

Summary of replies received in answer to the Board's letter St. 4167 of July 29, 1924, subject "Expense Budget."

GENERAL SUMMARY

I Banks having some form of Budget Control:

	<u>In effect</u>	<u>Results</u>
1. New York	Since Jan. 1, 1921	Big factor in reducing expenses.
2. Cleveland	Since July 1, 1924	Too early to report.
3. Chicago	(Operating Depts.: Jan. 1, 1924 (Agent's Dept.: For 13 years.)	Has been a material factor in reducing expenses.
4. Kansas City (partial)	During last 2 years	Satisfactory for some departments.

II Banks planning to install Budget System:

	<u>Date</u>
1. Richmond	January 1, 1925
2. Minneapolis	As soon as possible

III Banks not operating under any form of Budget Control and which have made no plans for installing such a system:

1. Boston	3. Atlanta	5. Dallas
2. Philadelphia	4. St. Louis	6. San Francisco

DETAILED SUMMARY

BOSTON

1. Has never undertaken to install a budget system.
2. Budget might be established and lived up to in a few departments.
3. Certain expenses cannot be anticipated: Example - Note issuance and Fiscal Agency.
4. Operations in such departments as Discounts, Transit and Currency are more active at certain times of the month and at certain seasons of the year than at others and force must be maintained to handle peak loads.
5. Trend of expenses has been downward during past two years: Expenses covering first half of 1924 are \$80,000 less than for corresponding period in 1923.

NEW YORK

1. Has operated under expense budget since January 1, 1921.
2. Has been one of the biggest factors in reducing the operating expenses.
3. Plan is as follows:
 - a. Detailed figures covering the principal items of expenditure during the past two years are submitted to department heads to assist them in making estimates. Committee of three officers reviews these estimates and makes report to Officer's Council and the budget is then submitted to directors for final approval.

- b. A monthly departmental expense report with comparative figures shows whether expenses are running within budget and also whether they have increased or decreased over the same period of the year before.
- 4. Supplementing the budget is the following system of making purchases:
 - a. Every requisition must be signed by officers in charge of department and if in excess of \$100 must be approved by senior officer as well.
 - b. Requisition then goes to Planning Division, which passes on its necessity and whether or not the article is standard both for manufacturer and for bank.
 - c. Deputy Governor then vises all purchase requisitions after which they are made upon a strictly competitive basis.

PHILADELPHIA

- 1. Has not put any departments on a budget.
- 2. In a few instances restricted appropriations have been made.
- 3. Cost of food in cafeteria is limited to approximate receipts.

CLEVELAND

- 1. Has just established a budget for the last six months of 1924.
- 2. Budgeted the expense units as now reported in the Functional Expense Reports.
- 3. Too early to report results.
- 4. Plan is as follows:
 - a. Furnished each officer with a form showing cost for the first half of 1924 of the expense units under his supervision and requested a report on the probable expenses for the last half of year. Budget Committee reviewed estimates and approved figures were reported back to officers with statement that the amounts approved were the maximum amounts that could be expended and even these should be further reduced if possible.

RICHMOND

- 1. Has not yet in operation a budget control but expects to install one by January 1, 1925.
- 2. Present system of expense control is at all times under the careful supervision of the executive officers and is designed to maintain a rigid supervision over salaries of employees, promotions and transfers, terminations and replacements, as well as all purchases of supplies and equipment and the distribution of supplies from stock.

ATLANTA

- 1. Has never established a budget system.
- 2. Purchases are made on a competitive bid basis and approved by Managing Committee.
- 3. Board of Directors reviews salaries of employees every 30 days.

CHICAGO

- 1. Operating departments now working under budget plan for first year, although Agent's department has used budget for three years.
- 2. Substantial reduction has been effected in operating force and general expenses of bank and the establishment of the budget is considered a material factor.
- 3. Plan is as follows:

- a. Officers were furnished with forms showing detailed expenses for 1922 and 1923 and asked for estimates for 1924. Procedure Committee reviewed estimates and made necessary revisions. Relationship between actual expense and budget is shown in monthly expense reports.

ST. LOUIS

1. No budget system in effect as local procedure committee has been unable to see wherein a benefit would be derived from its adoption.
2. If budget system is established, it should in no way interfere with the present policy of the bank regarding economy and efficiency, which has been very successful.

MINNEAPOLIS

1. Has never established a budget system for the control of expenses.
2. Suggestion, however, appeals to Governor and such a system will be put in operation as soon as possible.
3. Points out that there are some departments, for example, "Failed Banks" where the budget system would not be applicable.

KANSAS CITY

1. No regular budget system although such a system partially in operation during last two years.
2. Estimates of expenses made at various periods and if actual expenses exceed estimates, an investigation is made.
3. At present operating costs are being compared with expenses for corresponding period of 1923 and any increase will be immediately investigated.
4. Believe in budget system as a whole but could not maintain efficient service if kept within a cost of operation that was estimated during a previous period when conditions may have been quite different.

DALLAS

1. Budget has not been established because it was thought that on account of the size of the organization and the character of work performed, the expenses could be controlled in other ways.
2. If the Board concludes, after a further study, that the plan would work to the advantage of a bank of this size and performing the character of operations performed by us we would be glad to give further consideration to the matter.

SAN FRANCISCO

1. Has not adopted a budget system as a means of controlling expenditures.
2. Functional expense reports have been an admirable means of detecting any material variation in the cost of conducting the different operating functions of the bank. These reports do not, however, provide the essential facts for an interdistrict comparison of expenses.
3. Greatest help we could receive would be a visit from an operating representative of Board's Committee to determine whether or not the bank is economically and efficiently conducting its various operations.