COMMUNICATION

OF

HON. JOHN SHERMAN DARST

TO

GOVERNOR JOHN J. CORNWELL

RELATIVE TO

THE OFFICE OF THE STATE AUDITOR

CHARLESTON, 1917

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Charleston, W. Va., March 3, 1917.

Hon. John J. Cornwell,

City.

My Dear Governor:—

House Concurrent Resolution No. 2, introduced by Mr. Weir and advocated by you in your campaign, providing for the appointment of an efficiency commission by the Governor to examine into the management and expenditures of any branch of the executive department of the State government, and to make a report to the Governor, looking to greater efficiency or economy, and providing for assistants in the way of trained men, etc. Notwithstanding this Resolution failed to become a law, my desire is to comply with its requirements, as far as this office is concerned.

I respectfully request and urge you to select three or a greater number of men, all to be members of your political party, to make investigation of the Auditor's office along the lines set out in said Resolution, and report to you, said report to be made public. I will furnish trained men to assist in this investigation, who will work over hours without pay, in order to give the Committee full and complete information. This will enable the Committee to make the investigation without cost to the people.

The only restriction I request as to the personnel of these men is that they shall be men of the highest standing and familiar with conducting big business, one of whom shall be an insurance man. I suggest Harrison B. Smith, President of the George Washington Life Insurance Company, of this city, or any other big business man who understands the insurance business. He can compare salaries and efficiency in this office with like work in his company.

I suggest for the other members that you select men of this caliber: Governor W. A. MacCorkle, E. W. Knight, John L. Dickinson, Dr. E. B. Stephenson, R. G. Hubbard, and Andy S. Thomas. The last two named are large wholesalers in this city. They can compare the salaries received in this office with similar work in their wholesale depart-

ments, as well as general efficiency. But I will welcome any of the gentlemen named, or any other of our citizens, with similar standing and experience.

I request an investigation at this time because many of the members of the House of Delegates are serving their first term, and have had no time to investigate the many duties of the Auditor, and the importance of highly trained men in handling this immense business of the people in a prompt, effective manner. Also, because it has been time and again stated that the employees of this office were overpaid, as well as favoritism shown, and from the further fact that you expressed in the campaign your desire for the enactment of the law.

Very recently we have been selected by the people of the State to work for them for four years,—yourself as Governor and myself as Auditor. How important, then, at the beginning of our duties, that you acquaint yourself thoroughly through this investigation whether or not the State's chief fiscal officer is wasting, by inefficiency or otherwise, any of the State's money, so you will be able to give to the Legislature such information as they should be in possession of before they can intelligently pass upon a question of such great moment to the people. I think it due you, as well as myself and the people whose servant I have tried to be, that this matter be taken up at once, to the end that we may render to the State the highest and best possible service.

The people are entitled to know the truth. I will be only too glad to have any one point out to me where I can improve the service, or secure help equal to the present service the employees are rendering the State, for less money than they now receive.

I have tried to conduct the business of this office as any well managed corporation is conducted, rendering the greatest service possible at the lowest cost consistent with good service.

The Auditor's office of West Virginia now has a larger scope, a greater field of activity, than the Auditor's office of any other State in the Union. It stands first on the records of the Charleston Post Office.

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In all it has eight departments. Let me call your attention to a few of them:

ACCOUNTING DEPARTMENT.

We have two men in this department,—the chief accountant and an assistant. Of couse, each department keeps a record of its own transactions, but the duty of keeping the controlling accounts for all the departments—the final accounts of the State—devolves upon the head book-keeper. In this department every cent of receipts and disbursements is properly recorded, vouched for and separated into the various funds. The amount disbursed during the last fiscal year, including the Workmen's Compensation Fund, amounted in round numbers to $10,500,000.00. Not only does this department keep the general accounts of the State, but it is charged with the custody and care of the State's investments, and collection of interest thereon. It now holds bonds aggregating more than $1,500,000.00, to the credit of the Workmen's Compensation Fund, and $1,000,000.00 to the credit of the General School Fund; also hundreds of thousands of dollars deposited with the Auditor by insurance companies. The Chief Accountant in this department is paid $2400.00, and the assistant is paid $1500.00.

CORPORATION DEPARTMENT.

We have two men and one lady in this department. The head of this department receives $1800.00 a year, the assistant receives $1500.00 a year, and the lady assistant $900.00 a year. In this department, a complete record is kept of each of the corporations, consisting of name and address, authorized capital stock, amount of license tax paid and date paid, and the number of the Treasurer's receipt given for each payment, making about 6,000 open accounts, which would represent a huge task but for the simple and efficient system of keeping the records. This desk paid into the State Treasury from corporations last year, $827,455.72.

SHERIFF'S DEPARTMENT.

This department keeps the accounts of all the Sheriffs and Asessors, and collects from them the revenue due the

State. It makes up the statements and collects public service corporation taxes, which for the year ending June 30th, 1916, amounted to $3,568,000.00, and disburses to the Counties, Districts and Municipalities their proper proportion of it. It collects license taxes, which for the year ending June 30th, 1916, amounted to $197,000.00. The automobile licenses are issued in this department, and for the year ending June 30th, 1916, numbered 15,771, the license tax collected thereon amounting to $162,820.00. There will be issued for this fiscal year automobile licenses alone, amounting to $250,000.00. The amount of money collected through this department for the year ending June 30th, 1916, and turned into the State Treasury, amounted to more than $5,000.000. This work is done at a minimum cost to the State. While during the past six years the work and income from this department has doubled, yet the clerical force has not been increased. The handling of the public service corporation taxes requires a vast amount of work, but the same has been expeditiously handled and the collections have been made, and disbursements prepared and forwarded to the different Counties, within the time prescribed by statute. Three men have accomplished this work. The head of this department receives $2000.00 a year. The two assistants receive $1500 each.

CLAIM DEPARTMENT.

This department is conducted by one man who checks up and pays the State's costs in criminal cases, including juror and witness fees, allowances to special Judges, transportation of prisoners, etc. The amount so disbursed is about $75,000.00 per year, and covers thousands of items, each of which must be carefully scrutinized and approved, or rejected if not authorized by law.

WARRANT DEPARTMENT.

This department is conducted by two employees, at a salary of $1800 a year each. Under the Constitution and statutes of West Virginia, the Auditor is required to approve every claim presented to him for payment by the State, through the issuance of his warrant upon the Treasury. This necessitates continual vigilance and deliberate care in

the inspection and examination of requisitions from the several departments of the State government. In the last 10 years, the number of warrants issued by the Auditor in payment of claims upon the Treasury of the State has increased many fold. In this department, warrants are issued covering every disbursement by the State, however small, 73,847 having been issued during the last fiscal year, divided as follows: 45,859 warrants on the State Fund, including distribution of the public service corporation taxes collected by the Auditor and disbursed to the Counties, Districts and Municipalities, aggregating over $8,000,000; Workmen's Compensation warrants, covering said period, 27,989, amounting to $1,629,621.21, making a grand total of 73,847 warrants issued , covering disbursements of $10,586,995.61. This work is increasing month by month. In 1909, we issued only 10,297 warrants. In 1916, we issued 73,847 warrants.

LAND DEPARTMENT.

In the land department, we have three to five men most of the year. The head of this department receives $1680, two assistants $1500 each, and two others $1200 each. The department has in its charge the land books of every county in the State, from the date of the formation of each, also the records of all grants made by the States of Virginia and West Virginia, and is frequently required to make abstracts of title to different tracts of land, showing the payment or non-payment of taxes from the date of the grant of said lands by the State; every year it examines, compares, corrects and certifies out the delinquent lists from every county, and makes the redemptions of all delinquent lands, and makes up tabulated statements each year, showing the value of the land per acre, total amount of personal property assessed, and the average value of the live stock in each county. Part of the expense of maintaining this department is paid out of the receipts. If the business is heavy in this department, the cost would be necessarily more. If it is light, the reverse would be the case. This has been the law for many years.

INSURANCE DEPARTMENT.

This department is conducted, outside of my personal supervision, by four persons: the Actuary and examiner, $3,000 a year; the chief deputy, who is an experienced attorney, $2400 a year; stenographer, $900.00, and the third person, who is a general assistant and helper, $1800.00, making $8400.00. For stamps, expenses of examining the companies in the State, of which we will have 25 to examine this year, and all traveling expenses connected with the department, additional furniture, etc., $1600.00, making a total of $10,000.00. The appropriation for this department for the years 1914, 1915, 1916 and 1917 was $9,000.00. The last fiscal year, this department collected, all told $232,250.-88, and placed it in the State Treasury. It supervises 5,000 insurance agents, licenses to whom are issued yearly. It examines the reports and supervises the operation in the State of over 350 insurance companies, whose combined assets are nearly $6,000,000,000.00. It is charged with the duty of enforcing the insurance laws, of keeping weak companies from the State, and seeing to it that admitted companies measure up to the full standard of safety. It protects and acts in insurance matters for the citizens of West Virginia, who hold fire insurance policies for $400,000,-000.00; life insurance policies for $175,000,000.00; fraternal benefit certificates for $40,000,000.00. In this department, great care must be exercised in providing for adequate safety in connection with insurance companies. The department has for years, through its monthly bulletin and through other channels, endeavored to keep constantly before the insurance public and West Virginia agents the necessity for fair practices in insurance matters, and the importance of insuring only in safe companies. The department handles each year hundreds of claims, in which case it acts as a sort of mediator between the insured and the company. This department is also charged with the administration of the Blue Sky Law. It has been handled in connection with the Insurance Department. The Blue Sky Law has for its object the prevention of fraud as applied to promotion. It aims to "lock the barn door before the horse is stolen," by requiring that the plans and financial condition, with some exceptions, of companies desiring to

promote their securities in the State, be submitted to the Auditor and his approval obtained before sale is begun. The business of this department requires an immense amount of technical work, and has proven very useful to the people of this State. Hundreds of thousands of dollars have been saved to the people of this State because of the enforcement of the Blue Sky Law.

I am submitting comparison of cost of administration of the West Virginia Insurance Department with the departments of other States:

COMPARISON OF COST OF ADMINISTRATION OF WEST VIRGINIA INSURANCE DEPARTMENT WITH DEPARTMENTS OF OTHER STATES.

State (1915)	Cost	Amount Collected	
New York	$447,525.51	All	$923,921.48
Pennsylvania	79,710.60	(fees)	191,196.46
Kentucky	29,810.73	(fees)	60,672.97
Iowa	24,285.99	All	584,603.85
Minnesota	34,077.62	All	88,379.86
California	39,496.11	(fees)	86,768.24
Wisconsin	49,378.67	All	952,335.39
Maine	12,400.00	All	161,000.00
Colorado	15,000.00	All	251,000.00
South Dakota	13,301.97	All	182,235.42
Virginia	27,938.72	Cannot be secured	
Alabama (Sec. of State)	12,243.36	(1914) All	286,187.41
Connecticut	40,580.99	All	224,002.30
WEST VIRGINIA	8,318.36	All	232,250.88
* * * * * * * * * * * * *			
North Dakota	20,500.00	All	194,878.68

North Dakota conducts her business on the budget system. Her present Budget Board, pledged to the strictest economy in the management of her affairs, recommends $20,500.00 for the Insurance Department, notwithstanding it collects nearly $50,000 less than West Virginia.

The work has doubled in this office in the last eight years, and is growing by leaps and bounds. We are only asking

for a very small increase over two years ago, and that to take care of the increased business which is sure to develop.

I submit the appropriations made for the different biennial periods since I have been Auditor, and the amounts actually used of the appropriations.

COMPARISON OF APPOPRIATIONS AND DISBURSEMENTS OF THE AUDITOR'S OFFICE FOR THE YEARS 1909 TO 1917, BOTH INCLUSIVE.

Fiscal year	Amount appropriated for the year.	Total amount available for the year	Expenditures during the year.	Amount unexpended at the end of the year.
1908.				$ 6,467.74
1909	$30,200.00	$36,667.74	$26.592.66	10,075.08
1910	31,200.00	41,275.08	24,980.09	16,204.99
1911	30,200.00	46,494.99	27,082.82	19,412.17
1912	30,200.00	49,612.17	28,289.97	21,095.61
1913 (9 mos.)	13,700.00	34,795.61	23,960.50	10,835,11
1914	33,700.00	44,535.11	31,977.19	12,557.92
1915	33,700.00	46,257.92	34,369.90	11,888.02
1916	34,200.00	46,088.02	35,625.58	10,462.44
1917	34,200.00	44,662.44	35,662.44	9,000.00

Note: Disbursements for 1917 estimated. Part of appropriation for 1910 expired, and reverted to the Treasury.

You will observe for the fiscal year 1909, when I became Auditor, there was appropriated $30,200.00 for this office. There was a balance of unexpended appropriations left over from my predecessor, which left available $36,667.74. The tables speak for themselves, and show the amount appropriated and the amount actually spent, and the amount of unexpended appropriations from year to year.

You will notice the appropriation for the year 1913, 9 months, was only $13,700.00 for the entire office. This was made possible from the fact that we had $21,000.00 of unexpended available appropriations, the accumulation of

about it, notwithstanding the fact of the increased duties, and that living expenses have doubled.

The next item is stenographer, $1000.00. The chief stenographer has been paid $1200.00 in this office for years. There is as much difference in the work of this class of people as there is difference in what lawyers, school teachers, blacksmiths or clerks are paid. Some are worth far more than others. At present, my general stenographer gets $1200.00. I believe she is equal to any stenographer in the State. Outside of the Insurance Department, she does the entire work of seven busy departments.

The present stenographer in the Insurance Department I started about one year ago, at $60.00 per month. She has learned the work very well, and I raised her to $900.00 a year.

The item making up the $17,700.00 for other clerks in House Bill is lumped in the above statement, but appears in items in the House Bill itself.

For instance, to pay salary of book-keeper, $1800.00. I am sure the Legislature did not know, when they attempted to reduce this man's salary from $2400.00 to $1800, that he kept the books by items of all the money spent by the State government, including Board of Control and Workmen's Compensation; that last year, more than $10,000,000.00 passed through this department, besides keeping a record of about two and a half million dollars we have invested in bonds and real estate. Mr. Ballard has been trained in this office for twenty years. I think he is as competent a man for the work as any man in the State. He commenced in this department when a young man, and has given the best part of his life to this work. He is worth all he gets, and more.

Another item, to pay salary of Sheriff's clerk, $1800.00. His present salary is $2000.00. He collects the money due the State from Sheriffs and Assessors, and assesses and collects the public service corporation taxes, and disburses same to Counties, Districts and Municipalities. He handles more than $5,000,000.00 yearly. Mr. Miller is a high class man. He was cashier of the Fayette County National Bank before he came with us. I will lose him if his salary is cut to $1800.00.

Mr. Burdette, head of the Corporation Department, was cut from $1800 to $1500. This position paid $1800 twelve years ago. There is twice the amount of work now that there was then. In those days they collected about $400,000 a year. Now we collect more than $800,000.

Insurance Department—The appropriation for this department has been $9,000.00 for a number of years. We collect about the same amount, and do fully as much in an insurance way as our neighbor States, Kentucky and Virginia. Still Virginia spent $27,000, and Kentucky spent $29,000 for the same work. The House Bill cut the small amount I asked for, to $4,500.00, and provided $4,500.00 for traveling expenses and examinations, and included in this $4,500.00 the contingent expense of the entire office, which amounted last year, outside of the Insurance Department, to $3,000 each year, leaving about $1500 of this amount available for the Insurance Department.

Mr. Morgan is my insurance deputy. He is a lawyer, and has had two years' training in the department. He received very little pay for a year and a half. When he became familiar with the duties, I raised him to $2400.00. The House Bill cuts him to $2000.00. He is very valuable to us now, and was offered $3000.00 elsewhere in the last two weeks. I will lose him if his salary is cut to $2000.00.

And I could continue taking up the other departments.

The Senate Bill gives me what I ask for, and that amounts to only a little over $2,000 more than I actually spent last year, and only about $7,000 more than the office cost 9 years ago, with work now doubled.

Governor, the business of the State is just like the business of a corporation. As long as the head is not abusing his power, he should be left to fix the salaries as in his judgment is right and proper. You must some trust some one. If you can not trust the officers elected by the people, or they abuse the people's trust, they should be put out of office. Publicity is the best cure for extravagance.

The officers should be given a sufficient sum to run their respective offices, and should be held responsible for results. They should be examined, and if any officer abuses his power, he should be made to answer for it, but until such time as he has been found guilty of betraying any

trust, he should not have his hands tied, but should be left free to conduct the people's business as he would a private corporation.

For the Legislature to fix absolutely the amount to be received by each employee, means to write over the front door of the Capitol the legend "Abandon hope, all ye who enter here."

The present policy of the Legislature providing a lump sum to run this office has not been abused, as investigation will disclose. If we have erred at all, it is on the other side.

Besides, every year our insurance report shows by items where every cent was spent and what for, to maintain this department. There is also a report made each year of how much was spent in each department of this office, and the items making up its totals, all of which are public records and scattered broadcast.

Hon. William Howard Taft, former President of the United States, recently, in an article in the Youth's Companion, under the head of "Young Men in the Government Service," said: "Two changes are needed to promote efficiency in our civil service. At present, appropriations are made for the salaries of a certain number of clerks of each class; instead, a lump sum should be appropriated for the salaries of the employees of each bureau. Under that system, the chief of each bureau would be free to re-classify his clerks according to their merits."

This we endorse, and is just what we have and now are standing for in the State offices. As Mr. Taft has pointed out in his article, the government system of fixing the amount of each man is wrong in theory and bad in practice. In a big office like this, no one can tell the exact amount necessary to do the work, because it varies with the amount of business. We must have extra clerks and assistants for part of the year.

It is now the custom of the Legislature to make up a budget for each department. This is done by determining the amount necessary for assistants and clerks, contingent expenses and for extra help, thus appropriating it in a lump sum for the head of the department to fix the salaries as in his judgment is right and proper, giving credit where

credit is due. This, in my opinion, is the true and practical budget system.

If men have no hope of bettering their condition, there will be no incentive to work harder and longer, or to fit themselves for better service. Under our present system, in this office every one starts at a relatively low wage. If he shows ability, honesty and interest, the rate increases; if not, he must make way for another. We have no place for the man who does not deserve promotion.

I repeat, that the State's business should be run like a well managed corporation. The head, elected by the people, and responsible to them, should be given the authority to put a premium on industry and efficiency.

Believing you are in sympathy with what I say, and that we can work together to that end, I beg to remain

Very respectfully,

J. A. Darsh

Auditor.