

WILLIAM ALEXANDER ET AL.

APRIL 16, 1926.—Committed to the Committee of the Whole House and ordered to be printed

MR. UNDERHILL, from the Committee on Claims, submitted the following

REPORT

[To accompany S. 1792]

The Committee on Claims, to whom was referred the bill (S. 1792) for the relief of William Alexander; Frank M. Clark; George V. Welch; Grant W. Newton; William T. Hughes; Lucy V. Nelson; Frank A. Gummer; Charles E. Mulliken; Leo M. Rusk; Fred Falkenburg; Meary E. Kelly; William C. Hall; Rufus L. Stewart; Hugo H. Ahlff; Paul J. Linster; Ruida Daniel; Faye F. Mitchell; Dollie Miller; Alfred Anderson; Gustavus M. Rhoden; Marie L. Dumbauld; estate of Fred Moody, deceased, having considered the same, report thereon with a recommendation that it do pass.

STATEMENT OF FACTS

This bill refers to losses of various postmasters because of the failure of banks. The postmasters are not permitted to carry their funds in personal accounts, but must carry them in the name of the department. The Postmaster General in recommending the passage of the bill states that postmasters should not be held personally liable for the loss of funds occasioned through bank failures when they have made use of a bank which was, to the best of their knowledge, solvent and where the loss was not due to negligence or fault on the part of the postmaster. The Postmaster General recommends that the amounts be allowed. All of the banks had been approved and passed upon by the Post Office Department.

Senate Report No. 337, Sixty-ninth Congress, first session

CHRIS A. CHULUFAS ET AL.

MARCH 11, 1926.—Ordered to be printed

Mr. MEANS, from the Committee on Claims, submitted the following

REPORT

[To accompany S. 1792]

The Committee on Claims, to whom was referred the bill (S. 1792) for the relief of Chris A. Chulufas, William Alexander, Frank M. Clark, George V. Welch, Grant W. Newton, William T. Hughes, Nellie L. Tandy, Lucy V. Nelson, Frank A. Gummer, Charles E. Mulliken, Leo M. Rusk, Fred Falkenburg, Meary E. Kelly, William C. Hall, Rufus L. Stewart, Hugo H. Ahlff, Paul J. Linster, Ruida Daniel, Faye F. Mitchell, Dollie Miller, Alfred Anderson, Gustavus M. Rhoden, Marie L. Dumbauld, and estate of Fred Moody, deceased, having considered the same, report favorably thereon with the recommendation that the bill do pass with the following amendments:

On page 1, line 4, strike out all after the word "of" down to and including the semicolon after the word "Montana," in lien 1, page 2.

On page 2, line 2, strike out the figures "\$258.57" and insert "\$584.34."

On page 2, line 6, strike out the figures "\$2,017.73" and insert "\$2,012.12."

On page 2, line 10, strike out the figures "\$972.22" and insert "\$970.59."

On page 2, line 13, strike out the figures "\$172.45" and insert "\$253.56."

On page 2, line 17, strike out the figures "\$94.77" and insert "\$119.13."

On page 2, line 20, strike out all after the semicolon down to and including the semicolon after the word "Texas," in line 24.

On page 2, line 25, strike out the figures "\$210.06" and insert "\$278.79."

On page 3, line 11, strike out the figures "\$2,986.29" and insert "\$2,985.63."

On page 3, line 18, strike out the figures "\$45.90" and insert "\$45.70."

On page 3, line 22, strike out the figures "\$139.75" and insert "\$151."

On page 4, line 1, strike out the figures "\$470.35" and insert "\$476.64."

On page 4, line 5, strike out the figures "\$113.33" and insert "\$40.99."

On page 4, line 9, strike out the figures "\$530.15" and insert "\$531."

On page 4, line 12, strike out the figures "\$151.09" and insert "\$153."

On page 4, line 16, strike out the figures "\$363.53" and insert "\$670.29."

On page 4, line 24, strike out the figures "\$60.91" and insert "\$52.54."

On page 5, line 2, strike out the figures "\$970.05" and insert "\$984.70."

On page 5, line 6, strike out the figures "\$187.23" and insert "\$191.36."

On page 5, line 10, strike out the figures "\$801.42" and insert "\$641.14."

The bill has the favorable recommendation of the Post Office Department and the Bureau of the Budget, as will be seen from the following letter, which is appended hereto and made a part of this report:

POST OFFICE DEPARTMENT,
Washington, D. C., February 26, 1926.

HON. RICE W. MEANS,
Chairman Committee on Claims,
United States Senate.

MY DEAR SENATOR MEANS: On December 21, 1925, you referred to this department, with a request for an opinion as to its merits, a copy of a bill, S. 1792, providing that credit be given in the accounts of Chris A. Chulufas and others, late postmasters, for sums due the United States on account of losses of postal funds resulting from the failure of certain banks, which was duly acknowledged. The final reply has been delayed because of the necessity of conducting investigations by post-office inspectors to ascertain the facts in some of the cases.

When the American Bank & Trust Co., of Missoula, Mont., closed its doors, Chris A. Chulufas, then postmaster at Lozeau, Mont., claimed that he had on deposit therein \$110.17 postal funds. It appears from a statement by the receiver that Mr. Chulufas had \$115.07 on deposit in a personal checking account, against which account the receiver charged \$102.78, the amount of a note and interest thereon due the bank, leaving a balance to the credit of Mr. Chulufas of \$12.29. The Postal Laws and Regulations provide that when deposits of postal funds are made in banks they shall not be carried in a personal account of the postmaster, but shall be deposited in an account in the name of "Post Office Department, by _____." If the funds in question had been deposited in an official account the claim against the bank would have been entitled to preference under section 3466, Revised Statutes, and the claim would have been paid in full.

Since the loss was due to the failure of the postmaster to comply with the regulations, it is recommended that relief be not granted in this case.

With respect to the loss of \$189.96 by Nellie L. Tandy, late postmaster at San Juan, Tex., I have to say that this amount was paid to the department by the State banking commissioner of Texas and deposited to the credit of the late postmaster to balance her account on November 13, 1925. There is now no balance due the United States from this late postmaster and this item should be eliminated from the bill.

Following is a statement of the remaining 22 items in the bill:

	Amount in bill	Present balance due United States	Loss due to bank failure
William Alexander, Hayward, Wis., First National Bank	\$258.57	\$377.16	\$584.34
Frank M. Clark, Wells, Minn., First National Bank, Wells National Bank	\$2,017.73	\$2,017.73	\$2,012.12
George V. Welch, Philip, S. Dak., First State Bank	972.22	972.22	970.59
Grant W. Newton, Canadian, Okla., Canadian State Bank	172.45	172.45	253.56
William T. Hughes, Fort Cobb, Okla., Caddo County Bank	94.77	94.77	119.13
Lucy V. Nelson, Joplin, Mont., First State Bank	210.06	211.17	278.79
Frank A. Gummer, Gildford, Mont., Gildford State Bank	392.76	392.76	392.76
Charles E. Mulliken, Hingham, Mont., Farmers' State Bank	850.00	862.24	850.00
Leo M. Rusk, Pocatello, Idaho, Bannock National Bank	2,988.29	2,986.29	2,985.63
Fred Falkenburg, Scotland, S. Dak., Scotland State Bank	126.00	126.00	126.00
Meary E. Kelly, Keller, Okla., State National Bank of Ardmore, Okla.	45.90	41.85	45.70
William C. Hall, Murtaugh, Idaho, Bank of Murtaugh	139.75	139.75	151.00
Rufus L. Stewart, Jennings, Okla., Oklahoma State Bank	470.35	470.35	476.64
Hugo H. Ahlff, Grandmound, Iowa, Peoples' Savings Bank	113.33	116.50	140.99
Paul J. Linster, Sisseton, S. Dak., Guaranty State Bank	530.15	531.00	531.00
Rinda Daniel, Moore Haven, Fla., Everglades State Bank	151.09	151.09	153.00
Faye F. Mitchell, Wanette, Okla., Security State Bank	363.53	563.53	2670.29
Dollie Miller, Booker, Tex., Edwards National Bank	357.61	357.61	357.61
Alfred Anderson, Manchester, S. Dak., Farmers State Bank of De Smet, S. Dak.	60.91	52.54	52.54
Gustavus M. Rhoden, McClenny, Fla., Baker County State Bank	970.05	975.69	984.70
Marie L. Dumbauld, Shaw, Colo., Farmers State Bank of Bovina, Colo.	187.23	190.57	191.36
Fred Moody, Warroad, Minn., First National Bank	801.42	714.88	3641.14

¹ \$72.34 paid on claim by receiver in January, 1926.

² Postmaster has paid about \$100 of shortage with personal funds.

³ Two dividends of \$80.14 each received in February and June, 1925.

The first column shows the amounts of the credits proposed in the bill, the second the balances due from the postmasters according to the records of the General Accounting Office, and the third, the amount of the losses resulting from the failure of the banks named. The difference between the amounts in the second and third columns in certain cases is due to the fact that on the final audit of the postmasters' accounts they were debited or credited with sums found to be due from or to the postmaster which had no relation to the losses resulting from bank failures.

Sixteen of the items in the bill relate to losses through failures of State banks, aggregating \$6,242.35, and six to losses through failures of national banks, aggregating \$6,626.54. In each case the postmaster has filed a claim with the receiver of the defunct bank for the amount of the indebtedness and assigned it to the Postmaster General. On January 11 last the Supreme Court rendered a decision in the case of *Bramwell v. United States Fidelity & Guaranty Co.*, to the effect that claims against insolvent State banks for Government funds are entitled to preference under section 3466, Revised Statutes. The department will probably receive payment in full on all claims against State banks provided the assets in the hands of the receivers are sufficient to satisfy all preferred claims. With respect to claims against national banks, however, the Supreme Court has held that Government funds are not entitled to preference, and on those claims the department will receive only such dividends as may be declared, the amount of which can not be estimated.

All of the losses in these cases represented funds deposited temporarily in banks or funds used to purchase drafts for the purpose of remitting official funds to State depositories, which drafts failed to clear before the issuing bank was closed. The Postal Laws and Regulations provide that postmasters may make temporary deposits of postal funds in any State or national bank and may use drafts of such banks for the purpose of remitting funds to their depositories at their own risk of loss. It is almost necessary that postmasters use banks for these purposes in order to handle the business of their offices efficiently and the department approves the deposit of funds in banks and the use of drafts in making remittances because of the danger of loss through robbery when cash is kept in the office or sent through the mails.

In my opinion postmasters should not be held personally liable for losses of funds occasioned through bank failures when they have made use of a bank

which was to the best of their knowledge and belief solvent and the loss was not due in any way to fault or negligence on the part of the postmaster.

It is therefore recommended that the postmasters named in the foregoing table be given relief in the amounts stated in the third column. If in any case a bill is passed authorizing this department to credit a postmaster in a sum exceeding the balance due from the postmaster the general accounting office has authority to repay to the postmaster the resulting balance due him.

The Director, Bureau of the Budget, has advised that the report herein made in this case will not conflict with the financial program of the President.

Very truly yours,

HARRY S. NEW, *Postmaster General.*

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which was to the best of their knowledge and belief correct and the same was not
 given in any way to make an affidavit in the presence of the witnesses.
 It is therefore recommended that the witnesses named in the foregoing
 be given credit in the amount stated in the audit of the fund. It is only one
 of the many instances of this kind of conduct in which a person is seen
 examining the books and then the witnesses are asked to sign a statement
 and certify to the fact that the books are correct and the witnesses are not
 The Director, Bureau of the Budget, and the Secretary of the Treasury
 having been notified with the financial program of the President.

Very truly yours,

Wm. A. Rouse, Treasurer

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