

The

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(No. 8)

Santa Fe Today



The Santa Fe Today—No. 8

Explanatory note: Expansion of the Santa Fe from a small Kansas enterprise into a vast transcontinental transportation system has brought about many changes in its operations. This article is the **eighth** in a series to explain the workings of this modern railroad plant with its shops, yards, offices and other physical properties which go to make up the Santa Fe today. These articles have been prepared by the public relations department with the co-operation of the various department heads and the editors of The Santa Fe Magazine. The remaining articles in the series will be published and distributed from time to time until all departments of the railroad have been included.

Employees are urged to retain this pamphlet and all others in the series so that at the conclusion they may have a complete story of The Santa Fe Today.

EXECUTIVE OFFICE - NEW YORK

This New York Office of the Santa Fe is the responsibility of Ralph M. Hogin, Comptroller.

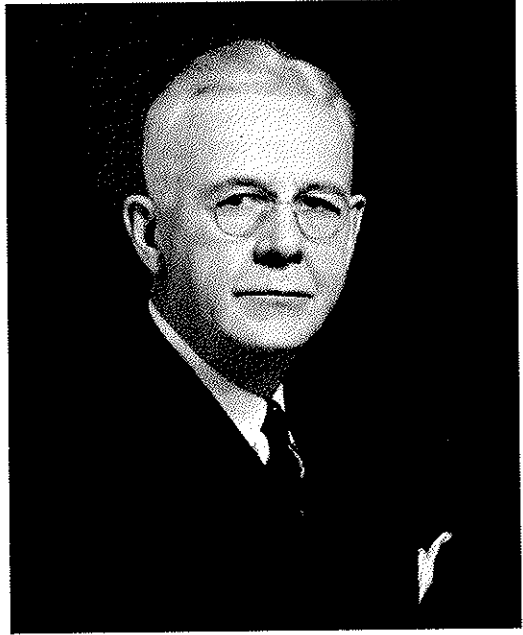
The staff includes Don C. Wilson, Assistant Treasurer, G. E. Wasko, Transfer Agent, Ward Sheets, Assistant Transfer Agent, and office personnel of some thirty men and women.

The office occupies the northwest wing of the 29th floor of the Equitable Building, one of the world's largest office buildings, located in the financial center of the City, at 120 Broadway, housing some 12,000 busy people variously engaged in sundry lines of commercial endeavor; near the tip of Manhattan Island and forty stories high, the building overlooks the harbor, the East and North Rivers, the Army Post on Governors Island, the Immigration Office on Ellis Island, Bedloes Island on which stands the Statue of Liberty, and many other points of historical interest.

This is a selling, perhaps more appropriately a bartering, and disbursing office. Here we meet or correspond from day to day with men and women of all degrees of affluence. The constant goal is to sell Santa Fe, i.e., to give friendly and attentive service to all alike in exchange for the good will and confidence of the owners of and investors in the Company and the public at large, including our competitors. The return cannot be appraised but the responses are a spur to greater effort in this respect.

The Comptroller has custody of all bonds, stock and miscellaneous securities owned by the Santa Fe. Collections are made of dividends and interest on the securities in custody, other receipts being miscellaneous like and unlike remittances from other sources and cash remittances from Santa Fe System Treasury offices.

The funds thus concentrated are not long idle. Through the New York Office flows all transactions pertaining to the stock and bonds of the Company and miscellaneous securities owned by the Company, with the related numerous and varied details and responsibilities, including the payment of dividends and interest on bonds and other funded debt -- Equipment Trust and Equipment Pur-



R. M. Hogin, comptroller

chase Contract maturities, bond redemptions, payroll and miscellaneous expenses; stock transfers, bond transfers and exchanges, purchases of securities, solicitation and tabulation of proxies for Annual Meetings of Stockholders, with the attendant interviews and exchange of correspondence with stock and bond holders, et al. Annual disbursements for dividends, interest and funded debt maturities exceed \$40,000,000 and these, coupled with purchases of securities and miscellaneous transactions, result in annual disbursements ranging to a peak during the past ten years of over \$250,000,000, the average annual disbursement for the ten year period ended December 31, 1949, being in excess of \$142,500,000.

Voluminous reports, compilations and statistical data of general information are originated for the Santa Fe, the United States Government and various State bodies, commissions and sub-divisions. Detailed records are maintained incident to the destruction (by cremation) of Santa Fe accounts, records and memoranda, including hundreds of thousands of paid and cancelled coupons, redeemed bonds, etc.

The outstanding Capital Stock of Santa Fe as of December 31, 1949, comprised 2,427,060 shares of Common and 1,241,728 of five per cent. noncumulative Preferred, as follows:

	No. of Shares	Par Value Per Share	Total Par Value
Common	2,427,060	\$100	\$242,706,000
Preferred	1,241,728	\$100	124,172,800
Totals	3,668,788		\$366,878,800

It is gratifying to note that at present market the stock represents a value of approximately \$410,000,000, some \$43,000,000 in excess of par value.

The funded debt of Santa Fe in the hands of the public as of December 31, 1949 was \$214,877,736, as follows:

Class	Rate of Interest	In hands of public
General Mortgage Four Per Cent. One Hundred Year Bonds - due October 1, 1995 (non-callable)	4%	\$151,349,500
Four Per Cent. One Hundred Year Adjustment Bonds - due July 1, 1995 (non-callable)	4%	49,117,500
Equipment Trust Certificates - 1937	2.25%	2,760,000
Equipment Trust Certificates - Series D - 1940	1.25%	1,000,000
Equipment Trust Certificates - Series E - 1941	1.625%	4,000,000
Equipment Purchase Contracts	Average 1.575%	6,650,736
Total funded debt		\$214,877,736

Note: During the years 1941 to 1949, inclusive, Santa Fe funded debt was decreased in the net amount of \$119,644,380, reflecting the maturity or call and redemption of bonds and payment of Equipment Trust and Equipment Purchase Contract maturities. The result, an annual saving in interest (fixed) charges of over \$4,800,000. At December 31, 1949, the ratio of Funded Debt to Total Capitalization (Stock and Debt), was 36.94%.

The registered holders of Santa Fe stock now number approximately sixty-two thousand. This does not by any means, however, enumerate all of the



D. C. Wilson,
assistant treasurer



G. E. Wasko,
transfer agent

holders of the stock. Thousands carry their holdings in the name of a "Nominee", their names never appearing on the books of the Company. A single nominee registration may represent as many as three hundred or even more individual holders of the stock. These beneficial owners cannot be counted and thus the Company never knows the number of its stockholders nor when it may be dealing with a stockholder. The holders reside in all states and territories of the Union and in over thirty foreign countries, representing a fine cross-section of the people of the country and of the world at large, of whom we are justly proud.

By and large the stockholders are investors as distinguished from speculators, the holders being classifiable in three groups; investors, brokers and foreign. The investor group holds a majority of the shares and comprises educational and scientific institutions, life and fire insurance companies, savings banks, hospitals and charitable organizations, estates and individuals. An interesting sidelight is that of the forty-seven odd thousand holders of the Santa Fe stock who are individuals, about 40% or eighteen thousand six hundred are men, holding something more than eight hundred thousand shares, and about 60% or twenty-eight thousand eight hundred are women, holding well over nine hundred thousand shares. Holdings of Santa Fe bonds as between men and women probably are about the same. The number and variety of inquiries received from the approximately one hundred thousand holders of the stock and bonds are a source of never-ending surprise and interest. They run the gamut of human

emotions as related to stock, bond, dividend, interest and miscellaneous transactions and matters wholly irrelevant. It is a "must" to answer these inquiries courteously, briefly, responsively and promptly. It is the intent that every letter be an envoy of good will.

Stock Transfer Department.

Santa Fe, as a stock corporation, is required by law to keep ledger accounts reflecting the name and address of each stockholder of record, the number of shares held by each and the date ownership was recorded. The stock is listed on the New York Stock Exchange and always has been relatively active market-wise. Influenced by various factors, the number of registered holders fluctuates, ranging during recent years from 52,000 to 65,000.

During the ten-year period ended December 31, 1949, the average annual issuance of Preferred stock certificates was 7,391, involving an average annual transfer of 237,085 shares. For the same period, the average annual issuance of stock certificates for the Common shares was 23,111, being an average annual transfer of 962,783 shares. Thus it will be seen that for the ten-year period for both classes of the stock, the average annual issuance of stock certificates was 30,502, involving the transfer of 1,199,868 shares, an annual turnover in par value of \$119,986,800.

The Stock Transfer Department is responsible for all matters incident to the transfer of shares, including related correspondence. It in brief: (1) Keeps the stock ledgers, including the posting thereto of some 8,000 changes of address annually (2) Controls the supply of blank certificates (3) Issues all new and cancels all surrendered certificates (4) Participates in the distribution and receives and sorts incoming proxies, verifies, tabulates, and certifies them on lists for the Annual Meetings of Stockholders (5) Inserts and certifies shares on dividend lists (6) Prepares or participates in the preparation of all statistical data pertaining to stockholders.

The transfer of stock imposes a heavy responsibility, each transfer requiring experienced verification and careful processing from time of surrender of the old to issuance, recording and delivery of the new certificates. It is impractical here-

in to outline all of the detailed procedures for transfer of the stock and control of the stock accounts. Transfers requiring the most time and care are the so-called "Legals", i.e., transfers from the names of deceased stockholders, to and from trust accounts, to and from accounts of guardians, conservators and committees, to and from corporations, etc. The "Legal" transfers average about twenty-five daily. Vital steps to the transfers include: (1) Verification of assignment by transferor and a Power of Attorney (Stock Power) — on reverse side of stock certificate, empowering the Transfer Agent as attorney for the transferor to effectuate the transfer on the Corporation's books (2) Comparison of the signature on the assignment with the name on the face of the certificate, which signature must be guaranteed (3) Close inspection or verification of the name and address of the transferee, the date of assignment and that Federal and State Tax Stamps are provided for or affixed (4) Verification that there is no estoppel against transfer of the shares deriving from prior notice of loss or destruction of the stock certificate: of death of the stockholder: of appointment of a Committee or Guardian: of claim against or litigation involving the shares, etc. (5) Posting of the stock ledgers, verified by balancing the debits and credits against recapitulation of shares represented by stock certificates surrendered and new certificates issued.

The Transfer Agent maintains a file of some 2,400 live specimen authorized signatures of Commercial Banks and Trust Companies and New York Stock Exchange Firms, acceptable in guarantee of signatures.

A daily recapitulation of stock certificates surrendered and new certificates issued is signed by the Transfer Agent and delivered with the new certificates (each signed by the Transfer Agent and an Assistant Secretary) together with the cancelled old certificates to the Registrar. The Registrar authenticates the transfers by signing the new certificates and returns the certificates, whereupon the new certificates are mailed or delivered over the counter against proper receipt and the cancelled certificates are passed to permanent file.

Santa Fe stock certificates are issued in

six colors, three for Preferred and three for Common. Each certificate is numbered, the letter "X" before the number indicates ten-share denomination (Pfd. Blue - Com. Red); the letter "A" prefixing the number indicates fractional denominations of one hundred shares, except ten, (Pfd. Olive - Com. Light Brown); unlettered numbers indicate one hundred share denomination (Pfd. Dark Brown - Com. Green), the last being the unit of trading on the New York Stock Exchange, which approves the certificates as to form.

Bond Department

The now outstanding Santa Fe bonds originally were issued in coupon "Bearer" form, interest payable semi-annually on the General Mortgage Bonds, annually on the Adjustment Bonds, the option subsequently being given the holders of the Adjustment Bonds to convert them to a semi-annual interest basis. Both of these bond issues were in \$500 and \$1,000 denominations, both subject to registration as to principal only in such denominations, both subject to full registration in denominations of \$1,000, \$5,000 and \$10,000. The Bonds are converted to Fully Registered form in this office and registered as to Principal Only (retaining coupon form) by the Trustees. Once Fully Registered, neither issue of the bonds is reconvertible to coupon form. Presently, \$27,446,000 par value, about eighteen per cent, of the General Mortgage bonds and \$8,027,000 par value, about sixteen per cent, of the Adjustment bonds are Fully Registered. Ownership by individuals and others of the approximately eighty-two per cent of the bonds remaining in bearer form is unknown and hence the number of such owners cannot be determined. There has been some reduction in the number of holders during recent years resulting in large measure from the conscription of foreign held bonds by the foreign governments and concentration and sale thereof here in substantial lots to individual buyers. It is estimated that such owners now number from thirty to thirty-five thousand.

The exchange of the Adjustment bonds, issued in Annual form as aforesaid, for Semi-Annual bonds involved the substitution of semi-annual coupons for the unmaturing annual coupons at-

tached to the surrendered bonds, and imprinting of the exchange agreement on the reverse side of the bonds. This agreement was signed by the Comptroller and the Trustee, the latter returning the bonds for delivery to the depositor. Annual coupons voided in the exchange were forwarded to the Trustee and held for periodical cremation. On the last day of each month the New York Stock Exchange was notified of the par value of the bonds so exchanged during the month, total par value of each type of the bonds outstanding at close of month being given, such reporting being certified by the Trustee. This is mentioned because it was an important feature of the bonds and is stated in the past tense for the reason that less than one-tenth of one per cent of the issue now is unconverted to semi-annual form.

The General Mortgage and Adjustment Bonds, both one hundred year issues, mature October 1, 1995 and July 1, 1995, respectively. Both issues were released with interest coupons for fifty years attached, the last of such attached coupons, No. 100 for the General Mortgage bonds, matured October 1, 1945, Nos. 50 and 100 for the Annual and Semi-Annual Adjustment bonds, matured November 1, 1946. The bond covenants provided that following maturity of the last of the attached coupons, and upon presentation of the bonds to the Railway Company, the Company would affix thereto coupons for the remaining life of the bonds; one hundred coupons being required to complete the General Mortgage; ninety-eight coupons to complete the Adjustment bonds; all annual Adjustments being converted to semi-annual upon receipt for new coupons. Following the maturity and collection of the coupon last attached to the bonds, the holders forwarded the bonds to this office in great volume, a peak of \$22,000,000 par value of the bonds being on the floor for processing for new coupons on a single day. The regular force was supplemented for this work. Special guards were employed and the greater part of the bonds had been processed and returned to the owners with new coupons attached within ninety days following the above noted coupon maturity dates. At October 1, 1945 the par value of the General Mortgage Bonds in bearer form was \$127,990,500; at November 1, 1946

the par value of the bearer Adjustment Bonds was \$43,558,000. As of this date, May 12, 1950, only \$632,000 par value of the General Mortgage Bonds, about one-half of one percent, and only \$45,500 par value of the Adjustment Bonds, about one-tenth of one percent, have not been presented for attachment of the new coupons.

Bound books of Fully Registered bond blanks with stubs, in denominations of \$1,000, \$5,000 and \$10,000 are kept in hand for each bond issue. When Fully Registered bonds of higher denomination are exchanged for bonds of lower denomination a charge of \$1 is made for each additional bond issued.

Separate transfer record books are kept for each bond issue. These transfer record books comprise three sections: (1) Record of coupon bonds exchanged for Fully Registered bonds (2) Record of all Fully Registered bonds issued (3) Fully Registered bonds transferred.

When coupon bonds are exchanged for Fully Registered bonds, the registered bond issued bears the name, date, seal and number, with bond numbers of coupon bonds surrendered entered on reverse side. The new bonds go to the Trustee for authentication, together with the surrendered and cancelled coupon bonds; the completed new bonds being returned by the Trustee for delivery to the owner, the cancelled coupon bonds being retained by the Trustee for periodical cremation on basis of lists prepared by the Bond Department.

When Fully Registered bonds are transferred, assignments for transfer, guarantees of signatures of transferor and all papers and documents in connection with the transfer are carefully examined and the required amount of Federal tax stamps (50 cents per \$1,000) is affixed. Necessary entries are made in the transfer record book, the new bonds are transmitted to the Trustee for authentication and return after which the new bonds are delivered to the owner and the cancelled surrendered bonds are held in permanent file as evidence of transfer of ownership.

Within two weeks preceding interest maturity dates, the bond transfer books are closed and registered interest lists are prepared in duplicate, one copy being retained by the Comptroller, one

copy being certified to the Treasury Department for payment. The Bond Department subsequently verifies the payments as made, against its copy of the list. These lists currently represent about 500 accounts.

The Bond Department verifies daily all coupons paid and cancelled by the Treasury Department as hereinafter stated, retains, recancels, numerically sorts and posts the individual coupons "Paid" in the coupon registers — master records of coupons, both issues, bond and coupon numbers and maturity dates.

The paid coupons are cremated at any convenient time after two years following the date of maturity, from summaries thereof prepared by the Bond Department and submitted to the Trustee for certification, the cremation being witnessed by representatives of the Company and of the Trustee after which the summaries are certified as to cremation by both, both retaining copies.

Sundry related reports are made monthly or periodically to the General Auditor, some of them being:

Securities deposited in or released from custody of Comptroller.

Cash received for exchange or transfer of bonds - turned over to Treasury Department.

Number and par value of Adjustment bonds converted from Annual to Semi-Annual, including coupon numbers of void annual coupons surrendered and of semi-annual coupons substituted.

Classification of Company bonds outstanding — principal amount of each, as between fully registered and bonds registered to principal only (quarterly).

The Bond Department also functions as to a detailed monthly audit of dividends paid during the month as reported by the Treasury Department to the General Auditor.

Treasury Department.

The Treasury Department makes weekly and special reports of the cash position to the President and detailed interim reports of Cash Receipts and Disbursements, four times monthly, the last as of the close of business for the month, to the General Auditor.

BOND INTEREST

Some interest coupons are presented for collection each day. All coupons always are paid on date of presentation and registered interest, some 500 accounts, on the interest maturity date. At times between interest maturity dates, only a small number of coupons are received, but on or near the maturity dates the receipts are heavy, maximum receipts for maturity dates involving well over 100,000 coupons, the aggregate value thereof, together with the payment of the registered bond interest, constituting a payment of interest for the day of over \$2,400,000.

The Santa Fe General Mortgage and Adjustment Bonds are so-called tax-free issues, i.e., the tax covenants therein provide that the Railway Company will pay both as to principle and interest, all tax or taxes that it may be required to "pay or to retain" therefrom by any present or future law of the United States or of any State or Territory thereof; the Railway Company agreeing to pay such tax or taxes. Under Federal law and such tax covenants (bonds issued prior to January 1, 1934), the withholding (assumption) by the Railway Company of tax at the rate of 2% is required from all interest payments to individuals, fiduciaries, and partnerships, with taxable income. These bondholders submit ownership certificates (U. S. Treasury Department Forms), one for each collection of coupon or registered bond interest. Interest on bonds owned by corporations is exempt from tax withholding; exemption being established by submission of declarations of such ownership - name of owner ordinarily not disclosed. Under these tax covenants, all Santa Fe bond interest is paid in full, the Company assuming the 2% tax thereon, when appropriate. On heavy maturity dates as many as 600 corporation declarations and 6,500 ownership certificates are received, annual receipts of declarations being about 3,000 and of certificates something over 30,000. The ownership certificates must be verified as to completeness and the amounts shown thereon, together with the amounts shown by the corporation declarations, balanced with the total payment for the day before the payment checks are released. The ownership certificates are summarized on U. S. Treas-

ury Department Form 1012 and forwarded quarterly to the Collector of Internal Revenue. The amounts of tax withheld (assumed) by the Company are remitted to the Collector annually on June 15th. The amount of tax thus assumed by the Company approximates \$40,000 per year. Bond owners are entitled in individual income tax returns to take a deduction for "tax paid at source" of amounts so assumed and reported. The paid coupons are cancelled and passed to the Bond Department daily for final verification, second cancellation and disposition as before stated.

At the close of business for the day, funds in the amount of the interest payment for the day are transferred to a special account in the bank, designated "Coupon Account", against which the checks in payment of the interest are drawn. Paid coupon checks, with statement of balance, are received from the bank daily, verified and filed. While there are always coupons that are slow of presentation, under normal conditions the payment of coupons approximates the bearer bond interest maturity. The normal receipt of coupons was interrupted during the years of the late war.

At the close of the month, a statement of coupon and registered bond interest paid during the month, the balance "Interest Matured Unpaid" representing matured coupons unrepresented, is rendered to the General Auditor.

DIVIDENDS

As a part of its services to the nation, one of the prime objectives of all Santa Fe operations is to earn and pay dividends on its Capital Stock. Santa Fe since reorganization in 1895, has an enviable overall record of earnings and of dividends paid.

Noncumulative dividends are payable on the Preferred Stock at a rate not exceeding five per cent per annum, upon declaration by the Board of Directors, such declaration and payment having priority over any payment of a dividend on the Common Stock. Dividends have been paid on the Preferred Stock for each fiscal year ended June 30, 1898 to date. For the fiscal year ended June 30, 1900, and each ensuing year to date, the Preferred dividend has been paid at the full rate of five per cent, except that for two of the depression years in the thir-

Here is a representative truckload of mail bags holding common dividend checks for mailing to Santa Fe stockholders.



ties (fiscal years 1933 and 1938) less than full payment was made, the payment for the fiscal year 1933 being \$4.80 per share, for the fiscal year 1938 being \$1.00 per share.

Dividends on the Common Stock are payable upon declaration by the Board of Directors, out of accumulated surplus, after certification by the General Auditor that the undivided net profits of the Company for the fiscal year are sufficient to pay the dividend aggregating five dollars (\$5) per share on the Preferred Stock. Dividends at varying rates have been declared on the Common Stock for or during each of the forty-nine years ended June 30, 1901 to June 30, 1949, inclusive, (last payment for year 1949 to be made June 1, 1950), except that in three of the depression years in the thirties, 1933, 1938 and 1939, no Common dividends were paid. The yearly payments have ranged from one to ten dollars per share, the average annual declaration and payment for the forty-nine year period being \$5.37 per share. For thirty of the forty-nine years - 1910 to 1931, inclusive, and for the years 1942 to 1949, inclusive, quarterly dividends have been declared on the Common Stock. For the years 1942 to 1947, inclusive, the dividend rate on the Common Stock was \$6.00 per share and for the years 1948 and 1949, an extra dividend of \$2.00 per share was declared, making the payment for each of those years \$8.00 per share.

Dividends are declared to holders of

record (registered on the books of the Company) at the close of business of a given date by way of establishing the shareholders entitled to the dividend. The declaration also fixes the date of payment, ordinarily twenty-five to thirty days following the date of record. It is essential that stockholders receive their dividends promptly and the dividends are mailed on the day preceding the dividend due date. Speed and accuracy are requisite to such payment of the dividends.

For purposes of producing all stockholder and dividend lists, Addressograph stencils are prepared and maintained alphabetically on an up-to-the-minute basis (one or more for each account). Many accounts carry two addresses, one for checks, one for miscellaneous communications and this file ordinarily contains some 80,000 stencils. These stencils are in a state of constant change, new accounts in, old accounts out, and seven to eight thousand changes of address being received for the existing list of stockholders annually. These changes must be made daily by way of insuring the release of each mailing to the proper address. Daily lists of these changes are passed to the Transfer Department where they are posted currently to the stock ledgers.

Preparatory to the payment of a dividend, an Addressograph stencil machine listing (on dividend sheets) is made of all holders of record for the dividend, the individual dividend check

numbers being entered on the sheets in the same operation. The Transfer Department takes these sheets, inserts thereon for each holder the number of shares held at the record date, balances the total number of shares thus inserted with the stock ledgers and certifies the list for payment.

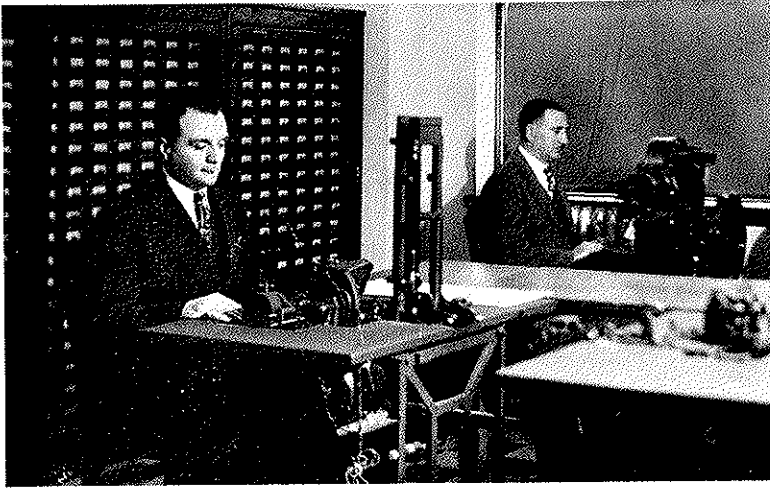
On basis of the dividend lists thus certified, the Treasury Department runs the prenumbered checks in sequence with the prenumbered list, through the Addressograph machines, imprinting thereon the names and addresses of the stockholders. The checks and dividend lists then pass through the checkwriting-signature machine, which imprints the amount of the dividend and signature on the checks and the amount of the dividend on the dividend sheets in one operation. Such machine carries a cumulative total permitting sub-totaling and balancing of the dividend in preparation, by sheets or letters of the alphabet as desired, and bringing out the grand total of the dividend with the final check. The checks are produced at the rate of about 8,000 daily, enclosed manually in "window" envelopes, run through the Postage Meter and mailed, a circular being enclosed with each check giving details of the dividend; date declared, record and payment dates and dividend rate. On the reverse side of this circular is a change of address form for convenient use by the stockholder. Under the present schedule of dividend payments, over 200,000 dividend checks (Preferred and Common) thus are prepared, mailed and accounted for annually.

On the dividend disbursement date, funds in the amount of the dividend (less nonresident alien income tax withheld) are transferred to and deposited in a special account in the bank, designated "Dividend Account", against which the checks are drawn. Paid dividend checks with statement of balance are submitted by the bank daily. Upon receipt, the payment is verified and the checks sorted to number order. At the close of the month, paid checks are checked off on the dividend list and the open items are balanced with the month-end "Dividend Account" balance reported by the bank. A condensed Dividend Account balance and a statement itemizing the balance as to checks from prior month dividends paid during the month

and to checks from current dividends unpaid at close of the month are furnished the General Auditor each month, except that for the month of December he receives an itemized statement of unpaid checks comprising the balance in the Dividend Account at the close of the year. The General Auditor makes a spot audit of the dividend and other balances from the basic office records one or more times yearly.

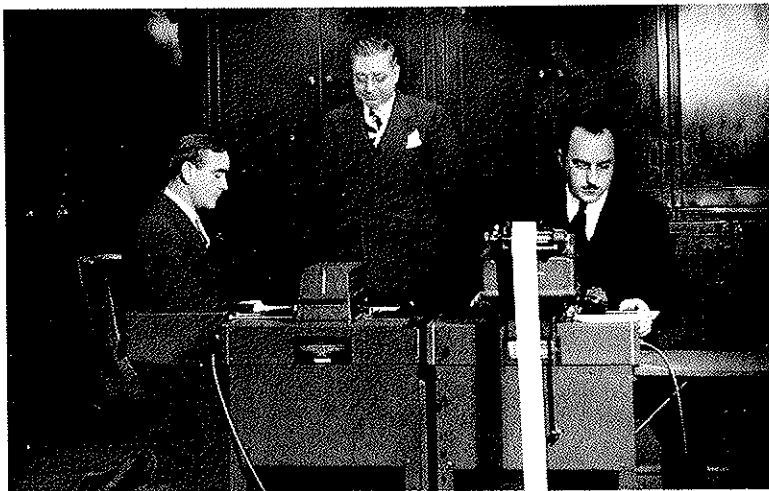
Dividends due foreign stockholders demand special attention. Under the current Revenue Act, the withholding of tax at varying rates is required from each dividend payment to a nonresident alien stockholder. Before the war, this withholding was made from some 3,000 items for a total of about \$135,000 annually. Since the war, there has been a substantial decrease in the number of foreign holders as the result of requisition of the shares by the foreign governments and sales thereof in this country. For the year 1949, withholding was made from some 2,000 items, the amount withheld totaling approximately \$69,000. Presently, the foreign stockholders number 554. The amounts so withheld are summarized in detail on U. S. Treasury Department Form 1042, forwarded to the Collector of Internal Revenue on or before March 15th of the first following year, and the amount so reported is remitted to the Collector on or before June 15th thereafter.

War-time Executive Order No. 8389, effective April 8, 1940, froze the assets within the jurisdiction of the United States of most foreign nationals. Pursuant to this order, voluminous reports of foreign assets within the control of Santa Fe - stocks, bonds, accounts receivable and payable, etc., were made to the Government Foreign Funds Control Department. No dividends could be paid to these blocked accounts and the unpaid dividends due them accumulated in the dividend balance to a total of approximately \$350,000, as compared with a normal balance in the neighborhood of \$100,000. Since the war, the restrictions have been relaxed or lifted as to most of these accounts but we had on hand for each such Common or Preferred holding something over thirty and fifteen dividend checks, respectively, before this came to pass. As to foreign holdings not yet unblocked, the checks for the divi-

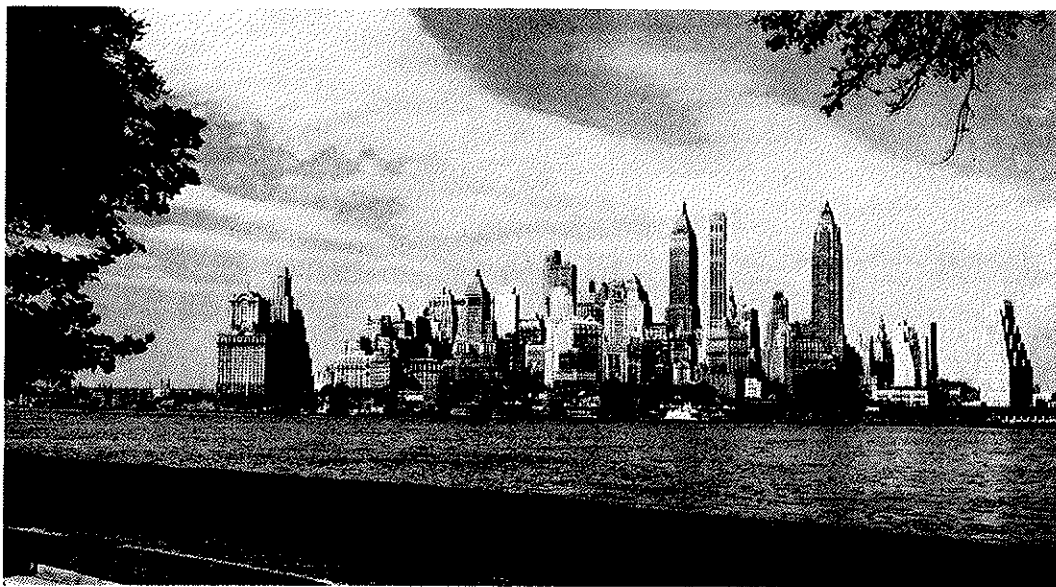


This is one corner of machine room showing Addressograph, Graphotype and part of stencil cases holding plates showing names and addresses of stockholders.

Girls sorting coupons.



Dividend checks are run off through Todd Check-writer and signer.



This is an impressive picture of Lower Manhattan sky line as seen from Governors Island.

dends are accumulating. From and after 1940, the policing of these accounts has required a great deal of time and care.

Annual Federal Income Tax reporting is required as to each stockholder receiving dividends amounting to \$100 or more, similar reporting of the dividends from all to varying totals being required to State Tax Commissions of nine states in which Santa Fe operates. The Federal reporting is made on U. S. Treasury Department Annual Information Return Form 1099, about 35,000 of such separate returns being made annually. The State reporting is made on forms provided by the state or by typed reporting in statement form, involving over 6,000 individual returns annually. For purposes of these reports, it is necessary to combine two to six dividends, dependent upon whether the reporting is for a holder of Preferred or Common shares or both. New and out accounts must be considered and the overall reporting is quite a job.

Other activities include the preparation of vouchers, payrolls, wage statistics, special mailings to stockholders and miscellaneous statistical or other data as required, the necessary basic ledgers and records being kept for all of the various reports and transactions.

An interesting phase of the work and

one that pays off in friendly relations and in gratification of having fulfilled an obligation is the tracing of stockholders who move and fail to give us a change of address; tracing for the representatives and/or heirs of deceased stockholders and the follow-up for disposition of checks that for any reason are undelivered or are not cashed. As previously indicated, something over twelve per cent of the stockholders change addresses each year, a considerable number of them failing to give us the new address and these, coupled with the cases of deceased stockholders who apparently leave no record of their holdings available to the executors or heirs, result in numerous checks being returned unclaimed. In all such instances, we attempt to locate the stockholder and/or heirs and effect delivery of the dividend checks, although it sometimes takes years to find them. One of the difficult places in which to find a stockholder is the City of New York. Recently, we located a stockholder here who had forgotten she owned stock in the Company but produced her stock certificate, whereupon we produced the checks for and paid her forty-two dividends on the shares. The procedure in general is to write the bank where the stockholder last cashed a check; to write the Postmaster and others for a check of telephone, city and

other directories and to write city authorities for a check of vital statistics, at any place where the stockholder has ever been known to reside. Through these channels, we recently located a stockholder in Toronto, Canada, who had never given us a change of address during the period that she had held the shares and in the meantime had resided at various places, East and West, within the United States; thus succeeding in paying to her thirty-five accumulated dividends. This stockholder now is re-

ceiving her dividends regularly. A number of stockholders hoard, i.e., do not cash their checks. Recently and after much correspondence and personal calls by representatives of the Company, we prevailed upon a stockholder to cash the checks for one hundred thirteen dividends that she had filed away upon receipt. This is a never ending process, fully compensated for by the friendly messages of appreciation brought by each such successful effort.



THE SECRETARY AND TREASURER DEPARTMENT

The Santa Fe's numerous financial transactions, collections, disbursements, the handling of all funds, credit arrangements, banking procedures, bonds of indemnity and related matters, are the responsibility of four Treasury Department offices located throughout the system lines - all under the direct supervision of the President.

Those duties and all obligations incumbent on the Secretary and Assistant Secretaries as set forth in the Santa Fe's by-laws are assumed by the following officers:

H. B. Fink, Secretary and Treasurer, Topeka.

A. O. Appel, Assistant Secretary and Assistant Treasurer, Los Angeles.

J. A. Manning, Secretary and Treasurer, G C & S F Railway, Galveston.

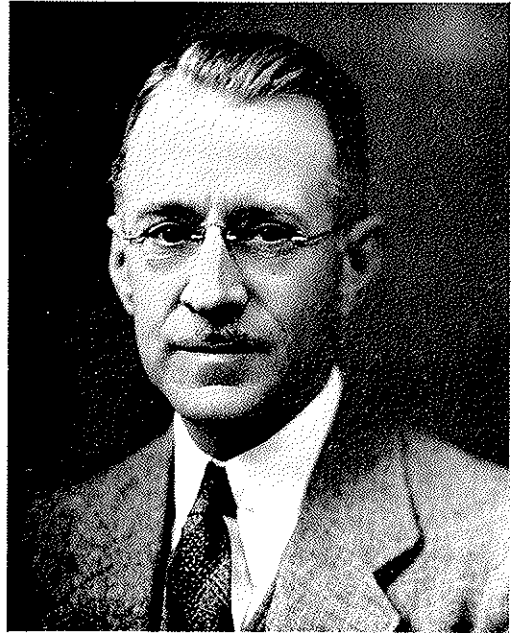
E. F. Browder, Secretary and Treasurer, P & S F Railway, Amarillo.

Additional secretary-treasurer responsibilities are assumed by: R. M. Hogin, Comptroller and Assistant Secretary, New York City; D. C. Wilson, Assistant Treasurer, New York City; C. A. Menninger, Assistant Treasurer, Topeka; R. D. Brown, Assistant Secretary, Topeka; G. L. Garver, Deputy Assistant Treasurer, Los Angeles; S. A. Forrester, Assistant Secretary, Los Angeles; W. L. Camp, Assistant Secretary, Chicago; R. B. Joseph, Assistant Secretary, Chicago; S. T. Hanson, Assistant Secretary and Assistant Treasurer, Galveston.

The Secretary's duties have been deputized as outlined to facilitate the handling of documents which require official signature. The Secretary's duties, as provided in article VII of the by-laws, are summarized as follows:

The Secretary or an Assistant Secretary shall give due notice of all meetings of the stockholders, of the Directors, and of the Executive Committee.

The Secretary or an Assistant Secretary shall attend all meetings of the Company, and shall keep a record of the proceedings. One of them shall attend all meetings of the Board and of the Executive Committee and shall record their proceedings, unless a temporary Secretary be appointed.



H. B. Fink, secretary and treasurer, Topeka, Kan.

The Secretary shall be custodian of the records, contracts, leases, and other papers and documents of the Company, unless otherwise directed by the Board or by the Executive Committee.

The Secretary shall keep a record of the Capital Stocks held by this Company in all auxiliary or other companies, and shall furnish the same to the Comptroller, to whom he shall also report from time to time any changes therein.

An Assistant Secretary shall sign certificates of stock of the Company issued from the New York office in accordance with the regulations of Article XV, and shall perform such other duties as may be assigned to him by the Board or by the Executive Committee.

The Board of Directors or Executive Committee may appoint one or more additional Assistant Secretaries, with such powers as the Board or the Executive Committee may prescribe.

It is a Santa Fe policy in regard to contracts, leases, and other documents affecting particular territories on the system lines, to maintain such documents



A. O. Appel, assistant secretary
and assistant treasurer,
Los Angeles



John Manning, assistant secretary
and treasurer, Galveston



E. F. Browder, secretary, treasurer
and transfer agent, Amarillo

in the Secretary's or Assistant Secretary's care at Topeka, Los Angeles, Galveston, and Amarillo. Where a contract or other document is systemwide in application (such as the Fred Harvey contract) copies are maintained at each locality. Various corporate and other instruments are maintained at New York.

All contracts, deeds, leases, and other documents prepared or received are carefully examined to see that the President's rules governing their execution are complied with. Record is kept of the expiration date of all instruments and holders are notified of expirations or cancellations.

The Secretary prepares the minutes of corporation meetings and arranges for their careful preservation. He keeps an index of supporting papers pertaining to Secretary-Treasurer matters, such papers being protected under fireproof storage in line with I.C.C. regulations. He corrects and distributes the Secretary's Manual (done at Topeka only); distributes annual report; checks and passes on requests by various Santa Fe officers for authority to destroy records — as authorized by I.C.C.; maintains historical records of a corporate and other nature; conforms, true-copies, and distributes to interested departments contracts, leases, easements, and mortgages to and from the Santa Fe and affiliated companies. He also maintains records of alcohol permits issued by the U. S. Treasury Department for Santa Fe and hospital associations.

In each procedure the Secretary (and Assistant Secretaries), with respect to instruments filed with them, exercise

complete caution to see that they conform with all laws, rules and regulations and established Santa Fe methods and procedure as to their recording, preservation and dissemination.

Each of the four treasury department offices — Topeka, Los Angeles, Galveston and Amarillo — conforms with uniform rules and methods in respect to the funds entrusted to their care. The gross sums handled by those offices, comprising the receipts and obligations for the Santa Fe's entire operations, represent many millions of dollars. Here too, intricate and varied details must be handled with caution and precision.

The overall direction of Santa Fe funds rests with the Board of Directors or the Executive Committee. Mr. E. S. Marsh, Vice President - Finance, handles for the President, details incident to instructing the various treasury department officers in regard to executive procedure, allocation of funds, and other financial and corporate matters.

The Treasurer is largely responsible for matters of policy affecting the treasury department. He and the various assistant treasurers receive and receipt for monies belonging to the Santa Fe and disburse and deliver the same in accordance with prescribed rules. The extension of credit to patrons by local Santa Fe agents must conform with existing regulations and must have treasury department approval. The latter also passes on the sufficiency of the surety furnished on all bonds of indemnity accepted by the Santa Fe.

The Secretary and Treasurer and the various Assistant Secretaries and As-

sistant Treasurers, as a rule, are either Secretary or Assistant Secretary, and Treasurer or Assistant Treasurer of companies affiliated with the Santa Fe which transact business in Santa Fe territory.

The detailed functions of each of the Santa Fe's four treasury department offices are grouped under three departments headed by a cashier, a paymaster, and a bookkeeper, respectively. Each of those officers has various assistants depending on the volume of work cleared by the office.

Treasury department work may be said to begin with the execution of freight bills by agents, receipt and record of remittances or advices from agents, conductors, banks, other railways (interline settlements), and miscellaneous collections account leases, audit bills or sale of company property or materials, and other receipts. Comparatively little money actually reaches the department. That means that countless checks, drafts, vouchers, warrants, and other negotiable papers are issued, sorted, balanced, examined for endorsements, and otherwise handled.

The treasury department must see that agents, conductors, and others handling cash collections remit promptly and accord proper protection to funds retained on hand for any purpose. Crediting of remittances is closely supervised. Agents inclose two copies of remittance slip to banks, one of which the bank forwards to the treasury department. Up-to-date

records are kept of the some eight hundred safes in use in Santa Fe stations and other offices. Those safes are inspected periodically, repairs being directed by the treasury department.

The Treasurer determines how much cash an agent may retain at his station. That depends on local conditions. Agencies located where there are no banking facilities remit cash via Railway Express to depositories (banks) designated by the treasury department. Santa Fe funds are kept in local banks, in other strategically located banks throughout the system lines (known as reserve centers), and at New York City and other off-line points. Such arrangements permit control of funds and facilitate the task of meeting current obligations.

There are certain freight commodities which, by tariff regulation, may not be shipped unless the freight charges are prepaid or guaranteed. In instances where Santa Fe agents need assistance with guarantee bonds, shipper's order bills of lading, or other credit arrangements, the treasury department handles direct with patrons for a speedy solution of the problem.

Other treasury department matters concern miscellaneous bonds; guarantee agreements; promissory notes; unclaimed and undelivered negotiable papers; duplicates of negotiable paper; stop payment orders on negotiable paper lost, stolen or forged; claims against individuals, corporations, and companies involved in receiverships and bankruptcies; outstanding accounts due from other railways and private carline companies; unpaid negotiable paper; various reports and credit references; car repair, mileage, and other vouchers and bills; bank drafts issued in settlement of daily bank clearings; and inter-company settlements and refunds.

The treasury department buys, sells, and distributes the postage stamps used by Santa Fe departments. Shipments of money are prepared and dispatched to agents for use in cashing pay and discharge checks, and other emergency which demands working funds at a Santa Fe agency. Remittance slips are checked to determine that money so forwarded has been properly used and that agents have claimed credit in proper manner. A postage stamp distribution statement is prepared for the disbursements section



Santa Fe's Assistant Secretary R. D. Brown emerges from the fire-proof depository at the general office building in Topeka.



J. C. Fink, paymaster, Eastern Lines, dictates to secretary during a typical busy day in the treasurer's department in Topeka.

of the accounting department. Daily statements of items received and paid by the treasurer go to the accounting department.

Bank accounts are reconciled the first of each month. Daily check is made of bank statements and bank balances. Bank accounts of general agents (off-line cities) are checked at close of each month. Endorsements on all paid checks received with bank statements are verified. Checks go to the accounting department for auditor's verification and later are filed by the treasury department.

Responsibility is placed upon all railway agents, as well as patrons, for strict compliance with the rules and regulations governing the settlement of transportation charges. Under the Federal law any wilful violation is cause for prosecution in the Federal courts.

Credit for railway transportation charges is limited by the Interstate Commerce Commission. Prior to August 1, 1918, there was no uniformity in the allowance of credit for freight tariff charges by railways. As a result, charges were not always paid promptly and the railways were without working capital amounting to many millions of dollars. There also was some discrimination in that prompt payment was required in some instances and long time credit extended in others.

On August 1, 1918, collection of rail-

way tariff charges was placed on a cash basis. The railways, however, were permitted to defer collection of freight charges for a period not to exceed forty-eight hours to those patrons who filed a surety bond satisfactory to the treasurer of the railway. Each railway maintained its own bond list.

Section 405 of the Transportation Act, 1920, empowered the Interstate Commerce Commission to enforce Federal laws governing the collecting of freight tariff charges. The Congress, effective February 28, 1920, incorporated in paragraph 2, Section 3 of the Interstate Commerce Act the following:

"From and after July 1, 1920, no carrier by railroad, subject to the provisions of this Act shall deliver or relinquish possession at destination of any freight transported by it until all tariff rates and charges thereon have been paid, except under such rules and regulations as the Commission may from time to time prescribe to assure prompt payment of all such rates and charges and to prevent unjust discrimination."

The Interstate Commerce Commission was not empowered to fix terms of credit for the railroads but was authorized to prescribe rules and regulations which would permit the railways, if they so desire, to depart, to the extent indicated, from the cash principle established by the statute.

The ninety-six hour maximum credit period is based on the extension of an allowed forty-eight hour period in those instances where application of the latter retards prompt delivery of freight. A maximum period of 120 hours is allowable on L.C.L. freight. When the freight bill is presented prior to or at the time of delivery of the freight, the forty-eight and ninety-six hour periods of credit shall run from the first 12 o'clock midnight following delivery; if presented subsequent to delivery, periods of credit shall run from the first 12 o'clock midnight following presentation of the freight bill.

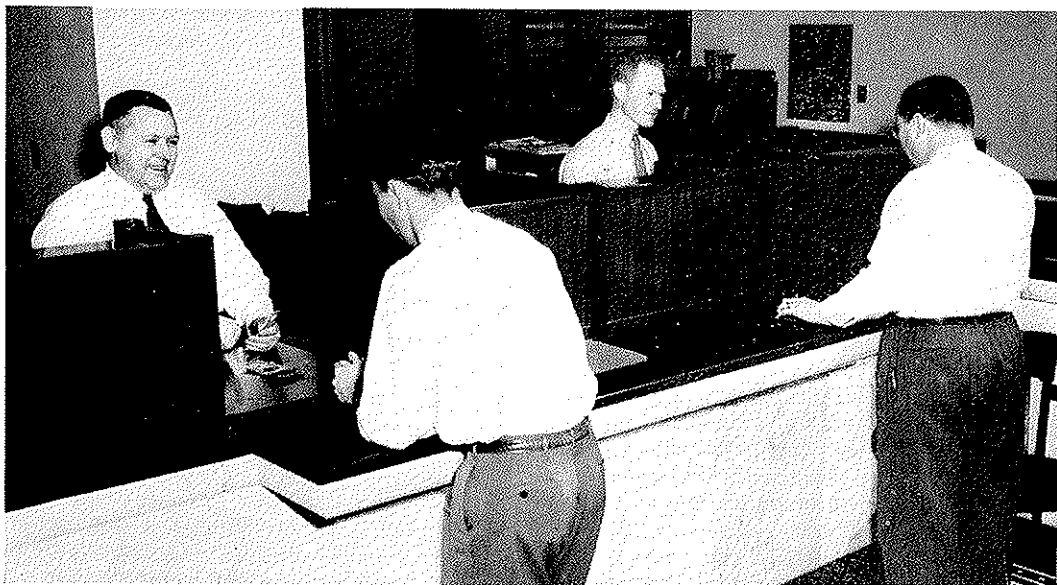
Because trucking lines allow credit from seven to fourteen days, waterways from seven to thirty days, and air lines an indefinite period, additional regulation would do much to dispel occasionally voiced sentiments that railway credit arrangements are somewhat stringent.

Notable work has been accomplished by the A.A.R.'s treasury division (the outgrowth of the long established Railway Treasury Officers Association), in the establishment of uniform rules and simplified procedures in the matter of collections from patrons and interline settlements between railways; also uniformity in character of drafts and vouchers, C.O.D. arrangements, diversions, reconsignments and other practices.

Thanks to intelligent teamwork there no longer is any doubt regarding such questions as to what constitutes delivery of freight; the proper methods of presenting freight bills (in person, by mail, to traffic organizations, etc.); computation of credit periods and collection of freight charges on rail-water (ocean) traffic; acceptance of checks; delinquencies; credit suspensions and many other matters. An important development has been the establishment of joint credit arrangements between carriers. The latter, now embracing more than nine hundred points throughout the nation, have greatly facilitated the handling of railway credit matters.

Under joint credit arrangements, in which all carriers serving a community participate, the carriers act uniformly in regard to credit extensions, cancellations and related matters. Through daily review of uncollectible or deferred items, also exchange of information regarding the financial and other status of delinquents, a composite picture is obtained. That joint action also concerns the interpretation and application of rules and regulations. It abolishes credit abuses and prevents discrimination by carriers or patrons.

The paymaster's section of each Santa Fe treasury office is responsible for blank stock of pay checks and issues the stock to the accounting department as nec-



The treasurer's office in the general office building in Topeka has cages similar to those in use in modern banks.

essary during that department's process of preparing the pay-rolls and writing the pay checks on I.B.M. machines from the same cards used in preparing the rolls. The pay-rolls and the pay checks, which then carry only the name of the payee and the amount payable, are received by the paymaster, who proves the checks against the pay-rolls, completes them as to signatures, date, etc., lists them on delivery sheets, keeps pay check mailing lists in order, and handles the often involved details incident to getting pay checks to Santa Fe people on time at particular places. Pay checks must reach their lawful recipients. Delivery to Santa Fe people on-line is accomplished almost wholly through station agents who act as the representatives of the Treasurer. Delivery at general headquarters is accomplished in the greater part through departmental officers. Accounting work in relation to the computation of wages and the various deductions - hospital association fund, U. S. Savings Bonds, retirement fund, and others - is accomplished first in the timekeeping records by local agents, general, and division office staffs, then by the accounting department's disbursements and tabulating and timekeeping bureaus. More than 120,000 pay checks are issued monthly on Santa Fe System, divided between two pay days each month.

While modern business and other machines are utilized in the pay check and pay-roll task, there are many functions which require special handling. Work in connection with pay checks is speedy and decisive. The task begins with the receipt of the blank checks from the printers. All must be accounted for. A record of unpaid and outstanding pay checks is kept for three years, monthly reconciliations being made with the accounting department. At the conclusion of that period transfer of the outstanding items is made to an appropriate account, from which payments are made by voucher.

From records of pay-rolls kept in the paymaster's office, report was made to the Railroad Retirement Board of past service record of Santa Fe people - kept up currently by the accounting departments' reports to the Board. Each month, all Santa Fe people pay a minimum of 6% of their wages up to \$300 into the Railroad Retirement Fund and the Santa

Fe makes a payment of like amount. The Santa Fe also makes unemployment insurance payments to the Federal government amounting to $\frac{1}{2}$ of 1% on wages up to \$300.

More than two million and more checks, vouchers, and other forms of negotiable instruments are prepared annually by the treasury department offices (exclusive of the Santa Fe's New York office). Wages constitute the largest item represented by those instruments which also include payment for supplies and expenses of various nature. Santa Fe expenditures are detailed in the disbursement section of the accounting department chapter.

The Treasurer's bookkeeper is responsible for and is the custodian of all paid cash papers and files pertaining to daily cash receipts and disbursements, also general ledger posting and proof.

The bookkeeping section, using modern business machines, prepares and verifies daily cash receipts and disbursements schedules; also sorts and lists cash slips, paid vouchers, and drafts relating thereto. Weekly and monthly cash statements are prepared and submitted to the President, Comptroller, General Auditor, and others.

Daily cash entries are posted in bank ledger. Responsibility is assumed for checks drawn on banks. Various drafts - car mileage, claim, and others - are prepared for validation and signature; also weekly and monthly affiliated companies' cash statements. The bookkeeping section checks the return of all paid vouchers from the disbursements section, recording date of return on daily cash statement. Vouchers are listed on "Movement of Vouchers" record at time of forwarding. All cash statements prepared within department, daily, weekly, and monthly, are verified.

The Treasurer and Assistant Treasurers must be cognizant of all factors relating to the receipt, disbursement, and handling of funds in their respective territories. They must insure that all Santa Fe people handling funds are aware of and are enforcing rules relating thereto. In addition to established rules, the treasury department from time to time issues special rules covering particular matters. This is done by special letter to all interested parties.

Agents and others are cautioned not to cash checks indiscriminately; that all



Latest and most modern bookkeeping machines are employed in keeping records and accounts in the treasurer's office of the Santa Fe Railway at Topeka, Kan.

tickets sold and baggage charges assessed must be for cash only - with certain specified exceptions; how to proceed when served with a garnishment summons, garnishee demand notice, or notice of assignment covering wages. The latter information also reaches superintendents, master mechanics, and other department heads. Proper identification of persons presenting government warrants for payment of transportation charges is stressed. Procedures in relation to the delivery, diversion, and other disposition of shipments where continuing blanket indemnity bonds are in effect are outlined, as are regulations governing the collection of demurrage charges, the payment of certain claims by station drafts, and details of procedures in regard to remittances.

Other instructions govern the acceptance of travelers' checks, how, by whom, and where and when pay checks are to be delivered, and the necessary precautions to be taken; the use of company safes for other than railway papers and valuables (not permitted); use of postage stamps (sale is prohibited); collection of charges on pick-up and delivery shipments; blanket and single shipment indemnity bonds; detailed instructions on handling and protection of Santa Fe funds and prompt compliance with instructions

from treasurer regarding delivery of checks and currency to a local bank for draft on a reserve center.

Agents in particular states must be instructed with respect to laws within those states governing payment of wages, attachments, garnishments, and collection of transportation charges on intrastate business. Agents are promptly made aware of fraudulent practices currently active within their respective territories; or the activities of individuals who are preying upon the Santa Fe or other railways. Fictitious money orders and travelers' checks as well as forged negotiable papers of many kinds are directed toward railway agencies. Precautions against their acceptance must be taken.

Agents also are advised in regard to changes in postal rates; the honoring of air-line exchange orders; when delivery may or may not be made without surrender of original bill of lading; special instructions on credit arrangements; and extension of credit on telegraph business handled through railway agencies.

Prompt assistance is given by telephone or telegraph to agents when confronted with any problem involving payments or credits to the end that Santa Fe patrons are given thoughtful and efficient service.

THE ACCOUNTING DEPARTMENT

The books and accounts of the Santa Fe are innumerable. They begin with the capitalization of the company and the sale of bonds which made possible the purchase of lands, the construction of tracks and other facilities, the purchase of locomotives, cars, fuel and supplies. They include revenue from passengers, freight, express, baggage and U. S. Mail transported; operating and other expenses; additions and betterments to facilities; and the payment of federal, state, county and municipal taxes. They end with the payment of interest on bonds and the payment of dividends on the preferred and common stock shares of the company.

Each Santa Fe freight depot and ticket office has a set of books, known as agent's or station accounts. Freight and passenger revenues, the principal sources of income from Santa Fe operations, are recorded therein. Conductors on Santa Fe passenger trains collect some cash fares and the average railway will have other sources of income — rental of facilities and equipment, non-operating physical property, dividends, income from funded and unfunded securities and miscellaneous items — all of which necessitates the keeping of accounts at many locations throughout the railway's lines and territory.

Eventually all those entries are reduced to one figure: the net income from the year's operations. On the Santa Fe, that figure is supplied by General Auditor W. E. Davis, Chicago, to whom flows, in condensed form, all accounting factors of the entire Santa Fe system. In turn, the general auditor's staff will have ascertained by itemized check the accuracy and reliability of those factors.

Railway accounting is governed by rules and regulations prescribed by the Interstate Commerce Commission in line with Section 20 of the Interstate Commerce act which reads:

"The Commission may, in its discretion, prescribe the forms of any and all accounts, records, and memoranda to be kept by carriers and their lessors, including the accounts, records and memoran-

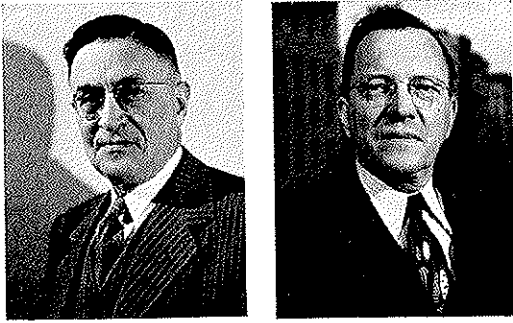


W. E. Davis, general auditor, Chicago

da of the movement of traffic, as well as of the receipts and expenditures of moneys, and it shall be unlawful for such carriers or lessors to keep any accounts, records, and memoranda contrary to any rules, regulations, or orders of the Commission with respect thereto."

Because so much of railway accounting involves settlements or division of charges between the railways themselves, all railways operating in North America which are members of the Accounting Division of the Association of American Railroads, are governed or guided by mandatory and recommendatory inter-line accounting rules and the use of standard forms as approved by the standing committees of the Accounting Division of the A.A.R. Arbitration rules likewise are set forth. The mandatory rules concern freight, passenger, overcharge and disbursement accounting. The recommendatory rules concern freight and passenger accounting.

The A.A.R. rules and recommendations have been prescribed in the light of experience gained. There was a time when



Assistant auditors of the Coast Lines, Los Angeles, are: (left to right) E. C. Stumbaugh and W. E. Miller.

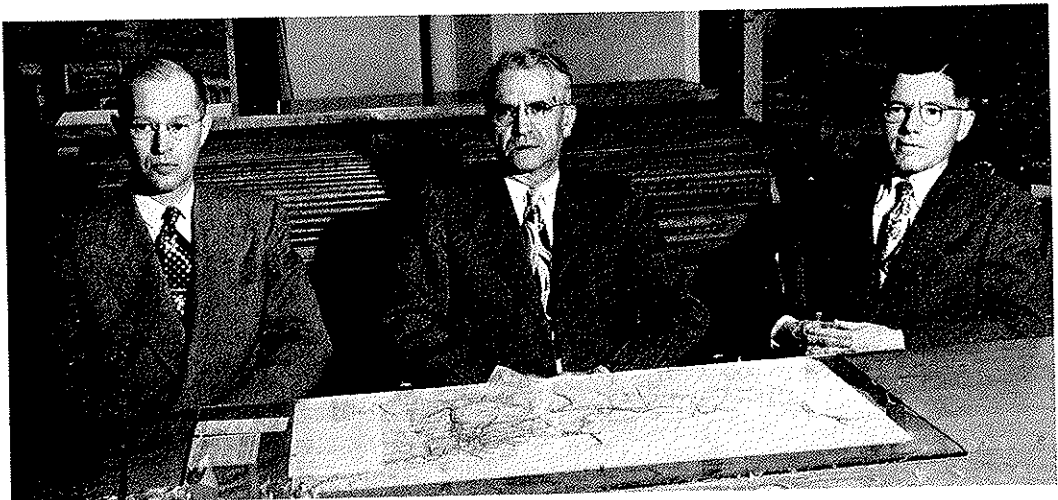
lack of uniformity in accounting methods between the railways precluded the possibility of prompt and accurate interline settlements. Even under I.C.C. rules there remained sufficient latitude in regard to methods as to require some sort of an understanding and agreement which would enable the railways to simplify the multitudinous details of interline accounting.

The Santa Fe's accounting methods always have been highly regarded. Not only did the Santa Fe actively participate in improved railway accounting procedures, but Santa Fe methods in instances were made the basis for mandatory and recommendatory practices. Officers of the accounting department of the Santa Fe serve on important committees within the A.A.R. and other railway groups.

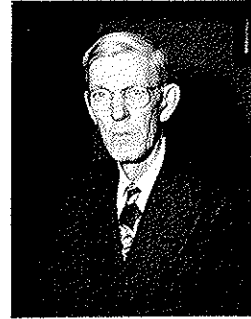
Details of Santa Fe accounting procedures are outlined in working memorandums (of which there are more than 100, each covering a separate class of work) which serve as guides for accounting department employees in the performance of their daily duties. These memorandums might well be termed "manuals of standard practices".

The accounting department's instructions to ticket agents and conductors are contained in Form 300 (a manual of over 90 pages) copy of which is furnished agents, conductors, and other interested employees. Instructions to station freight agents are contained in Form 500 (a manual of some 240 pages) copy of which is furnished each station agent and others having to do with freight accounting matters. Instructions relating to disbursement accounting are to be found in Form 600 (a manual of some 230 pages) copy being furnished to employees handling payrolls, vouchers, bills and other disbursement matters.

These manuals of instructions insure uniformity and standardization of the accounting work and have contributed greatly to the high accounting standard attained by the Santa Fe. Attesting to their merit is the fact that requests for copies have been received from railway accounting organizations, from accounting officers of other railway companies, and even from representatives of the Chinese government sent to this country



This panel of accounting department officers include, from left to right, W. M. Sellards, assistant auditor of passenger accounts; E. G. Miller, assistant auditor of freight accounts, and W. B. Watson, assistant auditor of disbursements. All are located in the Topeka general offices.



Assistant general auditors with headquarters in Chicago are: (left to right) W. G. Hunt, J. P. McDonald and S. V. Reeves.



L. L. Taylor, asst. to GA, Chicago



E. E. Stein, asst. to GA, Chicago

Senior Officials of the Accounting Department



C. O. Clark, auditor, Topeka



C. F. Gilroy, aud. of frt. accts., Topeka



A. F. Klopstein, aud. of pass. accts., Topeka



Dale McGrath, aud. of disb., Topeka



C. F. Lodter, auditor, Los Angeles



J. F. Lovely, auditor, GC&SF, Galveston



R. D. Ewers, auditor, P&SF, Amarillo



J. J. Turpinat, statistician, Chicago

to study accounting procedures of American railroads.

The Santa Fe accounting department differs from that of most railways in that it is not centralized at one location. The Santa Fe has five accounting offices, staffed by some 1,200 Santa Fe men and women, who serve under General Auditor Davis and the following officers:

- W. G. Hunt, Assistant General Auditor, Chicago.
- J. P. McDonald, Assistant General Auditor, Chicago.
- S. V. Reeves, Assistant General Auditor, Chicago.
- L. L. Taylor, Assistant to General Auditor, Chicago.
- E. E. Stein, Assistant to General Auditor, Chicago.
- J. J. Turpinat, Statistician, Chicago.
- C. O. Clark, Auditor, Topeka.
- Dale McGrath, Auditor of Disbursements, Topeka.
- C. F. Gilroy, Auditor of Freight Accounts, Topeka.
- A. F. Klopstein, Auditor of Passenger Accounts, Topeka.
- C. F. Lodter, Auditor, Los Angeles.
- J. F. Lovely, Auditor, Galveston.
- R. D. Ewers, Auditor, Amarillo.

The General Auditor's office in Chicago is the administrative office for the system accounting department. Control is exercised over personnel and procedure in the departmental system audit offices in the interest of uniform practice and the meeting of responsibilities on each system line.

The fundamental responsibilities of the General Auditor and his staff are: To insure that the Santa Fe receives all the revenues and other receipts to which it is entitled and that all expenditures have been duly authorized and are made for a proper purpose; to maintain a record in the books of account for the company of all such transactions; to prepare the necessary reports, statistics and analyses of the business of the company for the information of its stockholders, the management, and public authorities.

It is the responsibility of the General Auditor to insure the prompt rendition of reports to the Interstate Commerce Commission in line with Section 20 of the Interstate Commerce Act which reads:

"The Commission is hereby authorized to require annual, periodical, or special reports from carriers (as defined) and

from lessors (as defined), to prescribe the manner and form in which such reports shall be made, and to require from such carriers and lessors specific and full, true and correct answers to all questions upon which the Commission may deem information to be necessary, classifying such carriers and lessors as it may deem proper for any of these purposes. Such annual reports shall give an account of the affairs of the carrier or lessor in such form and detail as may be prescribed by the Commission."

The most detailed of those required reports is the Annual Report of The A.T. & S.F. Ry. Company and Affiliated Companies to the I.C.C. which is prepared in the Chicago accounting office. In addition, the Chicago accounting staff prepares other Santa Fe system reports, the most important of which are:

Statistical section of the Annual Report to stockholders.

Annual reports to state commerce and railroad commissions.

Federal income tax returns and corresponding state returns where required.

System general balance sheet, income account, various operating statistics and other reports needed by the management.

The General Auditor's mailing list includes the Association of American Railroads, the Securities and Exchange Commission, Bureau of Railway Economics and others. Through the Comptroller's office in New York City, banking and publishing institutions, financial advisers, statistical agencies and colleges receive Santa Fe comparative operating income statements. The Santa Fe's Board of Directors, President Gurley, the traffic and operating vice-presidents and the heads of various Santa Fe departments receive numerous statements and analyses.

The Chicago accounting office has three principal departments: accounting, taxes and statistics. The accounting section, in addition to the duties previously mentioned, also keeps the books for The A.T. & S.F. Railway Company (which includes the Eastern Lines, Western Lines — except P. & S.F. Ry. Company — and the Coast Lines) and the books for all lessors of The A.T. & S.F. Railway Company. The general accountant analyzes the balance sheets and income accounts of all companies which the Santa Fe owns or in which it has an interest and consolidates the balance sheets and income accounts for all Santa



This is a section of Topeka's auditor's office. Freight and passenger, disbursements, preparation and verification of pay rolls, and the settling of freight and passenger accounts with foreign lines, are part of the operations performed in this office.

Fe lines. From the latter grouping is produced the system general balance sheet and income account — a sizeable task.

In the tax section, an Assistant General Auditor, an Assistant to the General Auditor and tax accountants prepare the Federal income tax returns, and various state tax returns, and supervise and review the preparation of tax returns and detailed schedules in other accounting offices. All together, the tax section prepares or supervises preparation of more than fifty income tax returns each year.

One Assistant General Auditor, statistician, chief clerk and staff, do economic and statistical research to meet managerial needs, prepare statistical and economic evidence and supply witnesses in formal cases before the Interstate Commerce Commission and other regulatory bodies dealing with freight rates, acquisition and abandonment of railway mileage and related matters. Statements and analyses prepared by the statistical section concern economic and functional features of Santa Fe operation and traffic including locomotive and train performance, revenues and costs of transportation service, and a comparative statement of the source and disposition of the Santa Fe dollar. Study is given technical subjects under consideration by the standing committee on statistics of the Accounting Division of A.A.R. regarding the preparation of railway statistics.

The administration of the accounting department entails considerable correspondence with the various system auditors concerning disbursements and freight and passenger accounts and the issuance of departmental working memoranda covering procedure in system accounting office departments, necessitating a rather extensive filing system.

Accounting procedures at the Topeka, Los Angeles, Galveston and Amarillo accounting offices are grouped into four general departments: freight accounts, passenger accounts, disbursements and machine bureau. The latter consists of a large force of comptometer operators, key-punchers, typists, Remington-Wahl and Elliott-Fisher operators, who perform the arithmetical calculations, punching of cards for use in electric accounting machines, and stenographic and typing work for the accounting department.

The largest Santa Fe accounting department, at Topeka, is the successor of the Santa Fe's original accounting office, established in 1869, and is in many respects a model railway accounting bureau. Here the revenues and expenses of the Santa Fe's lines east of Albuquerque, are accounted for; as is also interline and government passenger business of the Santa Fe system lines. Here also are prepared system statistics covering freight traffic, passenger traffic, and employees' service and compensation, and system operating statistical reports re-

quired by the Interstate Commerce Commission. Government freight accounting for all Santa Fe lines except the G.C. & S.F. and P. & S.F. Railway Companies is centered at Topeka. Auditor Clark is assisted by Auditor of Freight Accounts Gilroy, Auditor of Passenger Accounts Klopstein, Auditor of Disbursements Dale McGrath, a Machine Bureau Chief, C. E. Ahlstrom, and a staff of some 620 Santa Fe men and women. The Los Angeles, Galveston and Amarillo accounting offices handle all other accounting matters for their respective territories.

The most important source of revenue for the Santa Fe is the transportation of freight. Such transportation entails two important accounting procedures: assessing the proper rate or charges; and reporting or accounting for those charges. Upon the freight accounting department rests responsibility for the correctness of the former and the promptness and completeness of the latter. To perform these duties a large force of experienced clerks, rate and tariff specialists, and many others, verify the rates and charges as computed by Santa Fe agents and the subsequent reporting of those charges. Such reporting is done daily, weekly or semi-monthly, depending on the volume of business handled by a particular agency. Incidental charges, switching, demurrage, storage, items advanced against a shipment such as feed, handling and many other services, are included in the reporting and auditing procedures. There is also the very important matter of insuring for the Santa Fe its proportion of the charges assessed freight transported a portion of its move via Santa Fe (interline movement) the accounting of which is performed by the destination carrier. On all freight shipments moving by rail the destination carrier is responsible for the computation and collection of correct charges.

The work of the freight accounting division is divided into three departments: agents accounts, which includes a tracing division and an assorting bureau; revising and overcharge; and interline, which includes government freight and statistical sections. A force of traveling auditors performs all auditing work at local stations.

The agents accounts department checks all station commercial reports (government reports being checked by

the government section) to insure that all are received and that supporting documents are included. Interline portion of each report is separated out for processing by punched cards. Before the remaining portion of reports are separated, comptometer operators verify charges, footings and other calculations. It is the responsibility of the tracing section to determine that all freight shipments in which the Santa Fe participates are duly accounted for, not only by Santa Fe agents, but by other railways, on Santa Fe interline freight forwarded and intermediate traffic handled. Unreported waybills are traced until reported. The tracing section also determines that all advance and prepaid charges carried on waybills are properly accounted for. The assorting bureau assort the quantities of waybills and reports which are received. Interline waybills are sorted to proper road and route order, separated between car load and LCL shipments, for preparation of interline settlement abstracts. All records and waybills eventually are bound, becoming records of Santa Fe freight movements.

Whereas a local Santa Fe agent (except the larger agencies) will consult comparatively few freight tariffs, the freight accounting revising and overcharge department will, over a period of time, consult practically all tariffs covering the movement of freight in Mexico, United States, and Canada. Those publications number some 4,000 (ocean, terminal and many other types of tariffs are included) and it requires much skill and patience to become conversant with and properly apply the many rules, regulations and charges. Waybills received from agents are reviewed by revising clerks each of whom handles those reported at certain stations, enabling the revising clerks to specialize in tariffs covering those particular localities. A correction notice goes to an agent on each error detected. The agent refunds overcharges and collects undercharges. Refunds are handled by the auditor if the agent cannot do so. Promptness of revision and issuance of corrections is stressed to save Santa Fe patrons the expense of filing overcharge claims.

Overcharge claims arise from alleged errors in rate, weight, routing, description of articles, or an alleged unreasonableness of published rates. The former can be settled by the Santa Fe in accord-

View of accounting department machine bureau in Topeka.



Topeka's accounting departments' typing is accomplished here.

Group of comptometer operators in centralized machine bureau, Topeka.



ance with published tariffs, but the latter must be submitted to the Interstate Commerce Commission which body alone has the authority to depart from published rates or to award reparation on that basis. When received by the auditor, overcharge claims are classified as to nature of shipment and recorded. Investigators examine all phases of the matter to determine whether or not the claim is valid under published tariffs authorized by the Interstate Commerce Commission, which have the force and effect of Federal law. Claimants have the right to appeal to the I.C.C. or to the courts when they do not agree with a carrier's interpretation of a tariff. The Santa Fe experiences very little of the latter.

A portion of overcharge claims involve shipments in which other railways participated with the Santa Fe in the total movement. When such claims are paid, the proportionate amounts to be assumed by interested railways are determined. Claims also are received from other railways on freight movements in which the Santa Fe participated, the reporting or destination agent being that of another carrier. Settlements of claims between railways are expedited by arbitrary debit rules which make compulsory the acceptance of debits issued by claim paying roads, subject to subsequent audit by the debited road and reversal of the debit if found incorrect.

There are many important details pertaining to freight diversion, reconsignment, stopping-in-transit (cotton stops for compressing, wine for blending, coffee for roasting, nuts for shelling, talc for grinding — many others) and to other in-transit operations (milling, storing, manufacturing, fabricating, inspection, fumigation, reconditioning, repacking, partial unloading, to complete loading) all of which are governed by tariff regulations. They often create problems in application of rates and rules. Transit claims constitute a sizable factor in overcharge claim work.

In the interests of Santa Fe patrons, all possible means are invoked to promote accuracy in the assessment of freight charges to eliminate overcharge claims. During the past twenty years, such claims have been reduced sixty per cent.

All Santa Fe auditors' offices have an interline freight department, with sections for (a) divisions and (b) abstracts.

The former handles the apportionment of charges to the participating carriers. The latter handles the preparation of reports to the carriers covering that procedure.

Statements embodying interline freight settlements are prepared by the carrier reporting the waybill. Waybill references and other detailed data are shown. Preparation is by roads, routes, and stations (from and to) except for less carload shipments where road to road simplified divisions apply. This group of abstracting is in forwarding station order. The revenue due each carrier is recapitulated on summary sheets. Percentage and division sheets are the basis or guide for determining the amount of revenue each carrier receives on a particular interline shipment in which the carrier has participated. Other reporting railways prepare similar statements on shipments in which the Santa Fe participated. Actual payments between the carriers are made on net balances. The carrier having the larger debit draws a sight draft for the amount due. Auditing of the settlement statements follows, differences being adjusted by what are termed "correction accounts". The latter are included in the monthly balance statement.

Division work is highly technical. Inspectors review the initial work of division clerks and the divisions reported by other railroads. Arithmetical computations, as performed by the machine bureau, are voluminous and must be accurate. All errors noted by the interline inspectors are promptly brought to the attention of interested parties to prevent recurrence. Millions of dollars in freight revenue are involved. It has long been a Santa Fe accounting policy speedily to adjust errors of any nature.

Santa Fe agents do not assess or collect charges on freight delivered at their stations which is covered by a government bill of lading. Such documents, properly accomplished, are forwarded to the government section of the Topeka freight accounting office for the Lines East and Coast Lines. On the Gulf Lines, they are sent to Galveston and on the P & SF to Amarillo. Charges on government shipments are computed by the auditor. Freight bills are made and they accompany the bills of lading to the government department or agency which issued them. There are some 700 governmental departments and agencies involved, re-



Tabulating machine bureau, Santa Fe general offices, Topeka, equipped with the most modern electronically controlled high-speed punched card equipment, quickly and efficiently completes the processing of many functions of work for all three accounting offices there. Electric accounting machines are used also at Los Angeles and Galveston.

quiring proper classification of ladings and such additional breakdown of items as is required by a particular governmental department.

The government section of the freight accounting department is responsible for the proper accounting for government ladings by Santa Fe agents. This section sees that the bills of lading accompany freight bills to the various governmental departments and that the charges are paid promptly. When rates, bills and other factors have been completed, government bills are recorded on punched cards. Each governmental department is assigned a code number. Unpaid bills are readily segregated. The punch card machines, at the close of each month, assort and tabulate in any fashion required.

The government's general accounting office in Washington post-audits all bills. In case of alleged over-payment, a deduction equal thereto is made from a current unpaid bill. Deductions for alleged loss or damage to shipments is made in a similar manner. The Santa Fe's claim department receives such cases for investigation.

The freight statistical section at Topeka compiles statistics and related statements. There is the voluminous commodity classification of all carloads transported into 262 groups as specified by the I.C.C. Less-than-carload shipments

are grouped under one class. The I.C.C. requires monthly and annual reporting of cars and tons for each of the 262 commodity groups and tons of less-than-carload freight handled. This reporting must be segregated as follows:

Revenue freight originating on the Santa Fe: Terminating on line; delivered to connecting carriers.

Revenue freight received from connecting carriers: Terminating on line; delivered to connecting carriers.

Total revenue freight carried (cars, tons and revenue).

The I.C.C. also requires monthly and annual reporting in geographical order of the same carload traffic originating and terminating in each of the twelve Santa Fe states. The various state regulatory bodies also require annual reporting of cars and tons handled within each of the respective states, separated as to revenue freight originating, carried within, and terminating within the state.

A punch card system is used in compiling these data, each card providing a very complete record of a shipment or group of shipments including the year, month, class of traffic, route, origin state, Santa Fe state from, via or to, destination state, commodity, number of cars, hundred-weight, Santa Fe revenue and directly connecting railway from or to. A numeral code system is used. Local freight commodity statistics are com-

piled from agents' received reports; inter-system or interline from reports prepared and received by Santa Fe audit offices from data secured primarily from waybills. Both carload and less-than-carload shipments are grouped as much as possible in the card punching operation. The machine and tabulating bureaus play an important part in the preparation, punching, assorting and compiling operations.

The statistical section can develop freight traffic statistics to determine the various kinds of commodities transported, the producing or marketing centers, and the popular preference for one commodity in comparison with another, together with the volume and amount of revenue derived from each. It also can disclose the relative importance of each commodity, the extent to which each contributes its share of the cost of providing such transportation service; and can reflect the volume of traffic by commodities (from and-or to) by stations, states, districts or territories.

Railway passenger accounting differs from freight accounting in that in the former the Santa Fe agent or the foreign line agent selling the ticket is responsible for the correct application of rates and the collection of charges.

As with freight traffic, Santa Fe passenger business is of three general types: local, between Santa Fe stations on a single system line; intersystem, between Santa Fe stations on two or more system lines; and interline, between the Santa Fe and other railways. Instead of waybills, tickets, scrip and other forms are used. Interline tickets are provided with a contract and a separate coupon for each railway which the passenger utilizes during his trip and which are honored by the various train conductors.

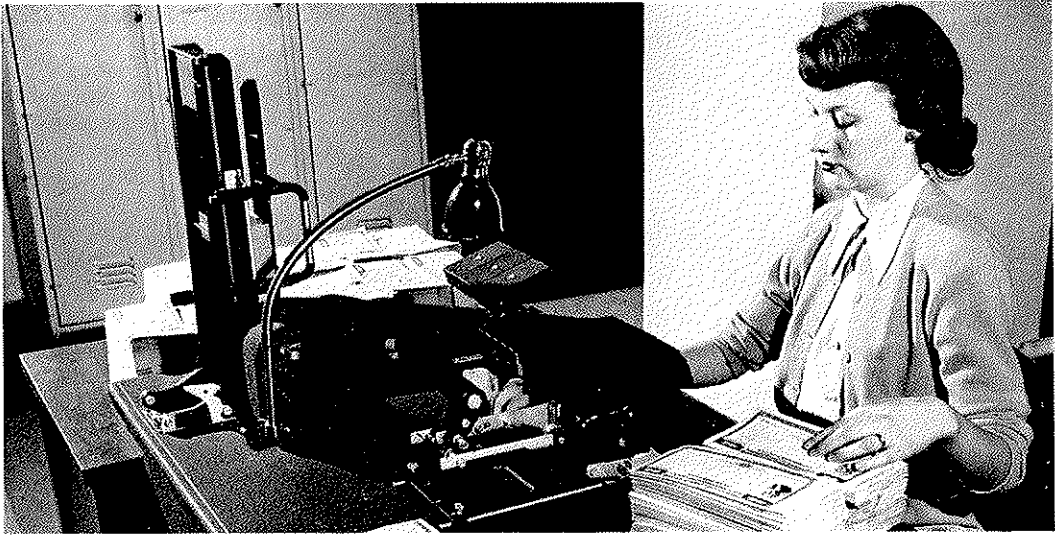
Each Santa Fe passenger accounting office is responsible for local ticket accounting within the respective system territories. The Auditor of Passenger Accounts, Topeka, is responsible for intersystem, interline and government passenger accounting for the Santa Fe system lines. There are other responsibilities, conductors' cash fare collections, excess baggage collections and miscellaneous receipts, C.O.D. checks, scrip and others, and the compilation of various statistics.

Agents are required to prepare weekly and monthly reports to the auditor show-

ing complete description of tickets issued, fares collected, class of service, routing and other data; and at close of business for the current month to prepare a passenger balance sheet reflecting debits and credits in station account. Conductors are required to prepare reports of cash fare collections to auditor for each train run (conductors send money to Treasurer through local agents) enclosing with reports all tickets or coupons of tickets collected from passengers on the train. The passenger accounting department verifies fares with tariff publications. Revenues are classified by accounts as prescribed by the I.C.C.

Pertinent data on interline tickets sold by Santa Fe agents is key-punched into accounting cards which are used to (1) verify correctness of fares, and (2) prepare monthly reports to other interested carriers. The proportions of fares accruing to foreign roads are transferred to the accounting cards either from a set of master division cards previously prepared or (if master division cards not available) from computations made by division clerks. These cards are run through electric accounting machines which prepare separate report to each interested carrier showing complete description of tickets and proportion of revenue from each sale which accrues to the road to which report is sent. Other carriers prepare similar monthly reports to the Santa Fe which are checked with tickets of their issue honored by Santa Fe train conductors. Any tickets not included in the other lines' reports are listed on tracers sent to the lines involved. The disbursements department is furnished daily statements showing amounts reported by other lines as due the Santa Fe from foreign lines' sales and monthly statements of amounts due other lines from Santa Fe sales.

Agents receive their stock of blank tickets from the passenger traffic department and the passenger accounting department maintains a complete card record of tickets supplied the various agents and conductors. Approximately 450 different forms are involved. Credits to station and conductors stock are posted on cards from agents' monthly reports of ticket sales and from conductors' reports. From this record the auditor is in a position to determine an agency's stock of tickets the first day of the current



Savings Bonds purchased by Santa Fe employes through pay roll deductions are rapidly imprinted on Addressograph in centralized machine bureau at general offices in Topeka. Colored lights signal to operator correct denomination of bond to be written.

month. Obsolete stocks of tickets are recalled.

In the agents and conductors accounts section, balance sheets are received from all agencies on which agent shows collections made from ticket sales, excess baggage, milk and cream traffic, telegraph, federal tax, storage and insurance. Credits are shown for prepaid ticket orders, redeemed tickets and other items.

Lists of remittances are checked with cash book furnished Treasurer's office for such listings. A ledger is prepared showing balance for each agency brought forward from previous month's ledger. Total voucher credits (for cash furnished by agent, prepaid orders, tickets redeemed, etc.,) cash remittances and Western Union collections are entered in ledger as well as ticket sales and excess baggage collections. A monthly ledger also is prepared with a page for each conductor having cash sales. Debits to conductors for cash fare receipt books are recorded on card stock records on basis of receipts given to agents and conductors. Credits to conductors are entered on basis of cash fare slips issued as reflected by reports of collections received from conductors.

When you surrender your ticket to a Santa Fe conductor he encloses it with reports and other tickets collected in an envelope which first reaches the local accounts section of the passenger accounting department. There the contents

are sorted between local, intersystem and interline. Each conductor has a punch which has a cutting design enabling the auditor to determine at sight the name of the conductor. Monthly reports from agents are checked to verify collection of proper fares, the time limit of tickets as issued, and if tickets were reported to the destination as honored by the conductor. Cash fares collected by conductors are checked to see that they agree with published tariffs and conductors are advised of any errors.

Bills against the U.S. Government for passenger transportation are based on requests prepared and presented by the Government. This request is authority for a Santa Fe agent to issue tickets as shown on the request. The agent forwards the request to the Topeka passenger accounting department, the Government section of which checks the request against agents' reports of such transportation issued; the Government requests are then rated, bills prepared and mailed to the Government.

The Treasurer sends memorandum notice to passenger accounting department of all payments received from the government which are posted. Payment of unpaid bills is traced after 75 days and thereafter every thirty days. Refunds on unused or partially used tickets received from governmental departments are made by the Auditor of Passenger Accounts who also handles government in-

quiries regarding unused transportation, accuracy of rates and related matters.

Excess baggage checks, local and interline, are reported monthly. Stubs are checked against agents' reports and all details including rates and charges are verified. In the case of interline, the usual apportionment is made to interested lines. C.O.D. checks, issued to cover amounts for excess weight, storage, and other charges, are collectible by the destination agent. Reports also are received from foreign lines on baggage collections due the Santa Fe. These are checked against data received from Santa Fe baggage agents and tracers issued to foreign lines on checks not reported. There are monthly reports on parlor car tickets, baggage storage checks, package storage checks, transfer checks, accident insurance tickets, bridge toll tickets, coin lock devices and other sources of miscellaneous revenue. All are checked in detail and credited to the proper accounts.

Waybills are issued by agents to cover transportation of milk and cream, prepaid or collect. These are reported monthly and are checked in detail. Monthly scrip reports and detachments accepted by agents are received, verified in detail, and statements prepared to interested foreign lines. Monthly statements of scrip issued by the Santa Fe and honored by foreign lines are received. Envelopes for each individual book number are prepared from record of sales and all detachments filed in envelopes numbered to correspond with the number of the book from which collected.

The statistical division of the passenger accounting department abstracts statistical data in order that sufficient and correct information may be obtained for the compilation of various statements required by the Santa Fe, the I.C.C., the A.A.R., state regulatory bodies and others.

Passenger statistics compiled by the Santa Fe are classified as between states and between state and interstate traffic. They include passenger revenues, passenger-train revenue, revenue passengers carried, revenue passengers carried one mile, and average computations including revenue passengers carried one mile per mile of road, miles per passenger (average journey), revenue per passenger, revenue per passenger per mile, passenger revenue per passenger-train mile and

passenger-train revenue per passenger-train mile.

The statistical section furnishes special statistics covering any segment of the Santa Fe's lines selected for special study due to government requirements or operating or traffic department requests for such information. Various statistics are compiled in relation to revenue classifications of baggage and miscellaneous collections.

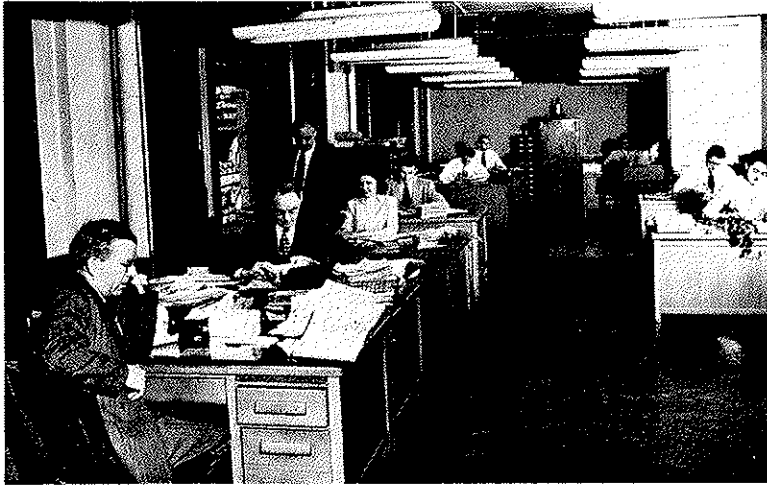
The Topeka, Los Angeles, Galveston and Amarillo accounting offices each have a disbursements department responsible for the correctness and propriety of all payments made from the Santa Fe's treasury within their respective territories. System procedures, particularly the compilation of statistics, are centered at Topeka. Traveling accountants perform auditing duties and field checks at necessary points throughout the system lines.

Before acceptance by the Treasurer, vouchers, time records and other payments, with supporting documents, must be approved by the disbursements department. First in importance are the payrolls representing millions of dollars, which are verified in detail. Payrolls are prepared twice monthly, electrical tabulating machines aiding the procedure. Expenditures for fuel, material and supplies represent millions of dollars, embracing payments to manufacturers and industries throughout the nation. Taxes likewise are huge. Tax auditing demands expert knowledge of laws and regulations.

The disbursements department sees that bills are rendered and collections made for amounts due the Santa Fe from sources other than the transportation of passengers and freight: for example, for construction of spur tracks for private industries and other contractual arrangements, for work performed by Santa Fe mechanical and other forces for an outside agency or company, for repairs to cars of foreign lines while on Santa Fe rails, etc.

The Interstate Commerce Commission has prescribed rules and regulations in regard to the following accounting: Investment in road and equipment; operating revenues and operating expenses; income, profit and loss and general balance sheet accounts. The disbursements section prepares journal entries on all disbursements, receipts and other trans-

Revising clerks in auditor
of freight accounts de-
partment, Topeka.



Voucher and bookkeep-
ing sections of Santa
Fe's Coast Lines.

Revising department,
general office building,
Los Angeles.



actions, which items receive further elaboration to meet government and Santa Fe official requirements. Important among the latter are the assignment of operating expenses to the respective divisions and comparative statements of the unit costs between superintendents' territories.

Property accounting, an important phase of disbursements auditing, entails the recording of costs of new facilities such as tracks, buildings, locomotives, cars and other essential installations and movable equipment. Property taken out of service is minutely recorded so that stated figures disclose only property in actual use.

Estimates and completion reports, which are submitted for each separate project affecting road and equipment property, must be checked in detail to determine that proper separation is made between Additions and Betterments and Operating Expenses as prescribed under ICC rules. Records must also be maintained of amortization and depreciation of road and equipment property and monthly accruals made for recording such expense in the accounts.

A monthly report of wage statistics is required by the Interstate Commerce Commission. This report represents a voluminous analysis of wage costs in relation to hours of service. Basic time-keeping records are received in the Topeka office alone from some 3,000 sources, and in relative large numbers in the Los Angeles and Galveston offices. Each employee's compensation is audited and a punched card prepared. The punched cards are adaptable to sorting and listing by electrical tabulating machines, producing payrolls, paychecks, income tax data, and many reports required. Payroll taxes necessitate the maintenance of voluminous records, including social security account numbers of all Santa Fe people. Monthly earnings of each employee are reported every three months to the Railroad Retirement Board for credit under the Railroad Retirement and Railroad Unemployment insurance acts for wages earned. Collection by deduction of railroad retirement tax from employee's wages as well as federal income taxes and the preparation and distribution to all those carried on Santa Fe payrolls during the year of income tax information returns are disbursements department responsibilities

involving hundreds of thousands of items. There are payroll deductions for U. S. Savings Bonds, hospital association dues, and such other deductions as are permitted by Santa Fe rules.

The bookkeeping section makes a daily audit of the Treasurer's cash receipts and disbursements. All voucher audits include check against voucher index to prevent duplicate payment. A passing record is maintained for regularly recurring items. Each voucher is assigned an audit number and recorded in the voucher index. When reported paid by the Treasurer the date of payment is posted. A general ledger is kept, also auxiliary records of various accounts including the hospital associations, terminal companies, affiliated companies and others. Trial balances are prepared and certain journal entries and statements pertaining to the general accounts including statements and reports required by the I.C.C. A sub-ledger record is kept relating to tax accruals and payments; sales, use and franchise tax returns and basic data supporting federal and state income tax returns are prepared.

The material accounts section performs the accounting for all material and supplies purchased and used in the extensive operations of the Santa Fe. Every item of material issued by the store department is covered by a requisition. After filling, all requisitions are sent to the audit office where the cost of the material on each requisition is computed by reference to price books, which show the up-to-date cost of each item in stock (upwards of 100,000 different items). Results are summarized, using punched card procedure, and distributions required for accounting purposes are prepared therefrom. An important function of the material accounts section is the verifying and pricing of annual inventories of stock material, which for the year 1949 were valued at more than 51 million dollars for the system.

The accounting for the enormous quantities of coal, oil and Diesel fuel used by the Santa Fe entails the auditing of receipts and disposition of fuel also the preparation of reports showing fuel consumption on the twenty-two operating divisions and by different types of locomotives — all important in the control of fuel costs and the avoidance of losses through inefficient usage. Monthly inventories of fuel on hand are verified, aver-

age issue prices are computed, basic information for locomotive performance is maintained and various fuel statistics compiled.

The bill department audits bills rendered by the operating, mechanical, stores and other departments, and prepares all bills against other railways for their proportion of the cost of operating facilities jointly with the Santa Fe and bills for repairs to foreign cars while on Santa Fe rails. Each bill is assigned an audit number and record maintained to insure that all bills rendered are accounted for. Each bill after audit is recorded in a sub-ledger maintained on punched cards. Payments as received are posted on the appropriate card, providing a current record of paid and unpaid bills. Mailing, collection and correspondence in relation to bills entails a considerable task. Bills for repairs to foreign cars are handled at Topeka for the system lines. Such bills necessitate 350 statements to foreign lines the preparation of which involves the pricing of some 28,000 individual car repair bills.

The analysis division of disbursements accounting assembles on condensing sheets the distribution of charges and credits to the accounts from all sources. These sheets serve primarily as a sub-ledger, furnishing the basic data for monthly comparative statements by accounts. Numerous journal entries are prepared and wage and operating statistical reports are compiled. The disbursements office is frequently called upon for statements covering special analyses and cost studies, including those in support of branch line abandonment applications.

All those functions could not be performed with the speed and accuracy demanded without the efficient tabulating machine bureaus. The bureaus are equipped with the latest type electrically operated accounting machines which use tabulating cards in which are punched a series of holes indicating alphabetical and numerical characters which in turn activate the machines. In the Topeka tabulating bureau alone some 475,000 cards are used each month. Vouchers, bills, payroll distribution and other items are listed by the machine method and car repair bills, payrolls and paychecks are printed. Other work handled on tabulating machines includes preparation of interline freight settlement abstracts for LCL shipments, interline passenger set-

tlement statements, freight traffic statistics, quarterly statement of material purchases by individual firms, and many others involving thousands of cards.

Meriting the particular commendation not only of Santa Fe people but all those who have viewed first-hand their appointments and methods, the Santa Fe's four accounting department machine bureaus, high-lighted by the expansive Topeka bureau, are the focal points in the accounting department general routine. Into the machine bureaus flow all manner of bills, statements and documents, including each waybill and station abstract and countless other accounts and memoranda comprising the sum-total of Santa Fe system-wide accounting details and the statistical reports derived therefrom.

With its acoustical ceiling, fluorescent lighting, 10,300 square feet of floor space, latest types of machines and office equipment, its long rows of trained operators and typists performing all manner of calculations and recordings, the Topeka machine bureau is not surpassed in efficiency and economy of time and method by any like bureau in the nation. The Santa Fe accounting department was one of the first organizations in the country to centralize machine operations of all sub-departments in one bureau. At Los Angeles, Galveston and Amarillo, comparable bureaus facilitate accounting department procedures.

In each machine bureau, arithmetical calculations are made on key-driven, non-listing calculating machines. Statistical, payroll and other cards are punched by expert key-punchers many of whom are skilled comptometer operators. Batteries of bookkeeping machine operators type and recapitulate various data, and rows of typists transcribe from phonograph recordings correspondence dictated by members of the accounting department. Numerous bills, correction notices, statements for government freight and other items in volume including operating expense statements, statistical reports and statements in relation to traffic, revenues and many other headings are prepared on typewriters.

Each machine bureau has a disbursement section where time-sheet factors and extensions on bills and vouchers are verified, electrical accounting machine cards are punched, payroll charges to each operating expense or other account affected are computed, and various other

punching and calculating procedures are accomplished. A freight section verifies extensions on freight waybills and agents' reports, extends factors on abstracts of interline waybills to develop amount due each participating carrier, computes amount due on government shipments, and verifies other carriers' reports to the Santa Fe of interline freight revenues due the Santa Fe. The passenger section performs most of the calculating functions in relation to passenger business, verifying agents' local ticket reports, calculating bills against government for tickets furnished and computes passenger traffic statistics and statements. Some of the bureaus perform duplicating, mimeograph and similar tasks.

Accounting department forces in the field include traveling auditors, traveling accountants and train auditors. All are skilled in their particular branches of railway accounting procedure and all are intrusted with responsibilities peculiar to their positions.

Traveling auditors personally audit all freight and passenger agencies maintained by the Santa Fe. They determine that each agency's cash is in balance and that there has been no fraudulent practice or misuse of company funds. They note and correct deviations from existing instructions governing the handling of funds and accounts which may lead to the loss of revenue or other complications. They adjust errors in the accounts, taking necessary measures to prevent recurrences by instructing employes involved. Needless to say, each station transaction is scrutinized by the traveling auditor.

Traveling accountants are the field men of the disbursements department responsible for the detailed auditing of various railroad departments directly or actually receiving and expending company funds. The bylaws of the Santa Fe provide that the accounting department must periodically verify the cash and securities held by the Treasurer, Assistant Treasurers and the Comptroller. Periodical reviews are made of methods and practices in the purchasing and stores department, insuring that the Santa Fe receives the lowest bids in the purchase of material and that discounts are being secured where proper. Verification also is made of costs in relation to locomotives, cars and other equipment and material purchased.

An important duty of the traveling accountant is to verify the accuracy of wage allowances by review of the basic time records of all departments; that wage payments conform to the numerous wage schedules provided in the Santa Fe's agreements with the various organizations authorized to represent Santa Fe men and women in their relations with the company. Traveling accountants audit the records and accounts of joint facilities, including union stations, which the Santa Fe operates with other railroads, insuring that all contractual provisions are being complied with. It is the duty of the traveling accountant to verify inventories of materials and supplies on hand, actually recounting the stocks of selected classes of material as a test procedure. Traveling accountants are called upon from time to time to make extensive investigations of operating costs and other matters as requested by Santa Fe executive officers. Other duties include field inspection and instruction to foremen in connection with addition and betterment projects for the purpose of insuring accurate reporting of time spent in performing such work.

Passenger train auditors, in uniform, present their credentials to the conductors of the trains they audit. They are familiar with all current instructions in relation to passenger transportation and tariff or rate provisions. Boarding trains at intermediate points between terminals, train auditors contact all passengers, collecting tickets and fares and examining the transportation of passengers who are detraining at destinations beyond the conductor's train run. Train auditors tally by destinations all passengers on the train. This reflects the number of tickets which should have been lifted by conductor before auditor boarded train. Tickets in the possession of conductor are counted. A report to the regional passenger accounting department, including any violations of rules, is signed by both the conductor and the train auditor.

In its broad and detailed functions, the accounting department works with and must have the cooperation of all Santa Fe departments. The very nature of the responsibility assumed by the accounting department demands that all tasks be pursued thoroughly and accurately. The accounting department must see that papers of every description including payrolls before being audited or re-

corded bear the signature or approval of the head of the department in which they originate or the signature of such person acting for the head of the department as may be authorized under rules by the Board of Directors or the Executive Committee.

Authorized accounting department representatives have access to all books of accounts, vouchers, deeds and papers of the Santa Fe or of any corporation controlled by it in charge of any of its officers or agents. The books of all railways affiliated with the Santa Fe are included in the general auditor's overall responsibility. His signature or that of a representative of the accounting de-

partment designated by him with the approval of the president must be placed on all vouchers and payrolls before transmittal to the treasurer for payment. By wire, telephone and correspondence, the general auditor disseminates advice to the various auditors and to other Santa Fe departments covering the many phases of Santa Fe accounting.

Only by detailed application of all existing railway accounting rules may the Santa Fe conform with the regulations of the Interstate Commerce Commission, the Association of American Railroads, various state railroad and commerce commissions, and other regulatory bodies.

