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SUMMARY OF FINDINGS AND RECOMMENDATIONS

relating to the

Executive Branch of the State Government of Colorado

as submitted to the

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SURVEY COMMITTEE OF STATE AFFAIRS

by its Staff

Published and circulated by the Committee for purposes of discussion and criticism preliminary to the submission of the report of the Committee giving its recommendations.

DECEMBER, 1916

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FOREWORD

This report is printed at this time in order to make available to the outgoing governor and to the incoming administration the results of a portion of the work done under authority of the act of the 20th general assembly establishing a Survey Committee of State Affairs. The contents of this report are a summary of reports made to the committee by its staff. The recommendations made have not been acted upon either to be accepted or rejected by the committee. The committee has been unable in the time available to form its conclusions and make its recommendations on the great mass of material covering topics of great importance and difficulty, without depriving the 21st general assembly of the use of the studies made.

The constitutionality of the survey act was questioned by the attorney-general of the state. In order to settle this question the act was twice carried to the Supreme Court of the state and once through the District Court. It was finally declared constitutional on June 5, 1916. Thus three-quarters of the working time available had gone and the original appropriation of \$7,500 had been reduced by cost of litigation to \$6,500. Examinations and reports by the federal government and private associations have been made for the committee without expense to it which otherwise would have cost the committee some thousands of dollars to secure.

The loss of this time has thrown a great pressure of work on the staff and made it impossible for the committee to put its report out in completed form in time to make it available for general use preliminary to the convening of the legislature.

The committee desires to express its appreciation of the unremitting, faithful and highly intelligent work done by its staff, especially to Mr. R. E. Wright, who organized the staff and has been indefatigable in general supervision of the work; to Mr. Byrne for the industry, ability and experience which he brought to the direction and oversight of the departmental studies made, particularly for his skillful personal examination and report on the auditor's office and budget plan; to the society of public accountants whose loyal co-operation has been of the greatest service and many of whose members have participated in the investigations made or have donated their services in an advisory capacity.

The committee desires also to express its appreciation for financial aid, encouragement, and helpful advice received from the executive committee of the Colorado Tax Payers' Protective League (now the Civic and Legislative Bureau of the Denver Civic and Commercial Association) and for their permission to use Mr. Wright's services as secretary of the committee.

In the report of the committee due recognition will be made of the services rendered to the work of the committee in state activities not summarized in this report.

The Survey Committee regrets that lack of time has not permitted the members of the committee to consult more fully with the heads of state departments, who have, with one or two exceptions, rendered the staff every assistance possible.

The committee will make its report as soon as possible together with recommendations based on work already done and suggestions for continuing the work.

PHILIP B. STEWART, Chairman.

I. State Finances and Budget Procedure.

1. SUMMARY OF FINDINGS.

The study of state finances and budget procedure, as outlined in this report, has necessarily been restricted to certain phases of the subject owing to the very short time available for the work. It is believed, however, that sufficient ground has been covered on which to base the following conclusions and recommendations:

- a. The legislature, in its handling of estimates of expenditures and revenues, and compilation of the data for the passing of appropriation bills, etc., is assuming each biennial period a function which is inherently executive and not legislative.
- b. The legislature has failed to perform this function in the manner which its fundamental importance to the business of the state government demands. The legislature cannot do otherwise than fail in this without taking over the whole executive function of the state.
- c. The members of the legislature are in the main unfitted by training and experience to prepare a state budget and, as nearly as can be gathered, recognize their limitations in this respect and the weaknesses in the present system, and would welcome a change from a duty which would appear to have been thrust upon them rather than assumed as a legislative function.
- d. Further, even if the legislature were competent to prepare a state budget (which is an almost impossible assumption, from the short period of its session and meeting only once in every two years with a large percentage of new members), it would be putting the "cart before the horse" and would encourage lobbies, and substitute irresponsible influence for reason and sentiment for fact, and guesswork for scientific data.
- e. Moreover, the present practice of the legislature concerning the preparation of a state budget and financial program divides responsibility as between the legislature and the chief executive of the state, whereas, as a matter of fact, the responsibility under this system should rest entirely on the legislature.
- f. There is not a published statement or report anywhere in the state government showing for a biennial or other period the exact financial status of the government, how much it costs to run the government or the subdivisions thereof, what property it has, or how much is spent for salaries alone by the government each year.
- g. It is difficult, and impossible in some cases, to learn from published statements or reports what the cost of even a single department or institution of the government may be for a biennial period. As an illustration of the confusion liable to result in the mind of a legislator or other uninitiated person attempting to utilize the present published reports submitted to him biennially, reference is made to the University of Colorado. The state auditor's report for the biennial period ended November 30, 1914, the state treasurer's report and the public examiner's report for the same period all contained different information pertaining to finances of the institution for that period, and the report published by the university covered a biennial period which ended September 30, 1914,

and hence showed different financial results from the reports of the auditor, treasurer and public examiner.

- h. The central accounting system of the government is an accounting system in name only. Accounting is an exact science. The only exactness in the central accounting system of the state is confined largely to seeing that cash gets into the proper account and is taken out of the proper account in accordance with law. It is absolutely incapable of furnishing the data necessary to the chief executive of the state or to the legislature in the preparation of a budget each biennium without costly analysis of fund accounts, vouchers, etc.
- i. The handicaps under which the legislature labors*(this is the only branch of the government which under the present organization and methods appears to be concerned with the facts of government business from an executive standpoint, which shows the anomaly of the situation) are insurmountable in any effective administration of the state finances. A sound accounting system is the first step in a sound and efficient financial policy.
- j. The law classifying appropriations and providing for an order of payment thereof is largely the direct cause of excessive appropriations, i. e., of general revenue appropriations the total amount of which for a biennium exceeds usually by hundreds of thousands of dollars the estimated resources to pay such appropriations.
- k. The provisions of law regulating the assessment, levying and collecting of taxes, and also the legal provisions establishing the fiscal year are responsible in a considerable measure for the involved condition of the state finances and the diversity in funding state expenditures. The legislature is passing upon appropriation bills and providing for the fiscal operations of the biennial period when several months of the period have already elapsed and "short" bills are necessary in the interim. All salaries and expenses which are not statutory must be held up pending the passage of relief measures. Further, general property taxes for a fiscal year are not collected until from three to eight months after the fiscal year has closed for which they are collected or may be applied. This delay in collecting general property taxes has cost the state on an average \$35,000 a year in interest charges on warrants issued against the general revenue fund.

The levying of special taxes for certain departments and institutions and the practice of permitting the almost free use thereof and of cash receipts is practically an outgrowth of the defects in the system of levying and collecting taxes, inasmuch as these departments and institutions are not restricted to fiscal year limitations in the application of their special tax collections or of their other cash receipts.

- l. The present system of providing revenues from several different sources for funding state activities is directly responsible for lack of any effective central auditing control over all state expenditures or of any standards governing alike the expenditures of all departments, boards and institutions. It is very easy for the legislature in passing special appropriation or tax levy bills to avoid trouble by merely stating in the bills that the appropriations or levies may be expended for certain broad, general objects which may include anything and everything, but this does not permit of any real auditing control by the state auditor.

As an example more concretely illustrating the different sources drawn on in providing funds for state activities, the following is submitted from the current period (1915-1916):

INSANE ASYLUM.

<i>Authorization</i>	<i>Payable from</i>	<i>Amount</i>
Special Appropriation	General Revenue	\$207,000
Special Appropriation	Public Building Land Permanent Fund	1,000
Special Appropriation	Public Building Land Income Fund	1,500
Special Appropriation	Supreme Court Library Fund	27,500
Continuing Appropriation	Cash Receipts	5,000 (est.)
Continuing Appropriation	Special Tax Levy	180,492 (est.)

As illustrating also the broad, general terms of appropriation bills defining the object for which the appropriation may be expended and which practically determine the legal limitation for auditing control thereof, the following is submitted from the Session Laws of 1915, Chapter 28, for the board of capitol managers:

"Sec. 1. There is hereby appropriated out of the capitol building fund the sum of one hundred sixteen thousand three hundred seventy-two dollars in addition to the short appropriation of the Twentieth General Assembly, being Senate Bill No. 62, for the maintenance and support of the capitol and Colorado State Museum buildings and grounds, including the furnishing of all supplies and service, the payment of all employes of the board of capitol managers and the payment of all other expenses of supporting, conducting and maintaining of said buildings and grounds, for the fiscal years 1915 and 1916.

"Sec. 2. There is hereby appropriated out of the capitol building fund the sum of twenty-four thousand five hundred dollars, or so much thereof as may be necessary, for alterations, repairs and improvements on the capitol building and grounds, for the replacing of old furniture and carpets and supplying new furniture when required in the various departments therein.

"Sec. 3. There is hereby appropriated out of the capitol building fund fifteen thousand four hundred thirty-seven dollars, or so much thereof as may be necessary, for improvements, furniture and fixtures for the Colorado State Museum Building and grounds."

2. SUMMARY OF RECOMMENDATIONS.

Changes Requiring Legislative Action.

- a. A budget, as the term is defined in the detailed report on state finances and budget procedure, should be compiled under the direction and supervision of the governor and submitted by him to each session of the legislature for each biennial period. In order that the governor may be able to carry out this recommendation, it is suggested that there be created for the purpose a permanent budget and efficiency commissioner, with the necessary expert staff, qualified to make all necessary studies of every branch of the state government's activities with the object of using the results of such studies in the revision of estimates of departments, boards, institutions, etc., and the compilation of a budget.
- b. All estimates for expenditures, regardless of the sources of funds by which the estimated expenditures may be financed, should be submitted by all state departments, boards and institutions to the budget and efficiency commissioner acting for the governor, and these estimates, together with estimates of

receipts and with recommendations, should be compiled by the commissioner for the information and action of the governor.

- c. That the state auditor should establish in his office a system of accounting and classification of expenditures which shall give the facts relating to the business of the state in such detail as will avoid unnecessary analysis of accounts in the preparation of statements of costs and other statements needed by the chief executive or the budget and efficiency commissioner.
- d. That the state auditor should furnish to the budget and efficiency commissioner, acting for the governor, statements of appropriations, expenditures, contract or other encumbrances, for the biennial period preceding the meeting of the legislature, together with statements of estimated revenue for the succeeding biennial period.
- e. The commissioner referred to should be empowered to make examinations and investigations of the organization of departments, boards and institutions, and of the methods and procedure of carrying on the activities of the government, not necessarily for the purpose of auditing, but for the purpose of making recommendations for promoting economy and efficiency in the state government.

Coincident with the foregoing recommendations there is a number of subordinate details to be considered in making effective the adoption of a state budget compiled and directed by the governor, and localizing in that officer responsibility for financial legislation. These details may be briefly summarized as follows:

- a. All special tax levies should be discontinued and regular biennial appropriations substituted therefor, with the exception of the tax levies for bond interest and redemption payments, required by the constitution.
- b. All cash receipts of departments, institutions, etc., not restrictive, such as the school fund, federal grants, trust funds, etc., should be converted into the general revenue as miscellaneous receipts and regular appropriations provided in exchange.
- c. The time for submitting the budget to the legislature by the governor should be set for the fifteenth day of February. (See (f) below, under constitutional changes.)
- d. The budget received by the legislature should be the basis for the enactment of appropriation bills and should thereafter be the work program to be followed by the chief executive in carrying out the intentions of the legislature as indicated in appropriation acts.
- e. Appropriation bills should as closely as possible be enacted in the order of the budget plan and in accordance with the classification outlined therein, that is by functions, divisions, and main objects of expenditure, thus leaving executive and administrative officers, reasonable administrative freedom and elasticity of action.
- f. Authority should, however, be given to the governor to adjust the items within the appropriation for any department, institution or office, upon petition of a department, institution or office head approved by the budget and efficiency commissioner.

In addition to the changes in budget procedure and financial legislation suggested above, the following are recommended as of equal importance:

- a. The dates of the fiscal year should be changed to cover the twelve months beginning July first and ending June thirtieth.
- b. The dates for submitting tax schedules to county assessors, for assessing property, for setting tax levies, etc., should be changed to conform with the change in the fiscal year and to make tax receipts available in the year for which they are collected.

The proposed changes in time of submitting tax schedules, assessing property, and determining tax rates, are as follows:

	<i>Present</i>	<i>Proposed</i>
Tax schedules submitted to county assessors	April first	June first
State board of equalization meets to adjust and equalize assessments, etc.	First Monday in October	First Monday in February
State board of equalization settles its work, sets levies, etc.	Third Monday in October	Third Monday in February
Assessments and levies against counties sent to auditor, notices sent to counties, county treasurers correct rolls and send tax notices, etc.	October to February	February to June 30th
First installment of taxes due and payable	Last day of February	July first
Second and last installment of taxes due and payable	July thirty-first	January first

The proposed dates concerning schedules, assessments and levies outlined above, are suggestive only of a means to make effective the proposed change in fiscal dates and time of collecting taxes. The proposed change in the dates of the fiscal period will, if adopted, naturally entail a corresponding change in the fiscal period of counties and cities to make the system as nearly as possible uniform for all and to make taxes available in the year for which they are collected. Obviously the adoption of these changes will result in state officers carrying on their operations in two different bienniums, but this is not unusual in state and municipal governments and, further, the practice already exists in the state government of Colorado inasmuch as elective and other officers take office in January of each biennium and carry over to the following biennium until their successors take office.

The changing of the dates of the fiscal period, and of the time of levying and collecting taxes, will require also certain changes to finance the government during the period of changing from one system to another. This may necessitate borrowing or an increase in the next tax levy.

Changes Requiring Constitutional Amendment.

- a. The governor, and representatives of the executive departments, boards, commissions and offices designated by the governor to appear before the legislature, should have the right, and when requested by either house of the legislature, it should be their duty to appear and be heard in defense or explanation of any budget bill during the consideration thereof.
- b. Provisions should be made also for effective executive control by the governor over all executive departments, boards, commissions and offices.
- c. The legislature should be restricted to reducing any item in the governor's budget for the executive branch of the government, and be not permitted to raise any of those items.
- d. No special bill making an appropriation should be enacted unless special provision is made to raise the revenue therefor.
- e. All appropriations recommended in the budget should be authorized by and included in one appropriation act.
- f. The date on which the governor shall submit his "estimates," (budget) to the legislature should be changed from "the commencement of each session" (Art. IV, Sec. 8) to some date thereafter, as may be determined by statute.

II. Office of the Governor.

1. SUMMARY OF FINDINGS.

The "supreme executive power" of the state is vested by the constitution in the governor, "who shall take care that the laws be faithfully executed." The constitution, however, provides also that the executive department shall consist of a governor, lieutenant governor, secretary of state, auditor of state, state treasurer, attorney general, and superintendent of public instruction, elected by the people. Thus the governor's "supreme executive power" is limited by the creation of those officers mentioned, who are practically independent of the governor, with the exception of the treasurer who may be suspended by the governor upon the former's refusal or neglect of the duties required of him by law.

There are other provisions, constitutional and statutory, which restrict the free exercise of the governor's "supreme executive power," many of which have been referred to in summary form in the preceding pages relating to state finances and budget procedure. Some other instances are as follows:

- a. The governor cannot veto an item in a general or special appropriation bill if the item is provided for in a creating act passed in some preceding session.
- b. The appointing power, which is inherently an executive prerogative is in many cases limited by senatorial sanction, which in some cases applies even to subordinate employes. The civil service law is interpreted to apply to the individual and not to the position, thus throwing open many positions to appointment which positions should be under civil service.

The governor is the "supreme executive power," yet the tangle of laws, boards, commissions and officers is such as to make it difficult for him to exercise the power which he is popularly understood to have, and further, the governor has never been provided by law with the necessary organization to exercise such powers and executive control as have been actually conferred upon him.

The governor is required by law to supervise and control the issue of hundreds of annual and biennial reports, bulletins and other documents, yet the law makes no provision for performing this duty. There are thousands of dollars involved in the printing of these reports, bulletins and other documents.

The legislature admittedly does not read the biennial reports submitted to it by the governor, and it would find great difficulty in doing so under present conditions without an interpreter. As a basis for executive or legislative judgment in determining the financial needs of departments and institutions, at the time of enacting appropriation bills, the biennial reports of departments, boards, institutions etc., are of little value.

There is a useless waste of the governor's time in the signing of thousands of salary and expense vouchers annually for many different departments and boards. This duty has become largely clerical and has been complained of from time to time by the governor as a gratuitous imposition of labor.

There are other duties conferred on the governor which might be delegated to a central purchasing department, such as the signing of contracts for supplies and furnishings, and for repairs to the general assembly halls and rooms; the making of contracts for the publication of the records of the supreme court, and the designating of a state newspaper for legal notices and advertisements.

2. SUMMARY OF RECOMMENDATIONS.

In the separate report on a study of state finances and budget procedure, the powers and duties of the governor with respect to budget making

and responsibility for financial legislation are given in some detail. The summary of findings and recommendations pertaining to that report are given in the preceding pages herewith. The summary referred to shows the proposed changes which require legislative action and those which require constitutional amendment to give the governor that actual control and responsibility over budget making and financial legislation which he is popularly believed to have. For this reason, the following recommendations pertain to those proposed changes concerning the governor's office which are not included elsewhere.

Changes Requiring Legislative Action—

- a. All the appointments listed in table III in the report on the office of the governor, with the exception of the commissioner of mines and the state board of land commissioners, should be appointed by the governor alone or definitely placed under civil service. The exceptions referred to are appointments provided for by the constitution.
- b. Those appointments now made by the governor alone (as listed in table II in the report on the office of the governor) which relate to single heads of departments, and which relate to heads of departments recommended in other reports by the survey committee to be consolidated under centralized authority, such as the state engineer, commissioner of insurance, state oil inspector, etc., should be appointed instead under the provisions of civil service rules and regulations in order to assure, wherever possible, continuity of service in the administration of the government.
- c. There should be a statistical expert in the governor's office for the compilation of statistics and the editing of annual and biennial reports of departments, boards and offices.
- d. The governor should be relieved of the duty of signing the vouchers for salaries and expenses of those departments, boards, commissions and offices listed in the separate report on the office of the governor, with the exception of those vouchers for his own office. All vouchers now signed by the governor, with the exception of those for his own department, should be approved by the heads of the respective departments, boards, etc., and by them transmitted to the state auditor for audit and settlement.
- e. The statutory provision (M. A. S. 1542) requiring the governor, secretary of state and the attorney general as a committee to make contracts for publishing records of the supreme court, and the statutory provision (M. A. S. 4490) designating the governor, state treasurer, and the secretary of state as a committee to designate a daily newspaper for legal notices and advertisements should be repealed. These duties should be conferred on a central purchasing officer.

Changes Requiring Constitutional Amendment—

- a. The power of appointing the state board of land commissioners, now conferred on the governor with the advice and consent of the senate (Art. 16, Sec. 1) should be vested in the governor alone. The commissioner of mines, now required to be appointed by the governor with the advice and consent of the senate (Art. 9, Sec. 9) should be under civil service and appointed in accordance with civil service regulations.
- b. The constitutional provision (Art. IV, Sec. 17) requiring the governor to transmit to the general assembly the reports of the executive officers and of all public institutions of the state, should be amended to leave this question optional with the governor unless otherwise provided by statute.
- c. The constitutional provision (Art. V, Sec. 29) requiring the governor and the treasurer to approve contracts for supplies for the legislative and other departments of the government; for

printing journals and reports; and for repairing and furnishing halls and rooms of the general assembly and committees, should be repealed. This duty should be conferred by statute on a central purchasing department, for supplies contracts, and on the department in charge of maintenance of public buildings, for repairs contracts.

III. Attorney General.

No study has been made by the survey committee relating to the office of the attorney general, hence no findings or recommendations are made thereon.

IV. Auditor of State.

1. SUMMARY OF FINDINGS.

a. Concerning Accounting Methods and Procedure.

There is no adequate central accounting system in the state government. The auditor is "the general accountant of the state," according to the statutes, but the accounting system of the auditor's office is little more than a record of fund accounts.

There is no classification of objects of expenditure and there is no record in the auditor's office showing a distribution of expenditures.

It is impossible to tell from the auditor's records what has been spent for salaries, for example, for the whole state government, without a costly analysis of the files and accounts. Further, it is impossible to tell immediately from the records the outstanding claims or liabilities of the government.

There is no system of personal property control in the auditor's office over all property of the state government.

The system of charging and crediting counties for tax assessments is weak and the auditor does not get any official notices from the tax commission to set up the tax accounts each year. The present revenue register, in which are kept the tax accounts with counties, is little more than a compilation of the counties' own reports, instead of showing the original tax charges as certified to the auditor by the tax commission.

A visiting committee on state institutions reported to the last legislature that "there is no department or bureau at the state capitol whose special business it is to keep records and data concerning all these state institutions. * * * Your committee could gain only imperfect knowledge as to the cost and character of the different buildings of the various institutions."

b. Concerning the Auditing of Cash Receipts.

The auditor does not get the monthly reports required by law to be rendered to the auditor by all collecting officers, with the exception of county treasurers' reports.

The auditor receives from the state treasurer copies of receipts issued by the latter to officers depositing money in the state treasury, whereas the law requires such documents to be forwarded to the auditor by the officer that made the deposit of funds, so that there would be an independent check over both the treasurer and the officer.

The auditor has no controlling accounts or other records in his office to verify collections reported by the secretary of state and the land board, or to verify the totals of accounts receivable and totals of the public lands of the state.

There is no system of control in the auditor's office over financial stationery used in various departments and offices in connection with the receipt of state money, such as duplicate receipt books, license and permit forms, etc.

c. Concerning the Auditing of Expenditures.

The auditing of expenditures is divided between the state auditing board and the auditor of state. Neither office has any copies of contracts for supplies or services as a basis for audit of claims.

There is no complete roster of state employees. The procedure of handling and auditing salary vouchers is weak and cumbersome. The language of appropriating acts authorizing expenditures is too broad and general to permit of adequate auditing control. Many of the cash funds of departments and institutions may be used for any purpose the heads of the departments or institutions determine upon.

The employees of the auditor's office make no certifications on vouchers or other documents as to what they have audited when passing claims for preparation of warrants.

There is no pre-auditing by the auditor of expenditures made by the secretary of state from motor vehicle and from ore buyers license moneys, nor of expenditures made by the workshop for the blind from its cash receipts. This is largely the fault of the legislature in reversing the provisions of the state funds act of 1913.

d. Concerning Financial and Inventory Reports.

The biennial reports of the auditor are of practically little value for the governor and the legislature, or for the general public, as to the accounting facts of the government. There is no report issued by the government showing what the cost of government is, what property it owns, etc.

The printing of inventory reports rendered to the auditor under the provisions of the act of 1915 will, if complied with, cost the state several thousands of dollars without resulting in one cent's worth of benefit to the state.

2. SUMMARY OF RECOMMENDATIONS.

a. *Suggested Changes in Accounting Methods.*

There should be a complete change in the system of accounting and reporting in the auditor's office. The system should provide for establishing centralized control, by means of records and reports, of the financial transactions of all departments, institutions, and other organization units of the state service, with the exception of the University of Colorado. It should be possible under this plan to prepare statements and reports in such form and detail as may show clearly the financial condition of the state, its assets and liabilities, and the cost of operation.

Such a plan of accounting and reporting as that suggested will require the co-operation of departments, institutions, etc. The constitution requires state departments, institutions, etc., to maintain accounts of their transactions. This would preclude, without constitutional amendment, the possibility of the auditor of state installing a system of accounting which would make unnecessary the keeping of similar records in departments, institutions, etc., however desirable that might be from an efficiency and economy standpoint. There is nothing in the law, however, which inhibits the auditor of state from establishing a central system of control accounts of all financial facts of the government, and such system is absolutely essential to a full compliance with statutory duties of the auditor of state.

The co-operation needed from the departments, institutions, etc., will consist of the proper and accurate distribution on vouchers of the moneys expended by them. For this purpose it is of fundamental importance that a classification of expenditures be established,

standard and uniform for application by any and all branches of the government service. Without a standard classification of expenditures it will be impossible to compare the results of business in the various departments, institutions, etc.

The detail of departmental or institutional cost to be kept in the auditor's records should be sufficient to show the main items of cost for the preparation of revenue and expense statements. All expenditure vouchers originating or received in the auditor's office should, after audit, be distributed to the accounts in the general and expense ledgers in accordance with the standard classification of accounts promulgated.

Departments, institutions, etc., should be required to keep their accounts in accordance with the standard classification of expenditures.

The real and personal property of the state should be of record in some form in the auditor's ledgers. A system of property accountability should be established by the auditor of state. The auditor undoubtedly has the right to establish a centralized system of control over personal property wherever located, by virtue of the provisions of the public examiner's act of 1909, and also by virtue of certain other sections of law relating to the prosecution of persons who fail to turn over state property in their possession, and the right of the auditor, governor and secretary of state to condemn and dispose of personal property.

General property taxes should be shown in the general ledger in controlling accounts. The law provides that the counties shall be held responsible for the collection of property taxes. The amount of assessments and taxes reported to the auditor each year should be charged to the counties and no credits made unless the county officials make the reports to the auditor as required by law. The revenue register should show the detail of taxes charged to counties in accordance with official notices of taxes levied as reported by the tax commission. The tax commission should certify to the auditor the taxes levied in each county each year and not merely forward the auditor an unsigned list of such matters.

No transfers of funds from one fund account to another, or other entries should be made in the general ledger or other records without an official document in every case authorizing the transfer or entry.

There should be personal accounts kept with all collectors of revenue (exclusive of property taxes), as required by law, and controlling accounts kept for all revenues and accounts receivable, such as controlling accounts for all flat tax accounts in the secretary of state's office, for all rents and leases of public lands as contained in the individual records of the land board.

Reports of collectors of revenue other than property taxes would be the medium for charging their accounts with such moneys collected and for crediting such accounts if treasurer's receipts were attached thereto. Reports of collections of flat tax, of leases, etc., accompanied by state treasurer's receipts, would be the medium for crediting the respective controlling accounts with such transactions. The details to be reported by all collecting agents of moneys other than taxes may be determined by the public examiner, as provided by law, although the law specifies that such reports shall state, under oath, "fully the sources and amounts of all moneys received during the period covered by the report."

Encumbrances, such as contract or open market orders, should be set up against all appropriation or fund accounts at the time the liability on contracts or orders is incurred. This will establish on the auditor's books the liability for claims arising from contract or purchase order obligations. The condition, also, of each appropriation or fund account may thus be correctly determined and proper provision made to prevent overdrawing of any of such accounts.

b. *Suggested Changes in Methods of Auditing Receipts.*

The auditor of state should receive the reports and accounts current required by law to be submitted to him monthly or at other times during the year. The state treasurer's copies of receipts for funds deposited in his office should be transmitted to the auditor by the depositing officers or agents, together with their reports of collections. The only exception to this rule would be the receipts of the county treasurers for tax collections deposited with the state treasurer. The auditor gets the original and duplicate of these receipts and countersigns the original, thus making it unnecessary to require the county treasurers to remit the duplicate receipts.

All forms of financial stationery used in the collecting of state moneys, with the exception of county treasurers' receipt documents, should be printed and controlled by the auditor of state, and all collecting officers, exclusive of county treasurers, should secure their supply of such stationery from the state auditor. They should be charged with such stationery when it is issued to them, and given credit for all copies used, destroyed or returned, as reported in their monthly reports of collections to the auditor, or as reported by the public examiner after examinations of their offices.

c. *Suggested Changes in Methods of Auditing Expenditures.*

The auditor of state should have available in his office at all times original or certified copies of all contracts, purchase orders, or other documents necessary to the proper examination and audit of any claim presented to him for settlement.

The introduction of the system of requiring copies of purchase orders to be filed with the auditor of state, will, besides establishing the encumbrances against appropriation and fund accounts, also establish a check against duplicate payments.

Under the present system of making appropriations, and of paying appropriations by classes as referred to in another part of this report, it is necessary under the law for certain institutions and departments to secure approval by the state auditing board to requisitions before incurring any liability or expending their appropriations. (See separate report on State Auditing Board.) The approving of requisitions by the state auditing board would be unnecessary with a change in the method of making appropriations. Without a change in such methods however, it would be necessary for the auditor to get a copy of such requisitions at the time they are approved by the state auditing board, in order to establish a control over the expenditures incurred thereunder. (See separate report on appropriations and budget making.)

All salaries and wages paid by the state should be submitted to the auditor of state on regular forms of payrolls. The preparation of vouchers for salaries and wages should be discontinued except in emergency cases. The auditor's office should also maintain a roster of all permanent employes of the state.

The forms of vouchers used in the payment of claims should be designed to provide for certification by the auditor's office of each claim approved and passed for payment.

The ore buyers' act, permitting the secretary of state to make expenditures from funds received from the operation of the act without prior audit by the auditor, should be amended to require all such funds to be deposited like other state funds and drawn on only by voucher after approval by the auditor.

The expenditures by the secretary of state from the motor vehicle funds should also be discontinued and appropriation made for all the necessary expenses of the operation of the motor vehicle license act.

As an independent method of verifying expenditures for supplies, equipment, etc., there is here suggested that a division of inspection be established in the auditor of state's office. The creating of an inspection service would be in line with the suggested plan

to have copies of all purchase orders sent on issue to the auditor's office, and it would also be in line with the proposed changes in purchasing methods of the state, as contained in a separate report by the survey committee on purchasing supplies.

d. *Suggested Changes in Methods of Reporting.*

The form and contents of reports to be rendered by the auditor of state to the governor and to departments, institutions, etc., are so closely dependent on the system of accounts maintained that, in the light of the recommendations made in the foregoing pages concerning a complete change in the accounting system, it is deemed expedient to refrain at this time from making any definite suggestions on this matter.

In general, it may be said that under any system it will probably be necessary for the auditor to issue monthly reports to departments, institutions, etc., relating to the condition of the appropriation and fund accounts for the purpose of reconciling the auditor's accounts with the accounts maintained by departments, institutions, etc. Further, all collecting officers or agents should be required to comply with the law concerning monthly reports of their collections.

The auditor's biennial report to the governor will be more complete in the financial facts reported, if the suggested accounting changes are made. That part of the report dealing with estimates of revenues and expenditures, and with recommendations for improving the public service, reducing the cost of government, etc., should be incorporated in a plan of budget to be submitted by the governor to the legislature each biennial period. Recommendations concerning this matter are made in connection with a separate report on a state budget.

The public examiner's published reports of examinations should be discontinued for the reasons stated previously in the section on comments. If the suggested changes in the accounting system are installed, it will be unnecessary to publish separately the statistics required by section 4 of the public examiner's act of 1909. With a change in accounts, the details of the financial transactions of institutions will naturally be incorporated in the auditor's biennial report. A section of this report may also be used to print in comparative form the "substance" and a summary of the financial transactions of counties, required by law to be published by the auditor of state. With these changes, section 4 of the act of 1909 in question would be unnecessary and might be repealed.

The act of 1915 requiring the publishing of inventory reports of property should be repealed. With the introduction of the changes in accounts and the installation of a system of property control as suggested it would be necessary to publish only balance sheet figures of property, and these figures would be contained in summary form in the auditor's biennial report.

Changes Requiring Legislative Action.

It is believed that the provisions of the constitution and statutes are sufficiently broad, particularly those of the public examiner's act of 1909, to permit the auditor of state to revise the state accounting system along the lines suggested herein without need for further legislation on this matter, with the exceptions noted below. There may be, however, need for a general re-organization of the staff of the auditor's office to make effective the modernization of the accounting procedure.

The statutes that should be repealed or amended are the following:

a. **Ore Buyers' Act (Laws of 1915).**

This act should be amended to require all license money paid in under the provisions of the act to be deposited by the secretary of state like other state funds of the same kind, and the expenses arising out of the act met from appropriation.

b. Public Examiners' Act (Laws of 1909).

Section 4 of this act should be amended to provide for the auditor of state including in his biennial report, instead of a separate report, the data or statistics required by that act.

c. Inventory Reports of State Property (Laws of 1915).

This act should be amended to require inventory reports to be rendered to the auditor of state on or before the close of the fiscal year, and in such form as the auditor may require. The act should be amended further to provide for the establishment by the auditor of state of a complete and effective system of control over all personal property belonging to the state, to prescribe regulations governing the accountability and responsibility for such property, the disposition of un-serviceable property, etc., such regulations to be adopted with the approval of the governor.

d. The act (Laws of 1895, Section 1 and 3, 315, 316 M. A. S.) providing for the sale of personal property and the advertisement of such sales, etc., should be repealed if the amendment recommended under (c) above concerning inventory reports is acted upon.

e. Wherever in the law it is required that salary vouchers shall be made out for each person to whom the state is indebted before warrant may be issued in settlement thereof, such as in the special appropriation act of 1915 for the State Home and Training School for Mental Defectives, this requirement of the law should be changed to require the use of payrolls in departments, boards, institutions, etc., with only one covering voucher for each payroll.

f. Section 2 of the act of 1915, relating to the Industrial Workshop for the Blind, should be amended to provide that the proceeds from the sale of products of the shop shall be deposited with the state treasurer and drawn on only as provided in the state funds act of 1913.

g. There should be an act passed requiring officers or agents of the state who collect state funds to use such financial stationery only as is furnished by the auditor of state, such stationery to comprehend receipt books or documents, license and permit forms, etc.

V. Secretary of State.

1. SUMMARY OF FINDINGS.

a. General Corporations.

The secretary of state has very little interrogatory power, or supervision of general corporation organization prior to the issue of certificates of authority to do business in this state. The power of the secretary of state over persons desiring to incorporate is practically restricted to seeing that articles of incorporation are submitted to him in the form required by law.

The general corporation law is defective in that it gives the secretary of state practically no control over general corporations doing business in the state.

The secretary of state has no independent means of determining whether all foreign corporations doing business in the state have complied with the provisions of the general corporation law. Past experience of the secretary of state shows that such corporations have not always complied with the law.

b. Annual reports.

The provision of the general corporation law giving corporations three years in which to be delinquent in filing their annual reports before such corporations will be declared defunct and inoperative is too liberal and permits corporations to "play possum," to be in business three years and then quit, owing the state for taxes and probably getting away with stockholders' funds besides. It also makes difficult a correct estimate of the revenues from flat taxes at budget making time.

District attorneys have failed to prosecute under the delinquent corporation act. The fine of \$1,000 is an abortive attempt to regulate the filing of annual reports.

There is a considerable amount of clerical labor involved in the preparation each year of delinquent lists for district attorneys. This work requires great care and does not admit of error. There are 1340 corporations delinquent for failure to file reports before March, 1916, and 790 to be declared defunct for failure at March, 1916, to file reports for three years prior thereto.

c. Contents of Reports.

The reports filed with the secretary of state are incomplete to give effective control over corporations.

The contents of reports are never examined by the secretary of state beyond seeing that they are properly signed and sworn to.

d. Flat Tax Receipts.

There is considerable improvement under the present administration in the system of collecting flat taxes, but there is unnecessary clerical labor in making out separate tax notices and tax receipts.

Flat tax collections under the present system pass through too many hands in the secretary of state's office before they are finally deposited with the state treasurer. This is entirely due to the system of issuing tax receipts.

e. Commission Merchant and Ore Buyers' Inspectors

There is loose administrative control over the inspectors operating under the provisions of the commission merchant and ore buyers' acts. These inspectors make no written daily or other periodic reports of their activities or of what they have accomplished, and they visit the secretary's office only at infrequent times.

(The use by the secretary of state of the license money received under the operation of the ore buyers' act has already been referred to in a preceding summary relating to the auditor of state.)

f. Motor Vehicle License Money.

The manner of using the money received by the secretary of state from the sale of motor vehicle licenses is irregular. In a measure this is due to the failure of the legislature to provide an appropriation for purchasing auto tags, and for incurring certain other expenses in connection with motor vehicle licensing, such as the salary and expenses of inspectors. The salaries of several clerks, however, are paid from motor vehicle license money, which appears to be an unjustified use of the funds. An opinion of the attorney general sustains the action of the secretary of state in incurring certain expenses from motor vehicle license money, but it would appear that this opinion has been liberally interpreted by the secretary.

g. Purchasing Supplies, Equipment and Printing.

There is confusion in the laws concerning the right and duty of the secretary of state to purchase supplies and equipment for various state departments and offices. The board of capitol managers also appears to have the right and duty of purchasing supplies and equipment for the same state departments and offices. The secretary of state confines himself, however, to the purchasing of office supplies and certain printing only.

Concerning the purchasing of the latter items the secretary of state has not the records or the information to handle this function to the best interests of the state (See separate report on a central purchasing department for the state.)

h. General Duties of the Secretary of State.

The office of secretary of state seems to be a dumping ground for activities or duties which cannot be placed in some other office. Those activities suggested to be transferred from the secretary of state are shown below under "Summary of Recommendations."

2. SUMMARY OF RECOMMENDATIONS.

Below are given those recommendations only which relate to the activities of the secretary of state and which are separate and distinct from those activities which have to do with the public control of corporations. For the latter class of activities see a subsequent section herein relating entirely to the function of public control of corporations.

Changes Requiring Legislative Action.

The ore buyers' act should be amended to provide that license money received thereunder shall be deposited daily with the state treasurer. (This will require provision in the general appropriation bill for the salaries and expenses of the inspectors appointed under the act. This proposed amendment is suggested also in the summary of recommendations herein relating to the auditor of state.)

The duty now conferred by law on the secretary of state of purchasing or procuring office supplies and equipment for certain departments and offices (see various statutes relating thereto in the detailed report on secretary of state), should be conferred instead on a central purchasing department, the creation of which department is proposed in a separate report thereon. Coincident with this proposed change, it is suggested that the said central purchasing department should take over from the secretary of state the following duties:

- a. The advertising for a state newspaper in which to do official advertising. (4492, M. A. S.)
- b. The designation of a printer to print the reports of the supreme court. (1541, M. A. S.)
- c. The advertising for proposals for printing supreme court reports, awarding of contracts, etc. (1543 M. A. S.)

The creation of a central purchasing department, as referred to above, will require a change in the handling of the "contingent and incidental fund." This fund, however, is referred to in more detail in connection with the summary herein on the state auditing board.

The following miscellaneous duties conferred by statute on the secretary of state should be transferred to the departments designated below:

- | | |
|--|--|
| | Should be transferred to: |
| a. The compilation, etc., of agricultural statistics (125 M. A. S.) | State Board of Agriculture. |
| b. The tabulation, etc., of statistics relating to poor persons (1345 M. A. S.) | State Board of Charities and Corrections. |
| c. The filing of reports of district attorneys (2923 M. A. S.) | |
| d. The charge, care and custody of state property (2710 M. A. S.) | |
| e. The examination, etc., of unserviceable personal property of the state (315-316 M. A. S.) | Auditor of State. |
| f. The issuing of certificates of rent due, etc., (2716 M. A. S.) | |
| g. The procuring of rooms for various departments and offices (see various statutes relating to this duty in detailed report on secretary of state.) | Board of Capitol Managers or their successors. |

Change Not Requiring Legislative Action.

There should be an appropriation provided from general revenue for the secretary of state for meeting the necessary salaries and expenses incurred under the operation of the motor vehicle license act.

VI. State Treasurer.

1. SUMMARY OF FINDINGS.

The accounting records in the treasurer's office are incomplete in some respects and not in all cases kept in the manner required by law. The law, for example, requires the treasurer to keep an account with "each head of appropriation." The treasurer, however keeps no accounts with general appropriations.

The system of paying state warrants is as complicated and laborious as could be devised. This is due entirely to the shortage of general revenues at certain times each year to pay state warrants as presented and causes a considerable volume of clerical work in calculating interest charges and in recording the warrants. The shortage of general revenues is due in turn to the system of collecting general revenue taxes, which system has cost the state an average of \$35,000 per annum in interest charges in the past few years.

The redemption plan under which state bonds are issued costs the state many thousands of dollars in interest charges in excess of what would be necessary if the bonds were issued on the serial bond plan. This latter plan contemplates the redemption in annual installments of the principal of bonds, thus reducing the annual interest payments. Under the serial bond plan it is possible to issue bonds at a higher rate per cent over the rate per cent for which bonds with sinking fund provisions may be issued, and still save money.

The uninvested portion of the permanent school fund is growing rapidly. On September 20, 1916, there was \$1,183,000 in this fund earning only from 2½ to 3 per cent interest. The highest rate earned by the fund is 4 per cent, representing state warrants held by the fund.

The permanent school income fund holds \$600,900 in 3 per cent state bonds which the law provides shall be sold at par and accrued interest, and the money derived from the sale thereof turned in to the said fund for distribution to the several counties and school districts. The bonds in question represent the deferred interest which had accumulated on state warrants held by the permanent school fund. It is said that these bonds cannot be sold at par bearing such a low rate of interest. \$600,900 of income, therefore, is tied up and cannot be distributed to the counties and school districts of the state. The constitution requires this distribution.

2. SUMMARY OF RECOMMENDATIONS.

a. *Suggested Changes in Books, Records and Accounts.*

Changes Not Requiring Legislative Action.

- (1) Appropriation accounts should be kept by the state treasurer, as required by law.
- (2) The "public school emergency or call fund" should be set up in the manner required by law.
- (3) Separate accounts should be kept for collections of taxes to pay interest charges on insurrection bond funds.

- (4) The following accounts should be kept in the general ledger, not as memorandum accounts, but as accounts necessary to have the ledger show by itself all the financial transactions of the treasury department:

Accounts showing the bonded debt of the state.
 Accounts showing the amount of state warrants and certificates registered and outstanding.
 Account showing cash received in bond exchanges.
 Accounts showing all investments held by the permanent funds.

Changes Requiring Legislative Action.

- (1) The acts of 1891 and 1911 concerning teachers' normal institutes and summer normal schools, respectively, should be amended to provide for eliminating the confusion and misunderstanding apparently now existing in the operation of the acts, in so far as they concern the state treasurer's office and the state superintendent of public instruction.

b. Suggested Changes in Methods of Receiving State Funds and Other Moneys.

Changes Not Requiring Legislative Action.

- (1) Receipt books should be printed in a form which will permit of the issue of carbon copies of receipts, thus saving the clerical labor of writing three receipts for each collection of cash.

Changes Requiring Legislative Action.

- (1) The fiscal year should be for the period from July first to June thirtieth.
 (2) Assessments on real and personal property should be made as of June first each year for the following fiscal year.
 (3) The state board of equalization should sit for the purpose of examining, adjusting, and equalizing assessments on the first day of February in each year, and complete its work on or before the last day of the same month in the same year.
 (4) Taxes should be due and payable July first and January first of the fiscal year for which the taxes are levied.

These changes are discussed in detail in a separate report on a state budget. The advantages briefly stated here would be to bring the revenues of the state into the fiscal period for which they are necessary to meet the expenditures of that period, to save the state approximately \$35,000 a year in interest charges as a direct saving and indirectly perhaps as much again through increased business confidence in the financial ability of the state to meet all claims promptly and to take advantage of cash discounts on purchases. Further, the changes will make the state independent of the public school moneys and release the millions of dollars in that fund for a more profitable investment than the 4 per cent. warrants and the 3 per cent. and 4 per cent. bonds.

The separate report on a state budget provides for a reduction in the number of special tax levies. Such a change would, if adopted, reduce considerably the bookkeeping work in the state treasurer's office and in the office of county treasurers, etc., in connection with the accounting for tax collections.

c. Suggested Changes in Methods of Disbursing State Funds and Other Moneys.

With the placing of each fiscal period on a self-supporting basis, as outlined above in connection with suggested changes in the dates

of the fiscal period, time of levying taxes, etc., all of the detail clerical work incident to the purchasing of warrants, calculating interest charges, etc., would be unnecessary.

Changes Requiring Legislative Action.

The statute requiring the registering of warrants and certificates of indebtedness in the treasurer's office should be amended to permit the treasurer to save all this clerical labor and to receive instead from the auditor a copy of his register of warrants and certificates.

d. Suggested Changes Concerning General Ledger Transactions.

Changes Not Requiring Legislative Action.

- (1) All transfers between funds on the treasurer's books should be effected by means of transfer warrants or other document, signed by the treasurer or his deputy, as official record of the authorization for the bookkeeper to make such transfers.
- (2) All permanent funds should be credited with interest earned on deposits to the extent of the average daily or monthly balances in such funds.
- (3) The university permanent fund should be set up on the treasurer's books to show the correct amount to the credit of that fund and another account opened to show the bonds held as a credit to the university permanent fund income account.

e. Suggested Changes in Funding Methods.

Changes Requiring Legislative Action.

- (1) All bonds issued hereafter should be issued on the serial bond basis; that is, an equal installment of the principal of bonds should be paid off each year, thus reducing interest charges and liquidating the debt at the same time, and also saving thousands of dollars in interest cost over the present method.
- (2) Steps should be taken to refund that part of the outstanding state debt which may be refunded with the consent of the bondholders, for bonds on the serial basis. This applies only to the 1909 and 1914 series of bonds. The 1897 series is now in process of semi-annual liquidation, and the 1910 series is governed by constitutional restrictions. The 1909 and 1914 series, however, are governed by statutory provisions only.

A considerable portion of the present state bonds outstanding are owned by permanent land funds. Of the bonds of the 1909 series, the public school permanent fund holds \$724,400 of the total of \$932,000 issued. This should facilitate the refunding of the state debt on the serial bond plan, particularly when it is considered that the serial bonds could be issued at a higher interest rate than the present series of bonds and still be less expensive to the state than the present series.

To illustrate this statement, let us assume the bonds of 1909 for \$932,000 now outstanding at 3 per cent. and due and payable July 1, 1929, are refunded for serial bonds at 3½ per cent., due also July 1, 1929. Assuming that the first date of payment of the first portion of the principal is made July 1, 1919, and that \$85,000 is paid off on that date and for nine years thereafter, and that on the eleventh year \$82,000 is paid off, liquidating the debt of \$932,000, the result is indicated in the following table:

Year		Serial Plan at 3½%, Principal and Interest		Present Method at 3% Interest Charges	Annual Credits to Sinking Fund from Taxes
7-1-19	1	\$85,000 32,620	\$ 117,620	\$ 27,960	
7-1-20	2	\$85,000 29,645	114,645	27,960	
7-1-21	3	\$85,000 26,670	111,670	27,960	
7-1-22	4	\$85,000 23,695	108,695	27,960	
7-1-23	5	\$85,000 20,720	105,720	27,960	
7-1-24	6	\$85,000 17,745	102,745	27,960	
7-1-25	7	\$85,000 14,770	99,770	27,960	\$186,400
7-1-26	8	\$85,000 11,795	96,795	27,960	186,400
7-1-27	9	\$85,000 8,820	93,820	27,960	186,400
7-1-28	10	\$85,000 5,845	90,845	27,960	186,400
7-1-29	11	\$82,000 2,870	84,870	27,960	186,400
Principal			\$1,127,195	\$ 307,560 932,000	\$932,000
Principal and interest at 3½ per cent. on serial bond plan,				\$1,239,560	
Difference in favor of serial bonds,				1,127,195	
				\$ 112,365	

Thus if the 1909 series of bonds were refunded for serial bonds, there would be a saving in interest of \$112,365, even though the serial bonds are issued at 3½ per cent. The serial bonds could still be issued at 4 per cent. and show a saving of \$84,480 over the present method at 3 per cent. This saving is due naturally to the fact that instead of waiting until the last year of the life of the bonds to redeem them, they are paid off in equal installments each year of the eleven years remaining, beginning with July 1, 1919, with a resultant diminishing annual interest cost.

There is another advantage of refunding on the serial bond plan the present series of 1909 bonds besides the saving in interest cost, viz.: instead of the taxpayers having to meet in five years the principal of a debt of nearly a million dollars on this one series of bonds, the debt will be spread over eleven years. The burden on the taxpayers will, therefore, be more uniformly distributed.

f. *Suggested Changes in Method of Handling Permanent and Investment Funds.*

Changes Requiring Legislative Action.

- (1) Provision should be made for investing the permanent school fund in a manner which will return a greater rate per cent. than the fund is now earning, and which shall reduce to a minimum the average amount of the fund which may remain uninvested in banks.
- (2) Provision should be made, also, in the event of any action of the legislature toward the greater utilization of the public school permanent fund at a higher rate per cent. on the investment thereof, for protecting the state credit to the extent of any limited ability to utilize that fund in the paying of state warrants. In this connection see a previous recommendation made in this report. (P. 19, (b).)

g. *Suggested Changes in Financial Reports.*

The contents of the treasurer's biennial reports should depend largely on the contents of the auditor's biennial reports inasmuch as there should be no need for duplicating a lot of details in both reports. If the auditor's biennial reports show all the transactions of the state in a form which shall make possible a comprehensive grasp of the financial and operating facts for each period, the treasurer's reports should then be confined to summaries reflecting cash receipts and expenditures, by accounts in the general ledger, and such information and statistical data as would not be compiled or found in the auditor's reports.

The premise for the foregoing recommendation is that inasmuch as the state auditor is the general accountant for the state and presumed to record all the facts of the business of the state, and that the state treasurer, as such, is practically a custodian of cash and not an accounting officer, except as being accountable for his custodianship, there is no need of separate reports from the state treasurer. The state treasurer, however, is an executive officer of the state by provision of the constitution, and as such, required to publish certain reports of his activities.

h. *Suggested Changes in Miscellaneous Duties.*

Changes Requiring Legislative Action.

- (1) A central purchasing department for the state being recommended in a separate report, it is recommended that such a department, if created, would be a proper department to contract for the publication of legal notices, etc., in some state newspaper, thus relieving the governor, secretary of state, and treasurer of this duty.
- (2) The section of law requiring the treasurer to furnish records to county judges should be repealed as inoperative now that the inheritance tax department is established.

Change Requiring Constitutional Amendment.

- (1) All contracts for furnishings, and for repairing and furnishing the general assembly rooms and halls should be approved by the board of capitol managers or its successors, provided that if the furnishings are purchased by the state and installed by state labor then the furnishings should be purchased through the proposed central purchasing department on contracts approved by that department.

VII. Civil Service Commission.

No study or survey was made by the survey committee of the civil service commission, although reference to the commission is made in the survey report on the office of the governor and in the report on the public examiner's office.

VIII. Tax Commission.

A separate report on the tax commission has already been published and distributed at large. For this reason the findings and recommendations thereon are not included in this summary statement.

IX. State Board of Equalization.

No special study by the survey committee of state affairs has been made of the state board of equalization. It is believed, however, that the final report on the tax commission and state revenues by Prof. Haig of New York will include some references to the state board of equalization. The report referred to may not be received until some time early in 1917.

X. Militia Department.

No survey was made of the militia department, although an interview was had with the adjutant general and later with the accountant of the department. It was found that owing to the federal government having taken over the organized militia that it was inopportune to make a study of the department at this time.

The adjutant general and his accountant, however, agreed that the records of the department were not properly kept, and the accountant is authority for the statement that an inventory had not been taken of all the property of the department in many years and that the property system was very loose. The accountant referred to was recently installed by the present adjutant general in an effort to introduce a business system into the management of the department.

XI. State Board of Health.

A survey of the state board of health was undertaken by a representative of the surgeon general's department in Washington, D. C. The survey is now completed, it is believed, but the official report thereon, approved by the surgeon general, may be several weeks in reaching the survey committee.

The doctor in charge of the health survey stated unofficially, however, that he found it impossible to gather from any central source figures relating to the cost of health and other activities of the state, which figures were desired for his report.

XII. State Dairy Commissioner.

The head of the department of animal husbandry of the state agricultural college is ex-officio state dairy commissioner and subject to removal by the state board of agriculture. The work of the state dairy commissioner is closely allied to the work of the state board of health and may be treated in the report on that board.

XIII. Regulation and Supervision of Labor.

Under the general function of "regulation and supervision of labor" have been studied the activities of the following departments and offices. The activities of each of these departments and offices are concerned almost solely with the regulation and supervision of labor. For that reason these departments are discussed here in their related functions:

Bureau of Labor Statistics.
 Department of Factory Inspection.
 Colorado Free Employment Offices.
 Supervision of Private Employment Agencies.
 Chief Inspector of Coal Mines.
 Bureau of Mines.
 State Steam Boiler Inspector.
 Industrial Commission.

The first four offices mentioned above are under the immediate control of the deputy labor commissioner, who in turn is under the supervision of the secretary of state as ex-officio labor commissioner.

1. SUMMARY OF FINDINGS.

The outstanding fact in a study of the organizations listed above is that the industrial commission is charged in general terms with the same duties and powers, concerning the regulation and supervision of labor, that each of the other organizations have. The industrial commission, however, has never exercised all the powers and duties conferred on it because by doing so there would have resulted a greater duplication of records and activities than at present exists, inasmuch as the law creating the industrial commission never specifically repealed the laws creating the other organizations carrying on the same activities.

Owing probably to the independence of each organization engaged in the regulation and supervision of labor there is considerable diversity in the manner of making appointments in these organizations, in the tenure of office and in the method of financing their activities, as follows:

The commissioner of mines and the chief coal mine inspector hold office for four years; the heads of the other organizations serve terms of two years.

The members of the industrial commission, the commissioner of mines, and the boiler inspector and his two deputies are appointed by the governor with the advice and consent of the senate. The chief coal mine inspector is appointed by the governor from a special list of eligibles. The labor commissioner, who is also chief factory inspector, is appointed by the secretary of state and, with the latter's approval, appoints his own subordinates.

The office of commissioner of mines is created by the constitution; the other organizations are created by statute.

The coal mine inspection department is financed by a tax on each ton of coal mined, the supervisor of private employment agencies by license fees, while the other organizations are dependent upon biennial appropriations.

The coal mine inspection fund, made up of taxes collected on every ton of coal mined, may be used by law for defraying the expenses of the coal mine inspector's office only, and the fund is practically under the control of the inspector to be expended largely as he deems necessary. The balance in this fund does not merge in the general revenues.

Other findings brought out in the study of the organizations in charge of regulation and supervision of labor are as follows:

Inadequate facilities for traveling and insufficient appropriations for traveling expenses interfere to some extent with the inspectorial work of the inspectors of metal mines, boilers and factories.

The duties of the factory inspectors overlap those of the coal and of the metal mine inspectors.

There is no need for a separate department for the inspection of steam boilers. This work could be distributed among the inspectors of the other departments with a considerable saving in the cost thereof.

The report of statistics issued biennially by the bureau of labor statistics is of little practical value because it is not prepared on complete and accurate data.

Accidents to coal miners must be reported to the chief coal mine inspector and also to the industrial commission, while both organizations conduct investigations into such accidents. The same relation exists between the bureau of mines and the industrial commission, and also between the latter and the factory inspection department. There is no established mine rescue service in the state under the control of the state government. Such a service would greatly reduce the number of fatal and serious accidents in the mines.

The appropriation for the present biennium for the support of the industrial commission was insufficient to enable it to perform its manifold duties. Other departments, therefore, had to be called upon to furnish assistance through the loan of employes and, in some cases, through the hiring of employes paid from funds of other departments.

Many defects exist in the laws relating to the supervision and regulation of the health, safety and comfort of labor. These are more specifically pointed out in the summary of recommendations.

2. SUMMARY OF RECOMMENDATIONS.

Changes Requiring Legislative Action.

- a. All departments having to do with the function of regulation and supervision of the health, safety and comfort of labor should be consolidated under the supervision of the industrial commission.
- b. The bureau of mines and the coal mine inspection department should be made divisions under the industrial commission and subordinate to it with essentially their present organization. The duty of collecting minerals should be delegated to the state geologist or to a mineralogist under the board of capitul managers in charge of the museum.
- c. The bureau of labor statistics and the state steam boiler inspector should be discontinued as separate departments. The duties of the former should be assumed by the industrial commission and those of the latter distributed among the several proposed inspection divisions of the industrial commission.
- d. The factory inspection department, also, should be made a division under the industrial commission.
- e. The management of free employment offices and the supervision of private employment agencies should be taken over by the industrial commission in their present organization.
- f. The coal mine inspection fund should be discontinued and receipts from the special tax on all coal mined should be deposited with the state treasurer to the credit of the general fund. The receipts from the sale of licenses to private employment agencies should be handled in the same way.
- g. The laws requiring the publication of statistics by the present bureau of labor statistics should be amended so that these statistics shall be compiled by the industrial commission and relate as closely as possible to labor only.
- h. The subordinate officials and employes of the organizations recommended to be consolidated under the industrial commission should, as far as constitutional limitations permit, be appointed by the industrial commission in accordance with an effective civil service law. No change is recommended, however, in the board of examiners of coal mine inspectors. The only constitutional restriction in the way of the extension of the civil service to the subordinate officials and employes referred to is that which provides for the appointment of the commissioner of mines.
- i. The following changes, also, are suggested to be made in the laws concerning the protection of labor:

- (a) A law providing for the licensing of wage brokers by the industrial commission instead of by county commissioners.
- (b) A minimum wage law for women and children.
- (c) A law requiring the payment of wages within a specified time after the work has been performed.
- (d) A law governing the payment of seasonal wages.
- (e) A law extending a semi-monthly payday to all employes in private employments.
- (f) A law requiring all occupational diseases to be reported to the state board of health.
- (g) A law establishing a mine rescue service under the control of the state.
- (h) A law requiring all operators of steam boilers to report the installation or the operation of a steam boiler to the industrial commission.

XIV. Public Control of Corporations.

There is a number of organizations under the present form of state government which carry on related activities which may be classified under the general title of "public control of corporations." These organizations are as follows:

- Public Utilities Commission.
- Commissioner of Banking.
- Department of Insurance.
- Bureau of Building and Loan Associations
(Under the supervision of the Auditor of State).
- General Corporation Licensing and Control
(Under the supervision of the Secretary of State).
- Commission Merchant Inspectors
(Under the supervision of the Secretary of State).
- Ore Buyers' Inspector
(Under the supervision of the Secretary of State).

No detailed study of the activities of the above organizations was undertaken by the survey committee with the exception of the office of the secretary of state. A study and compilation of the laws, supplemented with short interviews with the heads of the organizations, were the extent of the study made of the activities of the other organizations listed above. Time did not permit of extensive study. The survey of the office of secretary of state, however, together with the study made of the duties conferred by law on the other organizations referred to as carrying on the general function of public control of corporations, have brought out the following findings and recommendations.

1. SUMMARY OF FINDINGS.

There is no central authority and control over all organizations in the state government engaged in the regulation and supervision of corporations. Conversely there is division of responsibility in the carrying on of these activities, and there is a certain duplication of effort and of records.

Several thousands of dollars are said to have been lost to the state through the failure at one time of two departments to co-operate in the issuing of certificates of authority to certain corporations to do business in this state. The departments concerned were the department of insurance and the office of the secretary of state. Certificates of authority were issued by the department of insurance without any record thereof having been made as required by law with the secretary of state.

For additional findings concerning the filing and contents of annual reports, and concerning other general corporation duties of the secretary of state, see separate summary on the office of the secretary of state.

2. SUMMARY OF RECOMMENDATIONS.

a. Changes Requiring Legislative Action.

1. The general corporation laws should be amended to provide for effective control over the issuing of charters to corporations to do business in this state, and to provide for adequate control over corporations doing business in the state.
2. The general corporation laws should be amended to regulate the disposition of funds of general corporations in the same manner (or similar thereto) that funds of special classes of corporations are regulated in special laws thereon.
3. County assessors should be required by law to make report to the proper department of all corporations doing business in their respective counties.
4. The provisions of the general law relating to defunct corporations should be amended to provide that corporations shall be declared defunct when they fail to file an annual report within sixty days after January first of each year.
5. Corporations which are regulated by special statutes, such as railroads, building and loan associations, etc., should not be required to submit annual reports to the secretary of state.

b. Change Not Requiring Legislative Action.

1. The present form of notice to corporations of flat taxes due and the form of receipt issued for flat taxes paid should be combined in one form and issued at the same time in as many copies as needed to facilitate the collection of flat taxes.

Concerning the centralization of public control of corporations the following recommendations are made:

a. Changes Requiring Legislative Action.

1. The granting of charters, recording of corporation documents, amendments, etc., and the regulation and supervision of corporations should be centralized under one authority and control.
2. To make effective this centralization of authority and control of related subjects, the following departments, bureaus and activities should be consolidated as organization units under one main organization or department:
 - a. Public Utilities Commission:
(This includes the function of supervision and control over public utilities as a division in the proposed department, the public utilities commission, however, to be the executive board in control of the whole department as suggested below.)
 - b. Commissioner of Banking;
 - c. Department of Insurance;
 - d. Bureau of Building and Loan Associations;
(Now under the supervision of the auditor of state.)
 - e. General Corporation Licensing and Control;
(Functions now exercised by the secretary of state in the corporation, flat tax, and recording and indexing divisions of his office.)
 - f. Commission Merchant Inspectors;
(Now under the supervision of the secretary of state.)
 - g. Ore Buyers' Inspector;
(Now under the supervision of the secretary of state.)
3. The public utilities commission should be designated the central authority in charge of the new department. The public utilities commission would continue to exercise the same powers over the public utilities now conferred on it, and in addition have supervision and direction of the work of regulation of banking, insurance, building and loan associations and the other related subjects. This change would avoid the creation

of a new board and at the same time bring to the management of the function of public control of all corporations an organization already developed to assume executive supervision thereof.

4. The administrative heads in immediate charge of public utilities, of banking, insurance companies, and of the other divisions in the new department should be placed in the civil service, together with all other employees under the supervision of the board in executive control of the department.

With the adoption of the changes suggested above it should be possible also to provide for a reorganization of the personnel or staff of employes thus brought together under one central authority. In the data submitted on the commissioner of banking and the bureau of building and loan associations, reference is made to the lack of sufficient examining force properly to handle the work of examining banks, loaning companies and building and loan associations. The centralization of the public control of corporations may still make necessary the employment of an additional examiner of banks, but the centralized authority may make examiners available for banks, building and loan associations and insurance companies, whereas under the existing organizations there is no co-operation between these separate departments.

Briefly summarized, the advantages of the proposed changes are as follows:

- a. There will be one central authority and control over all corporations doing business in the state;
- b. There will be one general policy and program of action for all corporations;
- c. The governor, as the chief executive of the state, will have one department reporting to him concerning public control of corporations instead of five as at present;
- d. All the records and data relating to public control of corporations will be centralized in one department;
- e. The proposed changes will make possible the fullest co-operation of employes in the exercise of this authority and control;
- f. Duplication of work of filing, recording, issuing certificates of incorporation, etc., will be practically eliminated;
- g. The employes engaged in field examinations or in inspection work may be utilized with greater efficiency;
- h. Corporations and the public in general will have one central department to deal with in connection with the public control of corporations, and corporations will avoid the necessity of filing reports and other documents with different departments and also, in the case of certain corporations, of paying for filings in each department;
- i. The administrative heads in immediate supervision of the staffs of employes engaged in regulating general corporations, banks, insurance companies, etc., will be appointed under civil service regulations, thus providing for securing continuity of service and more effective administration.

Article XV, Sec. 7, of the state constitution provides that "no railroad or other transportation company in existence at the time of the adoption of this constitution shall have the benefit of any future legislation without first filing in the office of the secretary of state an acceptance of the provisions of this constitution, in binding form." This section of the constitution, however, will, it is believed, have no bearing on the proposed statutory changes recommended in this summary.

XV. Regulation of Professional Occupations.

Under the heading of regulation of professional occupations are included the state examining boards, as follows:

- State Board of Architect Examiners.
- State Board of Barber Examiners.
- State Board of Embalming Examiners.
- State Board of Medical Examiners.
- State Board of Nurse Examiners.
- State Board of Optometric Examiners.
- State Board of Pharmacy.

The boards are self-supporting. For lack of time no study has been made by the survey committee of their activities, and no recommendations are made at this time for the consolidation of any of these boards with departments of related activities.

XVI. Public Works Functions.

Public works functions have been defined as "the planning, construction, maintenance and operation of public buildings, highways and canals, and the conservation of natural resources insofar as they concern engineering supervision of the property of the state."*

The public works functions of the state of Colorado are now being carried on by the following organizations:

State Highway Commissioner.
 State Highway Commission (an Advisory Board).
 State Engineer.
 Board of Capitol Managers.
 State Forester.

A study and proposed plan of revision of the laws of Colorado relating to highways have been undertaken for the survey committee by Mr. A. N. Johnson, a consulting engineer of national reputation in highway problems. At this writing Mr. Johnson's final report is not available for including a summary thereof herein.

No special study has been made of the office of the state engineer by the survey committee beyond a digest of the laws relating to that office for the purpose of learning its function and activities.

A study has been made in some detail of the board of capitol managers. The findings and recommendations as a result of that study are as follows:

BOARD OF CAPITOL MANAGERS.

1. SUMMARY OF FINDINGS.

- a. The board of capitol managers has, according to sec. 567 (M. A. S.), relating to contracts for the construction of the capitol building, accepted the capitol building as a completed contract but has failed to issue the proclamation of such acceptance as required by law, thus, by such omission, continuing itself in existence contrary to the evident intention of the act creating the said board.
- b. There appears to be a conflict in authority between the board of capitol managers and the secretary of state concerning the control of the capitol building and grounds. This conflict in authority appears to arise from the complexity of the laws.
- c. The business system of the board of capitol managers is cumbersome, archaic, and entails considerable waste of clerical time.
- d. The findings point to insufficient work to justify retaining the services of the architect in an advisory capacity at \$1,200 per year.
- e. It is believed that a detailed study of the activities of the employes in charge of the care, operation, and maintenance of the buildings and grounds under the control of the board of capitol managers would be profitable to the state as indicating economies that could be effected in the activities referred to.
- f. There appears to be an unnecessarily large force of watchmen (eleven men) in the capitol and museum buildings, particularly in the former, where there are said to be six men on duty during the day and two men on duty during the night. Two of the three watchmen in the museum building are on night duty. The total cost of this service is \$9,480 per annum or \$18,960 per biennium.
- g. In addition to the three watchmen in the museum building as referred to above, there are also two custodians, or guards, who take care of the historical and war relics in that building. These custodians receive \$1,020 and \$780 per annum respectively. Their salaries are not included in the total cost referred to above for watchmen.

* New York State Constitution and Government,—An Appraisal, 1915, Bureau of Municipal Research, New York.

- h. There is a regular force of eight men employed in the care of the capitol building grounds at an annual salary cost of \$6,540. This force is increased when deemed necessary. A considerable amount of the work in the summer months of the force in charge of grounds is given to watering and cutting grass. If a gasoline mower were used for cutting grass instead of the hand mowers now used, there would be a considerable reduction in the cost of this work. The same would be true with respect to cleaning snow from the walks if a horse-drawn scraper were used.
- i. The system of accounting, i. e., the books, records, and accounts, and the method of recording the facts of business are cumbersome and incomplete, and incapable, without great labor and expense, of furnishing statements of cost of operations by divisional units as a basis for intelligent administrative judgment as to the efficiency of expenditure and of results accomplished. The financial records of the board are unable to show the cost of the construction of the capitol building and museum building. The cost of the latter building, however is ascertainable from other records of the board.
- j. The weaknesses in the accounting system and methods as referred to above, are emphasized when it is remembered that not even the auditor of state keeps any records showing the detailed cost of the results of the operations of the board of capitol managers.
- k. It is difficult, if not impossible, under the present business methods of the board, to prepare the necessary statements of operations in support of requests for funds from the legislature, if that body is to pass intelligently on the requests from the board for funds for a biennium. In this connection it is of interest to observe that the board did not present to the last legislature (through the governor) the biennial report of its expenditures for the years 1913 and 1914 as required by law. Further, the cost of operation and maintenance of the capitol building is increasing each year, thus making imperative a proper consideration of the business methods of the board to establish the reasons for this increase. In the twenty years ended November 30, 1914, the cost of maintenance alone for the capitol building for those years was \$845,509.59, or an average of \$84,550 per biennium, exclusive of the cost of furnishings for those years. During the period and for the building referred to, the cost of maintenance has risen from \$48,427 for the biennial years 1895-1896 to \$113,428 for the biennial years 1913-1914.
- l. There does not appear to be exercised in the purchasing functions that close attention to detail and expert supervision which is commonly exercised in private business. Not all purchases of supplies and furnishings are done under formal contract and on competitive bidding. Supplies in current use are purchased from different dealers frequently in very small quantities as needed. Also, all repair plumbing work, as far as could be determined, is done by one firm without any contract or price agreement. The same is true with respect to coal purchased by the board.
- m. Supplies kept in the storeroom of the board are issued without requisition to employes of the board and no charge therefor is made to the expense records of the division or organization units of the board using the supplies.
- n. Equipment is furnished by the board of capitol managers to departments and offices in the capitol and museum buildings but no adequate property records are kept by the board to show promptly what equipment has been furnished to each of the said departments and offices, although the board of capitol managers is supposed to exercise control over such property.
- o. The sale of unserviceable personal property of the state is conducted by the board of capitol managers, although the law (315 and 316, M. A. S.) requires the governor, secretary of state, and the auditor to conduct such sales at public auction, after advertisement thereof. No records are kept by the board showing how it conducts the sales of unserviceable property.

- p. The waste paper collected in the capitol and museum buildings is given away free by the board of capitol managers. Approximately one and one-half tons are collected monthly. The question of disposing of waste paper at a profit has been considered by the board, but no action has been taken to this end. It would seem that a mechanical baler would pay for itself in time and produce a small revenue to the state from its waste paper.
- q. The refreshment stand in the capitol building, owned and operated by a private concern, is furnished with space, light, heat, water, and janitor service without cost to the concessionaire. Why a rental is not charged by the state for this accommodation and use of state property could not be ascertained from the secretary of the board of capitol managers.
- r. There is considerably more office and vault space retained by the board of capitol managers than its needs require, whereas some other departments in the capitol building are over-crowded.

2. SUMMARY OF RECOMMENDATIONS.

Change Requiring Legislative Action.

- a. The act creating the state board of capitol managers should be amended to provide for abolishing the board and for conferring its duties on a board of public works, with a division thereunder of public buildings, the head of which division to have immediate charge of the capitol and museum buildings and grounds.

Changes Not Requiring Legislative Action.

Assuming the existence of the board of capitol managers as at present provided for in the law, the following suggestions are urged for adoption as requiring no legislative action:

- a. The position of advisory architect should be discontinued.
- b. The force of watchmen employed during the day in the capitol and museum buildings should be reduced.
- c. The force of employes working on the grounds should be materially reduced with the adoption of improvements in the mechanical devices used for cutting grass and removing snow from the walks.
- d. There should be installed at the earliest possible moment a modern system of accounting records. The system should be designed to show the true cost of operations by organization units and, by a comprehensive classification of expenditures, the details making up that cost. Just what general ledger and property accounts may be necessary under a revised system of accounting for the board of capitol managers will depend largely on what action is taken by the auditor of state in adopting a modern central accounting system for his office, as suggested in a separate survey report thereon. If no action is taken by the auditor in revising the state accounting system, then the board of capitol managers should proceed to adopt a complete system of accounting for its own needs.
- e. The board of capitol managers should purchase all its supplies and furnishings and perform all repairs or improvements on competitive bidding, and, wherever possible, price agreement should be entered into with dealers for the furnishing of supplies in such quantities as may make the purchases of the board attractive to dealers and thereby secure better prices to the state. (This section assumes the continued purchasing by the board of supplies and furnishings. If a central purchasing department is created, as proposed elsewhere herein by the survey committee, that department would relieve the board of capitol managers of its purchasing activities.)

- f. All supplies issued from the board's storeroom should be issued on requisition and charged to the expense accounts of the division using the supplies.
- g. The board of capitol managers should take steps to charge a rental for the services rendered by the state to the refreshment stand in the capitol building.
- h. The board of capitol managers should adopt some action toward utilizing or securing a revenue from the waste paper collected in the buildings under its charge.

Concerning a system of personal property records and the sale of unserviceable personal property, recommendations have already been made in relation thereto in the separate report on a survey of the office of the auditor of state. It is deemed of sufficient importance to suggest here, also, that a study should be made of the cost to the state of furnishing its own electric lighting and water supply as compared with the cost of such service rendered by private companies.

The water used in the capitol and museum buildings is pumped by the state from its own well, while the water for sprinkling the lawns is furnished by a private company. The state, however, pays this private concern a monthly rate of \$50 for running its pipes into the capitol and museum buildings for emergency purposes.

STATE FORESTER.

The state forester is shown above as an organization performing a public works function. The state forester, however, is under the supervision of the state board of agriculture. No report has been made on the office of the state forester on account of lack of time to study the educational functions of the state, and therefore, no recommendations are made at this time by the survey committee concerning any change in the supervisory control of the office of state forester.

The adoption of the proposed plan of amalgamation of public works organizations would require the following legislative action:

- a. An act creating the new department and defining its duties and powers, and naming a board or single head in control thereof.
- b. The repeal of the several acts creating and defining the duties of the board of capitol managers.
- c. Such amendment of the act creating the state engineer as may be deemed necessary to make the office of state engineer a division in the new department of public works.
- d. The amendment of the roads and highways act of 1913 to provide for the transfer of the office of state highway commissioner as a division in the new department of public works, together with such amendment of that act as may be deemed necessary to establish the central authority and control of the board or person at the head of the said new department over roads and highways. The state highway commission, being an advisory board, may be continued as such, advising, however, the board or person in executive control of the proposed department of public works concerning highway matters instead of the highway commissioner. The duties of the advisory board of appointing employes should be delegated to the board or person in executive control of the new department.

XVII. Agriculture, Stock, Game and Fish.

The general function of "agriculture, stock, game and fish" has been defined as including those activities of the state which have to do with the promotion of agriculture; the prevention of diseases of animals and plants; protection against insects or other pests; prevention of contagious diseases among domestic stock; inspection of brands; the preservation and propagation of game and fish; the promotion of the breeding of horses; and similar activities. Most of the organizations carrying on these activities under the present form of state government are connected with the state agricultural college and under the supervision of the state board of agriculture, with the exception of the following:

Board of Stock Inspection Commissioners.
Game and Fish Department.
State Racing Commission.

Owing to the lack of time available to the survey committee, no study has been made of any of the organization units under the control of the state board of agriculture. A survey was made, however, of the game and fish department, and preliminary data has been gathered concerning the board of stock inspection and the state racing commission. The findings and recommendations relating to the game and fish department, board of stock inspection, and state racing commission are as follows:

GAME AND FISH DEPARTMENT.

1. SUMMARY OF FINDINGS.

- a. The game and fish department is charged with the function of preservation and propagation of game and fish, a function related to that of promotion of agriculture and stock raising. As such, it lends itself to consolidation under a centralized department charged with the general supervision of agriculture, stock, game and fish.
- b. The "game cash fund," consisting of the receipts from the sale of hunting and fishing licenses, is reserved to the special use of the department in the performance of its duties and functions as directed by the game and fish commissioner. The fund is large and forms the foundation for a rather extensive political patronage. Through various influences, men who understand nothing of the work of the game and fish department are forced upon the department without rendering even a fair service in return to the state. If the receipts of the department were credited to the general fund and the department were financed exclusively by biennial appropriations, the state would save thousands of dollars each biennium in this department alone.
- c. The law makes it an optional duty with the county clerks to issue hunting and fishing licenses. For each license thus issued by or under the authority of a county clerk, a fee of twenty-five cents, payable out of the amount of the license fee, is retained by the county clerk. This fee in the aggregate costs the state over \$10,000 annually.
- d. The act creating the department of game and fish specifies the amount of money that may annually be appropriated for traveling expenses for the game commissioner, chief deputy game wardens and deputies, etc. In some cases these amounts are too large and, in others, they are insufficient, but there is no provision of law whereby these traveling expense funds may be adjusted to meet actual conditions, which seriously interferes with the efficiency of the department.
- e. A written agreement has been entered into between the game and fish commissioners and the federal district forester whereby close co-operation between the forest rangers and game wardens is secured. By this agreement forest rangers have been designated as game wardens without any cost to the state, thus improving the service of this department and making it possible also to reduce the present force of state game wardens.
- f. The system of bookkeeping is inadequate to the requirements and importance of the work of the game and fish department. This department spends close to \$60,000 a year, yet it is difficult to ascertain clearly just what each activity of the department is costing. A loose accounting system is indicative of looseness in other ways, and permits extravagance and waste to go undetected.

2. SUMMARY OF RECOMMENDATIONS.

Changes Requiring Legislative Action.

- a. The game and fish department should be reorganized as a bureau or division of a department charged with the control of agriculture and game and fish, which should include also the functions of stock and brand inspection, and supervision and control of racing.
- b. Appointments to positions in the game and fish department should be governed by civil service rules and regulations.
- c. All expenses of the department should be paid out of moneys appropriated to the use of the department. Appropriations for traveling expenses should be reapportioned upon a more equitable basis.

- d. The "game cash fund" receipts should be converted into the general revenue of the state in conformity with a proposed uniform procedure concerning all miscellaneous cash receipts as outlined in a separate report on a state budget.
- e. The sale of hunting and fishing licenses and permits could be made obligatory rather than optional upon the county clerks, and the county clerks' fees perhaps reduced.
- f. Purchase of supplies should, wherever possible, be made through a central purchasing department for the state.

Changes Not Requiring Legislative Action.

- a. A complete and adequate system of bookkeeping should be installed.

BOARD OF STOCK INSPECTION COMMISSIONERS.

No study has yet been made by the survey committee of the activities of the board of stock inspection commissioners, although an effort will be made soon to secure some preliminary data on the work of this board. When such data is secured it will be incorporated in a separate report. In general, it may be stated here that from the nature of the services rendered by the board of stock inspection commissioners and the somewhat large force of inspectors and other employes of the board, together with the fact that the board has a special tax levy and that its expenses run close to \$90,000 per biennium, there is every reason to believe that a comprehensive study of the activities of this board would be of value to the board and to the state.

The board is financed from special tax levy and from cash receipts of the board. These funds do not merge with general revenues and the board has practically entire control of its funds.

The state veterinary surgeon, who is also chief meat inspector, is under the supervision of the board of stock inspection commissioners, although his duties as chief meat inspector are those usually placed under the supervision of the state board of health. The salary and expenses of this official are provided for by appropriation from general revenue.

STATE RACING COMMISSION.

No special study was made of the activities of the state racing commission beyond a digest of the laws governing the commission.

The object of the digest of the laws is to show the relation of the activities of the commission to those of the game and fish department and of the board of stock inspection commissioners. These activities are as follows:

The state racing commission was created by act of the legislature in 1913 to promote the breeding of horses in the state of Colorado. The commission, composed of five persons, each of whom shall be an officer or director of some association or corporation organized for the purpose of giving exhibitions of agricultural, mining, and industrial products and live stock, is appointed by the governor for overlapping terms of five years, without compensation.

The commission has the power to prescribe rules, regulations and conditions under which race meetings shall be conducted in this state, and to license corporations or associations organized for the purpose of holding fairs or exhibitions of agricultural and industrial products and live stock.

The commission shall appoint a secretary at a salary fixed by the commission, not to exceed \$300 per annum, to be paid by the several fair, industrial and live stock associations or corporations holding race meetings.

XVIII. Public Instruction.

No study has been made by the survey committee concerning any of the organizations of the state responsible for the administration of the educational functions of the state, with the exception of a survey of the common school system of the state, conducted by the representatives of the United States bureau of education, Washington, D. C. The official report on this study has not yet been received.

This survey may be considered as preliminary to a survey at some future time of all the educational organizations of the state.

XIX. Care of Dependents, Delinquents and Defectives.

Under the auspices and also under the immediate direction of the survey committee of state affairs, there have been conducted surveys or studies of different features and phases of the activities of the state having to do with the general function of "care of dependents, delinquents, and defectives."

The surveys or studies made under the auspices of the survey committee are as follows:

a. Concerning Mental Defectives.

1. Through the co-operation of the United States Public Health Service, which conducted the Colorado state board of health survey, a study was made of the inmates in the boys' industrial school, the girls' industrial school, the home for dependent and neglected children, and the home and training school for mental defectives. The results of this study have not yet been disclosed. The report thereon may be submitted before the close of the present calendar year.
2. Through the co-operation of the Committee on Provision for the Feeble-Minded, of Philadelphia, Pennsylvania, public lectures were given by its field secretary, together with advice and counsel concerning the administration of institutions for minors.

b. Concerning the Care and Treatment of the Insane.

1. Through the co-operation of the National Committee for Mental Hygiene, of New York City, New York, the associate director thereof is now conducting a survey of the care and treatment of mental diseases in Colorado. A report on this survey is not expected by the survey committee before early next year.

The surveys made under the immediate direction of the survey committee are as follows:

a. Concerning the Business Administration of State Institutions Other than Educational.

1. Insane Asylum.
2. State Reformatory.
3. State Penitentiary.
4. Boys' Industrial School.
5. Girls' Industrial School.
6. Home for Dependent and Neglected Children.
7. Home and Training School for Mental Defectives.
8. Industrial Workshop for the Blind.
9. Soldiers' and Sailors' Home.

From the business standpoint, i. e., concerning the system of accounting and the system of purchasing, storing and using supplies in each of the institutions listed above, the said institutions as individual units were found to be carefully managed, with minor defects and weaknesses here and there in methods and procedure.

Not all the institutions have accounting records designed to show the detailed and unit cost of operations. Each institution is purchasing its own supplies without any co-operation with other state institutions, although the evidence pointed to a careful system of buying. For more particulars concerning the purchasing of supplies by state institutions see a separate report thereon prepared under the direction of the survey committee.

The question of the reorganization or consolidation of the state institutions referred to in the foregoing was not taken up in the separate business survey reports on those institutions. It is believed, however, that the report to be rendered by the United States Public Health Service and by the National Committee for Mental Hygiene, above referred to, may discuss the question of consolidation of institutions of related activities or functions.

XX. State Inspector of Oils.

1. SUMMARY OF FINDINGS.

The functions of the state inspector of oils are protection of the public against frauds in the production and sale of petroleum products and paints and similar substances; enforcement of standards established by law concerning the quality and quantity of petroleum products and paints and similar substances; supervision of drilling and capping of oil wells; provision against paints and oils being stored or placed in such position as to endanger property; and other similar duties.

The state inspector of oils is appointed by the governor from a qualified civil service list and may be removed by the governor for cause.

The state inspector has no voice in the selection of his deputies, of which there are two. One deputy is appointed by the governor from a qualified list submitted by the civil service commission, while the other is professor of mechanical engineering of the University of Colorado and ex-officio deputy in charge of the laboratory.

The advantages of having a deputy connected with the university in the capacity referred to, are as follows:

- a. It secures co-operation between the university and the state oil inspector in the use of equipment and service.
- b. It provides for practical research work in the use of oils, paints and similar substances.
- c. It supplies efficient tests by expert chemists at a minimum cost to the state.

The inspection of weights and measures is a function which rightly belongs to a bureau of standards. In the absence of such a bureau, the state inspector of oils, as provided in the law creating the department, has been in part entrusted with this duty. The number of dealers in oils, gasoline and paints in this state is too large to permit of a thorough inspection of their weights and measures by the oil inspector's present force. There are only two or three counties in the state which employ county inspectors in this field. It is needless to say that inspection of weights and measures as performed by the oil inspectors is inadequate. Inspections cannot be made at intervals frequent enough to make for efficiency, and where automatic dispensers are used frequent inspections are imperative. If this work is to be continued by the state inspector of oils an increase in the inspection force and better facilities for reaching the outlying dispensers and agents will be necessary.

It is difficult for the state inspector of oils to make inspections of small interstate shipments of petroleum and its products consigned to dealers in cities and towns near the eastern boundary of the state. Railroads in that section run east and west, while the inspector's work requires him to travel north and south. This difficulty could be overcome through the use of an inexpensive make of automobile. An automobile for the inspector would save considerable time also in collecting samples in and around Denver and in other parts of the state.

No provision is made in the law for the employment of a clerk or stenographer. The duties of the state inspector of oils are such as to call him away from his office much of the time, which makes communication with the department difficult. During these periods of absence the commissioner of printing, whose office adjoins that of the inspector of oils, has attended to many clerical duties for the inspector. The present arrangement, which was agreed upon in May, 1916, whereby the inspector of oils and the commissioner of printing employ jointly, on their own responsibility, a clerk to take charge of their offices during their absence, although it meets an immediate necessity, does not permanently solve the difficulty. The auditing board refuses to approve the requisition for the salary of this clerk.

The question has been raised as to the constitutionality of the fee of one-tenth of a cent for each gallon of oil inspected, as collected by the state inspector of oils. This fee produces a revenue much in excess

of the amount required to carry on the work of the inspector. The amount collected in excess of requirements merges with general revenues. The inspection of oils is an exercise of police power of the state for which there may be charged a fee sufficient only to meet the expenses of the service rendered.

In bringing forward this question of constitutionality of the amount of fee collected by the state oil inspector the purpose here is solely to indicate what is believed to be the facts in the matter so that the legislature may be forewarned and may take such steps as it deems necessary to provide against a possible temporary disruption of the oil inspection service of the state through subsequent contest in the courts concerning the amount of fee charged. In this connection there are two ways of meeting the problem, viz.:

- a. By reducing the fee, or
- b. By extending the scope of the services rendered by the state oil inspection department.

Considering that the department is handicapped by insufficient clerical assistance and by lack of automobile facilities in performing its field work, also that the activities of the department in research and inspection work could be considerably increased, it would seem the wisest course to adopt the second alternative if any action is taken at all.

2. SUMMARY OF RECOMMENDATIONS.

a. Changes Requiring Legislative Action.

The field of standardization of weights and measures, now partially covered by the state oil inspector, should be extended to include this activity in all its scope under the state oil inspector.

The scope of the work of the department in the inspection of oils, paints, compounds, etc., should be extended to include more research work and greater activity in inspection work in the field.

The department should be provided with the necessary clerical and laboratory assistance at the expense of the state and not at the expense of the inspectors.

Automobile facilities should be provided for the state inspector of oils and one inspector more thoroughly and expeditiously to cover their territory.

To provide against any possible conflict in the amount of fee charged by the department, steps should be taken to make the fee approximate the service rendered. It may be necessary, even if all the foregoing recommendations are adopted, to cause a slight reduction in the amount of the fee to bring it within the legal limitations.

b. Changes Not Requiring Legislative Action.

All official records of the state inspector of oils, with the exception of those maintained at the laboratory, should be kept in the office of the inspector at the state capitol.

XXI. State Board of Land Commissioners.

1. SUMMARY OF FINDINGS.

The state board of land commissioners, which is a trust and not a political office, is custodian for the state of some three and one-half million acres of land granted to the state by the federal government chiefly for the benefit of the public schools. The methods of control in the past have been very defective, but as only about one-fourth of the lands originally granted have been disposed of, the loss in the future will be incalculable unless the methods of control are put on a sound business basis and entirely divorced from politics.

The nature of the work of the land board is identical with the work of the industrial and land bureaus of the great land grant railroads which have built up the western part of the country. But the state land board does not carry on its work efficiently and in a businesslike manner as indicated below.

- a. Classification and valuation of state lands have never been made in such way that the state board of land commissioners can give a prospective purchaser the selling price and the general description of a parcel of land for sale. It has not the faintest idea of the value and description of the land which it controls, and its methods of appraisal cause a delay of from a year to a year and a half, after an application for a lease or purchase of land has been made, before the prospective purchaser finally secures the land.
- b. State lands are sold with all mineral rights reserved to the state regardless of whether they contain any mineral, thus putting a cloud on the buyer's title.
- c. There are still due the state approximately 150,000 acres of land from the federal government which have not yet been selected and located by the state. Naturally the longer the state waits, the less land will it have to choose from.
- d. More than half of the state's lands are under lease, the income from which is considerably less than would be derived if the lands were sold and the proceeds invested. The low rental per acre (less than ten cents) tends to prevent sales, because the initial payment on purchases is too high. Interest charges on deferred payments, also, are too high.
- e. The present system of requiring purchasers to pay for the improvements made upon tenanted lands in case of sale thereof, places too heavy a burden upon the purchaser and is not conducive to promoting and increasing the sales of leased land.
- f. A large part of state lands are arid or semi-arid and cannot be sold unless water for irrigation can be supplied.
- g. Only at considerable expense, labor and time can the state board of land commissioners ascertain how much money remains unpaid on lands purchased on the installment plan. In other words, the board does not know at a given time how much is due to the state under the heading of accounts receivable. Steps have been taken by the board to remedy this condition.
- h. The present books are not adapted to the information which they should contain, and the use to which they are put, with the result that all kinds of data are scattered in every conceivable manner across pages and columns which are reserved for other data. Commercial experience teaches that these records must be very unreliable, inadequate, and incorrect.
- i. The office quarters and vault space of the state board of land commissioners are entirely inadequate, resulting in great confusion and waste of time. There is no separate or private room for conferences or for the hearing of complaints. The engineer of the board has no drafting facilities and the superintendent of mineral lands, although by law a separate division of the land board, has no facilities immediately at hand to enable him to perform the manifold duties attached to his office.
- j. Without adequate quarters and changes in methods of bookkeeping, little can be done to simplify the office routine. The records are, however, becoming too complex for the ordinary clerks and a trained bookkeeper is necessary.
- k. The present fee system works a hardship upon the small land buyer and is to the advantage of the large buyer.
- l. There is but one uniform salary for all employes below the chief clerk, appraisers, and the deputy register. The compensation is not based upon the character of the work required of the employes, but is set at \$100 per month regardless of the class of work performed.

2. SUMMARY OF RECOMMENDATIONS.

a. Changes Requiring Legislative Action.

1. A full title in fee simple without reservations should be given by the state to purchasers of lands containing no coal or minerals.
2. The rental per acre on leases should be increased; the interest on deferred payments and the initial payment should be decreased, while the number of deferred payments should be increased so as to make each payment smaller.
3. Some scheme should be devised whereby improvements to be refunded at the time of sale of the land are limited to a certain amount per acre, and the state board of land commissioners is permitted to reimburse the tenant for these improvements at once out of the special fund provided for that purpose, and to add the cost thereof to the selling price of the land.
4. A scheme should be devised whereby it would be possible for the state board of land commissioners to develop water for irrigation purposes on state lands.
5. A charge of two cents on each acre leased, and of one per cent on the selling price of land sold, should be collected in lieu of fees and applied to the maintenance of the office through appropriations.
6. Salaries should be adjusted to the grade of work required of the employes.

b. Changes Not Requiring Legislative Action.

1. An appropriation should be made to the land board for the purpose of surveying, appraising, and classifying all state land. The data collected under such a survey should show whether the land is mineral or non-mineral bearing, whether it is adapted to grazing or to agricultural purposes, or to town lots. The data should show, also, the possibilities of irrigation, the average rainfall, etc. With such information available in the office a purchaser could be given possession in five or six weeks after his application has been filed. It is estimated that this work will cost \$12,000.
2. The 150,000 acres of land still due to the state from the federal government should be selected at the same time the proposed survey, appraisal and classification of lands are made. The selection of this land will probably cost around \$2,000.
3. The land records should show opposite the plat of each particular piece of land all the information pertaining thereto. The estimated cost of installing records to show all information pertaining to each piece of land is \$6,000.
4. New quarters should be provided for the land board with larger offices and vault space so that a small room could be provided for hearing complaints, etc., and space allowed for a large counter upon which to spread the books and records for inspection of prospective buyers.
5. A trained bookkeeper, as required by law, should be employed by the board.

XXII. State Board of Immigration.

In the preceding summary of findings and recommendations relating to the state board of land commissioners, reference is made to what is believed to be the true relationship of that board to the state government. In harmony with the view referred to, it is believed, also, that the activities of the state board of immigration should be performed under the direction and supervision of the state board of land commissioners.

The activities of both boards are closely related, although the activities of the board of immigration cover a wider scope than merely the collecting of data relating to the public lands of the state. The transferring of these activities to the state board of land commissioners will place under one central executive control the development of the state through immigration and the sale and lease of the public lands of the state.

No study has been made by the survey committee of the work of the state board of immigration beyond compiling a digest of the duties conferred by law on this board, as follows:

The state board of immigration is created for the purpose of advertising the resources and attractions of the state of Colorado among the people of other states and nations to stimulate the development and increase the population of this state.

Three members of the board are appointed by the governor, with the advice and consent of the senate, and the governor shall be ex-officio a member of the board and president thereof. The term of office for which members of the board are appointed is six years. The board elects a commissioner of immigration whose duty, under the direction of the board, is to act as secretary thereof, collect data on agriculture, stock growing and feeding, horticulture, mining, and other information of interest, and to perform other duties in furthering the object for which the board is created.

The members of the board receive no salary or per diem, excepting traveling expenses incurred in carrying on the work of the board. The salary of the commissioner of immigration is established in the creating act at \$3,600 per annum.

The personnel under the supervision and direction of the board of immigration is as follows:

Commissioner of Immigration.....	\$3 600
Statistician	1,800
Clerk and Stenographer	1,200
Stenographer	780

The immigration board is supported by appropriation from general revenues. Appropriations for this board are considered as fourth class and as such may be expended only in the event of any balance remaining in general revenues after the first, second and third class appropriations have been satisfied.

The board of immigration may solicit and receive cash contributions for the purpose of furthering the general or special advertising of the state.

The adoption of the proposed change relating to the transferring of the duties of the state board of immigration to the state board of land commissioners will necessitate the repeal of the present act creating the former board and the conferring of its powers on the state board of land commissioners. Through this change it may be possible to effect economy in expenditure for purposes of carrying on the activities of the present state board of immigration.

XXIII. State Auditing Board.

1. SUMMARY OF FINDINGS.

The state auditing board is exercising an auditing control which should be exercised by the state auditor alone.

The duplication of the auditing function results in the duplication of work and of certain records. Further, the creating of the auditing board has resulted in confusion in the general government as to the auditing powers and duties of the board.

The auditing control of the board legally is restricted to certain funds and departments, to certain salaries and to certain expenses, yet the board is passing on expenditures over which it apparently has no control, and which frequently results in disputes between the board and state institutions concerned.

The state auditing board has duties conferred on it which it could not exercise without duplicating records in the auditor of state's office.

The bulk of the work performed by the auditing board relates to the approval of requisitions and vouchers for contingent and incidental expenses of departments, boards and offices. This work would be absolutely unnecessary if appropriations were made to departments in accordance with the proposed plan of state budget outlined elsewhere herein.

The language of special tax levy acts and of certain sections of the law relating to cash receipts is so broad and general concerning the objects for which state funds may be expended that auditing control, whether exercised by the state auditing board or the state auditor, is almost negligible.

The state auditing board has no copies of contracts or bid sheets or other evidence of contract agreements as a basis for the audit of claims for supplies and services rendered to the state. Further, the records of the board are not kept to show the outstanding claims against monthly or "blanket" requisitions approved by the board for departments and institutions. Also, the board does not keep fund accounts for all departments and institutions whose requisitions and vouchers are approved by the board.

In practice, the auditor of state actually exercises many of the duties required by law of the state auditing board, particularly with respect to the closing of appropriation accounts. Moreover the voice and opinion of the auditor largely govern the actions of the auditing board in approving requisitions and vouchers.

From the findings disclosed, the conclusion is reached that the state auditing board would be unnecessary under a revised system of financial legislation and budget procedure, and where the auditing function is exercised by the officer provided in the constitution to exercise that function, viz., the state auditor.

2. SUMMARY OF RECOMMENDATIONS.

In accordance with the findings outlined in the foregoing, it is recommended that the present state auditing board be abolished. The auditing function of the state should be centered in one department only. That department, under the auditor of state, already exists by virtue of the constitution and statutes. (This recommendation does not include the University of Colorado, which audits its own financial transactions by constitutional exception.)

The "contingent and incidental fund," now under the control and direction of the auditing board, should be apportioned in the general appropriation act to the respective departments, boards, etc., under the control and direction of the heads of those departments, boards, etc., subject to such auditing control as is now or may hereafter be vested in the auditor of state. This recommendation is in harmony with recommendations contained in a separate report on the preparation of a state budget, the manner of submitting estimates, of making appropriations, etc., which, if adopted, would make unnecessary the control over this fund now exercised by the state auditing board.

The fixing of salary rates of additional clerical assistance in certain departments, a duty now performed by the state auditing board, should be done in accordance with civil service commission's rules or classified lists of state employees. Once the governor has approved the employment of additional help, as provided by law, the rates of compensation then should be dependent on the rates paid for the same class of work as defined in civil service rules.

The right to transfer temporarily employes from one department to another to meet the pressing needs of state business, should be vested in the governor as the chief executive of the state.

The duty of the auditing board to determine the extent to which special appropriations have been used or contracted against and to transfer any balances therein to general revenue, also to transfer unexpended balances in any appropriation after all bills and accounts have been paid, to the funds from which such appropriations were originally drawn, should be vested in the auditor of state, who, in practice, performs this duty without official action of the state auditing board.

Appropriations should be made by the legislature in accordance with a plan of budget estimates as suggested in a separate report on a state budget, and all fees or earnings of departments or institutions should be covered into the general revenues of the state where all such receipts or earnings are not especially set aside by law as permanent funds, such as school funds, etc.

a. Changes Requiring Legislative Action.

The legislation necessary to put into effect the above recommendations is as follows:

- (1) An act to abolish the state auditing board.
- (2) An act amending those acts which require certain departments, boards, and offices to secure the approval of the state auditing board to requisitions and vouchers for expenses.
- (3) An act providing that civil service rules and regulations shall apply to the rate of salary to be paid to additional clerical or other help employed in any state office, where such salary is not provided for in the law, and also providing that the right to transfer, temporarily, employes from one department to another to meet the pressing needs of state business shall be vested in the governor.
- (4) An act conferring on the auditor of state all those duties now conferred by law on the auditing board concerning the transferring of balances of appropriations.

If the proposed changes in financial legislation and budget procedure are adopted, the change suggested above in the handling of the "contingent and incidental fund," and concerning fees and earnings of departments and institutions, will be taken care of in the manner proposed in the separate report on state finances and budget procedure.

Advantages of the Proposed Changes.

- a. The members of the state auditing board will be relieved of the duty of signing thousands of requisitions and vouchers, the great majority of which are for the necessary and current operation of business, thus giving each member more time for the specific problems of his own department.
- b. Claims against the state will pass through a less number of hands, thus facilitating the more prompt dispatch of business and settlement of accounts.
- c. There will be less cause for friction or argument between heads of departments or institutions and the central auditing authority, because the plan of budget control recommended in another report will determine the functions and duties of all persons concerned.
- d. Departments and institutions will be relieved of unnecessary clerical work in the preparation of "blanket" requisitions for necessary expenditures and the running back and forth between the office of the state auditing board of clerks getting the approval of the board to requisitions. (Requisitions for supplies and printing are excluded from the above as one of the advantages of the proposed changes, for the reason that departments, boards, etc., may still have to make such requisitions if a central purchasing department is adopted, as suggested in a separate report relating thereto.)

In addition to the foregoing advantages there is another advantage not specifically relating to changes in the state auditing board, but which, dependent on those changes, affects the transactions of another state department, viz., the office of secretary of state. The secretary of state maintains the same detail accounts relating to the "contingent and incidental fund" now maintained by the state auditing board. There is a duplication of the records concerning this fund in both offices. The adoption of the changes suggested in connection with the state auditing board will automatically eliminate this duplication of records and of the work of keeping them.

The duplication of records in the secretary of state's office is caused by the fact that the secretary of state is a central department for purchasing supplies

for certain departments, boards, etc., in the capitol building, the cost of which is chargeable to the "contingent and incidental fund" accounts. The proposal to relieve the secretary of state of the function of purchasing supplies for other departments is outlined in a separate report on the office of the secretary of state.

Such rules or regulations now in force for the audit by the auditing board of traveling and other incidental expenses may, with the adoption of the suggested changes in the state auditing board, be continued in force by the auditor of state.

XXIV. Public Examiner's Office.

1. SUMMARY OF FINDINGS.

The findings on this preliminary report on the public examiner's office should not be taken in any sense as an expression of hostile criticism of an organization which has been in existence so few years. It is recognized that the great amount of work to be done together with insufficient appropriations for the purpose have handicapped that growth and development of the office which can come only with time and wise laws and administration, and which may confidently be expected of it in the future. The object of this report is, rather, to assist in bringing the office to that usefulness as an organization for the protection of the interests of the state which it is believed it was originally intended to have. Only by discussing any defects in organization methods may this result be accomplished.

The findings, therefore, in summary form, are as follows:

- a. The force of examiners and assistants is inadequate in size properly to handle all the auditing work that should be currently kept up to date.
- b. The force of examiners and assistants does not appear from the records to have the experience, training, and education usually required of men in this field of work.
- c. Neither the law nor the salaries paid offer any inducement to qualified accountants to enter the state service in this field of work.
- d. The state is at a distinct disadvantage in being unable to retain in its service its public examiners and assistants where such retention would be desirable and for the best interest of the state. The present force of examiners and assistants is subject to immediate removal at the will of the auditor of state, regardless of fitness and ability. The civil service law offers no protection because none of the examiners was appointed on competitive examination.
- e. Examinations of offices are not conducted as frequently as the service seems to demand. This results in skipping offices and periods of operations.
- f. County commissioners are, in a number of counties, employing private firms to audit their records and in some cases to devise and install accounting systems. These are duties which the public examiner's act of 1909 specifically charges the auditor of state and the public examiner to perform. The devising of accounting systems for different counties by different private firms without the co-operation of the auditor and public examiner cannot be considered a commendable practice from the standpoint of uniformity of system or of the responsibility of the auditor and public examiner concerning county records and business procedure.
- g. There appears to be need for revision and uniformity of accounting methods in some state departments and county offices.
- h. The records of the public examiner's office are incomplete to show the cost of each examination made and other particulars relating to the details of the work of the office.

- i. Reports of examinations appear to be unnecessarily bulky and cumbersome and to contain at times non-essential information or information which should be of record in the general books and files of the auditor's office.
- j. The publication of the biennial report of the public examiner is not required by law, and, further, the information contained therein is here considered not of sufficient value to warrant the cost of its printing. The last biennial report (1913-1914) of the public examiner cost \$1,375.00.

2. SUMMARY OF RECOMMENDATIONS.

Only one change is here proposed in the provisions of the public examiner's act. This change concerns the salaries paid examiners and assistants as fixed in the act. Time was not available for a first-hand study of all the provisions of the public examiner's act, although it may be pertinent without going into details, to refer here to recommendations made by the auditor of state in a public examiner's report of 1911 relative to the pressing need of amendments to the public examiner's act of 1909. The recommendations, however, appear not to have been adopted by the legislature.

The recommendations proposed are as follows:

a. Changes Requiring Legislative Action.

- (1) For the purpose of emphasis, there is here recommended what has been referred to in other reports by the survey committee of state affairs, viz: The civil service law should be amended to make it a vital and practical law and one which may command and enforce the respect of all persons concerned in its provisions.
- (2) The provision of the public examiner's act of 1909, fixing the rate of pay of examiners and assistants, should be amended to leave this question to be decided each biennium by the auditor and the legislature in the general appropriation act.

b. Changes Not Requiring Legislative Action.

- (1) The public examiner's office should be reorganized to place it on a high plane of business efficiency and equipped to perform correctly and promptly any work required of it.
- (2) The public examiner and all his assistants should be under civil service rules and regulations and appointed only from a list of eligibles certified by the civil service commission as a result of a competitive examination. Further, the qualifications of the public examiner and of his assistants should be of a standard sufficient to secure an experienced and competent corps of workers.
- (3) The public examiner should install in his office a system of cost records to show the details of all work performed, and he should require of every employe of the office reports of his activities showing the time engaged each day and such other information as may be demanded by the public examiner. These reports should be turned in to the central office two or three times a month.
- (4) Examiners' reports on the results of examinations should be as nearly as possible confined to essential facts and to summaries of receipts and expenditures. Standard printed forms for submitting the results of examinations should be devised wherever this is possible. The present system of binding reports should be discontinued.
- (5) The present form of report published biennially by the public examiner should be discontinued. The results of operations of the public examiner's office should be included in summary form as a part of the state auditor's biennial report.

It is believed that, with the adoption of the proposed changes outlined above, the public examiner's office will secure that co-operation and good will from county commissioners which will make unnecessary the employment by them of private firms to do accounting and auditing work which the law requires to be performed by the public examiner. This co-operation will save the counties the thousands of dollars which, it is said, counties are now paying to private firms of accountants. In any event the reorganization of the public examiner's office as proposed will remove the incentive for the employment of private firms and localize the reason for such employment.

With respect to the question of accounting systems in county offices, it is suggested that there should be a thorough study made by the public examiner of all county offices and the systems in use, the result of the findings to be incorporated in a formal report to the auditor and governor, to set at rest the question of uniformity of systems and methods and procedure in county offices.

It is here pointed out, also, that logically before the auditor and the public examiner may insist upon changes in accounting methods in other offices, the general accounting system in the auditor's own office should be modernized and placed on a sound accounting basis.

In conclusion it should be said that unless the public examiner's office is equipped and financially supported along the lines suggested above, the office might as well be abolished and \$50,000 per biennium saved to the state, as half-way measures in a field of this kind fail to command the respect which justify the expenditure.

XXV. Purchasing Methods in the State Government.

1. SUMMARY OF FINDINGS.

There is no centralized supervision and control of the purchasing function in the state government. The organizations carrying on this function are as follows:

- a. The board of control of each state institution purchases its own supplies.
- b. The secretary of state, with the approval of the governor and the treasurer, awards contracts for office supplies to be furnished to certain state departments and offices.
- c. The secretary of state, the governor, and the attorney general constitute a commission for the awarding of contracts for printing supreme court reports.
- d. Certain state departments and offices also purchase their own office supplies independently of the secretary of state.
- e. The governor, with the approval of the military board, is authorized to purchase all supplies and equipment needed by the national guard.
- f. The board of capitol managers purchases all supplies needed for the operation and maintenance of the capitol and museum buildings, and purchases also, furniture for offices in those buildings.
- g. The commissioner of public printing has the direction and supervision of all public printing of the state with certain exceptions.

As a result of the many different organizations of the state performing the purchasing function there is diversity of systems and methods in use. There is lack of standardization of food and other supplies of the same kind in current use in state institutions and departments. The contract awarded by the secretary of state for office supplies is awarded for a period of two years; supplies purchased by the board of capitol managers may be purchased on competitive bidding and formal contracts or they may be purchased without competitive bidding and on open market orders in small lots as needed; supplies purchased by some state institutions may be purchased on contract or price agreements covering periods which range from one month to six months,

while other state institutions may purchase considerable of their supplies in the open market at the best prices obtainable at the time of purchase. Statutory provisions governing purchases of supplies by state institutions lack uniformity of method and procedure of making such purchases.

The departments and offices for which the secretary of state enters into a two-year contract for office supplies are not furnished with copies of the schedules of supplies and prices included in the said contract. The result is that not all the departments and offices in question are familiar with the contract prices and hence approve their purchase vouchers for supplies when frequently the prices charged thereon by the very dealers who have the contracts, are current market prices and not contract prices. In justice to dealers and all persons concerned it should be observed that it is the general looseness of the system of many persons making direct purchases without reference at all times to contract specifications that causes a mix-up in prices for office supplies furnished to state departments and offices.

Neither the state auditing board nor the secretary of state closely examine requisitions from departments and offices for supplies to see that the supplies requested to be purchased are within the terms of the contracts for office supplies. The auditing board, in fact, has no copy of contracts for supplies as a basis for approval of purchase requisitions and vouchers. Moreover, invoices rendered by firms holding office supplies contracts are frequently very difficult of exact audit on account of insufficient specifications thereon relating to the supplies delivered.

Very frequently the office supplies purchased by state departments and offices are purchased at prices equal to or higher than the retail prices current in the market, regardless of the contract for such supplies as made by the secretary of state.

The defects and weaknesses in the system of preparing the schedules of office supplies and of awarding contracts thereon have already been outlined in some detail in a separate survey report on the secretary of state. Also, the survey reports on the auditor of state and the state auditing board, contain references to weaknesses in the procedure of auditing purchase vouchers.

Although the commissioner of public printing has supervision over printing for state departments and offices he cannot by law in many instances specify the kind of paper to be used, therefore the purchases of paper for printing purposes are not in accordance with the specifications in the state contract for paper supplies.

Statutory requirements as to the cost of printing are obsolete and the restriction placed upon the prices of composition have made it necessary in many cases to avoid the strict letter of the law in getting printing done. The printing of senate and house bills is let under a schedule of maximum prices as set by statute. The statute is evaded by charging the full original price of composition when small changes are made in the subject matter printed and by a very liberal count of printer's "m's" in such composition.

It is impossible even to approximate with any degree of closeness the total amount of supplies of all kinds purchased by the state in any fiscal year, owing to the absence of any central records to refer to for that purpose. Supplies may be purchased practically from any or all appropriation and fund accounts, with the exception of where salaries are specifically set aside in an item of appropriation.

2. SUMMARY OF RECOMMENDATIONS.

Changes Requiring Legislative Action.

A central purchasing department should be created to take over, wherever such action would be for the best interest of the state, the purchasing of all supplies and equipment for the state.

The proposed central purchasing department in addition to being charged with the purchasing function of the state, should have a control of some kind also over supplies kept in storerooms in departments, institutions, or offices with the object of preventing the

overstocking of supplies in such storerooms and of preventing waste or extravagance in the purchasing of supplies.

The central purchasing department should be empowered to purchase supplies and equipment at such times and under such price agreements for immediate or future deliveries as the condition of markets and the needs of the state may make desirable. An important activity of the new department should be the standardization of supplies used in the state service.

If a central purchasing department is created as suggested, the office of commissioner of public printing should be abolished and the duties of that office transferred to the central purchasing department.

The field of usefulness and the advantages of a central purchasing department, efficiently managed, need very little discussion here. Most cities and numerous states have centralized purchasing departments in some form or other. That there is need of such a state department in Colorado is admitted by all persons familiar with the state's purchasing methods. The executive officers of state departments and institutions visited in the course of the present state survey have almost uniformly expressed a desire to co-operate with a central purchasing department.

Colorado has recognized the principles of centralized purchasing in the conferring on the secretary of state of a limited purchasing power for a number of departments and offices, and also in creating the office of commissioner of public printing. Unfortunately the laws in these respects are inadequate to realize the full advantages of centralized purchasing. There are still too many exceptions under the present laws, and, further, the secretary of state has not the organization or facilities for performing efficiently the function of a central purchasing agency. Purchasing is merely a side line with the secretary of state.

XXVI. Cost of Publishing Initiative and Referendum Bills and Constitutional Amendments.

The initiative and referendum in Colorado were provided for by constitutional amendment adopted by the people in 1910.

Under this provision there were published and submitted to the people in 1912, thirty-two measures; in 1914, sixteen; and in 1916, seven. The printing cost of such legislation in Colorado for the past four state elections is shown in the following statement:

Publishing Constitutional Amendments, 1910.....	\$ 26,620.30
Publishing Initiative and Referendum Bills and Constitutional Amendments, 1912	115,355.84
Publishing Initiative and Referendum Bills and Constitutional Amendments, 1914	49,539.60
Publishing Initiative and Referendum Bills and Constitutional Amendments, 1916	50,000.00*

The heavy printing cost of submitted measures in this state is due largely to the method of publication required by the constitution. The constitution requires such measures to be published in full in not more than one newspaper of general circulation in each county, for four successive weeks previous to the next general election.

In contrast to the Colorado method of publishing initiative and referendum bills and constitutional amendments, it is of interest to observe the system and cost of publishing such measures in the state of Washington. The laws of that state require the secretary of state to publish submitted measures in pamphlet form at least sixty days prior to any election at which such measures are to be submitted to the people. The pamphlets in question are mailed by the secretary of state to

*This amount (\$50,000) is merely an estimate made by the secretary of state in the absence of available figures of cost. The actual cost is believed, however, to be much higher than this estimate of the secretary of state.

every voter in the state whose address he has or can with reasonable diligence ascertain, at least fifty-five days before the election. Copies of the pamphlet are sent, also, to voting precincts in counties, to libraries of educational, charitable, penal, and reformatory institutions of the state, to state officers, judges, public libraries, etc.

Under these provisions there was published and submitted to the people of the state of Washington in 1916 a pamphlet of 64 pages containing printed matter which would fill 855 inches of newspaper columns in the regular newspaper type. The whole was printed upon cheap paper similar to that used for newspaper and sent by mail to the registered voters as required by law. All together about 450,000 copies were disposed of at the following cost:

Clerk hire for checking both referendum and initiative petitions and mailing the same	\$17,907.74
Postage	3,171.21
Printing	10,824.85
Express	33.95
Total.....	\$31,937.75

The initiative and referendum bills and constitutional amendments voted upon by the people of Colorado in 1916 filled 178 inches of the ordinary newspaper column in fine print and, as required by law, were published for four consecutive weeks (or 28 days) in one newspaper of general circulation published in each county of the state. The total expense to the state, according to estimates made by the secretary of state was about \$50,000.

Assuming then that there are also approximately 450,000 registered voters in Colorado—for the population of both states is very nearly equal, and both extend suffrage to women—a contrast between the cost of the two methods of publishing initiative and referendum bills and constitutional amendments is as follows:

Colorado—publishing 178 column inches in newspapers for the enlightenment of 450,000 voters	\$50,000
Washington—publishing 855 column inches in pamphlets and mailing the same to 450,000 voters	32,000

Washington, therefore, placed in the hands of its voters over 4 $\frac{1}{4}$ times as much printed matter as did Colorado and at practically $\frac{2}{3}$ of the cost. In other words, if Colorado had published an amount of matter equal to that of Washington, under the present laws of Colorado, it would have cost the state over \$240,000 while under the Washington plan it cost that state but \$32,000.

It is evident that the present system of publishing initiative and referendum bills and constitutional amendments is costly. The law governing such publication is a section of the constitution, and any change in the method of publishing such measures, therefore, would require constitutional amendment.

There remains no doubt* but that a constitutional amendment providing for the publication of initiative and referendum bills and constitutional amendments upon the Washington plan would in a few years at the rate such measures are being submitted to the people, save hundreds of thousands of dollars to the people of Colorado, and such an amendment cannot be too strongly urged.

The Washington plan of booklets has a further advantage over the Colorado plan in that it places in the hands of each registered voter in a neat and compact form all measures requiring his consideration and judgment. These booklets have a far wider scope of usefulness than a newspaper. Moreover, the newspapers in which the submitted measures are published in Colorado may reach a less number of registered voters than a booklet sent out on the Washington plan.

XXVII. Commissioner of Public Printing.

A study of state printing laws and procedure has been made but at the time of preparing this summary the report thereon was incomplete. Such report will be submitted when finished.

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As illustrative of the savings possible under a state budget procedure such as that recommended herein, the experience of Ohio is cited.

The work of the Budget Commissioner in that state made it possible for the appropriations of 1913 to be repealed and re-enacted at a special session called for the purpose, with a resultant reduction of \$1,000,000 in appropriations made, despite an increased appropriation of \$60,000 to schools. Of the moneys so appropriated \$500,000 lapsed at the end of the fiscal period by careful budgetary observations and control.