

PREFACE TO THE ORIGINAL EDITION

The abnormal phenomena that are introduced into accounts in ever-changing, infinite variety by thieves have never been adequately understood, and as a consequence adequate protective techniques have not been devised. Some of the results of the failure to establish the fundamentals of morbid accounting are a baffled accounting profession that is attempting to minimize its responsibilities and liabilities in matters of inside theft, a confused business public that does not understand – in the specific engagement – what protection from theft is afforded by the services of accountants, and a mounting national loss.

The author began an accumulation of notes, cases, and ideas about 1930 in preparation for a fundamental work on fraud. Several beginnings at the book proved abortive. It was only when the proven scientific method of the basic sciences was adopted that the subject began to unfold, revealing a new conception of “inside theft,” with broad principles and foundation theory – and promise of great advances in the art of protecting society from the inside thief.

The additive textbook method has been followed in this book. New concepts and corresponding new terminology are introduced in planned order and are defined and discussed as introduced. Thus the consecutive reader will not run afoul of unexplained concepts or terminology. The reference reader, on the other hand, will encounter unfamiliar concepts and terminology, and for such usage a complete glossary of new technical terms is provided, together with a comprehensive index.

The student will find a complete system of general principles and revealing concepts in a fascinating dimension of manipulative debits and credits that encompasses and transcends bookkeeping debits and credits. Public accountants, internal auditors, comptrollers, treasurers, and office managers will find practical ideas, aids, suggestions, and recommendations interspersed with the presentation of theory and generalizations.

To the public accounting profession *Principles of Audit Surveillance* presents a challenge to reappraise its position with regard to inside theft and to assume additional duties, responsibilities, and liabilities in an area where only the accountant is qualified to function and has routine access to the confidential records where evidence of crime is concealed.

A staff manual on fraud compiled in the 1920's by Ralph Turnbull & Company, Springfield, Illinois, came into my possession many years ago. A number of cases from that manual have been used in the present volume with the permission of Ralph

W. Turnbull of the present firm of Murphey, Turnbull & Jones, Certified Public Accountants. Another staff manual of approximately the same vintage, bearing no firm designation, is the source of a number of other illustrative cases.

I am deeply grateful to Lewis A. Carman, Massachusetts Institute of Technology graduate and certified public accountant, for permission to reproduce his article, "The Efficacy of Tests," which was published in the December, 1933, issue of *The American Accountant*, also for his generosity in examining a number of chapters of the completed manuscript, and for his constructive comments. I am also indebted to Joseph F. Cowley, Salt Lake City; Bart M. Hackley, Los Angeles; Dr. Clyde N. Randall, University of Utah; and Wendell L. Richardson, Los Angeles, all certified public accountants, for helpful comments. The author assumes sole responsibility for the general content of the book and for all conclusions and recommendations.

The author attempted to review available existing accounting literature for ideas and illustrative cases, and to give credit to others for their contributions to our professional literature on the subject of audit surveillance against the inside theft. Acknowledgments are given to authors and publishers in the footnotes throughout the volume; however, special acknowledgments are due to The American Institute of Certified Public Accountants for permission to use quotations from *The Journal of Accountancy* and from *Codification of Statements on Auditing Procedure*; Sydney M. Caldwell, F.C.A., for permission to quote from "Methods of Fraud" which appeared in *The Incorporated Accountants' Journal* for May, 1937; *The Controller*, official publication of The Controllers Institute of America, for permission to quote from *The Controller*; The Institute of Internal Auditors, for permission to quote from its official publication, *The Internal Auditor*; New Jersey Society of Certified Public Accountants, for permission to quote from its publication, *The New Jersey CPA Journal*; and The Ronald Press Company, for permission to use numerous quotations from *Auditing, Theory and Practice*, by Robert H. Montgomery, 1912 and 1927 editions.

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February, 1960