COUNTY AUDIT REPORT MADE

'58 Fiscal Operations Get Generally Good Rating

BY EDGAR L. FEINGOLD

An audit report released yesterday gave Baltimore County a generally good rating on the conduct of its 1958 internal fiscal operations.

The report, prepared by the county auditor's office, indicated the county made significant strides to overcome the poor assessment it was given the year before by this agency.

Referring to county records, A. Rutherford Holmes, the county auditor, noted in his report to the County Council that:

"We found them (the records) to be generally well kept and in good condition.

"The record keeping has improved during the last few years.

Improvement Seen

"The internal control in the Division of Collections and Receipts of the Office of Finance was materially improved during 1958 and early 1959."

It was sharp criticism of this operation in the 1957 audit that produced angry rebuttals from Norman W. Wood, director of finance, and William E. Farnoff, county administrative officer.

Both officials declared the 1957 audit contained "errors in the financial reporting and misstatements in the auditor's comments."

Mr. Holmes, who weathered a stormy period when his job was in jeopardy, cited in the new report seven areas where he found fault with existing practices.

Factors Cited

He listed them as:

1. The absence of a reserve account to cover $900,000 in corporation taxes paid under protest. No reserve has been recorded "for other taxes or accounts receivable which may be uncollectible," the report added.

2. The listing in accounts receivable of an estimated $6,000-$ 6,000 in developers' contributions which may never be realized.

"Such monies will not result in actual receivables until the utility constructions contracts are to be awarded," the report stated. "If the developer should abandon the project there would be no actual receivable."

3. A failure to itemize in county inventory accounts "miscellaneous inventories estimated to be in excess of $75,000 and miscellaneous receivables in excess of $15,000."

4. The failure to reduce by $2,609,216 the total of $229,313,043 found in encumbrances against future revenue. The report noted that the $2,609,216 is available in the Metropolitan District Sinking Fund for this purpose.

Failures Charged

The $229,313,043 "represents amounts to be provided from General Fund and Metropolitan District revenues in future years to retire long-term indebtedness, excluding interest, maturing from 1959 to 1968."

5. The failure to capitalize the costs of early land and building purchases and all vehicles, furniture, office and other equipment paid for out of the general fund.

6. The failure to record retentions from contractors' periodic progress payments. Only the retention from the final contract payments are recorded, the report said.

And, it added "neither final nor periodic retentions are recorded in the Capital Improvement Fund."

7. An absence of a statement showing the county's liability to the Employee's Retirement System fund in the amount of $450,000.

Mr. Holmes said a supplemental report detailing many other comments has been prepared and will be available shortly.
Holmes Resigns

A. Rutherford Holmes, County auditor since 1957, submitted his resignation yesterday to the County Council. Holmes explained to the Council that he was accepting a position as manager of the Hospital Cost Analysis Service, Inc., a non-profit organization established by act of the Legislature to study Maryland hospital costs.

Mr. Holmes' resignation will become effective no later than July 1st. The Owings Mills resident was appointed by the Republican-dominated Council in March 1957 and re-appointed by the Democratic Council in January 1959.
Baltimore, Tuesday

'DEFICIT' EYED IN COUNTY'S AUDIT REPORT

Incorrect Handling Of Major Items Cited; Changes Urged

By George Elliott 3d

Baltimore County, by postponing expenses in a "tight" budget year chiefly through use of inconsistent accounting procedures, avoided a financial deficit last year.

The audit report has these findings:

The report, which termed the financial records "generally well kept," was prepared by A. Rutherford Holmes and his staff.

Fluctuations Cited

Commenting yesterday on the report, Mr. Holmes, who is resigning from the post August 1, cited the need to avoid "fluctuations from year to year and possible manipulation." His report strongly urges adoption of a year-end police and fire bureau payroll "illegal" handling of accrued interest and on construction bonds last year were credited to debt service, while a city bond issue applies the sum should be set aside and applied to the bond's principal. The annual county auditor's report stated:

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HOLMES REPLIES TO AUDIT CRITIC

County Finances Report Is Defended; Action Urged

BY GEORGE ELLIOTT JR

A. Rutherford Holmes, whose audit of 1959 Baltimore county finances was termed "destructive" and incorrect criticism, stuck to his guns yesterday in denying the rebuttal.

Answering the statement by William E. Fornoff, administrative officer, he questioned the necessity of "adviseing the Administration of things that don't meet with our approval when they themselves have instigated the actions."

The county auditor, who is resigning August 1, also flatly denied he has shown an "uncooperative attitude."

"My belief is that the Administration ought to direct its efforts toward resolving the problems that have been referred to in our reports and the suggestion made last summer by your own director of finance that he, the administrative officer and the auditor sit down and discuss these problems and early solutions."

"The director of finance and the auditor have continually expressed a willingness to do so," declared Mr. Holmes.

"At no time have I refused to cooperate with the administration, as you well know," he said.

Mr. Holmes' annual report, presenting many items of advice and criticism, claimed that the county, by postponing debts incurred in a "critical" budget year by use of some inconsistent accounting methods, achieved a $3,766 surplus for 1959.

By a change in recording police and firemen's payrolls, "illegal" handling of accrued interest and premium on bonds sold in 1959 and by "overlapping" some purchase orders, he said it avoided a deficit of approximately $175,000.

Mr. Fornoff’s reply was particularly critical of Mr. Holmes’ interest in ‘destructive, rather than constructive, criticism’ and his failure to report “irregularities” when he feels they exist.

He emphasized that the county, using a “modified cash basis” of accounting, has acted only in a “practical and sound business manner.”

Tells Of Copies

Mr. Holmes, however, pointed out that the State Fiscal Research Bureau “says the records of municipal bodies in Maryland shall be kept on an accrual basis and fixed assets records shall be established. So far, Baltimore county has done neither.”

He said the auditor’s office has sent copies of everything prepared, except matters “clearly legislative,” to the administration.

While Mr. Fornoff said the county follows practices advocated by Irving Tenner, a national accounting expert, of transferring premiums from bond sales to “the fund which will pay the interest,” ordinarily the general fund, Mr. Holmes said:

“I agree that is preferred treatment, but it violates a specific local law passed by the Council. Mr. Tenner also states that public local laws must take precedence over accounting principles.”

Mr. Fornoff said payrolls “have always been budgeted in the year in which they are paid.”

“Much More Costly”

But Mr. Holmes said, if that were true, the year-end police and fire payrolls “paid in 1959 should have been charged to the budget in 1959, not in 1960.”

He declared that determining which part of the payroll belonged in which year was unlikely to be “much more costly” and absolutely denied suggesting, as Mr. Fornoff said he did, that deputy police and firemen should have been brought in New Year’s Day to be paid.

While Mr. Fornoff said little about purchase orders, Mr. Holmes repeated that “materials were received and vendors’ invoices received in 1959 and purchase orders were prepared thereafter in 1960.”

“Obviously, this procedure cannot possibly be a prevention, as Mr. Fornoff stated, against overspending an appropriation.”
Public Accounting

Fiscal accounting by Maryland's 23 county and more than 150 municipal governments has certainly improved in the last few years. Until quite recently no one at the State level would have dared ask the political subdivisions to project their respective budget requirements for the next five years. And if the request had been made, business-like compliance would have been impossible except in a relatively few cases. Accounting practices by the local governments lacked uniformity, were often casual, if not haphazard, and defied inter-government comparisons.

Now we have the request of the State Fiscal Research Bureau for just such 5-year projections. And some of the county governments are in a position to meet the request almost immediately. The possibility of noncompliance is not given a thought.

The improvement in fiscal accounting did not develop by accident. It resulted from a series of legislative steps at the State House beginning in 1935. For the first eleven years progress was nil; the local governments met a demand for annual financial statements—but so far as clarity and comparability went, most of the statements were not worth the paper they were printed on.

Then in 1947 came the creation of the Fiscal Research Bureau with a law demanding uniform accounting as prescribed by the bureau. Again improvement did not come at once. But it did come. And the point to emphasize is that if we did not now have it we would be in a mess.

Previous to 1947 the total in State financial aid distributed among the political subdivisions was relatively small. Since then it has grown at a tremendous rate and now plays a dominant part in State budget-making procedures. State and local fiscal affairs are intricately intermingled and have created a situation now under study by the Legislative Council's Committee on Taxation and Fiscal Matters. It was this study that prompted the request for the local government budget projections.

No one can tell what the committee will find and recommend. But it is already in a far better position than earlier study groups. Due to the improved accounting, it can find out precisely how State aid is being spent at the local level and it can get a clear picture of local financial requirements. And as the 5-year budget program comes into effect the accent on clarity will be enhanced.
Dunn Ordered To Conduct Unit Study

BY LAWRENCE MCDANIEL

Annapolis, May 24—Edward M. Dunn, Jr., Anne Arundel county treasurer, has been ordered to conduct a thorough study of the county's tabulating, financial and budget departments with a view toward reorganizing them under one agency.

The order by the Board of County Commissioners followed the board's rejection, by a 4-3 vote, of a move by Business Manager J. J. Salovaara establishing a finance department with jurisdiction over tabulating operations. Commissioner Paul T. Pitcher, who initiated the motion, called Mr. Salovaara's action 'retaliatory in nature and corrective of nothing.'

Control Reassumed

The business manager had reassumed control over tabulating after a period in which the treasurer exercised authority over that section of county government.

Mr. Salovaara had demoted the tabulating supervisor Joseph J. Marsiglia to the rank of assistant in appointing Charles G. Smith, budget and fiscal officer, as finance director with authority over tabulating.

During a lengthy debate preceding the board's order for a survey by Mr. Dunn, Commissioner Pitcher said that he had "lost confidence in our county manager."

"I do not feel he does his job efficiently," the Third district representative declared.

Beginning of Dispute

The tug of war between Mr. Dunn and Mr. Salovaara over control of tabulating began when the treasurer announced he was assuming authority because the business manager had failed to correct personnel shortages.

This, Mr. Dunn charged, caused work to fall behind schedule. He said the County Code makes him responsible for tax billing which he noted was a tabulating function.

The Commissioners supported the treasurer's takeover, also by a 4-3 vote.

Blunt Statement

Mr. Salovaara then issued a blunt statement in which he criticized the treasurer's move as "a patronage power-grab." He threatened legal action unless the Commissioners rescinded their motion backing Mr. Dunn.

With two members of the original majority absent, the board voted 4-2 to withdraw its endorsement of the treasurer's coup.

In other action, the commissioners:

1. Authorized the county solicitor to investigate costs and other factors involved if the county would establish its own plant for the manufacture of bituminous concrete, a road paving material.

2. Called for a report from the chief of police explaining why it had been necessary for Federal agents to raid a book-making operation in the county.
Computer's Error Unbalances Budget

Modern machines bring modern improvements, but the officials of King County, Washington, feel there is a definite need to improve the reliability of electronics equipment.

Late last year, one computer hummed busily throughout the night, compiling the taxable value of King County, which includes Seattle. Something went wrong, and the machine counted one tabulating card twice. The result: taxable property, the key to the county's estimates of future tax receipts, was over-estimated by $28 million. A budget for 1961 was drawn upon that basis.

The error was not detected until early this year, when some very surprised county agencies wondered about the large amounts they were allotted to spend. An order quickly went out to cut total outlays by $1.8 million. One item the tax assessor is seriously considering cutting: $150,000 for new computers.
Dunn Says Audit Will Begin Next Week

BY STUART S. SMITH
[Full Staff Correspondent]

Annapolis, Aug. 2—The audit of the Anne Arundel County Sanitary Commission will begin “sometime next week.” Elmer E. Dunn, the agency’s director of departments, predicted today.

The firm which already has been hired to conduct the long-awaited examination of the commission’s fiscal affairs “won’t come in until the books are ready for them,” Mr. Dunn remarked, adding:

“The girls are working on them day and night and on Saturdays, too.”

Elicited By Letter

Mr. Dunn’s comments were elicited by a letter from the county commissioners urging the independent sanitary body to get the work done at once.

The audit was ordered shortly after the disappearance of Orville B. Thumel, Jr., the commission’s treasurer, but was delayed when the posting of accounts was discovered to be eight months behind.

Yesterday Paul L. Holland, the commission’s former chief engineer, and Edward M. Dunn, Jr., the county treasurer and Elmer Dunn’s brother, went before the grand jury.

45-Minute Session

“The didn’t ask me the questions I thought they were going to ask,” was Mr. Dunn’s unelicted comment when he came out after his 45-minute session with the panel.

Francis Southworth, a Baltimore accountant who was the last one to examine the agency’s books, also had been scheduled to testify but he could not attend and served with a summons.

Today the county treasurer charged that the Sanitary Commission has “outlived its usefulness,” which is what a number of persons allied with County Commissioner Frank W. Wilde (D., Seventh), board president, have been saying for some time.

The conditions prevailing at the sanitary agency seem sure to be among the issues which will be argued during the fast-approaching campaign season leading up to the 1982 general election.

The grand jurors, who have been unusually active in the three months since their impanelment, started their probe of the agency following reports of a $25,000 shortage.

Mr. Thumel was suspended without pay during an unannounced public meeting of the Sanitary Commission at 7:30 A.M., July 17, according to Karl F. Bienner, the agency’s assistant counsel.
58 TAX REAUDIT
IS GAIN FOR CITY

Baltimore Gets $62,388
More From State Returns

Annapolis, Sept. 2 (AP) — Baltimore city gained $62,388 and Baltimore county lost $62,337 as a result of a reassessment of State income tax returns for the tax year 1958, Louis L. Goldstein, State comptroller, reported today.

Fifteen other Maryland counties picked up some $20,000 between them in the reassessment which Baltimore city requested in the belief it was not getting all the money which should be coming to it.

The reassessment conducted by the State auditor's office under an agreement entered into October 10, 1959, between the city, the county and the State. The two local governments paid $7,500 each to have it conducted.

Figures Given

Baltimore city had received $5,967,890 as its share of State income taxes in 1958, and the county got $3,204,000. An additional $7,971,000 was distributed among other subdivisions of the State.

A subdivision's share is determined by how much is paid by taxpayers residing within its borders. The local government, city or county as the case may be, gets 22 2/3 per cent of the net take on ordinary income and 24 per cent of that on investment income.

Mr. Goldstein said a substantial number of taxpayers do not give accurate information with regard to their residence and the Income Tax Division has to determine this by resorting to such documents as real estate assessment books, Post Office street guides, telephone directories and others.

"Errors Do Occur"

"This allocation is particularly difficult in the Baltimore City-Baltimore County metropolitan area, and in spite of efforts of the division to assure proper distribution, errors do occur," said the comptroller.

He said this is particularly true since employees "are working under tremendous pressure during the income tax season."

The auditor's report showed that of the 812,101 individual returns in 1958, approximately 300,000 were from residents of Baltimore city and approximately 150,000 from residents of Baltimore county.

Using street information more up-to-date than that available to tax personnel at the time, the auditor found that 9,760 returns had been incorrectly coded between Baltimore city and Baltimore county. There were 193 incorrectly coded as concerned other political subdivisions.

The State auditor, Leo Parr, recommended that, to help cut down on such mistakes in the future, the General Assembly be asked to enact legislation permitting the State Income Tax Division to set up a post-audit distribution section.

Costs Could Be Split

The operational costs could be split among the 23 counties and 161 municipalities which share in the State income tax, he said.

"It is my feeling that the recommendation deserves careful and thorough consideration, and our office will give it exactly that," Mr. Goldstein said. "If an error is made, it means that one subdivision got more than it was entitled to, the State does not profit from such errors."

He said the Income Tax Division has spent considerable time trying to come up with accurate distribution and has requested taxpayers through news articles, radio and television programs to declare on their returns just where they reside.

"The results of the State auditor's reassessment shows that many still fail to give this vital information," he said.
AUDITOR OFF, KAHL IS TOLD

Fornoff Calls Criticism Of Spending, Hiring Invalid

BY GEORGE ELLIOTT 3D

Criticisms by William D. Borland, Baltimore County auditor, yesterday were rejected as the administration defended two cen- sured financial transactions.

On a statement, backed by a legal ruling, William E. Fornoff, administrative officer, charged Mr. Borland with "unwarranted criticism" of 1961 budgets allegedly overexpended and consultants hired without a prior appropriation.

In a letter of April 3, Mr. Borland called the transactions "irregular and improper under Section 7-15 of the County Charter.

Fornoff Advises Kahl

In summary, however, Mr. Fornoff advised Christian H. Kahl, county executive:
1. "I think it imperative that you be made aware of the fact that there were no overexpenditures in any budgets of departments in Baltimore County.
2. The hiring of Ernst and Ernst, the auditing firm investigating road material purchases, was perfectly proper and the legal ruling noted that no "divining process" exists to forecast such a budget is being prepared.

Lack Of Earlier Protest Cited

Mr. Fornoff termed it odd that neither Mr. Borland, appointed by the County Council August 1, 1960, nor his predecessor had commented previously on these practices which have been held legal.

He called it "difficult to under- stand" why Mr. Borland waited 2½ months after the signing of budget transfers he referred to. "It appears to me that the auditor would have interested himself in a more important situation, the materials problem in the Bureau of Highways," he said. "I would also have thought he would have interested himself in a number of important changes that have been made in the Office of Central Services (for more efficient operation.

No Aid To Efficiency Seen

"To date I have received no recommendations or comments that might help to improve the efficiency of Baltimore County's operation." Mr. Fornoff declared.

Mr. Borland's letter, noting that violations of the Charter section can be removed from office, had stirred talk of such action.

The auditor wrote the anti-Kahl Council body that budget funds authorized by the Council were "overexpended, in substantial amounts, last year and budget transfers, to cover the overexpenditures, were not signed until January 18 this year.

He said the largest amounts involved were $125,000 in the Department of Public Safety and $400,300 in the public works budget.

He said the consulting firm was improperly hired without an appropriation of funds and that "no funds are available."

Administration officials agreed that appropriations cannot be exceeded without Council approval of a budget transfer, but said the administrative officer can shift funds at any time within a department.

The criticized transfers were approved at a public session of the Executive Board when the county closed its 1961 books in order to compare budget estimates with actual expenditures.

Since the auditor has "made an issue," said Mr. Fornoff, the county can do this in the future before the end of a fiscal year.

Deputy Solicitor's Opinion

Walter R. Haile, deputy county solicitor, wrote that any county agency is empowered to employ consultants within "the framework of its total appropriations."

Mr. Fornoff said the consultants were asked to first "determine the extent of work necessary" before submitting an agreement or formal contract.

Mr. Haile said the Charter's Section 715 cannot be read as "standing by itself on an island, or mountain peak, as it has obviously been interpreted by the county auditor."
WILDE URGES WIDESPREAD COUNTY AUDIT

Head Of Arundel Board Cites Police Court Fund Report

By STUART S. SMITH [Sun Staff Correspondent]

Annapolis, July 16—The president of the Board of Anne Arundel County Commissioners called today for a thoroughgoing audit of all county departments which handle public funds.

Commissioner Frank W. Wilde (D., Seventh), the board president, said his recommendation was prompted by reports of a suspected $8,000 shortage in the Annapolis Police Court's funds.

The present outdated system of awarding bids to private accounting firms to make annual spot checks should be abandoned, Mr. Wilde said.

"Never Get A True Audit"

"When you allow these companies to get contracts through publicly advertised bidding you never get a true audit," Mr. Wilde added.

Berman, Goldman and Ribborn, a Baltimore firm of certified public accountants, noted in April that it had examined the accounting records of the county's five police courts during last year's $3,569 county audit. However, the report only indicated a check of the salary, office supplies, constable's travel and furniture and fixture accounts of the Annapolis court.

The firm said that it had "examined the balance sheet of the several funds of Anne Arundel county," pointing out, however: "We have reviewed the system of internal control and the accounting procedures, and, without making a detailed audit of the transactions, have examined and tested accounting records by methods and to the extent we deemed appropriate."

Last Friday Magistrate Robert S. Heise, of the Annapolis court, said that the county audit, which included the fiscal year ending December 31, indicated nothing missing from his office accounts.

No Check On Beginning

He added today that there is no way of telling when the funds which apparently have vanished first began disappearing or whether or not they were taken over a period of time or all at once.

A suspicion that something was wrong first came to him last February, Mr. Heise said, when a chance remark by a Department of Motor Vehicles official called his attention to the fact that, his office bank balance seemed to be too low.

Resumes Attack

Delegate John M. Whitmore (D., Anne Arundel) commented today that the suspected shortage "is a graphic illustration" of how right his factional organization was in urging the elimination of the magistrate courts and the replacement of them by a People's Court "with their more modern and efficient procedure and control."

The county Circuit Court's accounts are examined by the State auditor.

Some months ago the county Sanitary Commission created a comptroller's office to keep a running check of its fiscal affairs following the disclosure of a $22,000 embezzlement and other irregularities in its financial department.
Council May Call
For Salary Probe

By MATT SMITH

The Baltimore County Council is meeting at Towson today faced with their auditor's report of alleged irregularities under the previous administration.

The report is one of several items which could provoke an afternoon of heavy controversy when the meeting gets underway at 2 P.M.

It is also anticipated that the council may institute a probe of alleged charter violations in appointment and salaries of employees.

ALSO SCHEDULED for a final vote by the council is a far-reaching administration bill which would extend the boundaries of the Metropolitan District to take in the entire county.

Another measure up for final passage is the establishment of a new salary schedule for patrolman and firefighters. Coupled with this bill is the creation of a new classified position to be known as "information and research officer."

BEING introduced at the session are two other administration bills which would prohibit members of the county's police and fire bureaus from engaging in political activity at any time and a bill to increase pensions of circuit court judges and their widows.

William D. Borland, the county auditor, has presented to the council a memorandum charging at least four irregularities during the four-year tenure of the past administration.

Most of his charges have been brought to light earlier and prompted heated public discussion but each matter died without formal action.

INCLUDED in Mr. Borland's report are charges that salaries of certain assistant county solicitors are being improperly charged to the budget of the planning and public works department.

He also contends that the county charter has been violated by the financing of an annual report by previous county executive Christian H. Kahl which was published in a Baltimore newspaper last year.

Mr. Borland also cited what he contends are irregularities in certain financial dealings with the developers of two industrial parks in which Mr. Kahl has had an interest.
PAST COUNTY ACTIVITIES UNDER STUDY

Council Probes Report By Auditor On Alleged Irregularities

By STUART S. SMITH

The Baltimore County Council is studying a report of their auditor's discussion with top county officials last week of certain alleged irregularities in the past administration.

Although the auditore's memorandum does not mention it, the terms of some of the meeting's participants were short, informal, sources said, and the auditor was invited to leave the county executive's office.

Review Four Items

The officials gathered informally last Monday morning and reviewed four items which William D. Borland, the county auditor, contends are illegal.

Present, in addition to Mr. Borland and Spir T. Agnew, the chief executive, were Samuel A. Green, Jr., the council chairman; Vincent Moore, the county solicitor; and William E. Fornell, the county administrative officer.

Mr. Borland's letter to the council, which he prepared following his departure from the discussion, charged that:

1. A number of assistant county solicitor's salaries are being improperly charged to the Planning and Public Works Department's operating budgets. "Illegal Loan".

2. The county had made an "illegal loan" of $19,931 to the developers of the Kilmarnock Industrial Park and has failed to recover it.

3. The county charter had been violated "several times" by the financing of the "County Executive's 1961 Report," and the "State law may have been violated" as well.

4. The county has neglected to press its law suit to recover $3,469 in sewer and water service charges.

(Continued, Page 18, Column 6)

BY STUART S. SMITH (Continued from Page 18)

...the auditor brought up the subject of the grand jury at the meeting a reliable source quoted Mr. Moore as saying: "You'd better watch out or you'll get sued yourself."

As the conversation continued, Mr. Agnew opened the door to his office and told Mr. Borland: "I'm not going to listen to any more of this—now get out," the same sources related.

One Of Incorporators Christian H. Kahl, who was later to be Mr. Agnew's predecessor as county executive, said yesterday he was one of the incorporators of Industrial Estates and served as its president until "January or February of 1959." At the same time, John M. Bowie, who was to be county solicitor during Mr. Kahl's administration, was the firm's attorney. In 1955 and 1956 the county built public sewer and water lines for Industrial Estates to service other things, the Timonium Drive-In Theater.

Records Cited

The comptroller's records cited in court show that June 26, 1959, after Mr. Kahl and Mr. Bowie assumed public office, the county settled its final account with the firm. According to the settlement, the sewer and water installation exceeded the estimated cost by $3,469.

Two years later, on August 9, 1961, the county sued Industrial Estates for that amount. At the time the suit was filed, the firm was run by Edward A. DeWaters, president; F. Christian Anderson, secretary; and Donald P. Collins, treasurer.

Mr. DeWaters is a former Baltimore County plumbing board chairman and one of Mr. Kahl's former political supporters.

Former Kahl Supporter

State records list Donald Collins as an officer of the Forge Realty and Insurance Company.

Forge, which was incorporated March 14, 1961, was the largest recipient of the so-called county insurance commission funds during the Kahl administration. The firm received $23,879.

The commission fund, according to grand jury findings, was paid to individuals and firms who performed "no discernable service" for the county. They received not verbal instructions from the county engineer's office.

The county's suit against Industrial Estates was filed under the name of the county solicitor, Mr. Bowie, and an assistant, Carroll M. Downes.

On October 10, 1961, Saunders M. Almond, Jr., attorney for Industrial Estates, answered that the county had no case because the statute of limitations had expired.

Four days later the corporation officially dissolved itself.

On October 15, two days after the company's dissolution, Mr. Downes answered that the statute of limitations had not expired at all.

"Taken Out Of My Hands"

"I was not going to take any nonsense from this fellow," Mr. Borland declared. "He has always tried to be a lawyer, but he's not. It's up to the solicitor's office to handle legal opinions..."

"I was on the verge of losing patience with him myself..."

"I have no interest in trying to protect them (Industrial Estates)," Mr. Kahl stressed.

William T. Willis, Jr., the county school system's finance officer, said the Board of Education last month "reluctantly approved" the $1,601 which the Kahl administration had charged for its share of the central office's operating budget.

Custody Of Good Will

Although the Kahl transaction appeared to be against the law, Mr. Willis said, the school board took the action as a gesture of good will to the incoming Agnew administration.

Richard D. McNichol, county librarian, said that his board wrote Mr. Fornell last December, protesting the withholding of $600, the share of the report's cost from its quarterly allocation of library funds.

No answer has been received, Mr. McNichol said.

Mr. Green said the council will look into Mr. Borland's report, adding that all council members received a copy some days ago. "Apparently a majority of the matters were things which transpired during the past administration," Mr. Green remarked.
Data On Auditor Office Incomplete, Agnew Says

Spiro T. Agnew, Baltimore county executive, today said the recent grand jury report on the office of the county auditor was primarily based on the auditor’s report for the year ended December 31, 1961, and that the report did not reflect certain very important reforms accomplished since that time and presently in operation.

Moreover, Mr. Agnew added, it was discovered that the grand jury committee investigating the auditor’s office did not call on the Office of Central Services, and for that reason the head of the purchasing operations for the county did not have an opportunity to explain the implementation of controls adopted since an occurrence mentioned in the grand jury’s report.

Further Investigation

Mr. Agnew said the county auditor has agreed to make a further investigation and report within the next several days “in order that the true status of these matters may be made public.”

Mr. Agnew said further that the reports of the recent grand jury committee were discussed at length yesterday at a meeting attended by him, the county administrative officer, the county auditor and other department heads.

Another committee of the grand jury has reported that after a conference with William E. For- noff, county administrative officer, the committee is of the opinion “that Mr. For- noff is a capable administrator and is operating his office within prescribed practices.”

The committee expressed its agreement that adequate policing and firefighting cannot be maintained without additional personnel and equipment.

The committee was told by Mr. For- noff, the report added, that the morale of county employees was high and the salary scales comparable to those used for similar positions held in private industry and other municipalities.
COUNTY AUDIT LISTS FLAWS

Bookkeeping Deficiencies Found By Official

BY STUART S. SMITH

The Baltimore county auditor yesterday listed a number of uncorrected deficiencies in the county's bookkeeping system.

Despite recommendations both from himself and from an outside accounting firm, certain inventory records are improperly maintained and certain fixed assets are not recorded, the county official stated.

Criticism In Letter

The implied criticism was noted in a letter to the County Council and the chief executive from William D. Borland, the auditor, who emphasized, however:

"The... comments relate to proper procedures for the internal control of assets and are not intended to reflect in any manner on the competence or integrity of any county agency or official."

After a talk with Mr. Borland a grand jury committee last week reported it had discovered "a very serious" failing in the county's inventory system.

Agnew Confers

The next day Spiro T. Agnew, the county executive, took exception to the charge and called the auditor into conference.

In yesterday's letter Mr. Borland pointed out that contrary to good bookkeeping practices various materials are not included in the county's assets records.

The more important of these are construction and maintenance equipment parts in the Texas road garage, tires and automotive parts in the central garage and fire repair shop and stationery and office supplies kept by the county purchasing department, he said.

Record Of Assets

Furthermore, "in conformity with the recommendations of every authoritative municipal accounting text which we have been able to discover," Mr. Borland said he recommended last year that the county keep a consolidated, complete record of fixed assets within a self-balancing group of accounts.

This, too, was suggested by outside auditors hired by the county, Mr. Borland said, but "to date the recommendations have not been acted upon."

In addition, he continued, fixed assets records should be kept in the county finance office instead of in the purchasing department, where they now are.

"It is an accepted axiom," Mr. Borland wrote, "that the custody of assets and the record-keeping pertaining to those assets should not be the responsibility of the same person or agency.

Undesirable Consequences

"The reason for this is that the very existence of assets entails the possibility of misappropriation, defalcation and fraud....

"Where control over records is combined with control over the related assets, such records can be altered or destroyed to cover defalcations and make their discovery impossible....

"We have consulted with officials of Baltimore city and Montgomery county and have been informed that their procedures... are in conformity with what is recommended herein."
Arundel To Ask For County Auditor In Its Next Budget

By DEWITT BLISS
[Sun Staff Correspondent]

Annapolis, June 28—A provision for a county auditor will be included in the next budget request for the Anne Arundel county Commissioners, the county manager said today.

Victor A. Sulin said the request would be made as a result of a series of auditing this year which found more than $60,000 in cash and checks in a filing cabinet at the Ferndale Police Court and some $35,000, including approximately $30,000 in cash, stored in the same way in the county building permit office.

In addition to the proposed request for an auditor, Mr. Sulin said he is having a study made of newly adopted bookkeeping methods in the Baltimore County police courts.

System Has Some "Bugs"

Mr. Sulin said he understands there are still some “bugs to be worked out of the Baltimore County system” but that he has asked Charles G. Smith, the county budget and fiscal officer, to study the workings of the program.

The county manager said he understood it calls for the appointment of a chief clerk, for the magistrates courts, who would establish bookkeeping procedures and supervise the work of the individual court clerks.

Mr. Sulin said his general budgeting proposal will call for a full time certified public accountant to make a yearly internal audit of each county department.

In addition, he said, outside auditors would be hired to make periodic double checks.

Will Back Law Changes

He said he will support any necessary changes in county law needed to establish this new program.

Mr. Sulin said he has taken the current county auditing firm through all of the police courts and, one by one, through many administrative departments.

The late magistrate at Ferndale, James W. Blackhurst, Jr., who had formerly served as county solicitor, was trying to straighten out the books there at the time of his death.

Mr. Sulin said that all of the $6,000 in cash and checks, making a total of more than $89,000, found in a filing cabinet in the Ferndale court dated from a period prior to Mr. Blackhurst's appointment to the bench.