

RECOMMENDATIONS PRESENTED TO THE BOARD'S
COMMITTEE ON ECONOMY AND EFFICIENCY BY
THE AUXILIARY COMMITTEE FOLLOWING THE
FUNCTIONAL GROUP MEETINGS.

CURRENCY AND COIN.

1. CONDITION AS TO SORT OF CURRENCY RECEIVED BY FEDERAL RESERVE BANKS FROM MEMBERS.

Nine banks require that all deposits be sorted as to denomination, while three banks receive from country members unsorted. It is the view of the Committee that it is reasonable and consistent with good banking practice to require that all money deposited be sorted as to denomination, and it is

RECOMMENDED that all banks arrange to receive all currency sorted as to denomination.

2. METHOD OF COUNT.

The method of sorting and counting currency is found to be nearly uniform with the exception that one of the banks receiving currency unsorted as to denomination makes it a practice to thumb count and also to verify before sorting. It was the view of the Committee that this extra operation is unnecessary and it

RECOMMENDS that this bank consider handling its money on the same basis as the other banks in the System.

3. SORTING OF FIT MONEY AS TO KIND.

It was found that one bank has made it a regular practice not to sort its fit money as to kind. Several of the banks occasionally follow the same practice when exceptionally busy, while a number of the banks have always sorted as to kind regardless of conditions. It is apparent that a considerable saving of time can be effected

by packaging fit money without assortment as to kind, and it is therefore

RECOMMENDED that fit money be put up, without assortment as to kind, with discretion, care being exercised not to permit a vault accumulation of unsorted currency.

(NOTE: The Board's Committee on Economy and Efficiency sees no objection to this practice, provided a vault accumulation of unsorted currency of not more than two days turnover is permitted.)

4. ACCUMULATION OF ONES AND TWOS FOR COUNTING IN DULL SEASONS.

About half of the banks now permit bills of the one and two dollar denomination to accumulate during the period when money is being received in large quantities for later handling during the dull seasons. The principal objection to this practice is the accumulation and practical retirement from circulation of a considerable quantity of bills of these denominations. There is, however, an obvious economy in the practice of permitting one and two dollar bills to accumulate during peak movements for subsequent handling by experienced money counters, and it is the opinion of the Board's Committee that all the banks should follow this course whenever practicable.

5. METHOD OF DETERMINING PROPORTION OF NEW MONEY PAID OUT.

Two or three of the banks have adopted a more or less elaborate plan for making an equitable distribution of new currency, while several have no particular plan, the proportion of new money being determined largely by the amount of fit currency on hand. It is apparent that the plans now in effect at many of the banks do not result in an

equitable distribution of new currency and in some respects may be costly to the banks through the duplication of shipping charges and handling. It is also apparent that the plan for the distribution of currency approved by the Treasury no longer obtains to any extent.

It is therefore RECOMMENDED that the Federal Reserve Board take such action, preferably through a committee representing the banks, as will result in the formulation and adoption of an equitable plan for the distribution of currency which will prove satisfactory to all the banks and also to the Treasury.

(NOTE: The Board's Committee on Economy and Efficiency has already requested the Federal Reserve Board to take action.)

6. SORTING OF FIT NOTES RECEIVED FROM OTHER FEDERAL RESERVE BANKS.

There is a wide variation in the practice among the Federal Reserve Banks in handling fit Federal Reserve notes received from other Federal Reserve Banks. In some cases, this currency is resorted and in other cases it is paid out as received. It is apparent that the resorting and counting of this currency is an entirely unnecessary and unwarranted operation, and it is

RECOMMENDED that the practice be discontinued.

The only apparent excuse for this operation results from a difference in the standard of fitness adopted by the different banks and it is apparent that a uniform standard should be adopted.

It is therefore RECOMMENDED that the committee, the designation of which was recommended under the preceding heading, shall also be requested to determine upon a standard of fitness satisfactory to all the banks and to the Treasury.

(NOTE: The Board's Committee on Economy and Efficiency has already requested the Federal Reserve Board to take action.)

7. VERIFICATION OF NEW MONEY RECEIVED FROM TREASURY BY F. R. AGENT.

Several banks make it a practice to slit the outer wrapper of original packages of currency in such a way as to permit of an inspection of the straps to determine that the money is of the denomination indicated by the outside wrapper.

It is RECOMMENDED that, as a matter of safety, all banks adopt this or some similar method for determining the denomination of the money received from the Treasury Department, in view of the fact that this money is sometimes held in storage for a long time.

8. MERIT PLAN FOR COMPENSATION OF MONEY COUNTERS.

Two of the banks have worked out rather elaborate plans for the compensation of money counters on a sliding scale based upon output. Most of the banks maintain more or less complete records of the work of money counters, but do not base compensation entirely upon these records. It was the view of the Committee that probably the time had not yet arrived when all reserve banks could profitably put this operation upon a piece work basis.

It is, however, RECOMMENDED that all banks maintain a record of the work of each individual money counter and that these records be made known to the counters to encourage a spirit of competition.

Following the conference with the Chairman, one of the medium sized banks of the System adopted a method of grading its money counters, which resulted in very greatly increasing its output. The method adopted and the results are explained in detail in the attached memorandum

"Exhibit A" which is submitted for the information of all banks.

(NOTE: The Board's Committee on Economy and Efficiency believes that if this plan is intelligently followed, marked results will be obtained,)

9. CHECKING OF POST OFFICE REGISTRY RECEIPTS FOR CURRENCY SHIPMENTS.

Some banks continue the practice of obtaining and checking the return registry receipt cards furnished by the Post Office for all shipments made, in addition to checking the receipts received from the consignees. It was the view of the committee that these postal receipts are of no benefit to the banks and that the work of checking and tracing them is unnecessary and unwarranted, and it is therefore RECOMMENDED that their use be discontinued.

10. USE BY MEMBER BANKS OF A STANDARD FORM OF ADVICE OF CURRENCY SHIPMENTS.

Several of the banks are furnishing members with a standard form of advice, including a request for the effecting of insurance, to be used in all cases where shipments are made to reserve banks. It was the view of the Committee that the use of such a form is sound in principle and is good practice, inasmuch as it can be more promptly routed to the proper department for the effecting of insurance and checking of the arrival of shipments.

It is SUGGESTED that those banks not now using such forms give the matter consideration.

11. FORMS FOR USE AS RECEIPT FOR AND RECORD OF SHIPMENTS AND FOR EFFECTING INSURANCE.

Several of the banks are using more or less similar forms prepared in triplicate or quadruplicate with which at one writing there is

prepared a complete record of registered mail shipments including a receipt for the use of the Post Office, a notice to the registered mail insurance underwriters, and a record for the use of the auditing department, if desired. A few of the banks are not using such a form, but are making up two separate records of all such shipments, one for the purpose of effecting insurance, and one for the purpose of securing a receipt from the Post Office. It was the view of the Committee that the use of a form of this character is very much to be desired, not only because of the economy in the preparation of the records, but from the standpoint of safety in the effecting of insurance. A similar form is also adaptable for the purpose of securing a record of and receipt for express shipments.

There is a wide variation in the style of forms in use by those banks which are following this plan. The Committee considered the form adopted by the Federal Reserve Bank of Dallas, a sample of which is attached (Exhibit B), as the most economical of any of those submitted.

It is RECOMMENDED that those banks not now using similar forms adopt this plan, and that those banks now using more expensive forms for this purpose revise them with a view to reducing the cost of printing.

12. COIN.

With two exceptions the banks do not handle wrapped coin. It was the view of the Committee that the requirement of most of the banks that all coin be deposited in bulk causes an economic waste in the breaking down of a large amount of coin already wrapped. It was also the view of the Committee that the banks should not attempt to supply

wrapped coin in cases where it is necessary for it to be wrapped at their own expense.

It is therefore RECOMMENDED that all banks receive wrapped coin of the one, five and ten cent denominations and pay out such coin as far as it will go without rewrapping and that the banks should not furnish wrapped coin except such as is received in that form.

13. COST OF SUPPLIES.

While all banks are using substantially the same supplies in the handling of currency and coin, there is a very considerable variation in the quality and also in the cost of the supplies used.

It is therefore RECOMMENDED that a plan of standardization of supplies and, if necessary, central purchasing, be considered in order that all banks may secure these supplies at the lowest possible price.

(NOTE: The Board's Committee on Economy and Efficiency is now giving this matter attention, and the banks will be advised of the results as promptly as possible.

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TRANSIT AND COLLECTIONS.

14. DESCRIPTION OF ITEMS ON CASH LETTERS.

There is considerable variation in the method of the banks in describing cash items on outgoing transit letters. Three banks describe every item by batch or block number; two banks describe every item by ABA number; two banks describe even amounts by ABA number; five banks do not describe any items.

It is the view of the Committee that a description of other than items of even amounts from, say, \$500 and up, is unnecessary and involves an unwarranted expense, and it is, therefore,

RECOMMENDED that all banks discontinue describing cash items on transit letters addressed to the drawee bank except in cases of even amounts of above \$500.

15. NOTIFYING BANKS OF THEIR FAILURE TO WIRE NON-PAYMENT OR TO PROTEST ACCORDING TO INSTRUCTIONS.

It is the practice of several banks to send a formal notice to all banks failing to wire non-payment or failing to protest, while several of the banks do not send such notices. It is understood that several of the banks have been informed by Counsel that the sending of these notices does not afford any additional protection.

It is therefore RECOMMENDED that the banks consult with their Counsel with respect to this matter with a view to discontinuing these notices, wherever practicable.

16. RECEIPTS FOR RETURNED ITEMS CHARGED BACK.

The banks are about equally divided between those that do obtain receipts for returned items and those that do not. It is the view of the

Committee that with the frequent reconciling of accounts it is not necessary to obtain receipts for these items and because of the considerable expense incurred by checking and tracing receipts, it is

RECOMMENDED that all banks discontinue the practice of requiring receipts for returned items.

17. CONTROL OF NON-CASH COLLECTION ITEMS.

Several of the banks are maintaining a control on non-cash collection items in process of collection. It is the view of the Committee that the cost of maintaining this control is entirely out of proportion to any benefits that can be derived therefrom.

It is therefore RECOMMENDED that all banks having such a control discontinue it so far as it applies to collection items. The banks will probably find it advisable to continue any control they now have with respect to negotiable securities handled in connection with these collections.

18. REDEMPTION OF RETURNED ITEMS.

There is considerable variation in the practice of redeeming returned items. In most cities there is a so-called "returned item clearing", but in addition to this, at nearly all points, items are also redeemed over the counter, the general practice being to issue so-called redemption or teller's checks which are cleared the following day.

One of the banks furnishes a duplicate form for use with all items returned. This form being presented with the items, one copy being stamped and returned to the messenger as a receipt and the other copy serving as a credit ticket to the returning member's account.

This method saves considerable clerical labor and makes unnecessary the issue of redemption checks. It is the view of the Committee that banks that are now using redemption checks for this purpose would find this method more economical and efficient.

It is therefore RECOMMENDED that banks now using redemption checks consider the adoption of the duplicate ticket method. Sample copy of the ticket used by the bank in question is attached (Exhibit C).

19. CLEARING HOUSE MEMBERSHIP.

The basis upon which the Federal Reserve Banks have clearing house membership varies considerably in the different cities. In some cases the membership is on the same basis as that of commercial banks; assessments being based upon items taken to the clearing house, which results in a progressive increase from year to year in amounts paid by the reserve banks; in other cases membership is obtained upon the payment of a flat fee; and in still others it is complimentary. It was the view of the Committee that the service rendered by the reserve banks in connection with the operation of the clearing houses should in most cases warrant the clearing houses giving complimentary membership to reserve banks or at least in reducing the membership fee to a nominal amount.

It is RECOMMENDED that banks now paying more than a nominal fee give this matter consideration.

20. PAYMENT OF GOVERNMENT COUPONS.

In two or three cases the banks, while giving immediate credit for Government coupons, are accumulating them over the peak periods rather than supplying the necessary help to make prompt shipment and

charges to the account of the Treasurer, U. S. It is the view of the Committee that this practice is unwarranted and that all coupons should be charged to the Treasurer's account the same day credit is given. To make this possible, it is

RECOMMENDED that the banks give consideration to combining the work of paying Government coupons with the work of counting money, so that the money counters could be more effectively employed in the handling of coupons over the peak periods.

21. LISTING CLEARING HOUSE CHECKS.

A number of banks sort all clearing house items before proving incoming letters, after which the block sheet is prepared in duplicate, one copy being stripped up to accompany the checks to the clearing house rack, thus avoiding an additional listing. It is the view of the Committee that while the application of this method will depend in considerable measure on the number of banks in the clearing house and the distribution of items among the banks, that this plan will nevertheless prove very efficient in all cases where it can be adopted.

It is RECOMMENDED that all banks not now using it consider this plan of handling clearing house items.

22. NON-CASH COUNTRY COLLECTIONS.

Some banks give credit for non-cash collection items as of the date payment is received by the collecting reserve bank, even though advice of payment is not received and actual credit given until several days later.

It is the view of the Committee that this method, as a regular practice, is unnecessary, and it is

RECOMMENDED that credit should not be given as of a previous date except in unusual cases where the amount is sufficient to warrant the work.

ACCOUNTING:23. PREPARATION OF STATEMENTS AND REPORTS.

There is a wide variation in the practice of the banks with reference to the preparation of statements and reports, some banks apparently considering it necessary to prepare a much larger number than others. It was the view of the Committee that the preparation of statements and reports involves considerable expense and that only those statements and reports found by experience to be absolutely necessary should be prepared.

It is therefore RECOMMENDED that every bank give careful consideration to its statements and reports with a view to reducing the number and also simplifying the form of those that are prepared.

24. MEMBER BANKS ACCOUNTS:

The methods of bookkeeping were found to be reasonably comparable at most of the banks. Nine banks are now furnishing members with a daily statement, five mailing statements on the day of date, and four on the following day. Two banks are furnishing semi-monthly statements, one furnishes all banks desiring it (2 (about 25%) with a daily statement. The twelfth bank furnishes weekly statements to all banks. Four banks are furnishing statements including a full description of all items, and eight banks are furnishing statements prepared on a Burroughs machine, indicating the character of entries by symbol.

One bank has perfected a method of bookkeeping under which it writes both the statement and the ledger at a single operation, the statement also including the deferred items. This plan has worked well in the bank in which it is in operation, and it is the view of the Committee that some of the other banks in the System would find this plan equally efficient. There is attached a memorandum ("Exhibit D") outlining this plan in detail.

Three of the banks have discontinued the operation of the deferred or so-called float ledgers, resulting in considerable economy in operation. There is attached a memorandum ("Exhibit E") outlining the plan of one of these banks in accomplishing this result. It is the view of the Committee that the maintaining of a deferred ledger and posting in detail of all deferred items is unnecessary.

It is RECOMMENDED,

- (1) that the operation of the deferred credit ledgers be discontinued by all banks, and it is suggested that all banks give consideration to combining the preparation of ledgers and statements in a single operation;
- (2) that advising be reduced to the lowest possible minimum. In cases where daily statements are mailed on the same date it should be possible to eliminate all advising except for deferred credits and for loan transactions, and if daily statement includes a statement of deferred items, the advising of such credits could also be eliminated;
- (3) that the practice of furnishing postal card acknowledgments to direct sending banks of other districts for all letters received be discontinued and no acknowledgments sent except in cases where self-addressed and stamped cards are received with the letters.

25. RESERVE DEFICIENCIES:

There is considerable variation in the amount of work performed in connection with this operation. With a few exceptions all of the banks are checking for clerical accuracy the reports received from the member banks indicating their demand and time deposits as the basis for computing reserve requirements. It was the view of the Committee that these reports should be completely checked.

Most of the banks have been checking the Comptroller's call statements with the reports made by member banks. In some cases, this checking has been done once each year, in other cases more frequently, and in some cases not at all. It was the view of the Committee that this checking should be done by all banks, at least once each year, and that with the exception of member banks known to be careless in this respect, it should not be done more than twice each year.

A few banks have made it a practice to check all deferred items as to the accuracy of the deferred availability date in connection with this work. It is the view of the Committee that this is unnecessary.

It is RECOMMENDED,

- (1) That all banks check for clerical accuracy all reports received from members.
- (2) That all banks check the figures shown on Comptroller's call statements at least once and not exceeding twice each year with the reports received from the member banks.
- (3) That those banks now checking the availability date on deferred items in connection with this work discontinue the practice.

26. FEDERAL RESERVE BANK ACCOUNTS:

One of two methods of checking the accounts with the other Federal Reserve Banks has been adopted by nearly all of the banks.

One method provides for the charging of all items regardless of availability to an "uncollected items" account and the handling of the account on a remittance basis.

Under the other method all items are charged to a "deferred debits" account and later transferred on the date of availability to a "collected items" or "due from" account.

While both methods have appeared to be satisfactory to the banks using them, it is more difficult to analyze the float in connection with transit items under the first method than under the second, and as several of the banks are doing considerable extra work in connection with the analysis of the float, it is the view of the Committee that in such cases the second method would prove more economical, inasmuch as the transfer of items from the "deferred debits" account is practically automatic and involves a minimum of labor.

It is therefore SUGGESTED that the banks give consideration to the respective merits of the two plans with a view to adopting that which will prove most economical in operation.

27. TRANSFER OF FUNDS:

The methods in use in the different banks for the handling of this work do not vary greatly. The principal difference is in the extent to which the banks have adopted multiple forms for the preparation of advices and entries. The extent to which any bank

may profitably use such forms will depend in a considerable measure on the volume of its work.

Several of the banks continue to prepare and to forward to other reserve banks copies of telegrams and typewritten advice forms covering transfers made and in some cases with reference to transfers received as well. It was the view of the Committee that the use of confirmation and advice forms is unnecessary.

It is therefore RECOMMENDED, that all banks discontinue the forwarding of advices of any kind whatsoever to other reserve banks in connection with transfers, either received or sent, the only advice needed in such cases being the original telegram and the regular daily statement of credits.

It is the practice of some banks to wire out-of-town members advices of credits, in some cases such wires are sent only for transfers received from other banks.

IT is RECOMMENDED,

- (1) that the banks consider whether wiring of advices is necessary, and if it is, whether such advices which are solely for the benefit of the member banks may not properly be sent collect;
- (2) that those banks not now using duplicating forms for the preparation of entries and advices to members consider whether or not the volume of their business is such that economy can be effected by the use of such forms.

28. APPROVAL OF EXPENDITURES:

There is considerable variation among the banks with respect to the authorities granted for approval of expenditures, in some cases all expenditures require the approval of a designated officer, and in other cases the approval of any officer of the bank is sufficient.

It was the view of the Committee that it is desirable to limit as closely as possible the authority for approval of expenditures and it is

RECOMMENDED, that the authority for the approval of expenses be vested in designated officers and also that such authority should be exercised in connection with the issue of the requisition in advance of the actual occurring of the obligation.

(Note. The Board's Committee on Economy and Efficiency believes that through a careful wise and control of requisitions considerable economy can be effected.)

29. CAPITAL STOCK:

It was found that several of the banks pay the semi-annual dividends to stockholders by the use of cashier's or officer's checks while in a few instances payment is made by credit to the reserve account of the member. It was the view of the Committee that the latter method is not only more satisfactory to stockholders, but is less expensive in its operations. It is therefore

RECOMMENDED, that all banks arrange to pay dividends by credit.

LOANS, REDISCOUNTS AND INVESTMENTS.30. WIRING ADVICE OF CREDITS.

It is the practice of some banks to wire advice of credits only when requested, while at least one bank wires advice on all items.

It is the view of the Committee that, as this represents a service to the member banks, it should be unnecessary to wire except upon request and it is

RECOMMENDED that advices of credits be wired only upon request and then at the expense of the requesting bank.

31. PREPARATION OF REPORTS AND STATEMENTS.

A study of the material submitted indicates a wide variation in the extent to which different banks have considered it necessary to go in preparing data when presenting loans for approval and in the preparation of statements and reports for internal use. It would appear that a number of banks are preparing statements which are of questionable value and it is believed that a very considerable part of the difference in the cost of handling this function at the several banks is due to this one factor.

It is therefore RECOMMENDED that every bank give careful consideration to the reports and statements that are being prepared with a view to eliminating those which do not serve a useful purpose commensurate with their cost.

(NOTE: The Board's Committee on Economy and Efficiency believes that this matter should be given careful and constant attention, and that very considerable economies will thereby be effected.)

32. SECURING CREDIT INFORMATION.

There was found to be a wide variation in the policy of the several banks with respect to the extent that it is necessary to go in the securing of credit information. As an illustration, the cost of the various outside reporting services for the System is approximately \$17,000 per annum. The cost of the individual banks varies from \$5,100 to \$300. Three of the banks do a considerable amount of outside investigating work while the other nine banks do none at all. In the cases of two banks there appears to be a large amount of duplication at the main office in connection with work originating at the branches.

While it is not the purpose of this Committee to determine the policy of each bank in this respect, it is the view of the Committee that there is nevertheless an undue variation in the policies of the several banks with respect to this matter.

It is RECOMMENDED that each bank be requested to submit a brief outline of its policy and of the work performed in securing credit information, together with an estimate of its cost for the current year.

(NOTE: The Board's Committee on Economy and Efficiency requests that this information be furnished.)

EXHIBIT A.

X-3782a

Outline of Plan Used by One of the
Banks to Measure the Efficiency of
its Money Counters.

Machinery has been set up:

- (a) To make a real comparison each day of the volume of work performed by each money counter.
- (b) To utilize this comparison so as to speed up the drones.

You will probably say that there is nothing new here, that all of the Federal Reserve Banks are already doing this very thing. The fact is, probably, that all of the banks are measuring their money counters' output on the basis of the number of pieces handled. This was our former method. Under it, we would discover that a certain money counter had a low average. We would inquire the reason and we would be given any or all of the following excuses:

That the particular counter had more rags than the others,
That the counter had hard luck looking for differences,
That the counter waited half an hour to make exchanges,

and so on. Always there were excuses, therefore we set out to remove the grounds on which they were based.

It had been our practice to verify all currency on the day it was sorted. We had adopted this plan so as not to carry errors overnight, and also to give the money counters a variety of work to do with the idea of lessening its monotony. We had accomplished these things but no fair comparison of work performed was possible, because all of the counters were engaged in doing two kinds of work in varying proportions.

To straighten this out, we set up a separate verification unit. In doing this, we incorporated two features with a view of lessening the monotony of steady recount work.

Each morning a bulletin is posted in the verification unit under the caption, "Errors to be found", showing the differences carried overnight from the previous day's sort. Before commencing work, the counters gather around this bulletin and take down a list of initials and amounts to look for during the day. When a verifier has found one of the differences, we have her sign her initials in the proper place on the bulletin. A seemingly unimportant detail, but it has had a very desirable effect on the morale of the verifiers.

Sitting at a desk for six or seven hours, however, is irksome at best. To counteract this, we have the verifiers themselves carry their fit money to the sealing machine to be sealed and their unfit money to the canceling

machine to be canceled. Units of 40 straps are given to them so that they make these little trips about once an hour. We find that this helps to make the work of verifying less monotonous.

With the establishing of a separate verifying unit, the sorting units, of course, continued breaking down all day, where formerly they had switched to recount about two or three o'clock in the afternoon. Under the old system, we had maintained an exchange desk in each unit to enable the counters to make up even straps. These exchanges could not be made simultaneously, however, and it was found that each money counter began to make up her exchanges about 30 minutes before closing time and then waited her turn at the exchange desk. Accordingly, we cut out the exchange desks and required each sorter to break down up to five minutes of closing time and then make up her odds. The re-handling of the extra amount of odds is about ten percent of the extra work performed.

Formerly, when a sorter did not come out right in her proofs, she would search for the difference herself and perhaps consume an hour's time finding it. Now, sorters are not allowed to look for their own differences, but these are carried through to the verifying unit and posted on the morning bulletin.

All of these preliminaries were necessary before we could get down to any actual comparison of the volume of work performed. Previous comparisons or attempted comparisons had been made on the basis of number of pieces handled. But it takes longer to break down 1000 pieces than it does to verify them, and it takes longer to recount and paste 1000 rags than it does to verify 1000 fit bills. To make any real comparison, therefore, it seemed necessary to arrive at some common denominator. To this end, I have made use of a term which I will call "Minutes' work performed".

To arrive at this, we timed and averaged six of our better money counters working at average speed through one cycle of their routine in verifying 40 straps of fit money:

Count	34 min.	20 sec.
Exchange		45 "
Check		54 "
Sealing	2 "	48 "
Delivery		28 "
Returning		35 "
Total	4) 39 min.	50 sec.
	9 min.	58 sec.

We also timed and averaged the same six counters through one cycle of their routine in handling 40 straps of unfit money:

Count	34 min.	30 sec.
Exchange	1 "	
Pasting	13 "	
Canceling	3 "	
Delivery		30 "
Return		30 "
	<u>4)52 min.</u>	<u>30 sec.</u>
	13 min.	8 sec.

From the foregoing, it was apparent that a good average money counter required nine minutes and fifty-eight seconds to verify, check, seal, deliver and restock 1000 fit notes. For convenience, we call this an even ten minutes. It was also apparent that a good average money counter required thirteen minutes and eight seconds to verify, paste, cancel, deliver and restock 1000 rags. For convenience, we call this an even thirteen minutes.

A record is kept of the number of fit notes and the number of rags that each verifier recounts. The multipliers given in the previous paragraph are applied to these amounts and the result is "Minutes' work performed" by each counter. In a six-hour day, which is what we are working at present, there are 360 minutes. Arbitrarily, we figured that an average money counter might waste thirty minutes a day. Therefore, any counter whose "Minutes' work performed" equals or exceeds 330 is called good. A list of such verifiers is posted each morning on a bulletin board in the verifiers' unit under the caption "330 Batters".

Figures of some of the slow ones reduced to "Minutes' work performed" were amazing. We had several counters, for example, who were only performing 200 minutes' work out of the 360. Especially bad cases were talked to or disposed with, but we have found that the lure of making the "330 Batters" list exercises an even more potent influence towards speeding up than any bawling out by the department manager. I have in mind one case of a girl who had been spoken to repeatedly and who, on the first day, showed 212 "Minutes' work performed". Last Friday the same girl showed 334 "Minutes' work performed".

A similar principle has been applied to the breakdown. The result of timing a cycle in this work showed that a good average money sorter would break down and make up 1000 bills in twenty-two minutes. Here again, when reduced to "Minutes' work performed", some of the slow counters were found to be even slower than we thought they were. We post separately a "330 Batters" list for the money sorters. There were five or six on this list the first day and something like 30 last Friday.

Aside from the desirable effect it has on the money handlers, this plan works to the advantage of the department manager and his assistants in that it enables them to visualize the loss in minutes on each lazy and inefficient employee. They regard it as the fairest and most effective plan we have tried out.

The following figures will indicate the improvement which we have been able to bring about:

	<u>April 2</u>	<u>May 1</u>	<u>May 23</u>
No. of Counters	78.4	79.1	69
Total no. of pieces	537,099	718,204	703,348
Average per counter	6,851	9,080	10,193
Average per hour	1,246	1,513	1,699

The hourly average is the real measure of efficiency. With respect to this figure, our change in methods has resulted in an increase of over 36%. If we apply this ratio to a total force of about ninety people, receiving an annual salary of about \$100,000, it will effect a saving decidedly worth while.

EXHIBIT "D"OUTLINE OF METHOD OF ONE BANK FOR POSTING OF LEDGER
AND STATEMENT AT A SINGLE OPERATION.

Member Banks' Reserve Ledgers are in the form of a Daily Statement, the carbon copy of which constitutes the permanent ledger record. The original copy is mailed to the member bank addressed. All posting is done with the Burroughs Bookkeeping Machine.

The operation of transferring balances, posting and proving is exactly the same as though separate ledgers and statements were typed except that both are prepared at the single operation.

The combined ledger and statement form used also allows sufficient space at the foot of the sheet to show in detail all entries to the "Deferred Credit" account.

No credit ticket is prepared and no advice, other than the daily statement, is sent for deferred items, the posting of deferred items to the combined ledger and statement being done directly from the original cash letter. The deferred credits are also posted to a small control ticket, a separate control ticket being prepared for each bank and each availability date. These tickets are cumulative and upon the availability date are used as the posting medium to the reserve account to which each cash letter total is separately posted. The debit entry to the "Deferred Credit" account being the total of the control ticket and including all items available that day.

NOTE: Any bank desiring samples of the forms used, or other information concerning the above operation, will please communicate with the Committee.

EXHIBIT "E"

X-3782c

Outline of Method of Handling Deferred Credits
Without Posting to Ledger Accounts.

1. All deferred Cash Letters received are routed to one point where where they are sorted:
 - (a) According to availability date;
 - (b) According to banks.
2. After sorting as above, tickets are prepared in duplicate, the original being sent to the bank as an advice, and the duplicate being retained for subsequent use as an entry ticket. So far as possible all cash letters of the same availability date are included in the same ticket, a total being shown for each ticket.
3. Adding machine lists are made of these tickets, with a separate total for each availability date, the grand total agreeing with the total of all deferred cash letters received.
4. One entry is made for the total of the day, crediting the general ledger control account "Deferred Credits"; after which the individual tickets are filed in packages as already sorted, according to availability dates.
5. A record is maintained of the total placed in the file for each availability date, so that upon removal the tickets becoming available each day are proved to this record.
6. On availability date all tickets are removed from the file and used as credit entries to the member banks' reserve accounts, the total being offset by one debit entry to the general ledger account "Deferred Credits".
7. The tickets remaining in the file may be easily proved at any time, each day's availability separately and in grand total, to the general ledger control account.

Under the above method the posting of entries, first crediting and later debiting individual deferred account, is avoided, with a large saving of labor and printed forms. This method has been in use more than a year in one of the larger banks and no difficulty has been experienced either in maintaining the proof or in obtaining any desired information.