THE CUSTODIAN (1939)

ENEMY SECTION - VANCOUVER OFFICE

REPORT ON THE AUDIT OF THE ACCOUNTS OF THE ENEMY SECTION - VANCOUVER OFFICE FOR THE PERIOD FROM DECEMBER 11 1941 TO DECEMBER 31 1946

PRICE, WATERHOUSE & CO.

CHARTERED ACCOUNTANTS

VANCOUVER, B.C.

PRICE, WATERHOUSE & CO.

MARINE BUILDING

VANCOUVER

February 25 1947

To the Honourable
The Secretary of State of Canada
as Custodian,
Ottawa, Ont.

Sir:

In accordance with instructions received through the Assistant Deputy Custodian, we have made an examination of the books of the Enemy Section maintained at the Vancouver office of the Custodian for the period from December 11 1941 to December 31 1946, and in connection therewith we have the honour to submit the following report:-

The assets of the Custodian - Enemy Section, Vancouver office consist of cash in bank and in a depot account, securities, miscellaneous assets which include one agreement for sale of land and the personal effects of enemies and internees, as well as advances to the Custodian-Japanese Evacuation Section.

We have attached hereto the following statements:-

Exhibit I - Summary of assets under administration as at December 31 1946

Exhibit II - Statement of administration funds and expenditures for the period from December 11 1941 to December 31 1946

Exhibit III - Credits in respect of assets vested in the Custodian as at December 31 1946

Exhibit IV - Summary of cash as at December 31 1946

Exhibit V - Summary of securities as at December 31 1946

In connection with these statements and our examination generally, we would make the following remarks:-

CASH

The liability of the Custodian - Enemy Section in respect of cash received amounted to $1,157,821.00 which may be summarized as follows:-

Investment in Dominion of Canada Bonds	$ 672,000.00
Advances to the Custodian - Japanese Evacuation Section	421,000.00
Cash in banks	64,821.00
	$1,157,821.00

The investment in Dominion of Canada Bonds consists of:-

Second Victory Loan	3%	1954		$110,000.00
Third " "	3%	1956		59,000.00
Fourth " "	3%	1957		77,000.00
Fifth " "	3%	1959		38,000.00
Sixth " "	3%	1960		94,000.00
Seventh " "	3%	1962		179,000.00
Eighth " "	3%	1963		65,000.00
Ninth " "	3%	1966		50,000.00
				$672,000.00

The bonds listed above were examined on December 31 1946 at the Royal Bank of Canada, Vancouver, where the bonds were held in a safety deposit box, access to which was available to the Vancouver Director or Mr. W. J. Johnston jointly with either the Comptroller or the Chief Accountant.

Purchases of Victory Bonds were vouched by reference to authorizations approved by the Counsel to the Custodian and the Comptroller.

Throughout the period under review purchases of bonds were allocated to enemy persons and the disbursements therefor charged to the individual personal accounts, and such bonds together with bonds turned over to the Vancouver office by the Controller and Liquidator of Controlled Companies for the account of controlled companies were ear-marked for the individual accounts. Interest received on the securities while these were under the control of the Vancouver office was credited to the individuals' accounts.

As at December 31 1946 all securities, except those subsequently referred to in this report under the caption - "Securities", were transferred to the Investment Account by entries crediting the individuals' accounts. Similarly, entries were made in March 1946 to reverse the credits to the individuals' accounts for interest received on these bonds and to transfer the income to Administration Funds. Since that date the income has been taken direct to Administration Funds.

The cash in banks at December 31 1946 was reconciled with certificates received by us direct from the depositaries. The enemy trust bank account was opened on March 26 1942 at which date the first cash transactions relating to this section occurred.

We summarize below the work carried out by us in respect of the bank accounts of the enemy trust section for the periods indicated:-

For periods generally of one month in each quarter:
Cancelled paid cheques and bank debit memos were checked to the disbursement records, examining the endorsements of the cheques. Deposits shown by the cash receipts records were checked to the bank statements.

For the period March 26 1942 to December 31 1946:
The total cash received and disbursed as shown by the cash records was reconciled with the deposits and withdrawals as shown by the bank statements.
The monthly totals of the control columns of the receipts and disbursements records were traced to the cash control ledger, and the postings were checked to the individual accounts in the ledgers for all items of receipts and disbursements over $500.00.
The additions of the cash receipts and disbursement records were checked.
Funds released and other payments such as advances to internees or payments on behalf of internees and enemies were vouched with the authorizations on file. Prior to September 1942 no standard authorization form was in general use and authority for payments comprised memoranda approved by one or more of the Authorized Deputy of the Custodian, the Counsel for the Custodian, the Deputy's assistant or secretary. Subsequent to September 1942 authority was evidenced by approved cheque requisitions signed by one or more of the Counsel for the Custodian, the Vancouver Director, Comptroller or Chief Accountant.

Trial balances of the individual cash ledgers, in which the liability of the Custodian in respect of cash received is recorded, were checked to the balances shown in the accounts of the individuals and the total thereof was

agreed with the cash control ledger as at December 31 1946. For a considerable period prior to this date the balances in the sectional control accounts were not in agreement with the totals of the trial balances of the individual accounts although the total of the sectional control balances and of all individual accounts agreed with the cash control account balance. This condition arose through the practice of transferring ledger sheets for accounts of individuals reclassified from one section to another without making appropriate entries in the sectional controls to record such reclassification. At December 31 1946 the trial balances of the individuals' accounts in the several sections showed the following segregation:-

Internees	$ 30,581.59
Residents of Japan	1,042,604.93
Sundry enemy accounts	84,634.48
Total per cash control ledger	$1,157,821.00

The Comptroller assured us that the individuals' accounts included in the foregoing figures were properly classified and accordingly new sectional control accounts were opened as at December 31 1946 recording the respective amounts shown above.

All debit balances noted in the individuals' accounts were listed and amounted in total to $473.54. The debit balances principally represent investigation and appraisal fees and advertising costs in connection with assets which have not been realized.

Advances have been made to the Japanese Evacuation Section of the Vancouver office of the Custodian amounting to $421,000.00 at December 31 1946. This balance was confirmed by comparison with the amount recorded in the books of the Japanese Evacuation Section.

SECURITIES

The liability of the Custodian in respect of securities vested in him amounted to $322,189.50 which is made up of:-

Dominion of Canada bonds and war savings certificates, other bonds and shares held by the Custodian	$247,189.50
Dominion of Canada and Province of British Columbia bonds held by the Department of Finance, British Columbia	75,000.00
	$322,189.50

These securities represent bonds and shares purchased by Japanese or controlled companies prior to vesting in the Custodian and investments by the Custodian or the Controller and Liquidator of Controlled Companies, on behalf of Japanese or controlled companies. The liability of the Custodian in respect of these securities has not been credited to the individuals' accounts in the cash control ledger at December 31 1946 pending decision by the Custodian as to the status of the individuals or companies, i.e. their classification as evacuees or enemy companies.

In arriving at the above values, bonds, war savings certificates and shares have been valued at par, or in the case of no par value stocks at a nominal value of $1.00 per share, but in many cases where it is known that the stocks have little or no market value the value placed on such stocks is one cent per share. We have been advised by the Comptroller of the Vancouver office that the actual market value at December 31 1946 of the securities recorded on the registers was approximately $340,000.00.

Interest received on the above securities while under the control of the Vancouver office of the Custodian has been credited to the individuals' accounts in the cash control ledger. On determination of the status of the individuals or controlled companies for whom the securities are held, the Vancouver office proposes to transfer the interest on the bonds of enemies to the Administration Funds and interest on bonds of internees to the Japanese Evacuation Section.

The work carried out by us on the Securities Section was as follows:-

Securities released or disposed of were vouched and the authorizations examined. The requests for release or disposal on the files do not bear evidence of approvals but this approval is stated by the Comptroller to be indicated by the initials of the authorizing officials against the entries for withdrawal of the securities in the vault record. We therefore compared the credit entries in the security register with the initialled withdrawal entries in the vault record as evidence of approval.

Lists of securities at December 31 1946 were prepared in the Custodian's office. These lists were checked by us against the descriptions and balances shown in the security register and the additions of the list were checked.

The securities held directly by the Custodian in the safety deposit box at the Royal Bank of Canada, Vancouver, were examined on December 31 1946 and the remaining securities called for by the register (held by the Department of Finance, Province of British Columbia under the requirements of the Trust Companies Act re Japan and Canada Trust Savings Company) were confirmed by a certificate received by us direct from the Deputy Minister of Finance.

REAL ESTATE SECTION

The only asset vested in the Custodian remaining on the books of this section is a balance of $250.30 owing on an agreement for sale of improved land formerly owned jointly by an internee and an evacuee. One half of the collections from this agreement have been credited to the internee's account in the cash control ledger and the remainder has been credited to the Evacuee Section.

CAT. # 424. Int. 780. HATANAKA. Yoshio (Rpat)

4779. Hosaki Takeji

One property held by the Custodian and known as the Tenrikyo Church of Canada, is not recorded on the books. Title to this property was registered in the name of a priest, who returned to Japan prior to the war, and disposal of the property has been postponed pending decision as to whether the church should be treated as property of the parish or of an enemy.

No register has been maintained of the real estate under the control of the Vancouver office but schedules recording particulars of property released or sold were made available to us. We were informed that these properties represented all the real estate which had come under the control of the Enemy Section excepting one unsold property, that of the Tenrikyo Church of Canada. By reference to the files of the respective individuals we made a test-check of approximately one-third in number of the

transactions reported on these schedules, selected at random, with copies of the relative quit claim deeds, sales agreements, etc., by means of which the recorded sales prices were confirmed. The proceeds of these sales were checked to the general cash receipts record and to the individual accounts in the cash control ledger.

The individual files do not contain in all cases specific authorization of the sales and releases signed by Vancouver officials but it was observed, from correspondence and copies of deeds, etc. examined during our test-check, that the documents completing the transactions had been forwarded to Ottawa for execution by the Deputy Custodian or Assistant Deputy Custodian.

All real estate under the control of the Custodian was administered by agents. As a test-check of the rental and other revenue received from these sources, we compared the entries in the real estate cash journal with the rental statements received from the agents and examined the vouchers supporting the agents' disbursements. The net amounts remitted by the agents were checked to the general cash receipts record. This test-check was limited to approximately one month in each quarter of the period under review.

Certain personal effects, including collections of Japanese and other coins, a watch, birth certificates, wills and other documents were recorded as memorandum entries in the securities register and no value has been placed thereon for inclusion in the amount of the total assets. Particulars of these effects were recorded on the list of securities at December 31 1946. These were checked with the security register and the effects were inspected by us at the safety deposit box on December 31 1946. No life insurance policies are held at the Vancouver office but, so far as funds held permitted, premiums on life policies have been paid for the account of enemy persons on receipt of premium notices from the insurance companies.

Personal effects and chattels of enemy persons, including the balance of fishing boats and gear turned over by the Fishing Vessel Disposal

Committee, have not generally been recorded on the books of the Vancouver office except in the files of the individuals. We did not examine these files in detail but we are informed that, with a few minor exceptions, all personal effects and chattels have been disposed of and the proceeds accounted for in the financial records of the Vancouver office.

ADMINISTRATION SECTION

Details of the administration revenue and expenditures for the period from December 11 1941 to December 31 1946 and of the assets representing the surplus of administration funds as at December 31 1946 are set out in Exhibit II.

The following detail work was carried out by us in checking this section for the entire period under review, except in respect of the cash book which was checked for the periods indicated:-

Cash book:
For periods generally of one month each quarter-
Cancelled paid cheques and bank debit memos were checked to the cash book, and the endorsements of the cheques examined.
Deposits recorded in cash book were checked to the bank statements.

For the period December 11 1941 to December 31 1946-
Total cash received and disbursed as shown by the cash book was reconciled with the deposits and withdrawals as shown by the bank statements.
Postings of cash book totals were checked to the control ledger.
Additions of cash book were checked.
Vouchers for disbursements were examined and distributions checked.
Bank balance was reconciled at December 31 1946 and confirmed by a certificate received direct from the depositary.

Journal:
Entries were examined and vouched.
Postings and additions were checked.

Control ledger:
Postings and additions were checked.
Trial balance as at December 31 1946 was checked.

Payments for salaries were checked with the payrolls and all changes in the salaries confirmed as having been authorized by the Director of the Vancouver office. The payrolls were seen to have been properly approved. Travelling expenses were checked with properly approved expense reports.

Organization expenses amounting to $7,209.95, representing fees and expenses of Messrs. P. S. Ross & Sons in connection with the organization of the Vancouver office and the installation and supervision of the accounting system, were vouched with invoices or other supporting documents.

Purchases of furniture and equipment during the period under review were analyzed and approved vouchers therefor examined. During December 1946 substantially all of the furniture was transferred to the Japanese Evacuation Section. The balance remaining in the furniture and equipment account at December 31 1946 amounted to $565.00 and represented five typewriters forwarded to and said to be held by the Ottawa office of the Custodian. Depreciation amounting to $144.70, representing the difference between cost and disposal value of equipment transferred, was charged to office supplies account. Sundry minor fixtures, totalling $145.67, were abandoned and written off to office supplies account. So far as we could ascertain all liabilities at December 31 1946 had been discharged at that date.

In addition to the advances from the Enemy Section, previously referred to, advances have also been made from administration funds to the Japanese Evacuation Section of the Vancouver office of the Custodian amounting to $304,500.00 at December 31 1946. This balance was confirmed by comparison with the relevant liability recorded in the books of the Japanese Evacuation Section.

* * * * *

Advances have been received from the Ottawa office of the Custodian throughout the period under review for the purpose of administering the Japanese Evacuation Section and Enemy Section of the Vancouver office. The

total of such advances to December 31 1946 was $375,000.00 and our representative has confirmed this amount by reference to the records in the Custodian's office at Ottawa.

Interest received on investments and temporary savings bank deposits of the Enemy section, amounting to $39,120.24 and $625.89 respectively, have been credited to administration funds during the period under review. Interest accrued on investments at December 31 1946, amounting to $5,810.00, has not been taken up in the accounts at that date.

Certain securities were purchased by the Controller and Liquidator of Controlled Companies and subsequently turned over to the Vancouver office of the Custodian. Interest received on these securities has been accounted for by the Vancouver office by credits either to administration funds or to the accounts of individuals from the respective dates of receipt of the securities from the Controller and Liquidator of Controlled Companies. We are informed that steps have been taken to obtain from the Controller and Liquidator of Controlled Companies an accounting of the interest on the securities for the periods from the dates of acquisition of the securities until they were turned over to the Vancouver office, in order that this income may be carried to the credit of administration funds.

CONTROLLED COMPANIES

A number of companies and firms which were owned by enemy persons were placed under the control of Messrs. P. S. Ross & Sons as Controller and Liquidator on behalf of the Custodian. No entries are made on the records of the Enemy Section of the Vancouver office of the Custodian relative to these controlled companies until such companies have been liquidated and the proceeds remitted to the Vancouver office of the Custodian except as noted below. Certain bonds and securities have been received from the Controller and Liquidator for the account of these companies as referred to previously in this report and such bonds or securities have either been credited to the appropriate accounts in the cash control ledger or have been

recorded in the securities register. In addition, fees of the Controller and Liquidator have been paid out of funds of the Vancouver office against collections of a corresponding amount received from the Controller and Liquidator out of the controlled companies' funds. We are informed that there are about thirty companies not yet liquidated, still under the control of Messrs. P. S. Ross & Sons. Our examination did not extend to the accounts of the controlled companies nor did we endeavour to obtain direct confirmation, from the Controller and Liquidator, of amounts remitted to the Vancouver office of the Custodian.

* * * * *

In submitting this report we would point out that our work was mainly concerned with an examination of the books of the Enemy Section of the Vancouver office of the Custodian and a general review of the accounting methods employed. We did not examine all of the numerous files maintained for individuals and, therefore, we are unable to state definitely that all assets vested in the Custodian have been entered on the books.

We take this opportunity of expressing our appreciation for the assistance and co-operation of the officials and staff of the Vancouver office of the Custodian and for the courtesies extended to our representatives.

We have the honour to be,

Sir,

Your obedient servants,

Price, Waterhouse & Co.

Exhibit I

THE CUSTODIAN (1939)

ENEMY SECTION - VANCOUVER OFFICE

SUMMARY OF ASSETS UNDER ADMINISTRATION

AS AT DECEMBER 31 1946

(as recorded in the books of the Enemy Section maintained at the Vancouver Office)

Internee a/cs 30,591.59
Enemy (Japan) 693,040.51
Enemy Cos. 434,189.90
1,157,821.00

Cash:			
Invested in Dominion of Canada bonds - at par (per Exhibit IV)		$672,000.00	
In banks-			
Enemy Trust account	$54,821.00		
Depot account	10,000.00	64,821.00	
Advances to the Custodian - Japanese Evacuation Section		421,000.00	$1,157,821.00
Securities - valued at par or nominal value of $1.00 per share (per Exhibit V):			
Dominion of Canada bonds (Internee a/cs 175005.00; Enemy Japan 5835.00)		$244,450.00	
Dominion of Canada War Savings Certificates (Enemy Cos. 190 x 00 = 355.00; 1119.00 x 3 x 15 9.00 = 76,240.00)		76,240.00	
Other Canadian bonds (Price to value of debentures not carried in our Books)		1,114.00	322,159.00
Shares - in railway and mining companies, etc.			250.30
X $5.00 warrants listed by Price W as Enemy Section Security (Sub file 1046 - file changed in 1943 to Evac file 2421. 05 shares)			
Other assets:			
Real estate agreement for sale, etc.			$1,480,230.30
Total of assets vested in the Custodian			307,467.87
Administration funds (per Exhibit II):			
Excess of assets over liabilities			$1,787,698.17
Total assets			

Exhibit II

THE CUSTODIAN (1939)
ENEMY SECTION - VANCOUVER OFFICE

STATEMENT OF ADMINISTRATION FUNDS AND EXPENDITURES
FOR THE PERIOD FROM DECEMBER 11 1941 TO DECEMBER 31 1946

Funds advanced by Ottawa office		$375,000.00
Revenue:		
Interest on bonds	$39,120.24	
Interest on bank accounts	625.89	
Administration fees	9.20	39,755.33
		$414,755.33
Less-		
Expenditure:		
Salaries	$74,221.91	
Office rent	8,940.78	
Organization expenses	7,209.95	
Travelling expenses	7,483.31	
Office supplies	2,980.40	
Office and general expenses	2,054.93	
Telephone and telegraph	2,358.72	
Postage and excise	1,070.79	
Protection of property	624.38	
Advertising	342.29	107,287.46
		$307,467.87
Surplus of administration funds as at December 31 1946		$ 2,402.87
Represented by:		
Cash in bank	304,500.00	
Advances to Japanese Evacuation Section - Vancouver Office	565.00	
Office equipment		
Liabilities - NIL		
Surplus, as above		$307,467.87

THE CUSTODIAN (1939)
ENEMY SECTION - VANCOUVER OFFICE

CREDITS IN RESPECT OF ASSETS VESTED IN THE CUSTODIAN

AS AT DECEMBER 31 1946

	Cash received	Securities	Real estate	Total
Internees	$ 30,581.59	$ 636.50	$250.30	$ 31,468.39
Residents of Japan	1,042,604.93	11,294.60	-	1,053,899.53
Sundry enemy accounts	84,634.48	310,227.90	-	394,862.38
	$1,157,821.00	$322,159.00	$250.30	$1,480,230.30
Administration funds - surplus at December 31 1946				307,467.87
Total - per Exhibit I				$1,787,698.17

THE CUSTODIAN (1939)
ENEMY SECTION - VANCOUVER OFFICE

SUMMARY OF CASH

AS AT DECEMBER 31 1946

Recorded credits as at December 31 1946 in respect of cash transferred to Enemy Section - Vancouver Office				$1,157,821.00
Accounted for as follows:				
Investment in Dominion of Canada bonds-			$110,000.00	
Second Victory Loan	3%	1954	59,000.00	
Third Victory Loan	3%	1956	77,000.00	
Fourth Victory Loan	3%	1957	38,000.00	
Fifth Victory Loan	3%	1959	94,000.00	
Sixth Victory Loan	3%	1960	179,000.00	
Seventh Victory Loan	3%	1962	65,000.00	
Eighth Victory Loan	3%	1963	50,000.00	$ 672,000.00
Ninth Victory Loan	3%	1966		
Advances to the Custodian - Japanese Evacuation Section				421,000.00
In banks				64,821.00
				$1,157,821.00

THE CUSTODIAN (1939)
ENEMY SECTION - VANCOUVER OFFICE

SUMMARY OF SECURITIES

AS AT DECEMBER 31 1946

	Internees	Residents of Japan	Sundry enemy accounts	Total
Dominion of Canada bonds	$350.00	$ 8,100.00	$236,000.00	$244,450.00
Dominion of Canada War Savings Certificates	210.00	145.00	-	355.00
Other Canadian bonds	-	2,240.00	74,000.00	76,240.00
Shares	76.50	809.60	227.90	1,114.00
	$636.50	$11,294.60	$310,227.90	$322,159.00