

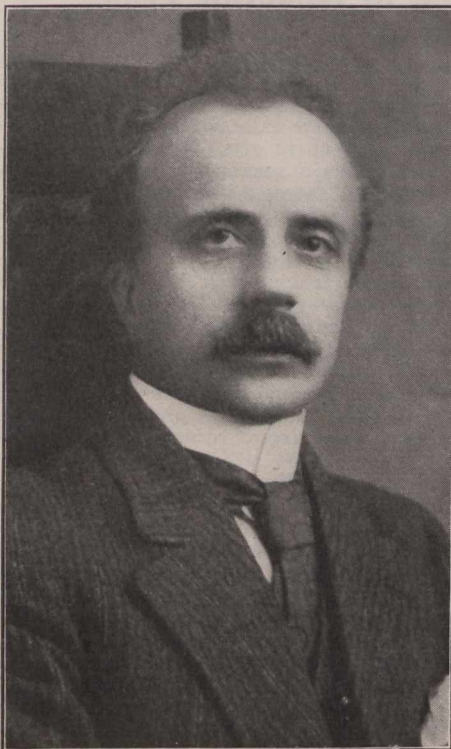
The Audit Department, and its Relationship to Railway Organization.

By W. C. Blake, Chief Clerk to General Auditor, Canadian Northern Ry., Winnipeg.

It is an extremely difficult task to attempt even merely to outline in one brief paper the relationship that the audit department bears to railway organization. It is a department as comprehensive as all of the other departments which go to complete the whole, consequently within its own sphere of operations it is subdivided into various divisions, thus we have an auditor of agencies, auditor of freight and passenger receipts, auditor of stores and mechanical accounts, auditor of disbursements, and car accountant, all reporting to the general auditor in pretty much the same manner as the heads of the other departments report to the general manager, with this difference, that the general auditor reports to the comptroller. On lines which control their own commercial telegraphs, the telegraph receipts are taken care of usually by the auditor of freight receipts, and in cases of sleeping and dining cars, by the auditor of passenger receipts.

First of all, why is it that the auditor of all the officials is, besides the treasurer, the only one not reporting direct to the general manager? It is because the duties of his office require that he should be free from local influences, in other words, through the comptroller he is responsible to the directors that every dollar due the company is collected and properly applied, and also that no money has been paid out without the proper authority for such expenditure. It is his prerogative to prescribe in what particular manner the books or records of the company shall be kept, and, being free from local influences, any recommendations he may have to make, as to the removal from the service or otherwise of incompetent servants, have more weight, and if they are worthy of consideration are promptly acted upon. To illustrate this let me record the experience of one of the pioneers in railway accounting on one of the trunk lines to the south of us. The line in question had suffered considerably from defalcations on the part of those to whom the collection of the company's moneys was trusted; he was sent for by the executive, and, after an expression of annoyance and apprehension, was asked who was responsible for the collection of the company's receipts. He replied, so far as he could ascertain, no one. The treasurer, traffic department, general manager, through his superintendent, together with himself, exercised a joint supervision, but the local superintendent, who was responsible for the physical operations of the road, had immediate charge, and reserved the right of exercising his discretion about dismissing or removal to inferior positions those caught stealing the company's moneys. They all acted intelligently in the discharge of their respective duties, but neither one nor the other was prepared to assume the responsibility, and consequently either acted hesitatingly, or more frequently not at all. The interview closed by an order being issued that the accounting officer thereafter had sole charge of the company's accounts and the collection of its receipts, and that it was the duty of all officers and agents absolutely to conform to his regulations in regard thereto. This is the basis as in existence at the present day.

In the administration of a railway it is as impossible for one man to be in the position of an oracle, that is, one whose mind is so forward as to be able to conceive and direct all the multifarious branches that exist in the operation of the road, as it is for a professor to say he can be an authority on law, medicine, philosophy, astronomy, and all the other sciences, therefore the auditor is the man who having made his accounts his study performs his work with that object in view. As I said at the start, our department is subdivided, each one whilst working along different lines reports to one head, with the one object in view. The auditor



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of agencies is responsible for the accounts of the different stations and agencies along the line, he has a number of travelling auditors up and down the line visiting and checking up the accounts as they actually exist in the agent's books, he sees that records, etc., are kept in such a manner as to be intelligent, and that any information required can be obtained readily, he checks his cash transactions closely, and generally makes an opportunity of finding out the habits of those entrusted with the company's funds, etc., for instance, a cashier or agent who handles money and spends his time when off duty at an hotel bar or frequenting pool rooms, is not calculated to inspire his higher officials with much confidence. The travelling auditor also reports on the general condition of the stations and buildings, which report is sent to the local superintendent, and coming from what can be termed an independent source is usually of value. His reports on the accounts go to the auditor of agencies, by whom they are criticized and

compared with balance sheets as received from the agents themselves; the balance sheets are in turn checked up with report of remittances from the treasurer's department, as also with the result of the checking of reports and abstracts received by the auditor of freight and passenger receipts. The agents' credits are also checked to see that all cash they have paid out is for legitimate items and properly authorized; their outstandings are scrutinized closely, and any items outstanding for which they have not freight on hand to cover are rigorously followed up.

The auditor of freight receipts and of passenger receipts is sometimes one and the same person, and as their duties are somewhat along the same line they can be treated of together. The waybill is the foundation upon which the freight auditor works; the system differs on almost every road, but the results obtained are the same. The waybill covers the movement of freight traffic, it contains all information necessary for the identification of the freight, who shipped it, to whom it is consigned, what it consists of, weight rate upon which its charges are assessed, and so forth. The agent issuing it hands it to the conductor of the train carrying the goods, in fact a conductor is not allowed to handle freight unless he has a waybill. On arrival at destination it is turned over with the freight to the receiving agent, who checks it up in every detail as to quantity, marks, weight rate calculations, etc., making notations as to any discrepancies. If it is a prepaid shipment, and there is an undercharge on it, he collects the difference from the consignee before delivering the goods. On some roads, after the waybills are entered on the agents' abstracts the originals are sent either daily or weekly to the auditor of freight receipts, and the rates and extensions are again checked; on other roads they are filed away by being pasted in books in which case the agent issuing the bill forwards an impression copy (carbon or tissue) to the auditor, where the same process of checking is performed as when the original waybill is sent to him. At the end of the month abstracts, both forwarded and received, are checked and balanced in weight of freight, charges to collect, advances, pre-pays, etc., and on some roads they are then summarized in that office and sent to the auditor of agencies as the basis of checking with station balance sheets. As regards freight for a point destined on another company's line, settlement between companies can be made either between agents, on what is known as the junction settlement plan, where settlements are made mutually between agents at junction points, and draft drawn on whichever company the balance is due from, or by what is known as the audit office plan. When the latter system is adopted the receiving road is the principal factor in the handling of the waybill and accounting for it, all balances being drawn for on the 25th of the month following. Where there is no statistical department, other information, such as tonnage, movement, description of freight, etc., is got out to be used later, or when compiling the statistics required by the government, or for the company's annual