

interest at the rate of 12 per cent. per annum on \$18,297 56, money which had been procured by him to tide the Government over their financial difficulties. The other payment of \$1540 00 was made on the 31st of March, 1884, to Messrs. W. G. Irwin & Co., who charged 9 per cent for similar accommodation.

Indemnity to Judd and Kapena appears to have been for advances made to these gentlemen by Messrs. W. G. Irwin & Co., but for what purpose we are unable to state.

The sum of \$7408 00 has been paid to C. O. Berger for sundry soundings made in the channels by the steamer W. H. Reed. This payment is covered by a Cabinet Resolution of February 10th, 1884, but we can see no legal authority for this disposition of funds.

A Resolution of the Cabinet Council of February 10, 1884, authorizes a draft upon the Loan Fund.

For Gov't Buildings and Hospitals.....\$3,000 00
For Telephone and Telegraph..... 10,000 00

A proceeding without warrant of the Appropriation Act, and an assumption of power resting only with the Legislature, or in case of emergency as set forth in Article 15 of the Constitution, with the Privy Council. Under this unwarrantable appropriation the Ministry caused to be drawn from the Treasury during the last days of the period.

For Gov't Buildings and Hospitals.....\$4,632 63
For Telephone and Telegraph..... 7,408 00

And strange to say we find that the Auditor-General passed upon these accounts although in the terms of Section 7 of Chapter 23, Session Laws of 1882, he was bound to ascertain that the sum mentioned in the warrant of the Minister of Finance were then legally available for and applicable to the services mentioned in the warrant. Moreover, the Auditor is commanded, that in case he shall find that the sums in the warrant mentioned or any of them are not then legally available or applicable to the services or purposes in the warrant set forth, he shall return the said warrant to the Minister of Finance for correction.

As the Loan Fund had been exhausted and the general funds of the Treasury already drawn upon for some \$300,000, your Committee cannot come to any other conclusion than that the Ministry and Auditor-General were acting in collusion for the expenditure of public moneys in violation of the Constitution and Laws of this Kingdom.

Your Committee further find that out of moneys thus illegally drawn from the Treasury, there was deposited with the Registrar of Public Accounts,

On the 31st of March, 1884, the sum of.....\$44,248
And the unexpended balance of the appropriation for Police Court Buildings which had also been drawn out, say..... 13,000

.....\$57,248
This money is being used by the Minister of Interior for current expenses and the following payments had been made from it up to the date of our examination:

To Hilo, Lanes on account of contract.....\$7,368 03
To Hawaiian Carriage Co..... 1,303 08
Lovejoy & Co for cancellation of lease..... 2,250 00
Pacific Bridge Co..... 500 00
G. W. Macfarlane & Co. wharfage on water pipe..... 294 00
G. W. Macfarlane & Co. interest on drafts payment of which had been refused..... 2,971 50

THE HAWAIIAN COINAGE.
By the Act of this Assembly, approved by the King, August 17th, 1880, the Minister of Finance was "authorized to purchase gold and silver bullion with any moneys which may from time to time be in the Treasury, and to cause to be coined therefrom gold and silver coins of the value following, that is to say, gold coins of the value of \$20, \$10, \$5, and \$2.50; and silver coins of the value of \$1.00, 50 cents, 25 cents, and 12 1/2 cents."

And also that "all such coins shall be of equal weight and fineness with U. S. gold and silver coins of the same value."

The Currency Act of 1876 made "the gold coin of the U. S. of America the standard and legal tender in all payment of debts at their nominal value; and silver coins of the U. S. legal tender in payments not exceeding \$50. That Act also imposed a duty of ten per cent. *ad valorem* on all silver coins imported into this Kingdom, from any country with which His Majesty has not any treaty to the contrary," upon a proclamation to that effect made by the King in Privy Council, such proclamation was made on the 2nd of June, 1880, from the fact that as silver was not equal in value to gold, dollar for dollar, instead of U. S. gold coming into the country in payment of our exports, people were actually importing silver coin which cost them from 83 to 94 cents per dollar, to pass here at 100 cents per dollar.

As British sovereigns which are actually worth \$1.54 as compared with U. S. gold, were rated by the Privy Council at \$5.00 each, the result was that the importation of sovereigns for profit was largely carried on.

Every one brought silver here until the duty was imposed on it, and then they brought British sovereigns.

The Coinage Act of 1880 was undoubtedly intended to keep the proportions of gold and silver coin exchanged, since otherwise there would have been no object in placing a duty on the importation of silver coin. If the Minister had been authorized to sell what gold there was in the country and bring silver coin here, there would have been no gold remaining to carry out the law of 1876.

The Minister was authorized to buy gold and silver with nothing else, but "with the moneys that may from time to time come into the Treasury."

The Loan Act of August 5th, 1882, authorized the Minister to borrow on the credit of the Hawaiian Government "such sums not exceeding in the whole sum of two million dollars for the purposes in this Act set forth, for which he could issue bonds *ad not less than par*," the principal and interest being payable in U. S. gold, or its equivalent.

As the holder of these Hawaiian bonds would take nothing but U. S. gold coin or

its equivalent in payment, there was no doubt that the same value, and no less, ought to have been paid to this Government by the lenders before such gold bonds were issued.

But the Minister did not follow either the Coinage Act of 1880 or the Loan Act of 1882. He bought no bullion to be coined into gold and silver coins, but agreed with Mr. Spreckels to take \$1,000,000 in silver Hawaiian coins in exchange for the U. S. Gold Bonds of the Hawaiian Government.

Four hundred and twenty-five thousand dollars of this silver has been brought into this country by Mr. Spreckels in dollars, each valued at 81 1/2 cents as compared with U. S. gold, and \$500,000 in half dollars, quarter dollars, and ten cent pieces (not 12 cent pieces as the Act required). Two of these half dollars are worth 79 cents as compared with U. S. gold.

There are two kinds of U. S. dollars—the trade dollar, containing 420 grains of silver, and worth in New York 83 cents at the quotations of March last, and the standard dollar, containing 412 1/2 grains, and worth there say 81 1/2 cents to the dollar, the half dollars containing less silver, and are worth 39 1/2 cents each in the United States.

One result of bringing all this silver here instead of U. S. gold, and instead of exchanging the gold and silver in the Treasury for Hawaiian gold and silver coins of like denominations, has been that there is no U. S. gold or British gold to be found in circulation, and even the American standard dollars have disappeared.

This is a loss to this country and a gain to those who have brought the cheaper silver which has driven away the dearer coin.

If the Minister had followed the Acts above named, there would have been no such loss.

AUDITOR-GENERAL.

The Act to regulate the receipt, custody and issue of public moneys, which was passed by the Legislature of 1882, was at the time supposed to have been framed for the purpose of providing some check on the improper disbursement of public moneys, but such does not appear to have been the result, as it seems simply to have provided a way for profligate Ministers to shift the responsibility of illegal acts to the shoulders of a weak and incompetent official.

Your Committee, on visiting the Auditor-General's office, found that no books of record were kept, except a small book in which he copied out the cash sheet which is furnished him at stated intervals by the Minister of Finance, and which is a copy of the cash book kept in the Finance Department; that no record of any of his transactions was to be found, and that he had nothing but his memory to rely on for any of his official acts; he further stated that it was his custom to approve whatever accounts were presented to him, as long as there was money in the Treasury.

Your Committee further find that the office which has been fitted up for him in the Government Building seems to be used principally for the prosecution of his private business affairs, which is in direct violation of Section 16 of the Act under which he holds his appointment. In proof of the foregoing statement, we may say that there are vouchers on file in the Interior Department which bear his approval as Auditor-General, and which were subsequently collected by him as agent for a contractor who had large and questionable dealings with the Government; evidence has also been procured that the Auditor-General has, during his tenure of office, virtually acted as agent of sundry insurance companies, as persons of unimpeachable veracity have testified that he had many dealings with him, having paid and received sums of money in regular business transactions; he was also, on the 11th of February, 1884, the consignee of a shipment of produce per schooner Jenny Walker, from Fanning's Island; a portion of which he afterwards shipped per "Kalakaua" to San Francisco on the 13th of February, consigned to his agent at that port. Further instances of his violation of Section 16 of the Auditor's Act could be multiplied *ad infinitum*, but your Committee think that sufficient has been proved to convince the House that the prolongation of the present occupant in the office of Auditor-General would be detrimental to the best interests of the country; at the same time they wish it to be distinctly understood that they recognize the absolute necessity of a good act for the audit of public accounts, and the appointment of a man of integrity and independence of character to the position of Auditor-General.

DEPARTMENT OF FOREIGN AFFAIRS.
The accounts and vouchers of this department have been carefully examined, and we find that confusion exists; numerous transfers have been made in the way of charging to one appropriation payments that by right belong to another, and it is only by the most laborious and critical analysis that the true cost of a service can be determined. We will now pass in review the various items that call for comment.

The appropriation entitled "Office Expenses of Foreign Agents" has been expended mostly for legitimate purposes; we were, however, struck by the very large sums paid to the *Pacific Commercial Advertiser*, say \$1,595.29, which is a little more than one half of the entire appropriation. On looking into the matter, we found that some bills had been paid twice, and that by comparison with the regular charges of other printing offices the rates paid to the *Advertiser* were much higher than they ought to be; in one most glaring case a bill for subscriptions, amounting to \$384.32, had been paid twice; restitution for this has, however, been made since we discovered the transaction, by the payment of the amount

into the Treasury as a Government Realization.

The Coronation Appropriation of \$10,000 has all been expended. On the 26th of August, 1882, Col. C. H. Judd received the sum of \$7,000; a Mr. Buckman received \$650 for painting; a sum of \$800 is charged for entertaining Japanese guests, and the *P. C. Advertiser* took \$281.50 for printing and advertising, the remainder of the appropriation being disbursed for sundry petty expenses for the object intended.

With regard to the appropriation for "Expenses of Foreign Missions," the Report of the Minister of Finance informs us that the sum of \$25,000 was drawn for this purpose, but this statement does not agree either with the books of the Finance Department or those of the Foreign Office; the actual disbursement was \$25,095.58, and the books were made to balance by drawing the sum of \$95.58 from the appropriation for the "Encouragement of Immigration," in the Interior Department, and crediting the same to "Expenses of Foreign Missions," a most extraordinary and unwarranted proceeding. The principal expenditures of this appropriation are as follows:

Two saddles and bridles.....\$ 57 16
J. M. Kapena, Japanese Mission..... 3,512 50
H. A. P. Carter's Mission..... 3,983 37
C. P. Lanke, no vouchers..... 9,300 00
H. A. Pierce, Boston Exhibition..... 1,900 00
Sundry payments to, and for account of F. L. Clarke's Polynesian Mission..... 624 43

Under this appropriation we find the sum of \$50 was drawn April 14, 1883, on account of the Fishery Exhibition, which was not expended, but is in the hands of J. S. Webb, Acting Secretary of the Department. We recommend that the amount be returned to the Treasury as a Government Realization.

The appropriation for the "King's Guard," according to the Report of the Minister of Finance, has been sufficient for the purpose; but such is not the case, as a sum of \$1,159.49 was drawn from the appropriation for "Purchase of Ordnance" and used to pay off the men for the month of March. Amongst the items charged to this account is an amount of \$630 to the *P. C. Advertiser* for printing a book of rules for Volunteers, which was paid for on the 8th of March, 1883, and delivered in an unfinished condition on the 9th of May, 1884; the proper charge for doing this work has been estimated by two practical printers, one of whom quotes \$280 and the other \$225. There was also used for this account a considerable sum which was drawn from the appropriation for "Aid to Volunteers."

Under this appropriation is a charge of \$1,000, April 30, 1883, paid for Guard in attendance on inauguration of statue at Kohala. Of this amount \$57.32 was subsequently returned to the Treasury as a Government realization. This account was not audited or approved.

Also, under date of October 7, 1882, is a charge of \$2,799.02 for 19,993 yards of duck.

The appropriation for "Aid to Volunteers" has all been expended:—
Col. Judd received.....\$3,700 00
Uniforms, a large portion of which were for the King's Guard..... 5,322 49
Proportion of Freight on Battery..... 694 75
P. C. Advertiser..... 56 75
Sundry Incidentals..... 386 01

Of the appropriation for "Arms and Accoutrements" Col. Judd received \$12,500; the Consul at Vienna, for a battery, \$7,000, and \$357.98 was the proportionate amount charged for freight on same.

The appropriation for "Purchase of Ordnance" was all expended for that purpose. An amount, however, was subsequently charged to the account, say \$1,159.49, and used to pay off the King's Guard. The freight on the Ordnance amounting to \$2,377.73 was divided as follows:—
To Arms and Accoutrements.....\$ 357 98
To Aid to Volunteers..... 694 75
To King's Guard..... 215 00
To Attorney-General's Department..... 1,200 00

\$2,377 73
We find \$979 charged to the appropriation for the Government Library, March 29, 1884, for gold coin exported to San Francisco to meet an account there.

From the accounts made up between the Foreign Office and Col. C. H. Judd, it appears that the Government owes Col. Judd the sum of \$2,926.92 on account of disbursements made by him abroad, which has not yet been settled.

The amount expended on account of the appropriation for receptions and incidentals is stated in the report of the Minister of Finance to be \$19,993.04, but the actual amount drawn from the Treasury on this account was \$20,393.04, the excess of \$400 being covered by a Cabinet resolution which appears in the Indemnity account on page 33 of the Finance Report.

Some of the items of expenditure are as follows:—
Coronation.....\$10,985 72
Printing and Advertising..... 1,445 05
Newspaper Subscriptions..... 308 45
Office Expenses..... 2,275 99
Carriage Hire..... 176 45

As there was a special appropriation for the Coronation, the amount expended as above for that purpose is unauthorized, except that portion of it used to entertain the Japanese Embassy, amounting to \$3,954.31. An illustration of the confusion of accounts is seen in the fact that the above amount was only a portion of the cost of entertaining the Japanese Embassy, there having been used for the same purpose from the appropriation for the Coronation \$766.40, and from the proceeds of sales of furniture and buildings the sum of \$428.72, making the total expenditure on account of these visitors, \$5,149.43.

The funds of the Coronation expenses were derived as follows:—
From Coronation Appropriation.....\$10,000 00
Receptions and Incidentals..... 10,985 72
Sales of Furniture and Buildings..... 3,837 95
And besides these there are liabilities yet outstanding..... 3,399 66

Total cost of Coronation.....\$33,223 33
The items of expenditure may be classified as follows:—
Paid to Col. Judd, no vouchers rendered.....\$7,000 00
Expended in excess by Col. Judd..... 1,979 42

Buildings.....\$1,147 81
Removing Buildings..... 181 40
Printing and Advertising..... 767 00
Prizes, etc., for regatta and horse race..... 986 00
Use of furniture and tent, cloth for trimming, etc..... 1,381 13
Tabu stick and Kahili stands..... 575 00
Freight and cartage..... 395 50
Still due Williams, Diamond & Co..... 309 97
Dressmaking, Uniforms, etc..... 4,256 56
Salutes, Music and Illumination..... 1,860 00
Entertainment of Japanese..... 5,149 43
Miscellaneous Expenditures..... 579 33

Total.....\$33,223 33

Among the vouchers submitted for our inspection under this appropriation was a bill of Mr. F. H. Hayselden for seven turkeys at \$3.50 each, also a bill for two pairs of corsets, and another for a bustle; the items struck us as rather extraordinary, but we note that they met with the unqualified approval of the Auditor-General.

Sales of furniture and buildings amounting to \$3,837.95, have been mentioned. Of this amount \$860.99 is a credit on a bill of G. W. Macfarlane & Co. for a certain portion of the corrugated iron roofing used on the Coronation Amphitheatre, amounting to 14,978 lbs which was returned. A sale of another portion of said roofing to J. G. Hayselden, number of pounds not mentioned, brought \$625. An auction sale by Byons & Levey of lumber and benches realized \$789.79, and of furniture and household utensils used by the Japanese Embassy netted \$1,562.07.

The proceeds of these sales should have been conveyed into the Treasury as Government realizations; any other disposition of such funds is strictly prohibited by law.

From an examination of the account sales the Committee find a considerable number of articles of furniture, etc., which are entirely unaccounted for, and which cost in the aggregate \$1,266. Some of the items are as follows:—

1 Carriage and harness.....\$875 00
4 Chairs..... 32 00
3 Spring mattresses..... 29 00
25 00
3 Pair blankets..... 29 00
1 Six-light chandelier..... 33 00
1 Bath tub..... 14 00
21 00
2 Dressing cases..... 40 00
Numerous smaller articles..... 168 00

It may be presumed that these articles are still in the safe keeping of the proper Government officials.

INTERIOR DEPARTMENT.

Your Committee spent much time in investigating this Department, and were considerably delayed by the unavailability of the books. By examining the Reports of the Ministers of Finance and Interior, it will be noticed that there are no less than twenty-one different accounts on which they cannot agree; so far as we have been able to ascertain, the errors appear to be in the Interior Department, and in our opinion are caused by the employment of young and inexperienced boys to do work that ought to be in the hands of efficient accountants. We would recommend that a lump sum be placed in the Appropriation Bill for "Pay of Clerks of Interior Department," so that the Minister might use his own discretion with regard to salaries, as to increasing or diminishing the same, as the qualification of the incumbent may determine.

The salary of the Minister has been overdrawn to the extent of \$500. No mention of this appears in the Finance Report, but an investigation demonstrated the fact. We believe that the Hon. J. E. Bush, who was Minister at the time, denies the receipt of the money, but there is ample evidence to prove that the sum was paid to the chief clerk of the Interior Department.

The salary of the Jailor of Oahu Prison appears to have been drawn regularly by the Marshal, although there has been no occupant of that office since the 27th Jan'y, 1884.

There is a difference of \$600 between the Reports of the Finance and Interior Departments in the amount paid for "Compiling Laws"; this is caused by drafts of Judge McCully for that amount being drawn direct upon the Treasury, instead of going through the usual routine of the Interior Department. We find that the English version of the laws is now in the hands of the binder, but not a single line of the native has yet been placed in the hands of the printer, although a sum of \$200 has been drawn by the Hon. J. M. Kapena on this account, he at the time being, as we are informed, employed for the purpose of preparing the native version. A sum of \$500 was also paid to the *P. C. Advertiser* on the 1st of March, 1882, as an advance on printing same, but no work appears to have been done, and a contract for printing both versions having been made with the *Gazette* office, we recommend that His Excellency W. M. Gibson, the then proprietor of the *Advertiser*, be made to refund the money.

The appropriation for Incidentals of this department has been overdrawn to the extent of \$1,116.59. We find that express hire forms a considerable portion of the over-draft, as \$476.60 has been spent as follows:—
C. T. Gulick.....\$138 25
J. A. Hasselner..... 90 00
J. E. Bush..... 72 00
Clerks and Messengers of Department..... 180 35

Rent of private telephones also enters somewhat largely into this account, as we find that Mr. J. E. Bush had his telephone paid for to the extent of \$46.20, and Minister Gulick absorbed the sum of \$139.90 for the same purpose in the months of February and March alone. The remainder of the disbursements call for no special comment.

ROADS AND BRIDGES.
The Committee found in the Department of Roads and Bridges and the Road Tax, that although the chief clerk has adopted a systematic and comprehensive plan of classifying the various expenditures, yet his assistants were unable to explain how they had reached certain results, and it was with great labor that some of the facts sought by the Committee were obtained. It may be said that if there is any defect in the general system of accounts in this department, it is that while a strict account is kept with each appropriation and the drafts made upon it, it does not include a close supervision of the accounts of the various Road Supervisors. These men are, or should be, chosen for their executive ability or special knowledge of local necessities, and are not expected to be proficient in the details of book-keeping. The Department should therefore have such a system of checking their returns that any error would be promptly discovered and corrected, not only to prevent incidental loss to the department, but to

preclude any temptation to dishonesty that might arise if a road agent found that errors in footing or balances carried forward were overlooked.

In the case of the returns from the Road Supervisor in Chief of Hawaii, apparently the cash balance remaining in his hands at the close of each quarter was not carried forward into the report of the next quarter, and the clerk who had checked over the report could not explain the matter. The Road Supervisor, Mr. Arnold, was sent for, and the explanation was a simple one, the cash balance in each case was included in a lump sum with the draft for the next quarter. A comparison of the district reports with the general report would have disclosed this, and the clerk should have been able to explain it as once.

Another fact was shown which illustrates the importance of some lucid method of following up the Road Supervisor's account. Mr. Arnold has made the attempt to keep his numerous accounts in regular shape, but has not had the services of an experienced bookkeeper all of the time, and in some way errors have crept in so the balance on hand shown in his ledger account with the Minister of the Interior was nearly \$300 less than the amount reported by him in his last quarterly report. He said the report was correct, and that he would have the errors in his ledger rectified.

In this district there was a sale of four mules, carts, and harness, which were no longer needed, realizing \$1,418. This should have been returned to the Treasury as a Government realization, but was used to pay current expenses, the Supervisor in Chief acting under instructions from the Minister of the Interior. The chief clerk of the Interior, recognizing the improper nature of the disbursement, put the items in a "supplementary account," which was not included in the regular account, excepting a balance of \$245.67 which escaped the notice of his assistant and was carried forward into the regular account. It was noted that the expenditure for feed in the district of Hilo seems excessive, the amount charged for that purpose being \$2,162.17. From Jan. 2 to March 12, 1884, the oats purchased by Mr. Arnold from the estate of W. H. Reed, on account of the Government, amounted to 7,229 pounds. According to the accounts of purchases of live stock noted by your Committee, Mr. Arnold had been keeping during that time only four mules and one horse belonging to the Government.

The work on roads and bridges is one of great importance in the affairs of the Kingdom, both on account of the large sum of money expended yearly for it, and because it affects the convenience of the whole public in every district throughout the group.

During the last period the expenditures in this department amounted, according to the report of the Minister of Finance, to \$305,094.55, besides the amounts expended for wharves and landings. It seems out of the question that the Minister, with his very numerous other duties, is able to look after this large sum so closely that it shall be spent efficiently and economically, especially if it is to be expended by road supervisors in each district who are responsible only to him. Either there should be an efficient and faithful Road Supervisor in Chief for each Island, who shall have the power to discharge inefficient or incompetent district supervisors on his Island, or the Minister of the Interior should have a special assistant for this work, who should be held responsible for all the road work in the Kingdom; to whom all district supervisors should report, and who should also be a competent engineer to plan and superintend the construction of any bridges, wharves, or special pieces of road work that may be required.

In more than one instance the total expenditure for a district during the whole quarter was the salary of the District Supervisor. It seems rather extravagant to pay for a Supervisor while for a number of months there was no work whatever done in the district. The Road Supervisor in Chief had no power to discharge or suspend the District Supervisor, and could not do otherwise than approve his drafts for amount of salary.

The plan of having a Road Supervisor in Chief for each Island is one that has been tried only within the past two years, on three of the Islands; Hawaii, Maui and Oahu. No Road Supervisor in Chief has been appointed for Kauai.

The traveling expenses charged by these officers are as follows:—
Road Supervisor in Chief, Hawaii.....\$ 921 50
" " " Maui..... 17 00
" " " Oahu..... 90 00

CONTRACT WORK.

In examining the expenditure under the special appropriation for bridges and landings and Government buildings, your Committee find that the manner in which contracts were made and approved for many of these things must be characterized as disgraceful.

The contracts to build landings at Honolulu, Honomailine, Honokaa, and Kohala were given to Messrs. Lawrence & Freeth on specifications drawn up by themselves. The contracts were signed by J. E. Bush, Minister of the Interior, without the approval of the Superintendent of Public Works, and without any effort to reduce the cost by allowing competitive bids. Mr. B. Stirling, Superintendent of Public Works, stated to your Committee that he had made estimates of the cost of these landings before the appropriations were made, but in each case the contract was made at a higher figure than his estimate, and on completion the work was not as good as provided for in his estimates.

A contract was made with E. B. Thomas to build a kerosene oil store house for \$4,890. It adjoins the old oil store house, so that only one side and two ends were required for the new building, and a roof of corrugated iron and iron gutters for the eaves. In addition to this, Mr. Thomas was paid \$216 for stones left by him on the ground, being the debris left by his stone cutters, and stones hauled by him in excess of that required to complete his contract. Also the sum of \$1,069 25 was paid to Mr. Lazarus for hauling 611 loads of stone; all of this extra stone being used for the floor and approach to the building, and to fill a low place outside. Besides this, in order to complete the cement floor, it was necessary to spend \$914 75 for labor and material. It is difficult to see where so many loads of stone could have been put. The price paid for hauling this stone was \$1 75 per load. The estimate made by Mr. Stirling for the cost of this building, including the cement floor complete, was \$4,250. This estimate was handed in to the Minister of the Interior before the contract was made, but was evidently ignored.

A contract was also made by Mr. Bush with E. B. Thomas to rebuild the wall in