

*American Institute of Accountants*

INCORPORATED UNDER THE LAWS OF THE DISTRICT OF COLUMBIA

13 EAST 41ST STREET, NEW YORK

January 19, 1939

To the Members of the  
Executive Committee-

Gentlemen:

Many interesting letters have come in from members of the Institute in connection with the McKesson and Robbins case.

Accompanying this note are extracts from some of the communications which have been received.

These abstracts are sent to you in order that you may gain in reading them a cross-section of professional thought and comment relating to a case of wide interest to accountants.

Yours sincerely,

JOHN L. CAREY

Secretary.

American Institute of Accountants

MEMBERS' COMMENTS ON THE  
McKESSON & ROBBINS CASE

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Extracts From Letters Received At  
American Institute Offices.

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From a Georgia member: "Why should accountants accept engagements no matter how tempting the fee unless they are willing to put forth sufficient effort to satisfy themselves that the statements which are issued over their names to the general public are substantially true?. . . . Why should accountants devote so much time to the verification of cash on hand and in banks amounting perhaps to less than three million dollars, one-fourth as much time to the verification of accounts receivable amounting to perhaps thirty million dollars, and in some instances practically no time at all to the verification of the existence and valuation of inventories amounting to perhaps forty million dollars?"

From a member in Ohio: "If the SEC would undertake the examination of the affairs of listed corporations, it would sound the death knell to auditing by independent public accountants.

"The time seems right for some change, and it behooves all of us to be on our guard to see that Congress and the various governmental agencies do not pass laws and regulations which would restrict our practice."

A member in Tennessee writes: "I hope a full investigation will be made by your association".

A member writes from Pennsylvania: "It seems to me that the American Institute of Accountants, as the most representative and influential organization of accountants, owes it to its members to take positive measures to offset the harm already done. I feel that the Institute should make as thorough an investigation of the auditors' connection with the affair as its facilities will permit. As a result of such investigation, full disclosure of the findings should be made, so that the public and the members will have something more than the ordinary newspaper accounts upon which to base their opinions of the accounting profession."

From a member in New York: "The verification by mailing letters with stamped self-addressed envelopes and receiving them back properly signed does not establish the absolute existence of an account. Mailing addresses with high-sounding names can be purchased for as little as \$2. a month in many cities. . . I believe that, in addition to the verification by direct correspondence, the list of accounts receivable and payable should be verified as to their actual existence by checking the names with such reference books as Dun and Bradstreet's."

A California member writes: "It is not difficult for an accountant to imagine circumstances the existence of which would eliminate all responsibility of the auditors but on the other hand we cannot deny, to ourselves at least, that there may have been indications within the

accounts themselves raising sufficient questions as to the integrity of the inventories to have prevented a reliance upon mere certificates. Consequently, if we could have some information it would be most helpful and would be sufficiently beneficial to the relationship between the accounting profession and the public as to justify what otherwise might be considered an unwarranted procedure.”

From an Illinois member: “Our profession should be big enough to deal justly with small firms and large firms alike, and all men in the profession should be held to accountability for their own professional acts without the device of smoke screens as to necessary changes in standard accounting practice.”

Another New York member writes: “There is, after all, much in our work that can be improved on, particularly the so-called accepted form of accountant’s certificate, and of which I heartily disapprove. There is entirely too much hedging and use of weasel words.”

From Oregon: “On behalf of the Society, I wish to express our appreciation for the careful consideration given to the wording of the news release.” (Note: This refers to re-statement of the executive committee statement of December 28 sent from Institute headquarters to state society presidents for release by them to local and state papers.)

A third New York member writes: “Your recent release regarding the McKesson & Robbins audit which you indicate was made before ascertainment of facts and which has resulted in considerable newspaper criticism, will, in my opinion, result in a considerable diminution of the Institute’s prestige. . . . There will no doubt be an effort to vest regulation of the practice of accountancy in a division of the Securities and Exchange Commission which, although it previously seemed abhorrent, I am now inclined to view with favor.”

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