

Finance Department,

Ottawa, Nov. 30th. 1903.

J. M. Courtney Esq., C. M. G., I.S.O.,
Deputy Minister of Finance,
Ottawa, Ont.

Sir :-

As directed by you on the 21st. inst., I went to St. John, N. B., to inquire into the conduct of the office of the Assistant Receiver General and beg to report as follows.

I examined some of the officials under oath and found that the arrangements for safeguarding the treasury were of a very loose character. Verbal instructions which which I gave some years ago for the protection of the treasure in the vault, and which, I understood were followed by written instructions from Mr. Toller were, I found, not being carried out.

The doors of the vault containing the safes, in which are kept the Dominion Notes and gold reserves, are supposed to be under the joint control of the A.R.G., Mr. McLeod, and the Accountant, Mr. Sanoton. The safes are also supposed to be under joint control. These officials are supposed to see that both the vault doors and safe doors are properly closed before they leave the office in the evening, and that the time-lock is set so that the outer vault door cannot be opened before 9 o'clock the following morning. The combinations of the various locks are, according to instructions, known only to the person

having charge of each lock, and it should be impossible for any one person to enter the vault between the hours of closing in the evening and of opening again in the morning.

Mr. McLeod is supposed to have the combination of the outer vault door and Mr. Sancton of the inner one, and each to have one combination on such of the safes as have two combinations, or in the case where there is only one combination lock on the outer door, each of these officials is to have possession of one of the two keys required to open the inner compartments, neither one is to allow any other person to know his combination.

I found the practise to be entirely different, and as follows:-

1st. OPENING VAULT DOORS,- Some time in the summer Mr. McLeod got leave of absence for some days and gave his combination of the outer door to Mr. Ewing, but did not make Mr. Ewing change the combination, and on his return to duty did not change it. On his obtaining further leave of absence for three weeks about a month and a half ago, he again put Mr. Ewing in charge of the outer door without changing the combination. On his return to duty the combination was unchanged and still remains the same. The result is that while Mr. McLeod and Mr. Sancton are responsible for the contents of the vault, Mr. Ewing and Mr. Sancton, if so inclined can enter it without the knowledge of Mr. McLeod.

When Mr. Sancton was away in the summer, Mr. Ewing had charge of the inner door, and on Mr. Sancton's return he (Mr. Sancton) changed his combination but during his absence Mr. Ewing with his knowledge of the combination:

of both the inner and outer door could open both doors if the time lock were not set.

2nd. SAFE DOORS:- Two of the safes are properly handled but a third one in which are sums running from \$200,000 to \$400,000 and which has two combinations and no inner doors is not. This contains what is called the working cash, and one combination only is used regularly. This is in possession of Mr. McLeod, and he has access alone to the safe during working hours.

CLOSING VAULT DOORS,- Mr. Sancton should close the inner door, throw off his combination and set the time-lock on the outer door. Mr. McLeod should see that this is done, close the outer door and throw off his combination. Mr. Sancton should also throw off the outer combination.

The practise is for Mr. Sancton to close the inner door throw off combination and set time-lock and some times to close the outer door also.. Sometimes Mr. McLeod closes the outer door but at other times instructs Mr. Sancton or the janitor to close it for him. In these cases he does not know of his own knowledge whether either of the doors is locked or the time-lock set.

The janitor swore that on, at least, three occasions during the last year he had found both doors unlocked, and that he had closed them and informed Mr. McLeod next morning. Mr. Sancton told me that he remembered having been told of this happening on one occasion. Mr. McLeod swore that he had no knowledge of them ever having been left unlocked, but admitted that it was possible for such a thing to happen, but that the janitor was a

very reliable man and would be sure to close the doors. I am also informed by another very reliable person who had an opportunity of knowing, that on one occasion he knew that the doors were left open during the night. I was also informed that Mr. McLeod on one occasion left two large packages of notes on his table when he left the office and they remained out during the night. He also advances a portion of Mr. Sancton's salary monthly out of his working cash and replaces the same when the pay cheques arrive from Ottawa. This practise has been continued for a number of years.

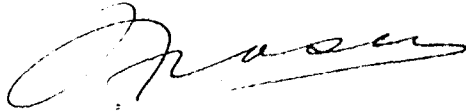
With reference to the work of the office generally, I find that the staff is fairly efficient but there is a tendency from the head down to do things that are not provided for in the printed regulations and not necessary for the working of the office, but to accommodate some depositors who do not find the privileges allowed by the Government with reference to their accounts sufficiently large to meet all their requirements. In these cases I find that those changes are usually in the direction of increased responsibility on behalf of the Government.

In conclusion I have to say that in my opinion the arrangements with reference to the vault and safes are extremely bad and should be changed at once, that the most rigid instructions, explicitly written should be sent to the Assistant Receiver General and any departure from them should be followed by the removal of the person so neglecting his duty, and that in the conduct of the business of the Savings Bank no further departure from the printed regulations be allowed.

I am not very sanguine that even this will put the office in a satisfactory condition, still it ought to improve it. But as it is only visited by an official of this Department once in each year for purposes of inspection, the faithful carrying out of the instructions is dependent almost entirely on the good judgement, discipline, firmness and close attention to duty of the official in charge of the office. If he fails in his part, then officials under his control are not likely to do any better than their Chief.

I am, Sir,

Your obedient Servant,

A handwritten signature in cursive script, appearing to read "R. W. Mason", written in dark ink.