

COUNCILOR, BUCHANAN & MITCHELL

A HISTORY

As prepared by Edna Nick at the request of Burns McLindon

On January 21, 1921, James Allan Councilor founded the firm of James A. Councilor & Company, now known as Councilor, Buchanan & Mitchell, P.C. He was head of the Consolidated Returns Division of the Bureau of Internal Revenue (now the Internal Revenue Service) prior to that date.

He realized that the fairly new income tax was not going away and that firms throughout the United States would be needing representation in Washington, D.C. before the Bureau of Internal Revenue located there.

During the early days, the firm represented such well-known companies as Swift & Company, Libby, McNeil & Libby, Columbia Gas and Electric Company, and Remington Arms. At that time writing briefs and conducting negotiations with the Bureau was the major part of the practice, with very little actual tax preparation. An exception to this was Columbia Gas & Electric Company, with a return being prepared for them annually. This required the assignment of two tax men to West Virginia from January to September 15, when the return was filed. The September 15 filing date required a special extension, which was almost unheard of in those days.

As time went on, it became obvious that large corporations would find it essential to establish their own tax departments, in order to develop more expertise in dealing with the Bureau of Internal Revenue. It also became evident that the firm should develop a department dealing with auditing and the preparation of tax returns. The decentralization of the Internal Revenue Service later confirmed the accuracy of this decision. In 1929 the Audit Department was established as Councilor & Buchanan under the supervision of William Gordon Buchanan, and the Tax Department continued as James A. Councilor & Company.

During the next few years, John E. Brown, Mr. Councilor's top tax man, aided Swift & Company in establishing its own tax department, spending the better part of a year in Chicago on that assignment. The firm also documented and prepared briefs on their so-called Cattle-Loan case, with two men headquartered in Portland, Oregon for about two years in investigating and accumulating data in that connection. This case was finally settled before the Tax Court of the United States in Swift's favor. The lawyer recommended by our firm charged \$1,000,000 for his services, a startling amount for that period. Our firm billed only the regular charges as agreed upon for all services with the client and Mr. Councilor was surprised and pleased with a Christmas gift that year of \$10,000,

In those days there were no "Big Eight", "Nine," or "Four" and one of the largest and best known accounting firms at the time was Lybrand, Ross Brothers & Montgomery (now PricewaterhouseCoopers). One of the important accounting textbooks of the day was written by Robert H. Montgomery.

Ms. Nick chose not to follow a profession deemed appropriate for a "lady" such as a school teacher, but instead took courses in accounting at Benjamin Franklin University, as she believed the magazine ads that promised fame and fortune with a degree in accounting. Unknown to Edna at that time was the problem that women were not accepted as CPA's and that no one would hire them. Edna decided that it would be more difficult to explain an early return home than to "stick it out", even though she was warned by the doorkeeper at the Capitol building that only once before had a girl shown up, and she had not made it to the second day. Further trying her was the sputtering steam radiator in her YMCA room that seemed to her as if it would explode!

The second day went much better. The principal problem was a Consolidated Balance Sheet on which the Fall class, where she had sat for a review of possible problems, had spent some six weeks of concentrated effort. How lucky can one be? Her persistence paid off - in November, 1929 she became the first woman to pass the CPA examination in the Commonwealth of Virginia.

Having her certificate withheld until she received her two year's of experience in a CPA office, she began applying for CPA positions and only reached "C" under CPA's before being employed by Councilor & Buchanan in January 1930. Ms. Nick was probably one of the first women to be employed in that capacity by an accounting firm and certainly among the first to become a Special Partner and a General Partner some years later after the death of James A. Councilor. She retired in 1981 after 51 years with the firm.

In 1934 during the Depression, the firm was awarded a contract by the Farm Credit Administration to audit the Federal Home Loan Bank of Omaha. A hardy group traveled to wintry Omaha, headed by William Gordon Buchanan and a number of CPAs and staff, including one woman. In the group were some temporary staff, many happy to have such an assignment in those difficult times. One was Benjamin Regardie, later the head of a fine local accounting firm. He spent the winter in Omaha during which time his first child, a son, was born. No one could afford the time or the money to travel home, half way across the continent, during those times. With the group was Ross (Shorty) Lehman, the one who kept everyone's spirits up, and who remained with the firm for some time before leaving to go with the Finance Department of the D.C. Government. Also included in the group were two brothers who had been released by Lybrand; they told the typing department that on every Lybrand Certificate there was a comma in a specific spot helping to avoid counterfeiting. Another team member, an accountant, was hired from behind the counter of the fish aquarium in Murphy's, or its predecessor, who later became the Controller of Ciba, U.S. headquarters. He was of Swiss heritage and spoke a number of languages.

The completion of this audit and the preparation of its report took almost a year. When the bill was presented, the Farm Credit Administration maintained that a day was 24 hours long and that the charge for 12 hours, for instance, as a day and a half was inappropriate. This resulted in our filing a suit in the Court of Claims. Supported by other accounting firms of stature, we won this suit and the bill was paid as presented. This was a landmark case in establishing the principle, at that time, that an accountant's day was eight hours.

In 1937 William Gordon Buchanan resigned from the firm and formed his own firm, known as Buchanan & Company. On (August 14, 1935) the Social Security Act was passed.. James Councilor strongly believed that it was not properly funded and would not endure. His first belief certainly was well-founded, the second will probably be disproved for many reasons.

In 1937 several "special partners" were added to the firm: Millard O. Charlton, who left in 1946 to form his own firm; Edward E. Hayes, now deceased, retired some years later to live in Florida; W. Baldwin Buchanan, no relation to William Gordon Buchanan; D.L. (Dooly) Mitchell; James A. Councilor, Jr.; and Edna Nick.

James A. Councilor died on February 14, 1945, and in 1947 the firm name was changed to Councilor, Buchanan, Mitchell & Hayes.

Over the years, it is easy to forget the many changes in the day-to-day operations of a CPA firm. Once upon a time, there were no Xerox copier/printer machines, much less a word processor or even an electric typewriter. If a client requested eight copies of a report, he got them, requiring the skill of a typist with the heaviest touch. Of course, the last copy wasn't very legible, but the client didn't seem to mind since one was furnished for a board member who merely stuffed it in his desk without reading it. (This applies to Howe's Leather Company, a long-time Boston client.) If more copies were needed, it required extra typed copies with additional proofreading, adding, etc. The invention of the electric typewriter helped somewhat, although one of the firm's best typists resisted that improvement strongly.

For many years, reports were fastened in their covers with small eyelets and a matching gray ribbon threaded through and tied in a dignified bow. Getting this bow just right with tired hands was not the easiest thing to do, but it was customary for all dignified firms to respectfully adorn their client's reports.

A number of nights were spent assembling statements for the United Mine Workers of America for next-day meetings with Mr. Councilor aiding in the collating and assembly process. This client, fortunately or unfortunately, was one of our neighbors across the hall in the Tower

Building at the time. How the typists envied their top secretary who dressed like a fashion plate and was reputed to earn \$200 a month. Some things never change.

The firm has always been involved in civic and charitable programs and activities. Starting with the second campaign, the firm audited the Community Chest Campaigns. At that time campaigns lasted ten days with perhaps an extra day or two if they didn't meet their goal. Each day's receipts were reported at a one o'clock luncheon, and the entire day's receipts audited that afternoon and night to be reported correctly at the next day's luncheon. One year there was an incomplete rainbow erected in front of the Treasury Department, the proper proportion to be completed according to the audited results supplied by our firm each morning. Another year it was a large thermometer with the mercury rising in accordance with reports. By the end of the Campaign, those of our staff who worked on the campaign audit, while also working on some on-going projects in the office in their "spare" time, were exhausted. Times have changed.

Mr. Councilor was, among other things, Master of his Masonic Lodge; Potentate of Almas Temple of the Shrine; Comptroller for many years and President for a term of the President's Cup Regatta Association and the Boys' Club of Metropolitan Police D.C. (now the Boys' and Girls' Club of Metropolitan Police D.C.); member of the Board of Trade and Civitan Club; and Comptroller or Chairman of the Audit Committee, as the title was from time to time of most Inaugural Committees, Democratic as well as Republican, beginning with that of President Hoover.

Inaugural Committees, in-so-far as planning the Civic activities in the City were concerned, were primarily the responsibility of the citizens of the City and the members, with the possible exception of the General Chairman, were often the same from one four-year term to the next. The formal ceremonies at the Capitol were, of course, the function of government including assignment of parade units, budgeting, establishing the number and price of parade seats, location and charges for Inaugural Balls, etc., were responsibilities of this committee and the sub-committees including Finance, Comptroller, and more. These committees and sub-committees were especially hard-pressed when the date of the formal ceremonies was pushed up from March 4 to January 20.

The year of the bank closings, the day after the Inauguration of Franklin D. Roosevelt in 1933, was a nightmare in many ways. Checks deposited in various accounts such as "Parade Tickets" or "Ball Tickets" -- so carefully set up by the Comptroller -- bounced back into old accounts, if at all. Of course, not every bank re-opened. The firm had to call in an extra person to help sort out these problems, which were not the only ones of the time.

The beginning of the Boys Club was on a very small scale with fundraising beginning primarily from boxing bouts. They were usually held in a ring set up on the street, and one of the most exciting parts was a bout between two small boys who usually had some difficulty getting their boxing trunks to stay in place.

CBM has been involved in the growth and development of the accounting profession. Beginning with James A. Councilor, Sr., who was President of the DC Society of CPA's and the American Society of CPAs (later merged with the AICPA's, both newly formed), CBM has provided six Presidents of the D.C. Society: Millard T. Charlton; D.L. Mitchell; E. Burns McLindon; Thomas A. O'Neil and Lewis F. Bidle. Grover B. Russell is now on its Board of Governors.

In addition to the retired and/or deceased partners mentioned in preceding pages, there were the following:

Louis Cox, who lived in New Hampshire with his wife Kaye, and enjoyed cross-country skiing together.

Donald McMullen, who returned from the Second World War as a Major, was a Colonel in the Reserves when he died after a long illness. He was buried with full military honors in Arlington Cemetery. Don, for many years, was a Santa Claus' assistant at Christmas parties.

Sydney Lawrence, retired in 1984, also served in the Second World War and was in the FBI thereafter and was in the VFW.

It should also be noted that James A. Councilor, Jr. was in the Navy at the time of his Father's death in 1945. Due to his poor eyesight, he did not serve overseas but was involved primarily in renegotiating government contracts with private contractors. He was involved, in later year, in many of the activities his father had pursued such as Boys' Club, Presidents Club Regatta, and was Controller of several Inaugural Committees.

As of 1984 the partners of the firm are:

W. Baldwin Buchanan (Bill), who as one who knows all the answers with respect to estates and trusts among other things, has always been a staunch supporter of Gonzaga High School (and not only by sending sons there as students from time to time) so much so that its athletic field is officially named "Buchanan Field". Nowadays in social circles, he is probably best known as "Patrick Buchanan's Father", Patrick being a well-known journalist and syndicated newspaper columnist; or "Angela Buchanan's Father", Angela having been Treasurer of the United States and actively involved in Reagan Campaigns.

Dennison L. Mitchell (Dooly) was a lawyer, a CPA, and a widely known tax expert. Dooley was probably most proud of being the D.C. and Middle Atlantic States tennis champion for years and being in the 1932 Men's Tennis Georgetown Athletic Hall of Fame. This is as demonstrated by the many trophies his wife displays (and keeps polished) around his home. He was still hard to beat in the 1980s. Incidentally, his wife, Vivien, was Mr. Councilor's secretary when she and Dooly became engaged and married, and she resigned.

Some items that come to the surface during the night (history keeps one awake) which may or may not be of interest:

1. In 1929 the Tax Department staff (James A. Councilor & Company) consisted of John E. Brown, second to Mr. Councilor in authority, Millard T. Charlton, and Edward E. Hayes, who spent much time in West Virginia preparing the Columbia Gas & Electric returns and later on the West Coast in connection with the Cattle-Loan case. Millard Charlton was also called in to handle the Hoover Inaugural day-to-day problems facing Mr. Councilor as Comptroller. James D. Cushman was added to the Tax Department shortly

after it was formed. He was a professor and an able tax man but liked very long sentences in briefs or other reports. One day Mr. Councilor, who was a perfectionist, asked him to explain such a sentence. Mr. Cushman read it aloud, his voice rising and falling in all the appropriate places, so that it made perfect sense. However, the written product was simplified.

2.

The Audit Department Staff under William Gordon Buchanan consisted primarily of W. Carlisle Floeckher and E. Hayden Gibbs, who came to the firm with Mr. Buchanan, and left with him. Mr. Floeckher was known for his remark when there were no adding machines available (this was before the day of calculators and computers) that the results must be achieved through "main strength and ignorance". Mr. Gibbs (known as "Gibby") was known for his opposition to PEPCO and also to the Community Chest. He felt strongly that a client read only the "Comments" as he called it and if not restrained would include a full page schedule in the middle of the text.

Incidentally, it was known that a very important client looked at the bottom line on the Profit and Loss Statement and then dropped the report in the bottom drawer of his desk, never to be retrieved. So much for a beautiful report with a perfectly tied bow of ribbon.

3. In 1929 the newly organized firm moved from the Woodward Building on H Street, N.W. to the newly furnished and handsome offices in the Tower Building on the corner of 14th and K Streets.

Before long there was an added advantage. The drugstore on the ground floor was air conditioned, some 20 degrees cooler on the inside as the advertising of the day went. It is understood today that this much variation from 90 humid degrees outside is not entirely safe. However, in the middle of a hot afternoon, one or two at a time, most everyone repaired to the drugstore for a five-cent coke and a cooling off period. Fans were abundant in the office but created many problems when one employee didn't have enough breeze and another in the same room caught cold from the smallest draft.

Across the street was the new Ambassador Hotel with a small but good dining room. Many Christmas parties and a happy occasion announcing the coming marriage of Dooly Mitchell and Vivien Essex were held there, in one of the private rooms. The hotel has since been torn down and replaced.

When the space at the Tower Building became insufficient, a move was made to the newly completed Wire Building on the corner of Vermont Avenue and K Street, N.W.

The Wire Building had the latest architectural triumphs, including large therma-pane windows to help control the outside temperature effect, which succeeded in making the room temperature nearby five degrees colder in winter and five degrees hotter in summer. It also had electrical outlets for connecting typewriters, adding machines and lamps sprouting up here and there in the floor to a height of six inches or so, with few, if any, in places which could be covered by desks.

In the Wire Building, Sholl's New Cafeteria (having to find another home) occupied the first floor and brought about a complete exodus from our offices during certain morning hours where they could assemble and enjoy a five-cent cup of coffee and a chat. The government building across the street emptied at the same time, interesting to watch from an upstairs window. Needless to say, there were some tactful suggestions from the partners.

Another change during the stay in the Wire Building, female employees were given permission to smoke at their desks. This was not only fair but efficient, since it avoided frequent trips to the powder room

The next move was to the Equitable Building at 3900 Wisconsin Avenue, N.W. At this time, the firm's name was changed to Councilor, Buchanan & Mitchell, P.C. This move was made with some doubts as for many years partners had felt that we should be in or near the "Financial District", in the 15th Street area near Riggs Bank, W.B. Hibbs & Co. (brokers) and other financial companies. However, sufficient space could not be found,

and an analysis proved that with the growth of the Metropolitan Area, our staff worked often miles away from the office, parking downtown was a problem and the principal adjustment to be made was probably on the part of office workers who rather liked to trot down (or on the bus) to Garfinckels or Woodies on lunch hours. It became a very popular move, and no other might have been contemplated had the building not been sold, and incidentally, we again needed more space.

Due to growth in the practice, space needs have also required changes in the office in Bethesda.

4. In the past the firm has had two branch offices. One, for tax work only, was located in Chicago, Illinois, and then moved to Phoenix, Arizona under the management of John E. Brown. There was some teasing that he had found a delightful place for retirement. After his death, this office was closed as James A. Councilor, Jr., the only other partner involved in this venture, did not wish to move to Arizona.

The other office was established in Greensboro, North Carolina under the management of Frank Sproul. He came to Councilor & Buchanan from the Richmond office of A.M. Pullen & Company, a prominent Virginia firm. At that time, our firm had some clients in the Carolinas. However, the office did not grow as anticipated and was closed with Frank Sproul remaining in North Carolina and opening an office of his own.

5. In the old days, the Opinion Letter was called a Certificate and that word appeared in caps on the letterhead below the date. The last paragraph began, also in caps, "We Certify That". As time went on, this first page of a report was listed in the Index as "Transmittal Letter", and this was followed by the change as we see it today, the Independent Auditor's Report.
6. No overtime was paid in the early years. The extra time was appreciated and usually recognized when salaries were reviewed for possible increases and, more rarely, with a yearend bonus.

For a while, typists were paid one dollar an hour for overtime work on the briefs or reports for certain clients if the fee was known to be sufficient to cover it. As time went on, however, it became obvious that any other client's work was usually done in regular hours and the dollar-an-hour clients' in overtime. At that point, overtime was abolished.

7. Dooly Mitchell, and later Tom O'Neil, went to law school, took and passed the bar examination at a time most attorneys were questioning the right of accountants to represent clients on negotiations with the tax examiners.
8. During Prohibition days, Mr. Councilor, like many otherwise law abiding citizens, had a bootlegger who delivered small supplies of an alcoholic liquid which was sent to a doctor in the neighborhood for testing before drinking. In later years, Scotch was his drink, and new staff were sometimes slow to learn that his request for more ice should be taken literally.

Mr. Councilor frequently went to his conferences in Chicago on the Capital Limited train which left at 6:00 p.m. On the days that this occurred the office clerical staff was kept busy aiding in cleaning his desk and leaving everything tidy. Shortly before six (it was against his principles to arrive more than five minutes before six) he would cram on his hat (always a good one that after about two days looked like a fisherman's favorite), grab a briefcase and his suitcase and head for the door to take a cab to Union Station. After one such mad flurry, with the clerical staff collapsed and trying to catch their breath, one of them dashed into his room, crammed on a hat, picked up a briefcase, and dashed for the door, bumping into Mr. Councilor. He had missed the train.

Anyone working on Saturday afternoon was treated to fragrant pipe smoke and the Metropolitan Opera matinee on the radio. There was only one radio in the office, in Mr. Councilor's room, and the staff gathered around it to hear the abdication speech of Edward the Eighth of England when he announced his upcoming marriage to Wallis Warfield Simpson.

Mr. Councilor also loved giving parties. One of the most memorable included various games of chance with fake money purchased from Garrison's Toy and Novelty Company. Enormous excitement ensued when it was "raided" by a police force headed by the then Chief of Police and complete with motorcycles, sirens, etc. No heart attacks were reported among the prominent citizens attending.

9. John Brown, known as Brownie, came into the office from field trips to Chicago, West Virginia and elsewhere from time to time for consultations and to write briefs. He never came in early on Saturdays but worked on indefinitely. Perhaps he enjoyed the opera and the pipe smoke!