Audit Shows $9,963 Shortage In Funds Of Late Registrar

By Frank Megargee

Princess Anne, Md., Jan. 5—A State audit report on file here claims misappropriation of $9,963.47 in State funds by a former Somerset county register of wills.

The audit deals with the accounts of the late Edward L. Fontaine, who died in office April 22.

In his report on the audit, Leo J. Parr, State auditor, claimed that Mr. Fontaine carried out the alleged defalcations mostly by depositing in his personal bank account checks made out officially to the registrar of wills.

The original audit report was made to Louis L. Goldstein, State comptroller, who said yesterday that he was confident the State will recover the money.

Two Bonding Companies

He said the State has filed proof of loss with the two companies that bonded Mr. Fontaine.

The comptroller also said the State had filed a claim in the Orphans Court of Somerset county against Mr. Fontaine’s estate. He said some property of the estate is slated to be auctioned January 24, at the courthouse in Princess Anne.

Any of the missing funds that cannot be recovered from the estate will be furnished by the bonding companies, Mr. Goldstein said.

Mr. Fontaine was register of wills here for about fifteen years. The alleged misappropriations took place from 1951 through 1966, according to the audit report.

Butler Asked Audit

After his death, his unexpired term was completed by Earl D. Butler, who requested the audit. Mr. Butler was later defeated in the county election by Littleton Dryden, the present register of wills.

The audit began shortly after Mr. Fontaine’s death and in a progress report to Mr. Goldstein dated July 29, Mr. Parr wrote: “most of the defalcations have been affected by Mr. Fontaine depositing in his personal bank account checks that came into his hands in his official capacity as register and which were made payable to ‘Register of Wills for Somerset County.’”

The records were difficult to trace because there appear to be general for whatever action he seems appropriate.

In his final report on the audit, dated September 30, Mr. Parr wrote that “because of the condition of the records, general nature of the transactions in all register of wills offices and orphans courts and the involved manipulations of the collections by Mr. Fontaine, it is difficult to uncover all possible misappropriations and it is not considered practicable to spend the time required to do so.”

This report also said, “we wish to suggest again you refer to the attorney general for whatever action he seems appropriate, the bank acceptances for deposit in the personal bank accounts of Mr. Fontaine, the various checks drawn to the Register of Wills for Somerset County!”

Up To Bonding Firms

Asked about this suggestion, Mr. Goldstein replied that when the State recovers its money, it will be up to the bonding companies to file suit if they feel the banks were “derelict in their duties.”

Mr. Goldstein said that after getting the final report he filed a claim with the bonding companies in October 13, and later filed, at their request, proof of loss.

“We have complied with their request,” Mr. Goldstein said.

The allegedly misappropriated money involved “fees and taxes due the State,” he added.

The bonding companies are the American Surety Company of New York, since merged with Trans-American Insurance Company, Indemnity Company of Los Angeles, and the Fidelity and Deposit Company of Maryland.
MAYOR SEEKS AUDITORS USE

yesterday to review each audit report to determine whether corrections in operations or procedures should be made and to make certain that any needed corrections are made.

Mayor McKeldin yesterday asked the city's director of finance to see that Baltimore's agency heads follow through on recommendations of Daniel Paul, the city auditor.

In a letter to Charles L. Benton, the director, the Mayor said he has been "concerned that no department generally responsible for the operations of the city Government has a responsibility" to see that the auditor's recommendations are adopted by the agencies.

The city auditor's main job is a periodic review of the books of city agencies, and the reports on these reviews often contain recommendations on how agencies could maintain more complete control over their funds.

The auditor has no power, however, to enforce most of these recommendations, and many appear year after year in his reviews of city agencies.

The Mayor asked Mr. Benton
Executive 'Flimflam' Seen By Lawmakers

Maryland lawmakers, feeling up” inefficiency in government with bureaucratic sprawl maintain they are being "flimflammed" by State Government spokesmen reluctant to tell the truth, a Government expert reported today.

Underlining the charge, a State senator alleged at the same time that officials in the State auditor's office are "cover-

A Great Fear

"There is a great fear that the Executive branch is getting out of legislative control," said Dr. Alan Rosenthal, of the Eagleton Institute of Politics at Rutgers University, in charge of a year-long study of the Maryland legislature.

The "frustration" voiced by lawmakers was reported by Dr. Alan Rosenthal, of the Eagleton Institute of Politics at Rutgers University, in charge of a year-long study of the Maryland legislature.

Two Recommendations

Then, in accord with this theoretical objective, committee members voted also to recommend to the 1968 General Assembly a series of related new steps:

1. Transfer of authority over the State Fiscal Research Bureau from the Governor to the Legislature. The authority is at present split, with the power to appoint the bureau's director residing in the hands of Dr. Carl N. Everstine, director of the State Department of Legislative Reference.

2. Creation of a year-round joint budget committee, drawn from members of the main fiscal committees of the Senate and the House of Delegates, which would assume main Legislative responsibility for budget study and would rely on the newly organized Fiscal Research Bureau for its professional staff.

Made Earlier By Lee Study

Both recommendations were made public nearly a month ago by a special study committee led by Senator Blair Lee 3d (D., Montgomery). The budget study proposals were presented to the Fiscal Matters Committee Tuesday night, and were voted on yesterday.

A proposal that the Legislature also take over the function of auditing the budgetary performance of the State agencies was also proposed by the Lee committee at that time.

However, recognizing that some auditing function would, in any case, be retained by the Governor or comptroller, Mr. Lee's group stopped short of a wholesale switch of the auditor's department from the executive to the legislative branch.

Snyder Heads Committee

However, the Fiscal Matters Committee, under the chairmanship of Senator George E. Snyder (D., Washington), has been independently studying the question of a legislative audit, and decided yesterday to act decisively on that question also.

Outwardly, the proposal which the Snyder committee will take to the Legislative Council for approval is a bold move by Democratic legislators to strip Republican Governor Agnew of a $16,900-a-year post and a $573,000-a-year department made up of 51 auditors and 3 typists.

Other States Cited

Both committees, citing a completed study on the legislature by George S. Wills of the Johns Hopkins University and a pending study by the Eagleton Institute of Rutgers University, pointed out that 29 state legislatures at present have some kind of auditing authority.

The audit question had, moreover, been raised originally by a Republican Delegate Elaine Lady of Montgomery county, whose bill to establish a legislative auditor was referred to the Snyder committee after failing in the 1967 General Assembly.

Mrs. Lady's proposal, to retain the present executive branch auditor to run a "compliance" check on each agency but to supplement that check with a legislative check on each agency for efficiency, was generally disapproved as a duplication of money and effort.

Goldstein Gave View in June

Among those who lodged that objection at a committee hearing in early June was Louis L. Goldstein, who, as State comptroller, exercises all real authority over the State auditor under present law.

Despite this authority, however, Mr. Goldstein made it plain he would have no objection to removing the office altogether from the executive—the very move the committee approved yesterday.

As the committee members acted, they made it plain they had no doubt Governor Agnew would take whatever steps are necessary to replace the vanished auditing department with an office that would fulfill executive auditing needs.

Lawmakers See 'Flimflam'

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Prince Georges said "many in the auditor's office know what's wrong and can't say it." Most of the audits are briefly written certifications that money appropriated is spent properly by State departments.

There is no attempt to assess efficiency or performance of these departments.

Mr. Emanuel stopped short of saying that the auditing office protects wrongdoers. As an accountant, the Prince Georges County Democrat said he is sure that if law-breaking is discovered, it will be reported to responsible authorities.

Series of Proposals

Dr. Rosenthal who will file a series of recommendations for revamping the Legislature with in the next month also found that legislators:

1. Wanted more time for legislative deliberation, over the present seventeen-day limit.
2. Felt they needed additional staff help.
3. Seek stiffer enforcement of deadlines covering introduction of bills.
4. Complained that standing committees were not being assigned an equal share of the work, making some of them more important than others.
5. Thought some change should be made in the between-sessions Legislative Council so that it would not be a receptacle for trivial issues.
Move On To Strip Agnew Of Auditors

Annapolis — A Democratic-controlled Legislative Council proposed today to strip Republican Governor Agnew of his 55-man state auditing department and place it under legislative control.

In a unanimous vote—with no Republican opposition—the Taxation and Fiscal Matters Committee approved the switch.

One Democratic legislator murmured after the vote that the action was the first blow in a "civil war" expected to last over the next three years of the Agnew administration.

The State auditor is appointed by the Governor but reports to the State comptroller.

Internal Staff

Senator Roy N. Staten (D., Baltimore county) said that if Mr. Agnew wants to do any auditing of his executive agencies he might create an internal staff to do the work.

This year, the State auditor has a $27,000 budget.

Several legislators expressed concern that, under the present executive audit procedure, reports on financial activities of the State executive agencies get filed away and fail to receive proper scrutiny from the legislators who provide the funds.

Fight Expected

The action requires the recommendation of the Committee on Legislative Auditing, which is expected to meet on Wednesday to consider the matter.

Mr. Agnew has said he is considering taking the case to court to prevent any action against him.

State Auditing

Two eye-catching statements were made at a recent meeting of the Legislative Council's Committee on Taxation and Fiscal Affairs. Leo J. Parr, State auditor, told the legislators that his office lacked sufficient authority to proceed properly against waste and inefficiency. Delegate Elaine Lady (R., Dist. 1, Montgomery) urged the General Assembly to create an auditor's post under its direct authority with full power to check on the conduct of fiscal affairs by the executive branch of the government.

The present State auditor's office is not called for under the State constitution. It was created by statute and is under the executive branch, which means that through the auditor the executive branch

Dynamite Stick Found In Shop

A mysterious paper package containing a stick of dynamite and an explosive compound was discovered in the Little Theater of the Little Theatre shop at North Jordan Avenue.

Miss Grace Aumon, 2300 block East, said that the package contained a stick of dynamite and an explosive compound which was discovered by a detective in the shop.

Along with the dynamite, the package contained a stick of dynamite and an explosive compound.

University Study

Some legislators, including Delegate John F. X. O'Brien (D., 3d, Baltimore), said they expected Mr. Agnew may try to establish a second auditing agency under his power.

Others noted that in order to obtain funds to support his own auditing agency, Mr. Agnew would have to rely on the Democratic Legislature.

The recommendation for a switch from executive to Legislative follows one by a special university study of the Maryland General Assembly now being undertaken by the Eagleton Institute of Politics of Rutgers University.

The institution, which proposed that legislatures acquire more power, told the committee today the auditing function transfer would enhance General Assembly quality.

Dr. Alan Rosenthal, an Eagleton assistant, told the panel today that if Governor Agnew wishes to audit his agencies after the Legislature has appropriated the auditing function, that's his problem.

STATE'S AUDITOR CHARGES WASTE

Tells Committee His Office Can Do Nothing About It

The State auditor said last night that his office has seen examples of governmental waste and inefficiency while checking on expenditures, but because of the limitations of the low office, the office has been unable to comment or bring the matters to the attention of public officials.

Leo J. Parr, who was first appointed as chief auditor in 1955, made the comments to a committee of the State Legislature. He is urging that the duties of his office be expanded to include controlling all analyses of efficiency of State agencies as well as the checking of facts and figures.

The Committee on Taxation and Fiscal Matters earlier heard Delegate Elaine Lady (R., Montgomery) call for the establishment of a separate "watcher" directly to the General Assembly.

Need Cited

Mrs. Lady said the legislators need their own auditor, separate from the office responsible to the executive branch, in order to check on how good a job the Administration is doing.

She said that half the states in the country have auditors which perform such a function.

Mrs. Lady envisions the legislative auditor as performing the same function for Maryland that the General Accounting Office does for the nation.

Called Duplication

Louis A. Goldstein, State comptroller, told the committee a separate auditing office would be a duplication of effort, but suggested that the present office instead could be shifted to come under the control of the Legislature.
Bill Preparation

"This policy necessitates the preparation of approximately 350 bills every month, the majority of which range from 10 to 50 cents each. In addition, our tests disclosed numerous errors in billing," the report said.

The auditors recommended that "the school give serious consideration to installation of pay telephones situated at strategic places on the school grounds."

Mrs. Frederick said a check with the telephone company revealed it is unwilling to install pay phones because revenue would be insufficient.

She said she will instruct employees to limit personal calls on school phones and to place long-distance calls collect. The change will take place around January 1, she added, because "it will raise a storm" among employees and she wanted to wait until after Christmas.

No Receipts

Their study found that housemothers have received these funds on visiting days but no receipts were given to donors.

Housemothers turning funds over to the business office have not received receipts, either.

Because many people are involved and "the whole problem cuts across the entire 24-hour day of the institution, we need a tight, simple control system which we are in the process of inaugurating," Mrs. Frederick said.

The auditors also called upon the school to end its practice of allowing employees to use its telephone system for personal calls.

The employees have been billed at the rate of 10 cents for each local call and actual costs of toll calls.
AGNEW BACKS AUDIT SHIFT

Proposal Would Put Work In Legislative Branch

BY GENE OISHI
[Baltimore Sun]

Annapolis, Nov. 2—Governor Agnew endorsed today a Legislative Council proposal to transfer the State auditor’s office from the executive to the legislative branch, saying “it makes good business sense.”

Mr. Agnew noted that the State auditor is currently a gubernatorial appointee and a “very important person in the administration.” He said that the auditor’s job is one of the most important in the state and that he is responsible for looking into the affairs of the state and for maintaining a system of accountability.

The function of post-auditing, Mr. Agnew said, should be performed by “an outside, independent source,” not by an official who has ties with the executive branch of government.

Another Office Affected

Transferring the responsibility of auditing the books of the executive agencies to the Legislature, Mr. Agnew said, “would give me a good bit of comfort.”

The Governor suggested that the legislature should have the responsibility to review the executive budget and the activities of executive departments. The Legislative Council, he said, would need to review the executive budget and the activities of executive departments.

The State comptroller currently oversees the activities of the State auditor. Mr. Agnew—who advocates making the comptroller a gubernatorial appointee—said that except for the comptroller’s auditing responsibilities, virtually all his functions are in the executive branch.

Higher Cost Feared

Louis L. Goldstein, the current State comptroller and an advocate of keeping his job an elective one, said he had no objections to transferring the State auditor’s office to the legislative branch, but said the move could result in “more cost to the taxpayers.”

Mr. Goldstein said his office currently reviews the audit reports submitted to him by the State auditor and that either the legislative staff or the State auditor’s staff would have to be enlarged to take over the duties now performed by the comptroller’s office.

The State auditor’s office now has a staff of 55 persons and an annual operating budget this year of $570,738.

Part Of A Package

The proposal to transfer the State auditor’s office is part of a package of proposals to enlarge the executive and fiscal review staff of the General Assembly. Various study groups have observed that legislators do not have the staff necessary to adequately review the executive budget and the activities of executive departments.

The Legislative Council—the between-session arm of the General Assembly—will introduce during the next session of the Legislature a package of bills to enlarge the legislative research staff and to transfer control of the State auditor’s office to the legislative branch.

1st Open File Set Up

Comptroller Formalizes Agency Audit Reports

The public release of often controversial state agency audit reports—long a non sequitur in catch-as-catch-can procedure for John Q. Public—has been formalized by the State Comptroller’s Office.

Effective Nov. 1, such reports will become public within 35 days following their receipt by Comptroller Louis L. Goldstein’s staff in Annapolis, provided the agency concerned has not filed for an extension.

The audit reports, compiled by the State Auditor’s staff and the beginning of more than one scandal in the past, will be available from an open file maintained by chief accountant Michael J. Potthast.

IN THE PAST, NO open file was available and a citizen was required to specify exactly which report he wished to see. The State Auditor would not list the arrival of inspection reports.

A spokesman for State Auditor Howard F. Wexley said that the old system produced many “foot-ops,” mainly that newspapers would publish report information before the agency concerned had been notified.

If we called the public’s attention to a specific report because it contained newsworthy material,” he said, “then the agency concerned could claim we had it out for them.”

Under the new system, all reports will be subject to equal public scrutiny. Each state agency is audited from top to bottom once every 18 months.

The agency, after receiving a copy of the report during those 15 days that the document remains classified material, may request an extension. The length of the grace period has not been determined but could be as long as 30 days, Potthast said.

During this time, information on the audit would not be released, he added.

When the information in an audit report lends responsible officials to believe that court action or an investigation could result, the document will be forwarded privately to the Maryland Attorney General.

It will be up to the Attorney General, Potthast explained, to make the report public. He noted that this procedure is to protect the state’s case by not releasing information which could be prejudicial.
Numerous improvements have been effected by the administration of Boys’ Village of Maryland since a State auditing team found deficiencies in its accounting procedures, according to Robert J. Sauls, school superintendent.

Among the procedural changes detailed by Mr. Sauls in a letter to the State Comptroller’s office, written November 9, are:

1. No purchases are being made through the school for any of the staff’s private functions.

The audit had disclosed reimbursements by the school’s business office from general fund credits for the purchase of ice cream for faculty social gatherings.

“Questionable Propriety”

The auditors’ report said the practice was “of questionable propriety.”

2. Mr. Sauls’s former practice of signing blank checks in anticipation of his absence from the school has been discontinued. An assistant has been authorized to sign checks in the superintendent’s absence.

The audit report had called this former policy “contrary to good accounting procedures” and recommended that it be halted.

3. A documentation of food charges is in progress but auditors were unable to determine whether meals for certain employees had been properly charged.

Cash Discounts

4. The school is taking advantage of cash discounts by paying its bills on time. The auditors found that there were numerous instances of cash discounts lost because of the future to pay bills promptly.

5. The administration is making every effort to take full advantage of all Federal grants available to the institution. The audit revealed the school did not take full advantage of Federal funds available for the acquisition of text books and other library materials.

Mr. Sauls also noted that:

Plans have been completed for installation of a central telephone switchboard with adequate controls over outgoing and incoming calls.

Reimbursements for all travel expenses are only being made in accordance with State standard travel regulations.

Improvements have been effected in various payroll procedures.

Approval for all disposal of State property will be obtained from the Board of Public Works.

Greater care is being exercised in the preparation of all physical inventory listings and supplies and materials.

Stronger controls have been placed on the usage of gasoline by operators of motor vehicles.

The audit, covering fiscal years 1965 and 1966, was completed in August and released to the public in October.

Boys’ Village, a training school for delinquent boys, is located in Prince Georges County.