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Senate Report
Special Senate Committee
Tenth general assembly
1895

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REPORT

OF

Special Senate Committee

APPOINTED TO

Investigate Charges of Extravagance in
Relation to the Senate and
State Supplies.

BY AUTHORITY OF THE SENATE,

TENTH GENERAL ASSEMBLY,

1895

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REPORT.

To the Senate of the State of Colorado:

Your committee, appointed to investigate the expenditures incurred for the Senate for the present session of the Legislature, have confined their investigations to expenditures for stationery and sundry supplies, printing and clerks and employes, and report as follows:

STATIONERY AND SUNDRY SUPPLIES.

The constitution provides that all stationery and printing for the legislative and other departments of the government shall be furnished under contract to the lowest responsible bidder in a manner and below a maximum price to be fixed by law, and that all such contracts shall be approved by the governor and the treasurer. (Mills' Statutes, Section 352.) A statute enacted in 1883 provides: That the secretary of state shall advertise for bids fifty days preceding each regular session for the stationery and other articles required by the legislative, executive and judicial departments for the two years succeeding the first day of January next succeeding, and that the bids shall be opened in the presence of the attorney general and treasurer, or if either be absent, in the presence of the governor. It also provides that the prices shall not exceed the wholesale prices in Denver, and that the secretary may reject all bids. The law does not provide what shall be done if all the bids are rejected. (Mills Statutes, Sections 1777 to 1780.) The

statutes of 1885 (Laws of 1885, page 49) provide that when goods are purchased by the secretary of state, not covered by the contract, they shall be paid for at current prices.

Without giving an opinion upon the sufficient clearness of the constitutional and statutory provisions in this regard, your committee has no doubt that the law clearly makes it the duty of the secretary of state to purchase all the articles referred to at prices not to exceed wholesale prices, either upon advertisement for bids, or otherwise; also, that the secretary should exercise a wise discretion in the amount and quality of materials to be purchased by him; also, that the secretary should make no purchases without the approval of the governor and treasurer, and that the secretary, treasurer and governor virtually constitute a board of purchase in the contemplation of the law as it stands.

The investigation shows that the late secretary, together with the governor and treasurer, executed a contract with The Denver Book and Stationery Company, on December 20, 1894, for the furnishing of stationery and sundry supplies in apparent conformity with the law; but upon an examination of the items of the contract it appears that a number of the articles were contracted for at a price higher than wholesale prices in Denver, though these discrepancies are not very glaring; but it also appears that but a very small number of the articles mentioned in the contract were such as were afterwards purchased. Your committee has not deemed it advisable to go into the most exhaustive detail, but it is admitted by the contractor that not to exceed twenty-five per centum of the articles purchased were purchased under the contract, while an employe in the office of the present secretary, after an investigation made by him, stated that only about \$140 of the stationery bill of \$1,603.19 for the month of January was for articles covered by the contract. It further appears that soon, if not

immediately after the contract was entered into, a list of articles that would be needed was made up by the contractor and the late secretary, or his deputy, with prices affixed, and that these prices were, with very few exceptions, probably not to exceed five or six minor items, the usual retail prices. The contractor thought the advance over the proportionate prices charged under the contract, was from twenty to twenty-five per centum, while others, experienced in the business, stated that the advance was at least from thirty-three to forty per centum, and your committee believe that even that estimate is too low. For instance, it appears that forty-six quart bottles of red ink were purchased, at \$2.25 per bottle, while the wholesale price for the same was stated by the contractor to be \$13.50 per dozen, and by other experts to be only \$12.00 a dozen; pen-holders were charged at thirty-five cents a dozen, while the wholesale price was stated to be not to exceed seventeen cents per dozen; legal cap charged at \$6.40 a ream, was worth \$4.50 per ream; ink erasers charged at \$3.60 per dozen, were worth \$2 per dozen; eighteen hundred large blotters cost the state \$119, while the wholesale price should have been \$46. These are some of the glaring items; the quantities given, however, were purchased for the supply of both the House and the Senate, but did not include supplies for the executive departments.

It is a significant circumstance that the late secretary entered into a contract on December 20, 1894, for the purchase of a large number of articles which evidently were not to be used, while immediately after letting the contract, he entered into this private arrangement under a memorandum, which seemed to contain all the articles required by the legislature. It becomes more significant still when it is considered that this memorandum was made up from memoranda which were in the hands of the late secretary

at the time he made his contract, and which covered the kind and quality of supplies that had been purchased by the state for years past.

It further appears that the late secretary, and so far as your committee is able to ascertain, his predecessor in office, kept no account of the supplies purchased, or of their disposition, so that the present incumbent was at a great disadvantage when he entered upon his office. The present secretary states that immediately upon assuming his duties, he began to make an inventory and made an effort to comply with the law in all respects; but he also states that he, personally, did not make any inquiry into the prices he was paying for goods purchased which were not covered by the contract; that he knew nothing of the existence of the memorandum above referred to, of goods purchased outside of the contract; that he did not think he had authority to question the requisitions made upon him by the Senate for supplies, either as to quantity or quality. It also appears that his subordinates did not know of the existence of the memorandum above referred to, and that they made no effort to obtain the supplies purchased at the lowest possible price, but trusted entirely to the belief that the contractor would do what was right. In fact it appears that the new administration in this regard assumed that the methods pursued by their predecessor were correct, and followed them without question, except as to the matter of making an inventory

METHOD OF DRAWING SUPPLIES.

The standing rules of the Senate provide that the secretary shall furnish no supplies for the use of the Senate except upon a requisition, signed by the chairman of the Expenditure and Supplies Committee of the Senate, and this has been a standing rule of the Senate for many years. But this rule has been almost entirely dis-

regarded. Of all the supplies furnished to the Senate during this session, it is estimated that only about ten per centum were furnished in the manner provided by the rules of the Senate, while the practice was to have the requisition signed by the sergeant at arms. All of the requisitions are conspicuous for lack of certainty in the kind or quality of articles needed. It seems that the clerks and other employes who needed supplies would either select them at the establishment of the contractor, so that he would know what was wanted when the requisition came, or these particulars were given verbally to the sergeant at arms, who gave them verbally to the supply clerk in the office of the secretary of state, who would in turn give them verbally to the contractor. In this way many supplies were purchased of a quality far beyond the need. For instance, there were purchased for the use of the Senate, ninety steel erasers, at an average cost of \$1 each, some costing \$1.25 apiece. There were also purchased fifty-two large shears, at a total cost of \$125. But your committee also find that the greatest confusion has existed in keeping an account of the goods received by the secretary, and his disposition of the same. It seems impossible to tell whether the kind, quality and quantity of the goods charged to, and paid for by the state, were actually furnished to the legislature. The loose paper memoranda which seem to have answered the double purpose of a requisition by the sergeant at arms, and a receipt for the goods by him, and the loose manner in which this matter was conducted, make it next to impossible to arrive at a safe conclusion, whether the materials charged by the secretary of state to the Senate were in fact delivered to the Senate, through its sergeant at arms or other employes. It is safe to say that from the memoranda which your committee were able to find, that that fact is not demonstrated, nor can your committee say that a discrepancy actually exists.

It seems that heretofore a set of blanks was used which would enable a tracing of these materials, from the time they were ordered to the time they were received by the sergeant at arms. Your committee was shown a book of these blanks, and why this form was not pursued, has not been explained, excepting that the subordinate officers in the office of the secretary of state did not seem to know of its existence. Your committee have been unable to discover any extravagance, either in the quantity or quality of materials used in the Senate Chamber, and few of the costly articles purchased were placed on the Senators' desks, and they have made no investigation as to any extravagance that may have been practiced in the committee rooms elsewhere; but from the investigations made, they find that about \$4,000 worth of stationery supplies have been purchased for the use of the House and Senate for the present legislature, and they believe that if these supplies had been judiciously purchased and distributed, in the manner clearly outlined by law, these expenditures should not have exceeded \$1,500. More or less of the supplies purchased are still on hand, but the amount in value your committee has not attempted to determine. The sergeant at arms has made a list of the articles now in his possession. What becomes of the more or less permanent supplies, such as erasers, envelope openers, rulers, dictionaries, inkstands, etc., purchased for the use of former legislatures, was a mystery no one seemed able to throw any light upon.

MILLS' ANNOTATED STATUTES.

Sixty sets of Mills' Annotated Statutes, at a total cost of \$883.20, have been purchased for the use of this legislature. Your committee understand that at the last session, each member of the legislature was supplied with a full set. How this deficiency occurred at this session, your committee were unable to ascertain.

PRINTING.

Your committee find that the contract for printing for the use of this session of the Senate seems to have been let in accordance with law; that there were competitors, and the bid was awarded to the lowest responsible bidder. There was one bid lower than the bid accepted, but it seems that that was not accepted, because the ability of the competitor to comply with the terms was questioned. Under the circumstances, the committee did not further investigate the reasonableness of the prices charged in the contract. The entire cost of printing of bills and calendars, which are the two largest items, and the printing of ready reference files, and the printing of letter heads and envelopes, and such other incidental matters as were required, amounted to about \$2,800, on March 12, and that \$300 or \$400 more will cover the cost of all the remaining printing for this session of the Senate. This, however, does not include the printing of the Senate Journal, and it does not include the printing of any reports of state officers, but does include the report of the special Senate Committee on Canal No. 1.

Incidentally your committee ascertained that the state has paid for printing of all kinds, about \$33,000 since November 1 last, and from the examination, your committee must conclude that if proper economy were exercised in the kind, quality and price of printing, a great saving could be made to the state. For instance, printing the annual report of the Board of Charities and Corrections, cost about \$900, under the contract, while it could probably have been furnished in quality sufficient for all purposes, at not to exceed \$400, or even for less.

STATE WARRANTS.

Much was said about the contractors having to take their pay in state warrants, but it seemed that the state warrants could at all times, with perhaps

an exception or two, have been sold at from two and one-half to four per cent. discount, and that there was never any difficulty in selling unquestioned state warrants.

SENATE JOURNAL.

Your committee understand that, under existing arrangements, it will cost about thirty cents per folio to prepare the Senate Journal for the printer, and reading the proof, while a contract could be entered into at about five cents per folio. They, therefore, recommend that steps be immediately taken by the secretary of state, or other proper authority, to have the Senate Journal prepared at the lowest possible cost to the state, and to see that proper economy is exercised in printing the same.

*CLERKS AND EMPLOYES.

Your committee have not been able to examine in detail the time of the appointment and the amount of labor performed by each of the clerks employed for this session. From an examination of the secretary of the Senate, it would appear that the Committees on Finance, Revision, Judiciary, Enrolling, Engrossing, and two or three other committees, should each have a permanent clerk from the beginning of the session, and that none of the other clerks should be assigned to particular committees, or to particular duties, but should all be placed under the control and management of the secretary, who would assign them from time to time to the different committees, as their labors would be required; that by doing this, we could, at this session, have dispensed with about fourteen of the clerks employed, at a saving of \$5,760 to the state; that the management of the committee rooms should be left to the secretary, and it be made his duty to make the requisitions for the supplies needed by all the clerks, and that thereby a very large saving—at least one-half, and probably two-

thirds of the materials used—could be made; that with the various clerks now employed, assigned to special duties, all of the clerks have been needed for some little time past, but that these clerks have had comparatively little to do, each in his particular department, with some exceptional cases.

From the statements made by the secretary, it appears that the clerks employed were generally efficient. Your committee have every reason to believe that this statement by the secretary was correct, and they are corroborated by the observations and inquiries made by your committee.

Your committee believe, however, that Senate Rule XXXI., section 4, page 28 of the rules of 1895, prohibiting employes of the Senate, or of its committees, soliciting or inviting any senator to vote or use his influence for any bill or matter before the Senate, has not come to the knowledge of such employes, and has been disregarded to a very considerable extent.

CONCLUSIONS.

Your committee conclude, from these investigations, that a sound discretion has not been exercised, either in purchasing the necessary supplies, or in their distribution, and that proper care has not been exercised in taking care of the materials purchased, and seeing to their economical application, and that if greater care had been exercised in these regards, it would have resulted in a great saving to the state.

That the secretary of state had no authority, under the law, to pay more than the wholesale prices at Denver, and they recommend that the payment for all goods purchased at a greater than the wholesale price, be withheld until the legality or illegality of such purchases be established, and the amount properly found due the contractor be fixed or agreed upon; that under the law as it now stands, the secretary, treasurer and governor constitute a board of purchase for the purchase of such supplies, and that

the secretary, in contemplation of law, has no authority to make any purchases without the approval of the treasurer and governor.

That a more detailed and accurate account of goods and materials received by the secretary of state, and distributed by him, should be kept, and that the rules relating to requisitions from the Senate for supplies, should be strictly enforced, and that it would be better that the Senate should suffer a momentary inconvenience than that looseness should enter into the methods of doing business; but your committee see no reason why any inconvenience should result from a strict enforcement of the law and the Senate rules.

In the course of the investigation, your committee became impressed with the necessity of creating some definite board for the purchase of all supplies required by the state, but are not ready to recommend whether such board shall be a new and independent board, or whether it may not be composed of some of the officers of state, such as the secretary, treasurer and governor.

It also appeared to your committee that the officers in charge of these matters were not sufficiently acquainted with the duties prescribed by law, and that much of the extravagance and irregularity have been caused by relying upon prior existing practices.

Your committee further advise that the statute relating to the employment of clerks and employes of the Senate be changed to meet the recommendations of the secretary of the Senate, outlined in the foregoing report.

And your committee further recommend that the attention of the employes of the Senate be directed to Rule XXXI., section 4, relating to lobbying.

The Denver Book and Stationery Company, referred to in the foregoing report, have handed your

committee a statement, which it desires to have submitted with this report, which statement is hereto attached.

OSCAR REUTER,
Chairman.

CHAS. HARTZELL,

DAVID BOYD,
Committee.

STATEMENT OF THE DENVER BOOK AND
STATIONERY COMPANY REGARDING
STATE SUPPLIES.

THE LAW.

Contract articles—"Shall not exceed 'current wholesale' prices."

Articles not covered by contract—"Shall be allowed at current prices at the time of purchase."

We furnish just what is ordered, and charge accordingly.

If contract articles, they are charged at contract prices.

If outside of contract, they are charged at prices quoted before the receipt of or the filing of the order.

The state is not obliged to buy articles of us, that are outside of our contract, nor are we obliged to furnish them.

Our orders come from the secretary of state. Our deliveries are made to him.

The legislature orders from the secretary of state—not from us. He fills their orders from his store room. We rarely ever know what they order, or what they receive.

Orders must be filled at once, whether contract or not. When we happen to be "out of" the stock that is ordered, we buy in the city, if possible; if not, we often telegraph for, and have goods come by express. Contract articles, when supplied this way, often cost us more than we get from the state for them.

Prices—The contract prices are (current) wholesale; outside are not, and are not claimed to be. We get what we think we should have, or we do not want the orders.

Our pay comes to us in state warrants, often after waiting, with an open account, for three, four or five months; then, when we get the warrants, they must be held for an indefinite period—from fourteen to twenty-eight months. If held until called for payment, they carry six per cent. interest. Sometimes they can be sold at once, at a discount of from three and one-half per cent. to fifteen per cent.; other times there is no sale for them at any price. After carrying the warrants for three, four or six months, we have been able to sell them at par to the state treasurer for some of his investment funds; the law does not permit him to pay the accrued interest.

The constitution provides, and the Supreme Court has held, that if the expenditures of any year exceeds the revenue of that year, the auditor shall not issue, and, if issued, the treasurer shall not pay warrants issued in excess of the revenue. We have just such charges *that cannot be paid*, and there is no way for us to *get our pay*, except by a relief bill passed by the legislature.

How are we to know, in the latter part of any year, that the expenditures have exceeded the revenue of that year?

From necessity, we devote a great deal of time and attention to the state supplies, and usually have a large part of our capital locked up in them; *the burden is often a serious one*. We cannot and will not do this without making a fair profit out of the business, and it is not reasonable to suppose that we can. This profit is not a uniform one; very often throughout the term of our contract (two years) we furnish goods to the state at less than they cost; not always because "our bid" is low, but for reasons that we cannot control. A reasonable average can only

be made, by a better profit on some things than we would expect to make, if there were no unavoidable disadvantages in the business.

We feel certain that with the same attention and energy, together with the same amount of capital employed, we can, in other avenues of our business, make an equal profit, without the heartaches and disappointments (and humiliation) that there is in doing business with the state of Colorado.

We respectfully ask that a way may be provided or suggested whereby we may have our contract annulled and our bondsmen relieved.

THE DENVER BOOK AND STATIONERY
COMPANY,

By W. H. LAWRENCE,
Manager.

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