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**METZ FUND HANDBOOKS OF  
CITY BUSINESS METHODS**

**PREPARED UNDER THE DIRECTION OF**

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# HANDBOOK

OF

# MUNICIPAL ACCOUNTING

PREPARED BY THE METZ FUND FROM DESCRIPTIVE  
AND CRITICAL DATA COLLECTED, AND CON-  
STRUCTIVE RECOMMENDATIONS MADE

BY THE  
BUREAU OF MUNICIPAL RESEARCH



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## PREFACE

In January, 1906, Mr. Herman A. Metz assumed responsibility for the administration of the department of finance of the City of New York, one of the duties of which was to "prescribe the forms of keeping and rendering all city accounts". The first year of the official term of the comptroller was employed in getting in touch with the problem. During the remaining three years of his administration Mr. Metz not only utilized the resources of his office for doing constructive work, but also invited and obtained the active coöperation of the Bureau of Municipal Research. Among the concrete results of this coöperation was the preparation of a "Manual of Accounting and Business Procedure for the City of New York"—a volume of some 600 quarto pages. This was promulgated by the comptroller as an executive order under authority of law. The administrative purpose of this manual as set forth in the introduction was:

- 1 To describe definitely the forms of documents to be used and the procedure to be followed by employees of the city, to the end that responsibility may be located for each step

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taken in each transaction resulting in the receipt and payment of money, the acquisition and sale of property, and the incurring and liquidating of liabilities

- 2 To establish and place in the hands of employees a manual containing definite rules, departures from which, in the administration of the city's affairs, may be treated as breaches of duty
- 3 To require those making any change in corporate practice to state such change in writing, and to assume official responsibility therefor
- 4 To make available to each one who has business dealings with the city the means of knowing the technical requirements and of understanding his rights
- 5 To establish a procedure which will make available to the public a definite test of economy, efficiency and fidelity of service.

After four years of public service Mr. Metz retired in order that he might give needed attention to his private affairs. He continued his interest in public business methods, however, and, as a means of making everywhere available the experience of New York and other municipalities, gave to the Bureau of Municipal Research a fund, \$10,000 of

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which was to be made available each year for a period of three years.

Many inquiries came to the Bureau about the New York installation. It was therefore thought desirable to summarize the principles underlying the practice and procedure set forth in detail in the New York Manual and to state these, so far as practicable, in non-technical language. This summarization has appeared from time to time in the publications of the Metz Fund under the title of "Short Talks on Municipal Accounting and Reporting". These "Talks" were prepared by Mr. Ulysses L. Leonhauser, C. P. A., secretary of the Fund from April, 1911, to August, 1912, who for more than two years had been the head of the New York comptroller's expert staff. These "Talks" were sent to the mayors and accounting officers of about 325 American cities, to commercial organizations, and to public-spirited men the country over. Many grateful acknowledgments of their suggestions have been received by the Bureau.

To make the data and experience thus collected permanently available the text and forms have been adapted to suit this new form of presentation and are now published as a handbook of municipal accounting. This book does not treat in detail the

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full range of accounting subjects, but touches upon most of them, and indicates a method for their treatment.

City officials, however, need no longer feel entirely dependent on handbooks for suggestions and guidance pertaining to accounting and reporting practice. The work which is now being done in the accounting and statistical offices of New York, Philadelphia, and a number of other cities, large and small, will increasingly serve to illustrate in a practical way to every inquiring municipal official how a city's business may be intelligently considered. With these practical demonstrations to guide them there is no reason why every city in the nation may not develop the means for prompt, accurate, and complete reporting of facts and for establishing exact standards of administrative efficiency.

The Metz Fund, Bureau of Municipal Research, 261 Broadway, New York, welcomes inquiries and suggestions regarding any of the subjects discussed in this volume.

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## INTRODUCTION

The function of accounting is to produce complete, accurate, and prompt information about business transactions and results. To do this, some method must be employed which will insure completeness, accuracy, and promptness. One of the ends also to be reached is to locate responsibility for waste, inefficiency, and infidelity; another is to make and preserve the evidence of efficiency and proper regard for the duties and responsibilities of office. To do this requires that each act be recorded in such manner that the evidence may be preserved; that the many facts be analyzed and summarized so that their significance may be readily understood; that the results be promptly reported; that the forms of report be such that each subject of immediate concern may be brought to the attention of the officer or the public; and that further means be provided for knowing whether the information thus made available is acted upon. That is, the record should provide the evidence needed to enforce responsibility, and the report should provide the in-

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