.
The Honorable J. A. Murray, Minister of Agriculture, City.
Re Farm Settlement Board.

Dear Sir:—In making my final report and on presenting the financial statement for the four years ending Oct. 31, 1916, it has occurred to me that perhaps it would be better if I go over the ground again and in the form of a recapitulation sum up all the reports presented to you or the premier, after examining very closely all transactions since the inception of the board in October, 1912.

In this connection, then, I would like to remind you that an audit and examination of the Farm Settlement Board accounts was made for the first time in April, 1914, practically allowing a fund amounting to over \$100,000 to be administered by the secretary (and board) without any control or supervision whatsoever. As the report by J. H. Maxwell in May, 1914, showed, checks were frequently drawn to bearer and many were not endorsed. In verifying the above report May, 1914, to the auditor-general, these transactions were reported to you as selling and re-buying on this head:

John Babin, of Kent county, sold his farm for \$200 to the board; Frank Babin, also of Kent county, on the same date sold his farm for \$300 to the board, the latter farm being sold again to John Babin as above on the terms provided under the act. C. P. Bull, of Carleton county, sold his farm for \$700 to the Farm Settlement Board in May, 1913, the board reselling it to C. P. Bull without any initial payment, but in May, 1914, the latter paid the board \$50,000 provided, making in all \$100,000.

\$105—(\$70 on principal and \$35 on interest for one year).

Very Bad All Through.

In verifying the report concerning Walter Leitchford, I find this transaction is very bad from beginning to end. Walter Leitchford, of Lake Edward Settlement, Victoria county, was granted ninety-nine acres of crown lands on Feb. 27, 1914, this land being sold to the Farm Settlement Board for \$500 in cash on Dec. 1, 1913, virtually three months before the lot had been granted to Leitchford. As reported to you there was no documentary evidence to prove payment of \$500 to W. Leitchford, the check not being endorsed and no deed given for the land. On March 27, 1914, the board made another payment of \$400 to W. Leitchford for a three-acre so voucher and no deed. Then, after paying W. Leitchford the two sums in cash totalling \$900 the board sold to W. Leitchford the Stroud-Lovely farm for \$1,000 on easy terms under the act. So that, whilst six per cent was being paid by the Farm Settlement Board to the bank for loans, this money was lent at five per cent, part of it without any security whatsoever. As this particular case was commented on by the auditor-general when forwarding J. H. Maxwell's report, and also by Special Auditor Dunlop very strongly, I am confining myself to facts and figures without further comment.

A check for \$1,500 issued to the Royal Bank at Bathurst for the Knowles brothers' farm, but the deed in possession of the Farm Settlement Board is from the Royal Bank to J. H. Stewart for \$1. As suggested in the report in May, 1914, a deed should have been in the hands of the board for \$1,500. This latter, however, having been the subject of an investigation, and now a matter of history, I am making no further comments on the transaction.

The Fullerton Farm.

The Renforth Fullerton Farm of approximately 16 acres, Chester, Albert county, was purchased by the Farm Settlement Board for \$200 and sold to James Wilson, who made an initial payment of \$50 to the Farm Settlement Board. LATER, IT WAS TRANSFERRED, HOWEVER, THAT INSTEAD OF 16 ACRES THERE WAS SCARCELY HALF AN ACRE AND A MORTGAGE WAS HELD BY MR. MCLELLAN FOR \$200. HAD THE TITLE IN THIS CASE BEEN LOOKED INTO PROPERLY BY THE FARM SETTLEMENT BOARD AND A CERTIFICATE OBTAINED, NO DIFFICULTY WOULD HAVE ARISEN. Fullerton has since refunded \$150 of the money paid to him, the remaining \$50 having been paid to the Farm Settlement Board by J. Wilson. The board now apparently holds the farm. In this connection the matter of the proper examination of titles and certificates from the lawyer employed by the Farm Settlement Board, or registrar of deeds, should be a subject for serious consideration. If ordinary care had been taken by the board or the secretary, no time need have been lost or expense incurred as the title and mortgage could have been found in the record office and the misrepresentation by the vendor at once disclosed. Such misrepresentation in this case should not have been allowed to pass without some reference to the attorney-general, who would have naturally inquired into the matter.

James Horton bought of the Farm Settlement Board the Mary Chapman farm, Carleton county, the deed showing value of \$600. A check was issued by the Farm Settlement Board for \$400 only, whereas it appears that \$550 passed from Horton to Mary Chapman as initial payment. Therefore, with no documentary evidence on record and no instructions from the board to the book-

keeper, \$100 only was recorded in the ledger, the transaction thus standing incomplete and not in agreement with the books and deed.

Says Bookkeeping Bad.

As to the method of keeping accounts and records in St. John, it seems unfortunate that the bookkeeper was not procured that would understand how to make the necessary entries, but in this connection it would appear to me more to be regretted that a secretary was appointed that had no knowledge of bookkeeping or of keeping accounts, therefore utterly unable to supervise the work of the bookkeepers engaged at different times. And it should be borne in mind that the secretary would necessarily have to deal with accounts and finances both as to purchases and sales, and should at least be competent to examine into details as to titles, acreage, representation of vendors of farms, and finally to see that a certificate of title was received from the lawyer or record office. Had such a man been appointed and had he intelligently dealt with these matters, none of these difficulties would have arisen in connection with the purchase of farms.

I regret very much that on placing all these matters before you and exhibiting the books and cards from the St. John office, that trouble should have been brought on the head of the secretary, but the general state of the books and records was so bad that I was compelled to do this, and to prevent further trouble on the same lines suggested that you take the work of the weekly report sheet and details of keeping the card system to date out of the hands of the secretary.

The bookkeeper had been permitted to take the books home for night work, and without any knowledge of the daily happenings, made entries for the interest on the debtor side, without any regard to the receipts given by the secretary, or even to the payments made, whether on principal or interest, and dates to or from, so that when it came to deduct it from the principal paid, no agreement could be made between the cards and ledger, and the receipts could not be reconciled with the entries made. I was therefore compelled to revise and rewrite a new card for every purchaser of farms, and work out separately every item of interest received during the four years from October, 1912, to October, 1916. I have caused to be printed a form of weekly report, which is sent to me from St. John, every transaction being recorded thereon, and all in agreement with the card system on file, both as to interest and principal. The books are now kept in Fredericton and the card system in St. John. I am attaching herewith four statements.

Important Records Lacking.

Since writing above I find that the statements may have to be held for the moment as the Farm Settlement Board account in St. John contains no record of \$20,008.71 remitted from Fredericton in 1914; neither can a warrant for payment to the bank of \$14,987.88 in June, 1914, be located, and as this amount includes the interest charged by the bank at six per cent, for about eighteen months, and five and a half per cent, for about three months, I am unable to complete these statements without these data. To this difficulty may be added the fact that the bookkeeper in St. John

had made no entry of \$20,008.71 and had credited proceeds of bonds on the Farm Settlement Board account, although cash receipts from other sources were properly debited, and notwithstanding these errors the balances had been struck each month.

Portion of Report Made to Hon. Mr. Foster.

The Honorable W. E. Foster, Premier, City.

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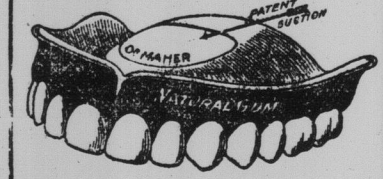
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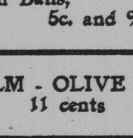
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