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TRANSCRIPTION OF RECORDED INTERVIEW

OF

Elsie Brenneman

August 1, 2012

Sacramento, California

Investigation of Department of Parks &
Recreation - Financial Irregularities

Interviewed by: Thomas M. Patton
Deputy Attorney General
Office of the Attorney
General
State of California

Transcribed by: David Rutt,
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ELSIE BRENNEMAN

1 MR. MATTSON: Okay. It is August
2 1st, 2012. The time is 10:47 in the morning.
3 My name is Special Agent Mike Mattson.

4 MR. PATTON: Tom Patton, Deputy
5 Attorney General.

6 MS. BRENNEMAN: Elsie Brenneman,
7 Budget Officer for Parks.

8 MS. JORDAN: And Terry Jordan,
9 friend.

10 MR. MATTSON: Okay. And we're going
11 to go ahead and start this meeting now.

12 MR. PATTON: Okay. Thanks. So
13 we're looking at a time period that goes back
14 to at least 2000, maybe even earlier than
15 that, and I'm sure, as you know, people from
16 the Department of Finance, the Controller's
17 office, everybody's studying these funds now
18 to see what's going on. Have you been -- have
19 you had the occasion yet to talk with anybody
20 else from any of these other agencies?

21 MS. BRENNEMAN: I haven't talked to
22 any of the other agencies about their funds.

23 MR. PATTON: No. I mean about the
24 Parks fund.

25 MS. BRENNEMAN: Oh, no.

1 MR. PATTON: Okay. So you haven't
2 been interviewed yet by the Finance or
3 Controllers.

4 MS. BRENNEMAN: No. That's this
5 afternoon.

6 MR. PATTON: Okay.

7 MS. BRENNEMAN: I get Department of
8 Finance this afternoon.

9 MR. PATTON: All right. And it's --
10 I realize that there's probably some amount of
11 stress involved now. All of a sudden, you've
12 got all these agencies wanting to open the
13 books, teach me, show me what's going on. And
14 we just appreciate you taking the time to do
15 that. We don't really mean to put you under a
16 load of stress, but you happen to be in one of
17 the seats where you probably have some
18 knowledge about numbers because you --

19 MS. BRENNEMAN: Correct.

20 MR. PATTON: -- just told me you're
21 the Budget Officer --

22 MS. BRENNEMAN: I'm the Budget
23 Officer.

24 MR. PATTON: -- for Parks.

25 MS. BRENNEMAN: Yes.

ELSIE BRENNEMAN

1 MR. PATTON: Now, you've been Budget
2 Officer for Parks since when?

3 MS. BRENNEMAN: February of 2011.

4 MR. PATTON: And where were you
5 before that?

6 MS. BRENNEMAN: Department of
7 Personnel Administration.

8 MR. PATTON: And what did you do
9 there?

10 MS. BRENNEMAN: I was the Budget
11 Officer.

12 MR. PATTON: And for how long?

13 MS. BRENNEMAN: I believe five
14 years, four and a half.

15 MR. PATTON: Okay. So you've got
16 some budget experience. What's your -- before
17 DPA?

18 MS. BRENNEMAN: I was at Integrated
19 Waste Management Board, which is now Cal
20 Recycle.

21 MR. PATTON: And what was your job
22 there?

23 MS. BRENNEMAN: Budget Officer.

24 MR. PATTON: Wow.

25 MS. BRENNEMAN: I've been the

1 budget -- in the budget office for fifteen
2 years.

3 MR. PATTON: Okay. When you say
4 "Budget Officer" -- so how long were you
5 Budget Officer for Integrated Waste
6 Management?

7 MS. BRENNEMAN: Probably six years.

8 MR. PATTON: Okay. Now, when I hear
9 the title Budget Officer, I get -- I have the
10 impression, just based on the Orrick chart
11 I've seen with Parks, that that's the top
12 person --

13 MS. BRENNEMAN: Manager.

14 MR. PATTON: -- over the -- the
15 manager over the budget aspect.

16 MS. BRENNEMAN: Correct.

17 MR. PATTON: Okay. Not necessarily
18 the manager of all admin services, but the
19 manager over the budget.

20 MS. BRENNEMAN: Just manager over
21 the budget office.

22 MR. PATTON: Yeah, yeah. You don't
23 have to try to answer a question, Terry.

24 MS. JORDAN: Oh, I didn't. I was
25 just shaking my head.

1 MR. PATTON: That's all right. So
2 you -- which is impressive. So you've been --
3 for fifteen years, you've been a budget
4 officer. I've been in the budget office for
5 fifteen years --

6 MR. PATTON: Yeah.

7 MS. BRENNEMAN: -- Budget Officer
8 probably eleven.

9 MR. PATTON: I think so.

10 MR. MATTSON: Kind of worked your
11 way up?

12 MS. BRENNEMAN: Um-hum.

13 MR. PATTON: I'm going to give you
14 credit for twelve, five years at DPA, six at
15 Integrated Waste, and over a year here. So
16 I'm -- anyways. And then before that, you
17 worked Budgets but at a lower --

18 MS. BRENNEMAN: I was a budget
19 analyst.

20 MR. PATTON: Okay. At Integrated
21 Waste?

22 MS. BRENNEMAN: Integrated Waste.

23 MR. PATTON: Okay. For what? Like
24 three years?

25 MS. BRENNEMAN: Um-hum.

ELSIE BRENNEMAN

1 MR. PATTON: Yeah?

2 MS. BRENNEMAN: Yeah, probably.

3 MR. PATTON: You got promoted quick.
4 You're obviously --

5 MS. BRENNEMAN: Yes.

6 MR. PATTON: -- a budget star then.

7 MS. BRENNEMAN: Well, maybe.

8 MR. PATTON: A budget analyst, Waste
9 Management. You must have -- you must have
10 some kind of accounting background or
11 something or --

12 MS. BRENNEMAN: No.

13 MR. PATTON: -- you're just really
14 good with numbers.

15 MS. BRENNEMAN: Just the numbers. I
16 understand the numbers. I can see the big
17 picture kind of a thing is I think what was
18 the benefit for me --

19 MR. PATTON: Uh-huh.

20 MS. BRENNEMAN: -- understanding the
21 funds. Integrated Waste was a lot of special
22 funds also so --

23 MR. PATTON: Was this budget analyst
24 at Integrated -- at Integrated Waste
25 Management, was that your -- was that where

1 you started your state employment?

2 MS. BRENNEMAN: I started at
3 Integrated Waste Management as an office
4 assistant.

5 MR. PATTON: Okay. What year?

6 MS. BRENNEMAN: '93.

7 MR. PATTON: Okay. As office
8 assistant?

9 MS. BRENNEMAN: Um-hum.

10 MR. PATTON: So in a short nineteen
11 years -- and in fact, you -- so you were --
12 and you were made Budget Officer at the Waste
13 Management in what year? Do you remember?

14 MS. BRENNEMAN: No, I don't, but I
15 can give that to you. I could find it.

16 MR. PATTON: Well, if I subtract
17 twelve years from now, it takes me down to
18 2000.

19 MR. MATTSON: 2000.

20 MS. BRENNEMAN: Um-hum.

21 MR. PATTON: So within about seven
22 years, you were made a Budget Officer.

23 MS. BRENNEMAN: Probably, yeah.

24 MR. PATTON: Yeah. That's good.

25 You don't have a -- you don't have an

1 educational background in this?

2 MS. BRENNEMAN: No.

3 MR. PATTON: What's your educational
4 background?

5 MS. BRENNEMAN: Just high school.

6 MR. PATTON: Really?

7 MS. BRENNEMAN: Um-hum.

8 MR. PATTON: Wow. Very impressive.
9 Okay. So nineteen years in. Started at 17,
10 so you're just about to turn 36, and you've
11 been running the Budgets now for twelve years.
12 That's very good. I like numbers, too, but a
13 couple of my presumptions may have been off by
14 a year or two. So tell me -- you've seen
15 these numbers of underreported funds, and I'm
16 really just going to concentrate for quite a
17 bit of this discussion. This top line is the
18 State Parks and Rec Fund --

19 MS. BRENNEMAN: Um-hum.

20 MR. PATTON: -- which I'm looking at
21 numbers that indicate a fairly consistent
22 difference between what's reported -- been
23 reported to the Department of Finance versus
24 what's being reported to State Controller's
25 Office of about twenty million dollars.

ELSIE BRENNEMAN

1 MS. BRENNEMAN: Um-hum.

2 MR. PATTON: You -- are you aware of
3 this at all?

4 MS. BRENNEMAN: Yeah. I think this
5 is the --

6 MR. PATTON: This is a very
7 simple --

8 MS. BRENNEMAN: Right. This is a
9 very simple --

10 MR. PATTON: This is a very
11 simplified form for those of us who don't
12 understand much.

13 MS. BRENNEMAN: Right.

14 MR. PATTON: But -- so we're good at
15 looking at the bottom line number. What do
16 you -- just -- I mean, tell me the story.
17 What do you know, if anything, about
18 underreported funds?

19 MS. BRENNEMAN: I don't know when or
20 how the reports got off. When I first got
21 here, I started looking at the fund balances
22 trying to understand the department, what
23 their funds were. So I started looking at the
24 fund conditions, the normal governor's
25 budget-type documents and noticed that the

1 numbers were off. I --

2 MR. PATTON: Which numbers were off?
3 What were you comparing?

4 MS. BRENNEMAN: The fund -- the
5 balance between what was reported on the
6 Controllers and in the year-end statements
7 versus what was in the governor's budget.

8 MR. PATTON: So tell me what those
9 reports are called. What is reported to the
10 Controller? What do you call that?

11 MS. BRENNEMAN: They have their
12 year-end statements that the accounting office
13 submits to Controllers.

14 MR. PATTON: Year-end accounting
15 office statements.

16 MS. BRENNEMAN: Correct.

17 MR. PATTON: So that's -- Accounting
18 is -- that's Dorothy Kroll's --

19 MS. BRENNEMAN: Right.

20 MR. PATTON: -- unit, right?

21 MS. BRENNEMAN: Right.

22 MR. PATTON: Year-end accounting
23 office statements go to Controller?

24 MS. BRENNEMAN: Um-hum.

25 MR. PATTON: So you're looking at

1 Dorothy Kroll's --

2 MS. BRENNEMAN: I looked at some of
3 Dorothy's --

4 MR. PATTON: -- operation and
5 numbers?

6 MS. BRENNEMAN: -- numbers, but I
7 went and I pulled the report off of
8 Controller's Web site, and I'm sorry, I can't
9 remember the name of the report. It's one of
10 my favorites. I just click on it on the
11 Internet and it's there. But I looked at
12 their report, and their report is basically
13 pulling the information that Dorothy submits
14 in the year-end statements and summarizes them
15 and puts them on the Web site for each of the
16 funds.

17 MR. MATTSON: About what year was
18 this when you started looking at it?

19 MS. BRENNEMAN: It was just right
20 after I got here, so it was last year,
21 probably April.

22 MR. MATTSON: April of last year?

23 MS. BRENNEMAN: I got here in
24 February.

25 MR. MATTSON: Okay. So April of

1 last year.

2 MS. BRENNEMAN: So it was probably
3 April of last year I started looking at the
4 numbers.

5 MR. MATTSON: Okay.

6 MR. PATTON: So this is what
7 Dorothy's operation basically transmits to
8 Controller and gets posted then on their Web
9 site?

10 MS. BRENNEMAN: Correct.

11 MR. PATTON: So any -- I can go look
12 at it if I knew what the link was --

13 MS. BRENNEMAN: Yes.

14 MR. PATTON: -- and if I knew what
15 to look at?

16 MS. BRENNEMAN: Correct.

17 MR. PATTON: Okay. And so you
18 noticed then what?

19 MS. BRENNEMAN: That the numbers
20 were different from what was on Controller's
21 versus governor's Web site.

22 MR. PATTON: Is that surprising? Is
23 it -- what did you think? And basically,
24 you're looking then also at what your unit
25 is -- has previously reported to Finance for

1 the governor's budget.

2 MS. BRENNEMAN: Correct. And so
3 that's -- I mean, when I first noticed it, I
4 wasn't sure if it was just maybe a calculation
5 error. I was trying to understand how the
6 previous budget office ran, how they developed
7 their fund conditions, what information did
8 they record, why did -- so I didn't know where
9 the error happened or if it was just a
10 calculation error --

11 MR. MATTSON: So you were --

12 MS. BRENNEMAN: -- or if it was just
13 a calculation error, something went wrong.

14 MR. MATTSON: You were trying to
15 figure out whether it was a calculation
16 accounting error or something other than that?

17 MS. BRENNEMAN: Right. And I -- at
18 the time, I was just looking back at maybe two
19 or three years. I wasn't -- I didn't dive
20 into ten years --

21 MR. PATTON: Um-hum.

22 MS. BRENNEMAN: -- ten years back.

23 MR. PATTON: You were comparing both
24 reports?

25 MS. BRENNEMAN: Correct.

ELSIE BRENNEMAN

1 MR. PATTON: Okay.

2 MS. BRENNEMAN: So then I went and
3 pulled all of the reports that kind of tied
4 back to them and --

5 MR. PATTON: Going back how far?

6 MS. BRENNEMAN: Just like the
7 previous year, maybe the year before that, and
8 I didn't --

9 MR. PATTON: About three years'
10 worth?

11 MS. BRENNEMAN: Um-hum.

12 MR. PATTON: Okay.

13 MS. BRENNEMAN: And I did notice
14 that there was little things that was reported
15 incorrectly on the fund condition, not
16 anything that would generate the
17 twenty-million-dollar difference.

18 MR. PATTON: Um-hum.

19 MS. BRENNEMAN: And so it was
20 obvious that it was something that had
21 happened years back.

22 MR. PATTON: Did you ever go farther
23 back then and see where it started?

24 MS. BRENNEMAN: I have not had an
25 opportunity to really dive into going farther

1 back to see what happened and why.

2 MR. PATTON: Do you know how far
3 back the records and budget go? Do you even
4 know whether you can go that far back?

5 MS. BRENNEMAN: I know that we have
6 our fund conditions that go pretty far back,
7 and we can probably get the accounting
8 statements that go just as far. I don't --

9 MR. PATTON: When you say "fund
10 conditions," is that the DOF reports?

11 MS. BRENNEMAN: That's the
12 governor's budget, yes.

13 MR. PATTON: Okay.

14 MS. BRENNEMAN: The fund condition
15 is DOF.

16 MR. PATTON: You call that a fund
17 conditions report?

18 MS. BRENNEMAN: Um-hum.

19 MR. PATTON: Okay. Not a budget
20 report to DOF; it's called the fund
21 conditions?

22 MS. BRENNEMAN: It's called the fund
23 condition.

24 MR. PATTON: Okay. Okay. So
25 that's --

ELSIE BRENNEMAN

1 MS. BRENNEMAN: And it's a statement
2 of their funds that we talk -- in there, we
3 display revenue received versus expenditures.

4 MR. MATTSON: The fund conditions go
5 to the Department of Finance?

6 MS. BRENNEMAN: Correct.

7 MR. PATTON: Yes.

8 MR. MATTSON: Is it a different name
9 for the report that goes to the Controllers or
10 is it the same name?

11 MS. BRENNEMAN: From Controllers,
12 it's submitted through the accounting office.

13 MR. MATTSON: Uh-huh.

14 MS. BRENNEMAN: So it's a year-end
15 statement.

16 MR. MATTSON: So year-end statement
17 goes to the Controllers, and fund conditions
18 go to Finance?

19 MS. BRENNEMAN: Correct.

20 MR. PATTON: Yeah. See, we're
21 just -- we don't know much about lingo, but
22 I'm making the same note. Budget report is
23 fund condition statement.

24 MS. BRENNEMAN: Um-hum.

25 MR. PATTON: And accounting report

1 is the year-end accounting statement.

2 MS. BRENNEMAN: Correct.

3 MR. PATTON: Right? Okay. Now,
4 when you discovered this discrepancy, you say
5 you looked trying to see if you could identify
6 what errors might be in the budget report that
7 caused this to be lower than the accounting
8 year-end report. You weren't able to
9 identify -- you said you identified some small
10 errors but nothing that accounted for the
11 whole thing. So what did you do? Did you
12 talk to anybody about this?

13 MS. BRENNEMAN: Yes. I notified the
14 Admin Deputy Director which was Manuel Lopez
15 at the time.

16 MR. MATTSON: And that was back in
17 November or was that different?

18 MR. PATTON: April of 2001?

19 MR. MATTSON: I'm sorry, April --

20 MS. BRENNEMAN: No. That was about
21 April of 2011. It was last year.

22 MR. PATTON: Yeah. Two months after
23 you started, you noticed this. You went to
24 the admin --

25 MS. BRENNEMAN: The admin deputy.

ELSIE BRENNEMAN

1 MR. PATTON: Admin Deputy Director?

2 MS. BRENNEMAN: Correct.

3 MR. PATTON: He's the top person in
4 Admin Services?

5 MS. BRENNEMAN: Yes.

6 MR. PATTON: Okay. Not a -- not an
7 assistant admin --

8 MS. BRENNEMAN: I notified the
9 assistant and the deputy.

10 MR. PATTON: You notified admin
11 director -- Deputy Director Lopez?

12 MS. BRENNEMAN: Um-hum.

13 MR. PATTON: And you notified the
14 assistant who -- Assistant Admin Deputy
15 Director who was?

16 MS. BRENNEMAN: Dave Saxby.

17 MR. PATTON: Dave Saxby. And what
18 happened after you notified them? What did
19 they have to say about it?

20 MS. BRENNEMAN: Manuel --

21 MR. PATTON: Take them one at a
22 time.

23 MS. BRENNEMAN: Manuel knew that
24 there was a fund balance difference.

25 MR. PATTON: He told you he knew

1 that?

2 MS. BRENNEMAN: Yes --

3 MR. PATTON: Okay.

4 MS. BRENNEMAN: -- he told me he
5 knew that.

6 MR. PATTON: All right.

7 MS. BRENNEMAN: He told me that we
8 were not going to correct it when we were
9 building our budget in the fall because we
10 were going through general fund cuts, and
11 there was the concern that our general fund
12 would be reduced even more.

13 MR. PATTON: Okay.

14 MS. BRENNEMAN: I also brought it up
15 to the -- or raised it to the Assistant
16 Director which was Michael Harris.

17 MR. PATTON: Let's -- okay. Hang
18 on.

19 MS. BRENNEMAN: Okay.

20 MR. PATTON: You told me you also
21 reported this to the Assistant Admin Deputy
22 Director Dave Saxby.

23 MS. BRENNEMAN: Um-hum.

24 MR. PATTON: And did you have any
25 conversation with Dave Saxby about what you

1 were reporting?

2 MS. BRENNEMAN: It was in the same
3 briefing with Manuel, so it was what Manuel's
4 direction was that Dave did have --

5 MR. PATTON: So you had a -- there
6 was a meeting where you sat down and talked
7 with both Lopez and Saxby together --

8 MS. BRENNEMAN: Yes.

9 MR. PATTON: -- and said, hey, I see
10 that we're twenty million off.

11 MS. BRENNEMAN: Correct.

12 MR. PATTON: And they said, yeah.
13 So Lopez did the talking; Saxby didn't say
14 anything?

15 MS. BRENNEMAN: I don't recall if
16 Dave had any comments on it, and I know that
17 the direction I got was from Manuel.

18 MR. PATTON: Okay. Hang on one
19 second. So you -- when you went to him -- I
20 guess I'm trying to figure out how this -- so
21 you go and you ask to talk with Manny. You're
22 like, here I am, I've got reports, I'm looking
23 at reports, something's off.

24 MS. BRENNEMAN: Um-hum.

25 MR. PATTON: And how do you end up

1 having a meeting then with both Manny and Dave
2 Saxby at the same time? Does he say, come
3 back, we'll have a meeting?

4 MS. BRENNEMAN: No.

5 MR. PATTON: Dave just happens to be
6 there?

7 MS. BRENNEMAN: Dave was there.
8 Dave and Manuel were -- a lot of the
9 budget-type briefings or meeting that we had,
10 Dave was always involved.

11 MR. PATTON: Okay. So you go over
12 to give Manny a briefing about what you've
13 discovered. Dave's there, and Manny does the
14 talking is what you're telling me?

15 MS. BRENNEMAN: Correct.

16 MR. PATTON: Dave doesn't say
17 anything?

18 MS. BRENNEMAN: I don't recall if
19 Dave had any comments or not.

20 MR. PATTON: Okay. Okay. How many
21 such conversations did you -- did you only
22 have the one conversation?

23 MS. BRENNEMAN: Oh, no. We had
24 multiple conversations about it.

25 MR. PATTON: Why? Tell me about --

1 MS. BRENNEMAN: And it was always --

2 MR. PATTON: -- other conversations.

3 MS. BRENNEMAN: Well, because we
4 were talking, I was trying to figure out what
5 was the best way to us -- for us to start
6 making the numbers right, and I kept getting
7 the we don't want to make -- we don't want to
8 fix it at this time because of the general
9 fund cuts that we're taking.

10 MR. PATTON: You say "to start
11 making it right". Did you make some sort of
12 proposal to Manny and/or Dave Saxby of let's
13 start trying to make this right, like
14 incrementally is what I hear when I hear
15 "start making it right".

16 MS. BRENNEMAN: No, just looking at
17 how we can correct the problem, if it needs to
18 be adjusted in the prior year adjustment
19 numbers --

20 MR. PATTON: Uh-huh.

21 MS. BRENNEMAN: -- or is it an
22 expenditure problem. And that was part of
23 just really trying to understand what
24 happened.

25 MR. PATTON: Uh-huh. Would you

1 characterize it as you had multiple
2 discussions with Manny Lopez and Saxby --

3 MS. BRENNEMAN: Yes.

4 MR. PATTON: -- about this?

5 MS. BRENNEMAN: Yes.

6 MR. PATTON: So over what period of
7 time?

8 MS. BRENNEMAN: Oh, probably
9 through --

10 MR. PATTON: Until the day he left?

11 MS. BRENNEMAN: Probably through
12 budget development when we were really trying
13 to put the numbers together --

14 MR. PATTON: For the last budget --

15 MS. BRENNEMAN: -- and showing
16 that --

17 MR. PATTON: -- so last November?

18 MS. BRENNEMAN: Right.

19 MR. PATTON: Okay.

20 MS. BRENNEMAN: Showing that the
21 numbers were different. And I made the
22 comment that all Finance has to do is go pull
23 Controller's report, and they'll see the
24 numbers are off.

25 MR. PATTON: Um-hum. What did they

1 say to that?

2 MS. BRENNEMAN: Nothing really. I
3 mean, it was just like --

4 MR. PATTON: They nod their head?

5 MS. BRENNEMAN: -- well, they --
6 yeah.

7 MR. PATTON: Did they wink?

8 MS. BRENNEMAN: They were like,
9 yeah, they can. So I'm like, this could be
10 out in the open at any minute, and so it was
11 like, yeah, it can be.

12 MR. MATTSON: How did you feel about
13 their comments to you? I mean, what was your
14 kind of --

15 MS. BRENNEMAN: I mean, I understood
16 where they were coming from with the general
17 fund cuts that we were taking. I wanted to
18 fix the numbers. I wanted to make them right.
19 I wanted to -- for at least to be closer to
20 what it should be and not be the twenty
21 million dollars off.

22 MR. PATTON: So you wanted to kind
23 of incrementally take some steps?

24 MS. BRENNEMAN: Right.

25 MR. PATTON: Go ahead. I cut you

1 off.

2 MS. BRENNEMAN: No, that's okay.

3 MR. PATTON: How were you going to
4 do incremental steps? You said something
5 about -- excuse me. I'm sorry. I'll turn
6 this off. You talked about the prior year
7 balance.

8 MS. BRENNEMAN: The prior year
9 adjustment is where we make adjustments for --

10 MR. PATTON: Okay. You saw that as
11 one area where --

12 MS. BRENNEMAN: One area we could
13 fix it.

14 MR. PATTON: -- you might be able
15 to -- okay. But you wouldn't be able to fix
16 the whole thing?

17 MS. BRENNEMAN: We could have. I
18 mean, that's --

19 MR. PATTON: You change --

20 MS. BRENNEMAN: -- we definitely
21 could have.

22 MR. PATTON: -- prior year balance
23 by twenty million you could.

24 MS. BRENNEMAN: Yes, we could.

25 MR. PATTON: Okay. And I know I'm

1 silly. I'm sorry. And you were told -- so
2 when you suggested maybe some less than twenty
3 million dollar fixes, which it sounds like
4 what you -- you're nodding your head yes.

5 MS. BRENNEMAN: Right. Yeah, that
6 would --

7 MR. PATTON: You were --

8 MS. BRENNEMAN: That would have been
9 an option for us to put the numbers out there
10 without it being an oh, my God, we have twenty
11 million dollars --

12 MR. PATTON: So that was a thought
13 and something that you expressed?

14 MS. BRENNEMAN: Yes.

15 MR. PATTON: And we don't have to
16 necessarily tackle the whole thing all at
17 once, yes?

18 MS. BRENNEMAN: Yes.

19 MR. PATTON: And -- but they
20 weren't -- Manny wasn't receptive so that
21 either?

22 MS. BRENNEMAN: No. They did not
23 want to fix --

24 MR. PATTON: Okay.

25 MS. BRENNEMAN: -- the

1 discrepancies.

2 MR. PATTON: What did you call it?
3 The prior year fund balance?

4 MS. BRENNEMAN: Prior year
5 adjustment.

6 MR. PATTON: Prior year adjustment.
7 Maybe adjust -- the prior year adjustment.
8 Okay. Got it. Okay. So basically, you got
9 nowhere?

10 MS. BRENNEMAN: Right.

11 MR. PATTON: Lopez --

12 MS. BRENNEMAN: Correct.

13 MR. PATTON: -- did not want to
14 adjust it. Did Saxby ever weigh in and say
15 anything?

16 MS. BRENNEMAN: I think he was kind
17 of along the same line. I mean, I understood
18 why Manuel was going where he --

19 MR. PATTON: Why?

20 MS. BRENNEMAN: -- saying that we
21 shouldn't have -- we shouldn't make the
22 corrections because of the general fund cuts
23 that we're taking. I think Dave was along the
24 same lines of we're getting a huge cut right
25 now from our general fund, as soon as we show

1 that we have twenty million dollars more in
2 our -- we call it SPRF, our State Parks and
3 Recreation Fund --

4 MR. PATTON: Um-hum.

5 MS. BRENNEMAN: -- that there's a
6 risk that they're going to take more general
7 fund from us.

8 MR. PATTON: What did you think
9 about that reasoning?

10 MS. BRENNEMAN: I didn't have the
11 history of the department to really have an
12 opinion about it. I mean, I know that from
13 what they were saying they had taken general
14 fund cuts in the past, a lot of general fund
15 cuts in the past, and so I just kind of
16 understood their trying to -- I think, just
17 kind of protect what they have --

18 MR. PATTON: Um-hum.

19 MS. BRENNEMAN: -- or had to support
20 the system, the park system, the revenue that
21 they had.

22 MR. PATTON: Yeah. So this was
23 always the articulated reason?

24 MS. BRENNEMAN: Yes.

25 MR. PATTON: We'll take more general

1 fund hits?

2 MS. BRENNEMAN: Yes.

3 MR. PATTON: Now, this is all
4 through 2011, from the time you start until
5 the next budget is getting ready to be
6 transmitted over to DOF in November 2011,
7 right?

8 MS. BRENNEMAN: Correct.

9 MR. PATTON: The one that gets sent?

10 MS. BRENNEMAN: Um-hum.

11 MR. PATTON: And isn't it -- during
12 2011, weren't -- wasn't the department facing
13 all this park closure? I mean, they're
14 already taking tremendous hits, right?

15 MS. BRENNEMAN: Right.

16 MR. PATTON: I've seen this poster
17 in somebody's office that's like -- it's a
18 glossy multicolored poster that talks about
19 the park seventy -- the seventy park closure
20 issue and who's stepping up to the plate from
21 what organization to try to help. This was
22 all going on in 2011, wasn't it?

23 MS. BRENNEMAN: Yes.

24 MR. PATTON: So you've got -- so
25 basically, it's like you're facing some severe

1 budget problems as it is

2 MS. BRENNEMAN: Correct.

3 MR. PATTON: Okay. So this is the
4 climate.

5 MS. BRENNEMAN: Um-hum.

6 MR. PATTON: And so what they keep
7 telling you is we're afraid they'll cut this
8 general fund even more if they find out we
9 have more money than we've been saying.

10 MS. BRENNEMAN: Correct. And that
11 was the same message that I got from Michael
12 Harris when I brought it up to him.

13 MR. PATTON: All right. So let's go
14 to that then. So throughout 2011 as you're
15 leading up to getting ready -- getting the
16 budget over to DOF or, to use the terminology
17 correctly, the fund condition statement,
18 right?

19 MS. BRENNEMAN: Yes.

20 MR. PATTON: You -- at some point,
21 you then go to Michael Harris.

22 MS. BRENNEMAN: Yes.

23 MR. PATTON: When was that?

24 MS. BRENNEMAN: I don't recall when.
25 It was probably soon -- maybe a month or two

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1 after I initially brought it up to Manuel.

2 MR. PATTON: Okay. So by -- you say
3 you went to manual in about April --

4 MS. BRENNEMAN: April.

5 MR. PATTON: -- so by May or June?

6 MS. BRENNEMAN: Yes.

7 MR. PATTON: You go to Harris
8 directly?

9 MS. BRENNEMAN: Yes.

10 MR. PATTON: Just by yourself?

11 MS. BRENNEMAN: I believe Dave was
12 with me, but I honestly don't remember
13 exactly --

14 MR. PATTON: Dave Saxby?

15 MS. BRENNEMAN: -- who was with me.
16 Yes.

17 MR. PATTON: Okay.

18 MS. BRENNEMAN: And the -- when I
19 first went to talk to Manuel -- I mean talk to
20 Michael Harris, it wasn't -- the intent wasn't
21 to go up there and tell him about the fund
22 balance; we were just discussing the funds,
23 what was going on with the department, the
24 cuts and that kind of thing, and then I raised
25 the issue to him of, oh, and by the way, you

1 know we have a fund balance that's not being
2 reported in the governor's budget. And he was
3 also aware of the fund balance.

4 MR. PATTON: What did he say?

5 MS. BRENNEMAN: He says, oh, yeah, I
6 know about that. And he said the same things
7 that Manuel had said, but if we show it, then
8 we run the risk of getting our -- having our
9 general fund reduced even more. He said --
10 and I don't recall exactly, he said something
11 about, oh, yeah, the twenty million dollars
12 was an error that happened a long time ago,
13 but we haven't fixed it.

14 MR. PATTON: So Harris says, yeah,
15 we know about that?

16 MS. BRENNEMAN: Yes.

17 MR. PATTON: What else did he say,
18 to the best of your recollection?

19 MS. BRENNEMAN: That it was an error
20 that happened a couple of months -- a couple
21 years ago or many years ago. I don't remember
22 exactly how long he said, but that was never
23 corrected.

24 MR. PATTON: Okay. And he also
25 expressed concern about correcting it?

1 MS. BRENNEMAN: Yes.

2 MR. PATTON: What did he say?

3 MS. BRENNEMAN: Same sentiment as
4 Manuel: if we show we have significantly more
5 funds in our SPRF or State Parks and Rec
6 Fund --

7 MR. PATTON: You can call it SPRF.
8 We know what SPRF is.

9 MS. BRENNEMAN: Yeah, okay. That we
10 run the risk of having more general fund
11 reductions.

12 MR. PATTON: Okay. So did he tell
13 you then, we're not going to fix it?

14 MS. BRENNEMAN: Yes.

15 MR. PATTON: He did. He -- so he
16 was very clear, we're not going to do
17 anything?

18 MS. BRENNEMAN: Right.

19 MR. PATTON: How -- to steal
20 Michael's next question, how did you feel
21 about that?

22 MS. BRENNEMAN: Again, just being
23 new to the department, not understanding the
24 dynamics of the department, the cuts that they
25 had taken in the past, just still trying to

1 feel my way through, I was new to the
2 department and new as the Budget Officer, I
3 wanted to make the numbers right, but taking
4 direction from my managers --

5 MR. PATTON: Um-hum.

6 MS. BRENNEMAN: -- what they wanted
7 me to do.

8 MR. PATTON: Did you ever ask them
9 if the director was aware?

10 MS. BRENNEMAN: No.

11 MR. MATTSON: Did you ever think
12 about going and talking to the director?

13 MS. BRENNEMAN: I didn't only
14 because everybody knew about it. I mean, when
15 I brought it up to Manuel and Michael, they
16 knew about it. So I didn't think that it was
17 something that they weren't aware of and they
18 were just trying to hide; you know what I
19 mean?

20 MR. MATTSON: Yeah.

21 MS. BRENNEMAN: It wasn't like that.
22 It wasn't like what?

23 MR. PATTON: Based on these
24 discussions, did you assume the director then
25 was aware?

1 MS. BRENNEMAN: I assumed that she
2 knew.

3 MR. PATTON: But you didn't know
4 that for sure?

5 MS. BRENNEMAN: I assumed that she
6 knew, but I don't -- I can't say for sure that
7 she knew because I never had a personal
8 conversation with her. Nobody ever told me,
9 oh, and Ruth's aware of this.

10 MR. PATTON: And so you didn't --

11 MS. BRENNEMAN: So I can't say that
12 she did.

13 MR. PATTON: You didn't ask Harris
14 or Lopez or Saxby --

15 MS. BRENNEMAN: No, I do not.

16 MR. PATTON: -- if the director was
17 aware?

18 MS. BRENNEMAN: No.

19 MR. PATTON: Okay. And nobody ever
20 said to you the director was aware?

21 MS. BRENNEMAN: No.

22 MR. PATTON: You just kind of
23 assumed since all the people you were talking
24 to above you were well aware?

25 MS. BRENNEMAN: Yes. They were well

1 aware of the issue. They were well aware that
2 there was a fund balance, and they -- I mean,
3 it wasn't like an oh, my God, are you kidding
4 me, we have this money. It was like, oh,
5 yeah, we know.

6 MR. MATTSON: Kind of underplaying
7 it almost?

8 MS. BRENNEMAN: Yeah.

9 MR. PATTON: Did they -- did it
10 cause you concern that here's this report that
11 your part of the operation is responsible for
12 and you know it's in error --

13 MS. BRENNEMAN: Um-hum.

14 MR. PATTON: -- did that cause you
15 concern? How did you feel about the fact that
16 that's going over and it's not getting
17 corrected? I mean, obviously, you've told
18 me -- and I'm sorry to cut you off from your
19 answer already. Obviously, you've told us
20 that your bosses said --

21 MS. BRENNEMAN: Right.

22 MR. PATTON: -- don't worry. So
23 what did you think about that?

24 MS. BRENNEMAN: Right. And no, I
25 had concern, and like I said, I told them, I

1 says, all the Department of Finance has to do
2 is go pull Controller's report and it's out
3 there.

4 MR. PATTON: Um-hum.

5 MS. BRENNEMAN: So why don't we get
6 ahead of it and make it right? I really
7 wanted to make them right. I don't like
8 submitting incorrect information. That's not
9 who I am. That's not --

10 MR. PATTON: I guess I'm trying to
11 understand what your mindset was then during
12 that year because you now have told me, yeah,
13 I didn't feel great about that.

14 MS. BRENNEMAN: Right.

15 MR. PATTON: I know that something
16 that's not correct is going and I'm involved,
17 people above me are telling me that's just the
18 way it is, live with it.

19 MS. BRENNEMAN: Right.

20 MR. MATTSON: I think I -- what it
21 is is, because I'm not a budget person, Tom's
22 not a budget person, and you work in there.
23 And I guess the climate over there is you know
24 basically when you're working with these
25 numbers, you're filing these reports, you kind

1 of know what's right, you know what's wrong,
2 how, in the terms of a budget world, is
3 something that's really wrong, is this
4 something that you think that, man, this is
5 really bad, we got to fix this? How was your
6 whole attitude towards the thing?

7 MS. BRENNEMAN: I know that the
8 numbers were wrong, but I didn't -- I don't
9 think I was like, oh, my God, the world's
10 going to fall --

11 MR. PATTON: The sky's falling?

12 MS. BRENNEMAN: -- the sky's falling
13 because of this, because bottom line, the
14 money was there. It was -- we weren't
15 overspending. It was money that was left in
16 the account. We didn't have authority to
17 spend the money anyway. And the governor's
18 budget does typically show what you're
19 expenditures are and where -- what you're
20 proposing to spend in the out years, but it's
21 a point in time, and the numbers -- the second
22 we give it to Finance, it's different the next
23 day, because that's the way it works. I mean,
24 when you submit your year-end statements, that
25 last month of numbers is an accrual. We're

1 turning around and saying it's an estimate of
2 we think we're going to spend this much, and
3 we think we're going to bring in this much in
4 revenue. So the second we give it to Finance,
5 it's --

6 MR. PATTON: Let me ask --

7 MS. BRENNEMAN: -- going to be
8 adjusted the next year.

9 MR. PATTON: -- a couple of
10 follow-ups on this. So you know that the
11 department's been living with this secret for
12 a while. You're not sure how far back. I
13 mean, they're telling you --

14 MS. BRENNEMAN: Right.

15 MR. PATTON: -- it's been like that
16 for a number of years, but you don't --

17 MS. BRENNEMAN: Right. I was told
18 that the previous Budget Officer knew about it
19 and had raised it also.

20 MR. PATTON: Um-hum.

21 MS. BRENNEMAN: I mean, I can't say
22 for sure; I wasn't involved in those meetings
23 but --

24 MR. PATTON: And -- yeah. And so
25 you know that you got this report that's going

1 over, the fund condition statement that's not
2 entirely right. Were you -- so as you're
3 going about your day-to-day, I mean is this
4 weighing on you or do you ever think to
5 yourself maybe I should go and tell somebody
6 else? What did you think or did you just --

7 MS. BRENNEMAN: No.

8 MR. PATTON: Tell me what you
9 thought.

10 MS. BRENNEMAN: I mean, I felt
11 that -- I didn't feel the urgency, I guess,
12 because they all knew about it.

13 MR. PATTON: Um-hum, okay.

14 MS. BRENNEMAN: And it wasn't a
15 surprise to them. If it was a surprise to
16 them and they turned around and said, oh, no,
17 we're not going to show it, then I probably
18 would have felt a little more --

19 MR. PATTON: Um-hum.

20 MS. BRENNEMAN: -- drive to raise it
21 up even higher.

22 MR. PATTON: Okay.

23 MS. BRENNEMAN: But because they all
24 knew about it, it was almost like it was
25 normal for them that they had known about it

1 for a while and they were perfectly
2 comfortable with it.

3 MR. PATTON: Yeah.

4 MS. BRENNEMAN: So --

5 MR. PATTON: Okay.

6 MS. BRENNEMAN: -- I didn't feel
7 like an urgency of them really trying to hide
8 anything.

9 MR. PATTON: Um-hum.

10 MS. BRENNEMAN: And again, being new
11 to the department, knowing everything that was
12 happening with the cuts already, I didn't know
13 the history of how many cuts they had taken in
14 the past, what the reasoning was behind that.
15 I didn't want to be the one turning around and
16 saying, oh, we have twenty million dollars,
17 hello governor, we have twenty million
18 dollars, and then him saying, oh, that's nice,
19 Ms. Brenneman, thank you, we're going to take
20 another twenty million dollars from your
21 general fund.

22 MR. PATTON: What were you going to
23 ask?

24 MR. MATTSON: Well, it sounds
25 like -- you said that you guys have to have

1 authority to spend it?

2 MS. BRENNEMAN: Correct.

3 MR. MATTSON: So they've got this
4 twenty million dollars in an account that
5 they're hiding from everybody; they're not
6 telling -- they're not disclosing to the
7 Budget Finance Department that they have it.

8 MS. BRENNEMAN: Which is -- I mean,
9 it's a public document. Anybody could have
10 gone to the Controller's Web site.

11 MR. MATTSON: Exactly. The
12 Controller -- all the Controllers have to do
13 is call the Finance and say, hey, we've got
14 this twenty million dollars, do you show that,
15 and they would have known.

16 MS. BRENNEMAN: Right.

17 MR. MATTSON: So they have to have
18 authority to spend it anyway, so basically
19 they've got a pot of twenty million dollars
20 that they can't do anything with anyways.

21 MS. BRENNEMAN: Correct.

22 MR. MATTSON: So what do you think
23 the -- I mean, I know they kept saying that,
24 well, if we show them, they're going to take
25 more of our general fund, but they couldn't

1 use it anyways. It almost is --

2 MS. BRENNEMAN: Correct.

3 MR. MATTSON: It doesn't make much
4 sense.

5 MS. BRENNEMAN: Right. And I think
6 that they thought maybe -- and I'm putting
7 words in their mouth. I don't know for sure;
8 I didn't have the conversations with them.
9 But if it came out and general fund was going
10 to be reduced, it probably would have been,
11 okay, well, we have this, give us the
12 authority to spend it then, to offset.

13 MR. MATTSON: So they're a rainy day
14 fund?

15 MS. BRENNEMAN: Right.

16 MR. PATTON: Or break glass in case
17 of emergency, sound the alarm.

18 MS. BRENNEMAN: Correct.

19 MR. PATTON: We've been holding on
20 to this, haven't told you, now we're out with
21 it.

22 MS. BRENNEMAN: Um-hum.

23 MR. MATTSON: And you feel -- and
24 you kind of alluded to this, too, that there
25 wasn't really -- it doesn't sound like anybody

1 was taking the money for their own personal
2 gain --

3 MS. BRENNEMAN: Oh, no.

4 MR. MATTSON: -- or use. There was
5 a -- it was just there.

6 MS. BRENNEMAN: It was there.

7 MR. MATTSON: It was just a pot of
8 money and --

9 MR. PATTON: Let me ask you that.
10 How do we know that none of it ever got
11 spent --

12 MS. BRENNEMAN: Because we --

13 MR. PATTON: -- or diverted to a
14 different account and spent?

15 MS. BRENNEMAN: We didn't have
16 authority to spend the money.

17 MR. PATTON: So whatever access was
18 there that hadn't been reported to Finance,
19 you're confident it never got moved anywhere
20 else, never got expended?

21 MS. BRENNEMAN: No, not that I can
22 see. I mean, it's in our fund balance. We --
23 what you have in your fund condition is your
24 authority to spend and --

25 MR. PATTON: Um-hum.

1 MS. BRENNEMAN: -- yeah, we may
2 not -- some of that money could be where we
3 had, say, a hundred million dollars but we
4 only spent ninety million, so then that ten
5 million would drop into your fund balance.
6 So, I mean, that's part of what builds up in
7 these numbers, I think. I'm not positive. I
8 haven't had a chance to really go back and
9 look at it. But if we don't have the
10 authority to spend it, they can't move it,
11 they can't transfer it, they can't do anything
12 with it.

13 MR. PATTON: Is there any --

14 MS. BRENNEMAN: I should say we
15 can't do anything with it; it's still part of
16 the department.

17 MR. PATTON: Is there -- have you,
18 in looking at this, gained any more
19 information as to how this inaccuracy in
20 reporting got started?

21 MS. BRENNEMAN: No, I don't because
22 it's going farther back than we've had a
23 chance to pull --

24 MR. PATTON: Uh-huh.

25 MS. BRENNEMAN: -- information for.

1 So I don't know --

2 MR. PATTON: When you say --

3 MS. BRENNEMAN: -- where it started.

4 MR. PATTON: So when you -- how --
5 what do you have to do to pull information to
6 take the --

7 MS. BRENNEMAN: Well, initially, I
8 was just looking at what was -- what
9 Controllers was putting out as far as their
10 information based on -- it's a summary of all
11 of the year-end statements. For us to go back
12 farther, I would actually have to get all of
13 the accounting files and go through all of the
14 sheets and add up all the numbers to put into
15 the fund condition because it's not
16 summarized.

17 MR. PATTON: Where would those be,
18 those files?

19 MS. BRENNEMAN: I don't know if the
20 accounting office has their files going back
21 that far or if we -- if it's archived or if we
22 have access to them.

23 MR. PATTON: Now, the accounting
24 statement and what they have we called
25 year-end statement that goes to the

1 Controller. I assume that the files for each
2 year are going to tally up to what the
3 year-end statements were --

4 MS. BRENNEMAN: Correct.

5 MR. PATTON: -- which have always
6 been significantly higher than what the fund
7 condition statement was.

8 MS. BRENNEMAN: Right.

9 MR. PATTON: So don't you have to
10 find a different set of files from the budget
11 office -- your predecessors in the budget
12 office to figure out how that error --

13 MS. BRENNEMAN: Right.

14 MR. PATTON: -- in the fund
15 condition -- yeah?

16 MS. BRENNEMAN: Right. Yeah, we'd
17 have to, I mean, really go back through all
18 the accounting files to recreate all of the
19 fund conditions that we submit in the
20 governor's budget --

21 MR. PATTON: Basically do it all
22 over again.

23 MS. BRENNEMAN: -- to see what -- do
24 it all over again --

25 MR. PATTON: And do you --

1 MS. BRENNEMAN: -- to see what
2 number changed to give us that increase in the
3 fund condition.

4 MR. PATTON: Are the -- is the
5 paperwork that resulted in the fund condition
6 statements that the budget office put
7 together, is that also retrievable?

8 MS. BRENNEMAN: We have all of the
9 fund condition -- the finals that were
10 submitted to Department of Finance.

11 MR. PATTON: Uh-huh.

12 MS. BRENNEMAN: Unfortunately, the
13 backup documentation on how they came up with
14 those numbers is not part of the package that
15 we have in the budget office.

16 MR. PATTON: Okay. Do you know at
17 what point in time the backup documentation no
18 longer exists? I assume there's backup
19 documentation for the last few years.

20 MS. BRENNEMAN: For last year, we
21 have all of our documentation.

22 MR. PATTON: Okay.

23 MS. BRENNEMAN: I think the year
24 before, but it wasn't -- it didn't seem to be
25 standard practice for them to keep all of

1 their documentation behind their fund
2 conditions.

3 MR. PATTON: Okay.

4 MS. BRENNEMAN: That was one of my
5 frustrations when I first got to the
6 department.

7 MR. MATTSON: Is that a common
8 practice in other --

9 MS. BRENNEMAN: Oh, yeah.

10 MR. MATTSON: -- places you've
11 worked --

12 MS. BRENNEMAN: Yes.

13 MR. MATTSON: -- is to keep that
14 documentation?

15 MS. BRENNEMAN: Keep all the
16 documentation to show exactly where every
17 single number comes from.

18 MR. PATTON: Now --

19 MR. MATTSON: And how far back does
20 that usually go?

21 MS. BRENNEMAN: The budget office
22 will usually keep information for three to
23 four years most of the time. It usually
24 doesn't keep it -- some departments, depending
25 on how big they are, they'll keep it for

1 longer.

2 MR. PATTON: Okay. I want to be
3 very careful in making sure my notes are clear
4 on this. So the Parks budget office has
5 backup documentation going back only to one
6 prior year?

7 MS. BRENNEMAN: We probably have a
8 couple of years; it's just not laid out the
9 way I would normally lay it out, I guess. We
10 would still have to actually go back and
11 recreate what they -- the numbers that they
12 put in.

13 MR. PATTON: And for years prior to,
14 say, FY2000, are you telling me that the
15 backup documentation just isn't there?

16 MS. BRENNEMAN: Isn't there.

17 MR. PATTON: You've looked?

18 MS. BRENNEMAN: We have the actual
19 fund conditions but none of the backup
20 documentation.

21 MR. PATTON: Okay. And so at what
22 fiscal year does the backup documentation no
23 longer -- is not --

24 MS. BRENNEMAN: I don't recall.

25 MR. PATTON: -- not available?

1 MS. BRENNEMAN: I can go back and
2 look, but I don't --

3 MR. PATTON: Is it something like
4 FY00 -- I'm sorry -- 2010?

5 MS. BRENNEMAN: I mean, we have all
6 of our statements that we submit to the
7 Department of Finance going back probably
8 fifteen years or so, but it just doesn't have
9 the backup documentation also.

10 MR. PATTON: I'm trying to figure
11 out when the backup documentation ceased to
12 exist.

13 MS. BRENNEMAN: Oh, it's --

14 MR. PATTON: Two years ago is what
15 you're telling me.

16 MS. BRENNEMAN: Probably --

17 MR. PATTON: You have a couple
18 years' worth.

19 MS. BRENNEMAN: Probably about five
20 years ago. Probably there's nothing back
21 before that.

22 MR. PATTON: So five -- you --

23 MS. BRENNEMAN: I mean, I don't know
24 for sure. I'd have to go back and look at our
25 files.

1 MR. PATTON: I guess what I'm
2 hearing is that the condition of the files and
3 the completeness of the backup documentation,
4 it degrades. You've got pretty good backup
5 documentation for one year ago --

6 MS. BRENNEMAN: The last couple of
7 years.

8 MR. PATTON: -- the last couple of
9 years and then a little bit for three more
10 years and then no more.

11 MS. BRENNEMAN: Correct.

12 MR. PATTON: Is that -- okay.

13 MS. BRENNEMAN: Yes.

14 MR. PATTON: And that -- did that
15 surprise you?

16 MS. BRENNEMAN: Yes. I'm not used
17 to seeing that in the budget office.

18 MR. PATTON: To seeing a lack of?

19 MS. BRENNEMAN: Documentation.

20 MR. PATTON: Okay. Did you ask
21 any -- have you asked anybody about that? Why
22 is this backup documentation --

23 MS. BRENNEMAN: Oh, I've had several
24 conversations with the budget staff asking
25 them --

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1 MR. PATTON: What do they --

2 MS. BRENNEMAN: -- where is the
3 documentation. And unfortunately, the
4 previous Budget Officers did all of the
5 finance reports and the staff did not do any
6 of them, so they have no clue.

7 MR. PATTON: Interesting. So who
8 have you asked in your staff?

9 MS. BRENNEMAN: All of my staff that
10 are here.

11 MR. PATTON: All of your staff.

12 MS. BRENNEMAN: Yes. I've had
13 meetings with them, and I told them we're
14 going to start documenting. Everything has
15 to -- you have to have your backup
16 documentation for everything.

17 MR. PATTON: So you talked with all
18 your staff about the lack of backup
19 documentation and --

20 MS. BRENNEMAN: Yes, multiple times.

21 MR. PATTON: And what do they say?

22 MS. BRENNEMAN: I get the well we
23 weren't -- we didn't develop those reports, we
24 weren't involved.

25 MR. PATTON: Okay.

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1 MR. MATTSON: Is that common
2 practice?

3 MS. BRENNEMAN: No.

4 MR. PATTON: Is usually your staff
5 involved in --

6 MS. BRENNEMAN: Yes.

7 MR. MATTSON: -- putting that
8 together?

9 MS. BRENNEMAN: Yes.

10 MR. PATTON: They are now involved?

11 MS. BRENNEMAN: They will be this
12 year, yes.

13 MR. PATTON: Okay. Interesting.

14 MS. BRENNEMAN: I have staff that
15 have been there for ten, fifteen years.

16 MR. PATTON: Tell me who those are.
17 List off your staff.

18 MS. BRENNEMAN: Lisa Coronado.

19 MR. PATTON: And what is her title?

20 MS. BRENNEMAN: She is a research
21 analyst.

22 MR. PATTON: Okay. She's been there
23 since when?

24 MS. BRENNEMAN: She -- I think she's
25 been there about twelve years.

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1 MR. PATTON: Research analyst?

2 MS. BRENNEMAN: Um-hum.

3 MR. PATTON: With Budget?

4 MS. BRENNEMAN: Yes.

5 MR. PATTON: Twelve years. She's
6 your longest serving budget staff person?

7 MS. BRENNEMAN: Her and Wendy. I'm
8 not sure which one's been there longer, but
9 they've both been there ten plus years.

10 MR. PATTON: Wendy who?

11 MS. BRENNEMAN: Nadahara (ph.).

12 MR. PATTON: Nadahara?

13 MS. BRENNEMAN: Um-hum.

14 MR. PATTON: Nadahara. I say that
15 because that's how my mom taught me to spell.
16 Ten years?

17 MS. BRENNEMAN: Ten plus.

18 MR. PATTON: Ten plus.

19 MS. BRENNEMAN: She is a research
20 analyst also.

21 MR. PATTON: Research analyst,
22 Budget?

23 MS. BRENNEMAN: Yes.

24 MR. PATTON: Okay. Who else? How
25 many staff do you have?

ELSIE BRENNEMAN

1 MS. BRENNEMAN: Well, we just lost
2 two, but -- so I have four right now.

3 MR. PATTON: Who else?

4 MS. BRENNEMAN: Four staff and a
5 manager. Allison Fitzgerald.

6 MR. PATTON: Allison Fitzgerald.
7 How many years she been there?

8 MS. BRENNEMAN: Nine, nine years.

9 MR. PATTON: What's her position?

10 MS. BRENNEMAN: She's an Associate
11 Budget Analyst.

12 MR. PATTON: Okay. Who else?

13 MS. BRENNEMAN: David Williams.

14 MR. PATTON: David Williams. Okay.
15 How many years?

16 MS. BRENNEMAN: I'm not sure, I
17 think probably about eight years.

18 MR. PATTON: Eight years. What's
19 his position?

20 MS. BRENNEMAN: He's an Associate
21 Budget Analyst.

22 MR. PATTON: Who else? You said you
23 lost two.

24 MS. BRENNEMAN: Yeah.

25 MR. PATTON: That's the four you've

1 got with you now?

2 MS. BRENNEMAN: That's the four I
3 have now, and then I have a manager, Rochelle
4 Manges.

5 MR. PATTON: Manager. How long has
6 she been a manager? Rochelle Angus?

7 MS. BRENNEMAN: Manges.

8 MR. PATTON: Manges, M-A-N-G-U-S?

9 MS. BRENNEMAN: G-E-S.

10 MR. PATTON: G-E-S. What's her --
11 she's a manager. What does that mean?

12 MS. BRENNEMAN: She's a Staff
13 Service Manager 1.

14 MR. PATTON: Staff Services. Is she
15 like your number two?

16 MS. BRENNEMAN: Yes.

17 MR. PATTON: Okay. Staff Services
18 Manager 1.

19 MS. BRENNEMAN: Actually, she's a 2
20 now.

21 MR. PATTON: 2. Okay. So she's the
22 number two in the Budget.

23 MS. BRENNEMAN: Correct.

24 MR. PATTON: Okay. So she could --
25 we could call her your Assistant Budget

1 Officer --

2 MS. BRENNEMAN: Yes.

3 MR. PATTON: -- but we're going to
4 call her manager, Staff Services Manager.

5 MS. BRENNEMAN: And she's been in
6 the budget office probably two years now.

7 MR. PATTON: Okay. And then these
8 are the people who are still here, right?

9 MS. BRENNEMAN: Yes.

10 MR. PATTON: And then you said
11 you've just lost two?

12 MS. BRENNEMAN: Yes.

13 MR. PATTON: Who was that?

14 MS. BRENNEMAN: Yassir Ali.

15 MR. PATTON: Yassir Ali.

16 MS. BRENNEMAN: A-L-I.

17 MR. PATTON: How's my spelling?

18 Pretty good?

19 MS. BRENNEMAN: Yep.

20 MR. PATTON: Okay.

21 MS. BRENNEMAN: And Jordan Arnold.

22 MR. PATTON: Jordan Arnold. How
23 long had Yassir been here?

24 MS. BRENNEMAN: Probably -- I want
25 to say four or five years.

ELSIE BRENNEMAN

1 MR. PATTON: What was his position?

2 MS. BRENNEMAN: He was Associate
3 Program Governmental Analyst, AGPA.

4 MR. PATTON: Associate Government
5 Programs Analyst.

6 MR. MATTSON: When did he leave?

7 MS. BRENNEMAN: He left probably
8 about three or four months ago, four or five
9 months ago, this year. Everything's rolling
10 in together now.

11 MR. PATTON: Yeah. Jordan Arnold?

12 MS. BRENNEMAN: Yes.

13 MR. PATTON: How many --

14 MS. BRENNEMAN: And she was in the
15 budget office a year and a half. She actually
16 started the same day I did.

17 MR. PATTON: Okay.

18 MS. BRENNEMAN: And she left for a
19 promotion.

20 MR. PATTON: To go where?

21 MS. BRENNEMAN: She is at Consumer
22 Affairs, I believe.

23 MR. PATTON: Okay. What was her
24 position here?

25 MS. BRENNEMAN: She was an Associate

1 Budget Analyst.

2 MR. PATTON: Have you talked to any
3 of these people about whether or not they were
4 aware of this underreport?

5 MS. BRENNEMAN: I have not because
6 of the realization that they really did not
7 have anything to do with the budget
8 development.

9 MR. PATTON: Because you went
10 looking for documentation?

11 MS. BRENNEMAN: Correct.

12 MR. PATTON: And they have all told
13 you, we don't know where it is, we weren't
14 involved in putting it together.

15 MS. BRENNEMAN: Correct.

16 MR. PATTON: So you never had
17 occasion to say, did you all know that there
18 is twenty million dollars underreported over
19 the years?

20 MS. BRENNEMAN: No, because they
21 have shown that their knowledge wasn't --

22 MR. PATTON: I get that.

23 MS. BRENNEMAN: Yeah.

24 MR. PATTON: Well, I mean, they show
25 that they haven't been involved in it. That's

1 a different question than, did you know that
2 what did come out was off.

3 MS. BRENNEMAN: Right. No, I did
4 not ask them --

5 MR. PATTON: You didn't?

6 MS. BRENNEMAN: -- because of just
7 the way that other things I have asked them
8 about --

9 MR. PATTON: Sure.

10 MS. BRENNEMAN: -- they don't have
11 the knowledge.

12 MR. PATTON: Got it.

13 MS. BRENNEMAN: They were never
14 brought into the loop on these types of
15 things.

16 MR. PATTON: Has -- have any of them
17 said anything to you now that the news reports
18 have come out about this discrepancy? What do
19 they say?

20 MS. BRENNEMAN: We've had -- we've
21 talked to them. I've asked them how do you
22 feel, what's going on, and everything. And I
23 mean, they're concerned because they have the
24 budget office title, they work in the budget
25 office --

1 MR. PATTON: Sure.

2 MS. BRENNEMAN: -- but then they'll
3 turn around and say, but I didn't know
4 anything.

5 MR. PATTON: Sure.

6 MS. BRENNEMAN: So -- because they
7 weren't involved.

8 MR. PATTON: So what anybody under
9 you has said, nobody's indicated, yeah, I had
10 heard that might be the situation.

11 MS. BRENNEMAN: In the budget
12 office?

13 MR. PATTON: They've all -- they're
14 all just saying didn't know, wasn't involved.

15 MS. BRENNEMAN: Correct.

16 MR. PATTON: Wow. Right?

17 MS. BRENNEMAN: Yes.

18 MR. PATTON: Yeah. All right. So
19 it's all getting fixed; that's good. So over
20 the course of 2011, how many times did you
21 talk to Michael Harris about this issue?

22 MS. BRENNEMAN: A couple times.

23 MR. PATTON: Yeah?

24 MS. BRENNEMAN: Probably maybe
25 three, three or four times, just brought up

1 here and there. When we were talking about
2 other things, it would come up again.

3 MR. PATTON: You're getting ready to
4 do the fund condition statement for DOF. You
5 work on it through 2011 from the time you come
6 in. So you've had a number of meetings -- I
7 assume that as you're working on preparing
8 this, you're having fairly ongoing
9 communications with Manny Lopez and Dave Saxby
10 about the fund condition statement, right?

11 MS. BRENNEMAN: Well, everything
12 kind of loops back in. If you're doing a
13 budget change proposal, that depends on how
14 much fund you have -- how much money you have
15 left in your fund balance, and so every time I
16 brought up the BCP to them, it was like, oh,
17 remember, we have that money, and they're
18 like, oh, yeah, we know.

19 MR. MATTSON: Did you try to do BCPs
20 while you were in there?

21 MS. BRENNEMAN: We did BCPs last
22 year, yes.

23 MR. MATTSON: You did. And so does
24 the fund -- does that affect the BCP?

25 MS. BRENNEMAN: Well, what we put

1 forward we were only -- we were able to
2 support with what we put in the governor's
3 budget and not the fund balance that was
4 actually under SCO.

5 MR. MATTSON: So for the BCPs, you
6 had to go with the finance report --

7 MS. BRENNEMAN: Correct.

8 MR. MATTSON: -- and not the SCO
9 report?

10 MS. BRENNEMAN: Correct.

11 MR. PATTON: Can you walk me back
12 just to the last sixty seconds of discussion
13 because a cloud went through my brain, and I
14 had a gap.

15 MS. BRENNEMAN: Okay.

16 MR. PATTON: BCP is what?

17 MS. BRENNEMAN: A budget change
18 proposal. That's the way that we get
19 authority to spend the money. We have to put
20 a proposal forward to the Department of
21 Finance that says we want to --

22 MR. PATTON: Yeah.

23 MS. BRENNEMAN: -- open up a new
24 campground --

25 MR. PATTON: Yeah.

1 MS. BRENNEMAN: -- or something.

2 MR. PATTON: Yeah.

3 MS. BRENNEMAN: And so they give --
4 through that process, they give us the
5 approval to --

6 MR. PATTON: Yeah, yeah.

7 MS. BRENNEMAN: -- increase our
8 appropriation.

9 MR. PATTON: I think I had a lapse
10 after I asked you, you're in 2011, you're
11 preparing the fund balance statement for DOF,
12 you're having ongoing discussions with your
13 supervisors, Manny and Dave.

14 MS. BRENNEMAN: Um-hum.

15 MR. PATTON: And then what did you
16 say about -- how did you segue into BCPs?

17 MS. BRENNEMAN: Well, because the
18 fund condition is kind of the basis of what
19 you have appropriation --

20 MR. PATTON: Uh-huh, yeah.

21 MS. BRENNEMAN: -- to spend, the
22 revenue that you're saying that you're going
23 to bring in, and so that fund balance would
24 affect any BCPs that you're doing because
25 you're saying, if I have ten million dollars

1 left in my fund balance, but my -- I have BCPs
2 that total twelve million --

3 MR. PATTON: Okay.

4 MS. BRENNEMAN: -- well, you're
5 obviously not going to be able to do all
6 twelve -- all of those proposals. So you have
7 to look at your fund conditions to kind of
8 lead and guide what BCPs that you're going to
9 put forward.

10 MR. PATTON: Got it. Now, in this
11 process, did you -- so you're talking about
12 the fund condition statement, BCPs' affect on
13 them. I mean, you're having these global
14 discussions about the freakin' budget, right?

15 MS. BRENNEMAN: Um-hum.

16 MR. PATTON: With Manny and Dave?
17 How often do you go up and have related
18 discussions then with Mike Harris?

19 MS. BRENNEMAN: On the BCPs and the
20 fund condition? We got -- I mean, we talked.
21 I was in his office a lot, but probably
22 conversations about the fund balance being
23 off, we probably had about three or four
24 conversations about that.

25 MR. PATTON: So you're in Harris's

1 office a lot because he's very involved --

2 MS. BRENNEMAN: Correct.

3 MR. PATTON: -- in this fund

4 condition statement preparation?

5 MS. BRENNEMAN: Well, he's involved
6 with the budget. He was very involved with
7 the hearings; he testified at the hearings.

8 MR. PATTON: Um-hum.

9 MS. BRENNEMAN: So I had to give him
10 information on what was happening as far as
11 when the hearings were scheduled, what types
12 of questions they were asking, and --

13 MR. PATTON: When were they doing
14 hearings?

15 MS. BRENNEMAN: We started hearings
16 in March.

17 MR. PATTON: Of?

18 MS. BRENNEMAN: 2011.

19 MR. PATTON: So leading up -- as
20 you're preparing -- well, actually, in March
21 of 2011, you're getting ready for a May revise
22 on the prior year budget, right?

23 MS. BRENNEMAN: Um-hum.

24 MR. PATTON: Isn't that right?

25 MS. BRENNEMAN: Right.

1 MR. PATTON: I don't mean the prior
2 year --

3 MS. BRENNEMAN: On that current
4 year, right.

5 MR. PATTON: Yeah, the current year,
6 what you'd submitted the previous, what had
7 been --

8 MS. BRENNEMAN: The '10-'11.

9 MR. PATTON: -- submitted before
10 you --

11 MS. BRENNEMAN: Before I got --

12 MR. PATTON: -- came on the job.

13 MS. BRENNEMAN: Right.

14 MR. PATTON: So you're basically --

15 MS. BRENNEMAN: So I was trying to
16 get up to speed with the budget --

17 MR. PATTON: Right.

18 MS. BRENNEMAN: -- and the types of
19 things that they were putting forward and the
20 proposals that they did and what they actually
21 put in the governor's budget --

22 MR. PATTON: Yeah.

23 MS. BRENNEMAN: -- so that I could
24 help Michael and Manuel during the hearings.

25 MR. PATTON: So you have -- you're

1 in frequent communication because Harris and
2 Manny will go to the legislature and talk --

3 MS. BRENNEMAN: Correct. They were
4 testifying.

5 MR. PATTON: Okay. Okay. Both of
6 them.

7 MS. BRENNEMAN: I believe Michael --
8 Manuel did sit at the table, but Michael was
9 the one that testified.

10 MR. PATTON: Okay. So Michael is
11 the lead voice for the agency dealing with the
12 legislative budget committee --

13 MS. BRENNEMAN: Correct.

14 MR. PATTON: -- to talk about the
15 budget?

16 MS. BRENNEMAN: Yes.

17 MR. PATTON: He's very knowledgeable
18 about the budget.

19 MS. BRENNEMAN: Yes.

20 MR. PATTON: Why is that?

21 MS. BRENNEMAN: He has been with the
22 department for a long time. He was actually
23 Admin Deputy Director for a period of time;
24 I'm not sure exactly --

25 MR. PATTON: Okay. So it's not --

1 MS. BRENNEMAN: -- but he was -- had
2 been in there before.

3 MR. PATTON: He grew up through the
4 whole admin services department in these
5 positions.

6 MS. BRENNEMAN: Yeah. I don't know
7 his employment history, but I know he was the
8 admin --

9 MR. PATTON: Okay.

10 MS. BRENNEMAN: -- deputy at Parks
11 previously.

12 MR. PATTON: Okay. So you -- the
13 issue came up numerous times, a number of
14 times, three or four times, you indicated.

15 MS. BRENNEMAN: A couple of times as
16 far as the fund balance being different, yeah.

17 MR. PATTON: And so what -- so the
18 first conversation you described to us, you
19 indicated, you said, hey, I see that we're off
20 by a significant number, and Dave Saxby, Manny
21 Lopez, Mike Harris all told you, yeah, we're
22 aware, not going to do anything about it,
23 they'll raid our general fund even more.
24 What -- when you brought it up subsequent
25 times, when it came into the conversation with

1 Harris, these three or four additional times
2 it was raised, tell me about those
3 conversations.

4 MS. BRENNEMAN: It was the same
5 conversation, the general fund cuts. It was
6 still the same direction of we're not going to
7 fix it.

8 MR. PATTON: Who would raise the
9 issue again then?

10 MS. BRENNEMAN: I would bring it up.
11 If I was showing him the fund -- the BCPs that
12 they wanted to do or we were having
13 discussions about the general fund -- the
14 actual cuts that we were taking, and we were
15 working on trying to pull numbers to show how
16 much it costs to run an actual park unit.

17 MR. PATTON: Um-hum. So
18 periodically you'd like point at the paper and
19 go --

20 MS. BRENNEMAN: Well, it wasn't
21 quite a paper --

22 MR. PATTON: -- you remember,
23 remember --

24 MS. BRENNEMAN: -- but it was like,
25 yeah, but don't forget, we still have --

ELSIE BRENNEMAN

1 MR. PATTON: Yeah --

2 MS. BRENNEMAN: -- that other money.

3 MR. PATTON: -- we got this twenty
4 million dollars. So you sort of raised it as
5 and what about that twenty million dollars.

6 MS. BRENNEMAN: Correct.

7 MR. PATTON: And the response was?

8 MS. BRENNEMAN: Oh, yeah, we know
9 that, but we're not going to fix it.

10 MR. PATTON: Yeah. Always the same
11 response.

12 MS. BRENNEMAN: Oh, yeah, always.

13 MR. PATTON: Maybe -- did anybody
14 ever say maybe another day when things get
15 really bad?

16 MS. BRENNEMAN: No.

17 MR. PATTON: No. It was just we
18 know.

19 MS. BRENNEMAN: We know.

20 MR. PATTON: Not going to do it, not
21 going there, thanks for --

22 MS. BRENNEMAN: Thanks for bringing
23 it up again, Elsie.

24 MR. PATTON: Thanks for mentioning
25 it. Nobody ever said, yeah, we should ask

1 Ruth whether or not she wants to spend it?
2 Nobody -- Ruth never got into that
3 conversation whatsoever?

4 MS. BRENNEMAN: Not when I was
5 involved.

6 MR. PATTON: Yeah. Interesting.
7 All right. Had -- when you identified this
8 error, you say you went to -- I think you said
9 you started looking at the accounting records
10 to see if you could figure out how this error
11 occurs?

12 MS. BRENNEMAN: Well, I was looking
13 at -- again, just trying to understand the
14 department and how they develop the budget --

15 MR. PATTON: Yeah.

16 MS. BRENNEMAN: -- and what numbers
17 they were pulling --

18 MR. PATTON: Yeah.

19 MS. BRENNEMAN: -- and how they were
20 pulling them, and so that's why I pulled the
21 accounting statements, so I could tie it back
22 to the numbers that was reported on the fund
23 condition --

24 MR. PATTON: Let me --

25 MS. BRENNEMAN: -- that we -- that

1 the budget office submitted to the Department
2 of Finance.

3 MR. PATTON: Right. And you've
4 already told me you saw some errors but
5 nothing that would account for the whole
6 thing. So you've never traced back --

7 MS. BRENNEMAN: No.

8 MR. PATTON: -- to the source.

9 MS. BRENNEMAN: No.

10 MR. PATTON: In the fund condition
11 statement where SPRF is underreported to the
12 tune of about twenty million dollars, is the
13 SPRF -- my understanding is the SPRF is made
14 up of some components, part B's, concession
15 B's. What else?

16 MS. BRENNEMAN: Transfers from Motor
17 Vehicle, some transfers that we received.

18 MR. PATTON: Motor Vehicle, transfer
19 fees. So you got park entrance fee. You got
20 concession error, license agreement fees,
21 right?

22 MS. BRENNEMAN: Um-hum. And that's
23 in transfers.

24 MR. PATTON: License.

25 MS. BRENNEMAN: And that's the

1 revenue side.

2 MR. PATTON: So really it's that
3 simple?

4 MS. BRENNEMAN: Yes.

5 MR. PATTON: Well, any other --
6 other than motor vehicle transfer fees?

7 MS. BRENNEMAN: There's another fee
8 that's transferred, and I don't remember what
9 it's from.

10 MR. PATTON: Okay. License fee,
11 concession fees. And then -- so you've got --
12 and one other transfer fee. So you've really
13 only got four input rather than --

14 MS. BRENNEMAN: Yeah. I mean, then
15 you have your --

16 MR. PATTON: -- positive revenue.

17 MS. BRENNEMAN: -- interest off of
18 your -- off of the money, you have some
19 penalty-type things.

20 MR. PATTON: Interest.

21 MS. BRENNEMAN: Little bits and
22 pieces.

23 MR. PATTON: Yeah, yeah. One other
24 transfer fee. Okay. So you identified the
25 revenue sources.

ELSIE BRENNEMAN

1 MS. BRENNEMAN: Um-hum.

2 MR. PATTON: And what I'm going to
3 drive at -- and then you've got various
4 expenditures, and I assume the list of
5 expenditures is more complicated.

6 MS. BRENNEMAN: It's three
7 categories.

8 MR. PATTON: Okay.

9 MS. BRENNEMAN: State operations,
10 local assistance, and capital outlay.

11 MR. PATTON: Local assistance,
12 capital outlay.

13 MS. BRENNEMAN: Um-hum.

14 MR. PATTON: Okay.

15 MS. BRENNEMAN: And then any other
16 departments that have direct appropriations
17 out of our funds, Controllers -- I think
18 Controllers, and there may be DOJ.

19 MR. PATTON: Do -- have you figured
20 out where among the revenue and expenditure
21 sources we might attribute the twenty million
22 dollar excess?

23 MS. BRENNEMAN: No. All of those
24 numbers seem -- for the most part seem to tie
25 to what's reported on the year-end statements.

1 So what's been carrying over as the problem,
2 it's in the beginning balance number.

3 MR. PATTON: Yeah. It's -- and it's
4 something you've yet to detect --

5 MS. BRENNEMAN: Right.

6 MR. PATTON: -- to see where that
7 is.

8 MS. BRENNEMAN: Yeah. So it's in
9 the beginning number, the beginning balance
10 number. So as I -- what I've looked at for
11 the last year and the year before, the
12 expenditures and the revenue that we reported
13 were accurate.

14 MR. PATTON: Okay. The way I
15 understand how you do this, and this is the
16 simplified understanding for the nonbudget
17 person, is that you start with the prior year
18 balance and then you figure out your revenues,
19 your expenses, then you make some predictions
20 based on the prior year performance as to what
21 you can expect to receive in the upcoming year
22 and what you can expect to spend, and you
23 build a budget based on that.

24 MS. BRENNEMAN: Pretty much, yeah.

25 MR. PATTON: And --

1 MS. BRENNEMAN: For the nonbudget
2 person, sure.

3 MR. PATTON: I guess what I'm try --
4 what I'm -- the bottom line, what I'm trying
5 to drive at is, is it possible to get twenty
6 million dollars off by accident as opposed to
7 basically upsetting about some time, years
8 ago, but we even know, somebody decided I'm
9 going to move this decimal point --

10 MS. BRENNEMAN: Um-hum.

11 MR. PATTON: Is it possible to do it
12 by accident, you think?

13 MS. BRENNEMAN: Yes, it is.

14 MR. PATTON: Which is more likely?
15 And I'm just asking you to speculate. I know
16 you don't know.

17 MS. BRENNEMAN: Right.

18 MR. PATTON: Is it more likely that
19 this occurred by accident or that somebody put
20 in an incorrect number and moved a decimal
21 point or did something very bizarre that --
22 because it --

23 MS. BRENNEMAN: I think it was
24 probably something that was done on accident.
25 I think he probably had somebody that didn't

1 understand -- most likely it happened in the
2 prior year adjustment which is where you
3 identify any additional revenue or
4 expenditures that happened in the prior prior
5 years.

6 MR. PATTON: Um-hum.

7 MS. BRENNEMAN: And so if they
8 didn't know how to look at those reports to
9 pull that information out, that number could
10 be wrong.

11 MR. PATTON: Because the total SPRF
12 fund -- what's the total? What's the total
13 total annual SPRF fund?

14 MS. BRENNEMAN: In revenue?

15 MR. PATTON: Yeah.

16 MS. BRENNEMAN: We get about 127
17 million, I think.

18 MR. PATTON: Okay. So right about a
19 hundred and a quarter million, and we're
20 twenty million off.

21 MS. BRENNEMAN: Um-hum.

22 MR. PATTON: One six, fifteen
23 percent, right?

24 MS. BRENNEMAN: Right.

25 MR. PATTON: All right. So that --

1 okay. So it's not -- it is possible to have
2 that be an accident?

3 MS. BRENNEMAN: Yes.

4 MR. PATTON: And we don't know
5 how -- if it was an accident, we still haven't
6 found the accident site.

7 MS. BRENNEMAN: Correct.

8 MR. PATTON: All right.

9 MS. BRENNEMAN: And that's what I'm
10 saying. I mean, for us to find that, it would
11 be recreating the fund condition going back
12 who knows how long.

13 MR. PATTON: Isn't that what we're
14 doing now?

15 MS. BRENNEMAN: If we can find the
16 reports, I'll do it.

17 MR. PATTON: Okay.

18 MR. MATTSON: In all your time as a
19 budget person, have you ever seen this before?

20 MS. BRENNEMAN: No, not really. I
21 mean, not that -- to that degree.

22 MR. MATTSON: Not to this magnitude?

23 MS. BRENNEMAN: No.

24 MR. MATTSON: Do you think it was
25 an --

ELSIE BRENNEMAN

1 MS. BRENNEMAN: Although we kind of
2 knew that like the Bottle bill, the Bottle
3 Fund. We knew that number was off for a
4 while, just knowing how they do their
5 accounting, but --

6 MR. MATTSON: At Cal Recycle?

7 MS. BRENNEMAN: Yes.

8 MR. MATTSON: Do you think it was an
9 accident or --

10 MR. PATTON: How far off was that?

11 MS. BRENNEMAN: Well, I don't know
12 what -- the report in the paper was like a
13 hundred million dollars off. I never went
14 back and pulled their stuff.

15 MR. PATTON: Were you at Cal
16 Recycling?

17 MR. MATTSON: Integrated.

18 MS. BRENNEMAN: It was Integrated
19 Waste --

20 MR. PATTON: Integrated Waste.

21 MS. BRENNEMAN: -- but they
22 weren't -- that fund was not part of
23 Integrated Waste when I was there, so I wasn't
24 sure.

25 MR. PATTON: There was a -- okay,

1 okay. Well, I'm just asking.

2 MS. BRENNEMAN: Right.

3 MR. PATTON: Is there a hundred
4 million dollar discrepancy over there at Cal
5 Recycling or Integrated Waste or whatever they
6 call themselves now?

7 MS. BRENNEMAN: Well, that's -- I
8 don't know what it was. I'm just saying what
9 they -- what --

10 MR. PATTON: Because we're trying to
11 help them find --

12 MS. BRENNEMAN: -- what was in the
13 paper.

14 MR. PATTON: -- all missing money
15 now.

16 MS. BRENNEMAN: There was something
17 about it in the paper that somebody went and
18 pulled the Controller's reports and --

19 MR. PATTON: Yeah.

20 MS. BRENNEMAN: -- what was
21 reported --

22 MR. PATTON: And that one was
23 sizably off.

24 MS. BRENNEMAN: -- in the governor's
25 budget, it was huge.

1 MR. PATTON: All right.

2 MS. BRENNEMAN: I mean, and it can
3 happen. And I would expect that the numbers
4 between Controllers and what's in the
5 governor's budget are always -- there's always
6 going to be something that's off because of
7 the way that they're reported.

8 MR. PATTON: Sure.

9 MS. BRENNEMAN: Controllers is a
10 cash basis. What we're doing on our funds is
11 an accrual. So there's always going to be
12 something that could be off.

13 MR. PATTON: What's the --

14 MS. BRENNEMAN: You always have to
15 add something back in to make it --

16 MR. PATTON: What's the main
17 differences between the cash basis and accrual
18 basis of reporting? What are the main factors
19 that cause those differences? What are the
20 main things considered in accrual that's not
21 considered in cash basis that will cause the
22 numbers to be a little different?

23 MS. BRENNEMAN: I can't think of it
24 right now.

25 MR. PATTON: Are encumbrances one of

1 the things? Are encumbrances accounted for in
2 accrual that might not be accounted for in
3 cash basis?

4 MS. BRENNEMAN: I think the way that
5 Controllers looks at the accruals and the
6 encumbrances is different than the way that
7 we're looking at it, but I can't tell you
8 right now exactly what -- what's the
9 difference between them.

10 MR. PATTON: Okay. Can you think of
11 any other items that might be looked at
12 differently? Encumbrances is one of them?

13 MS. BRENNEMAN: Um-hum.

14 MR. PATTON: Somebody told me that
15 once.

16 MS. BRENNEMAN: I think it's the
17 encumbrances and the accruals is the way that
18 they're looked at different.

19 MR. PATTON: Is that the main thing
20 that gets looked at different?

21 MS. BRENNEMAN: Yeah, because
22 everything else is expenditures.

23 MR. PATTON: Okay.

24 MS. BRENNEMAN: Everything is actual
25 expenditures and numbers that are tying out.

1 MR. PATTON: So that was a good
2 guess on my part?

3 MS. BRENNEMAN: Sure.

4 MR. PATTON: He -- you said that --
5 and I'm sorry to get Waste Management in
6 trouble, but you said they knew over there you
7 weren't responsible --

8 MS. BRENNEMAN: No, no, no. I'm not
9 saying that they knew. I'm just saying that
10 we kind of thought that the way that it was
11 such a huge fund --

12 MR. PATTON: How big was that fund?

13 MS. BRENNEMAN: -- that there was
14 something always going to be off.

15 MR. PATTON: How big is that fund?

16 MS. BRENNEMAN: It's huge, it's
17 billions.

18 MR. PATTON: Billions?

19 MS. BRENNEMAN: Yeah.

20 MR. PATTON: So a hundred million
21 could be like --

22 MS. BRENNEMAN: Yeah.

23 MR. PATTON: -- less than ten
24 percent?

25 MS. BRENNEMAN: Yeah, it's probably

1 not though.

2 MR. PATTON: Yeah, it's probably
3 not.

4 MS. BRENNEMAN: But just because the
5 fund was so huge and just knowing how many
6 claims that they had to pay out and that kind
7 of stuff.

8 MR. PATTON: You were in Budget at
9 Waste Management?

10 MS. BRENNEMAN: I was in Budgets at
11 Waste Management but not -- I was there before
12 they merged and took over the Bottle.

13 MR. MATTSON: Cal Recycle.

14 MS. BRENNEMAN: Cal Recycle, before
15 they became Cal Recycle.

16 MR. PATTON: All right. I'll leave
17 you alone on that one.

18 MS. BRENNEMAN: I'm sorry. I threw
19 that one out. That was my fault. Sorry.

20 MR. PATTON: Huh?

21 MR. MATTSON: Come back to that?

22 MR. PATTON: Yeah. Next stop Waste
23 Management or whatever they call themselves
24 today.

25 MR. MATTSON: Elsie, do you think --

1 I mean, just with your experience and all the
2 time you've spent -- I mean, from being an
3 analyst to the Budget Officer, with this --
4 with the SPRF fund, do you think it's possible
5 that could have been intentional that somebody
6 did that to save money or to make a rainy day
7 fund or do you think it's more likely that it
8 was just an accident, and then it's like, oh,
9 we have -- now we have a rainy day fund?

10 MS. BRENNEMAN: Right. I think it
11 was more of an accident, but I don't know. I
12 mean, I can't say what was happening and what
13 was in the Budget Officer's mind at the time.

14 MR. PATTON: Who were your
15 predecessors? You indicated that all these
16 staff that are working for you, they were not
17 involved in preparing the prior budgets, they
18 tell you. Who was your predecessor as the
19 Budget Officer?

20 MS. BRENNEMAN: Cheryl Taylor was
21 the Budget Officer before I was there.

22 MR. PATTON: Do you know how long
23 she'd been doing it?

24 MS. BRENNEMAN: I think she was only
25 there maybe two -- two to three years.

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1 MR. PATTON: Okay.

2 MS. BRENNEMAN: Manuel Lopez was the
3 Budget Officer before her.

4 MR. PATTON: So last two years,
5 Cheryl, then Manny before her. What did Manny
6 do in the interim? Because he ends up being
7 the Admin Services Director.

8 MS. BRENNEMAN: Right. He went from
9 the Budget Officer to the admin.

10 MR. PATTON: Oh, so when Cheryl was
11 Budget Officer, Manny was his -- her
12 supervisor.

13 MS. BRENNEMAN: Correct.

14 MR. PATTON: He was already -- okay.

15 MS. BRENNEMAN: Correct.

16 MR. PATTON: Manny Lopez before
17 that.

18 MS. BRENNEMAN: And then before
19 that --

20 MR. PATTON: How long had he been?

21 MS. BRENNEMAN: I'm not sure how
22 long he was in the budget office.

23 MR. PATTON: Okay.

24 MS. BRENNEMAN: And then before that
25 was Becky Brown.

1 MR. PATTON: Okay.

2 MS. BRENNEMAN: And it's my
3 understanding she was there for a very, very
4 long time.

5 MR. PATTON: So my understanding is
6 that when this appears to have burst, this
7 discrepancy first arose was during Becky
8 Brown's tenure? Is that your understanding
9 also?

10 MS. BRENNEMAN: Correct. Yes.

11 MR. MATTSON: Did Cheryl Taylor give
12 you any kind of warning or say what was going
13 on? She didn't say anything to you when you
14 were coming in like, hey, just so you know --

15 MS. BRENNEMAN: No.

16 MR. PATTON: Where is she now? Do
17 you know?

18 MS. BRENNEMAN: I believe that she
19 is at Caltrans.

20 MR. PATTON: Okay. You never had a
21 conversation with her about this --

22 MS. BRENNEMAN: No.

23 MR. PATTON: -- budget discrepancy?

24 MS. BRENNEMAN: No, I did not.

25 MR. PATTON: Okay. Had any

1 conversation -- well, I know you've talked
2 with Manny. You ever have a conversation with
3 Becky Brown?

4 MS. BRENNEMAN: No.

5 MR. PATTON: Did you ever meet her?

6 MS. BRENNEMAN: Briefly out of DOF
7 training.

8 MR. PATTON: Okay. At a DOF
9 training.

10 MS. BRENNEMAN: Department of
11 Finance.

12 MR. PATTON: So she was still
13 working when -- this was some time ago, I
14 think.

15 MS. BRENNEMAN: This was last year,
16 and she -- I believe she's a retired annuitant
17 for Department of Finance.

18 MR. PATTON: Okay. DOF training
19 last year in 2011?

20 MS. BRENNEMAN: Um-hum.

21 MR. PATTON: Okay.

22 MR. MATTSON: Do you know if she's
23 still around over there or do you know --

24 MS. BRENNEMAN: I don't know.

25 MR. PATTON: Okay. All right.

1 Anything else you can think of that we should
2 know or should have asked? What big gaping
3 question hole did we leave because we're too
4 knuckle-headed to ask the right question? You
5 got something.

6 MS. BRENNEMAN: No, I don't. I
7 mean, it's a mystery, and it's really -- to
8 solve it, it's going to go -- have to dig back
9 into old files and recreate everything.

10 MR. PATTON: Yeah.

11 MS. BRENNEMAN: It's just -- I think
12 the big thing is, I've been here a year and a
13 half, and as soon as I found it, I raised it,
14 but the whole mentality --

15 MR. PATTON: All right. Here's a
16 gaping question I forgot to ask. Did you ever
17 have any discussions with any other division
18 deputy directors? I understand there's some
19 other divisions like Parks Operation. There
20 was a guy named Tony Perez --

21 MS. BRENNEMAN: Tony Perez.

22 MR. PATTON: -- and now I can't
23 remember who it is, somebody else --

24 MS. BRENNEMAN: Ronny Clark is
25 the --

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1 MR. PATTON: Ronny Clark.

2 MS. BRENNEMAN: -- is the acting.

3 MR. PATTON: And it was a --
4 whatever. Any of these other department
5 division directors on the Orrick chart, were
6 any of them ever involved in any of the
7 discussions about this budget?

8 MS. BRENNEMAN: No.

9 MR. PATTON: You never talked with
10 any of them about the twenty million dollar --

11 MS. BRENNEMAN: No.

12 MR. PATTON: Okay.

13 MS. BRENNEMAN: Just with Manuel and
14 Michael.

15 MR. PATTON: Okay.

16 MS. BRENNEMAN: And David.

17 MR. PATTON: Just with the people
18 above you.

19 MS. BRENNEMAN: Correct.

20 MR. PATTON: We didn't ask you about
21 the OHV fund. What do you think about the OHV
22 fund? Have you seen those numbers that are a
23 little --

24 MS. BRENNEMAN: Yeah. I think the
25 OHV fund is -- it's really, again, the

1 reporting between Controllers and Department
2 of Finance. That's part of the reason why
3 they're off. We have loans that are out of
4 the OHV fund to the general fund, and they're
5 recorded different. And then there was
6 also -- there was a revenue discrepancy last
7 year. The year-end statements showed 117
8 million dollars, but we shouldn't have
9 received 117 million dollars, so when we built
10 the budget, we corrected it. So that's
11 another reason on why the numbers are off.

12 MR. PATTON: 117 million of what
13 dollars?

14 MS. BRENNEMAN: The transfer from
15 the motor vehicle fuel account --

16 MR. PATTON: Okay.

17 MS. BRENNEMAN: -- to the OHV fund.

18 MR. PATTON: Is that what I've heard
19 of as the gas tax slot?

20 MS. BRENNEMAN: Um-hum.

21 MR. PATTON: Okay.

22 MS. BRENNEMAN: So that's -- there
23 was an error --

24 MR. PATTON: 117 million.

25 MS. BRENNEMAN: It wasn't an error.

1 It was reported correctly on the year-end
2 statements because that's what they actually
3 received, but we shouldn't have received it,
4 and so we corrected it when we built the
5 governor's budget.

6 MR. PATTON: It was misdirected to
7 OHV?

8 MS. BRENNEMAN: Um-hum.

9 MR. PATTON: Where is it supposed to
10 go?

11 MS. BRENNEMAN: There was -- it was
12 incorrectly reported because of the percentage
13 split, so I'm not sure exactly where it was
14 supposed to go.

15 MR. PATTON: So you do get some of
16 that?

17 MS. BRENNEMAN: Yes.

18 MR. PATTON: But you just got
19 more --

20 MS. BRENNEMAN: Yeah.

21 MR. PATTON: -- than you probably
22 should have?

23 MS. BRENNEMAN: We were -- I think
24 we were only supposed to get like sixty-seven
25 million, and we got 117, so we fixed that in

1 the governor's budget, so you'll see that.
2 That's a huge discrepancy.

3 MR. PATTON: When I look at the
4 numbers that I've been given for OHV, I see
5 some years where there has been sizable
6 underreported amounts. Other years have a
7 negative where I see sizable overreports.
8 Have you looked at the history of the OHV?

9 MS. BRENNEMAN: Not in detail.

10 MR. PATTON: Okay.

11 MS. BRENNEMAN: I don't know what
12 all of these -- the headers are for these
13 numbers, so I can't --

14 MR. PATTON: I'm just -- I get the
15 impression that the numbers have been all over
16 the map in terms of discrepancies between what
17 SCO is saying and what Finance is saying.

18 MS. BRENNEMAN: Do you have the
19 other page to this?

20 MR. PATTON: I don't -- well, I
21 might, I don't know. What do you know at this
22 point about the OHV fund?

23 MS. BRENNEMAN: The OHV fund is off
24 because of the revenue change that we did last
25 year, and then in the prior years, it looks

1 more like it was the loans and how they were
2 reported.

3 MR. MATTSON: You mentioned the
4 loans. Is that where the legislature takes
5 money out of your special fund to use for the
6 general fund?

7 MS. BRENNEMAN: Correct.

8 MR. MATTSON: And it's considered a
9 loan because they have to pay you back?

10 MS. BRENNEMAN: Because they have to
11 pay it back.

12 MR. MATTSON: Okay. I did not
13 understand that at all.

14 MS. BRENNEMAN: Yeah.

15 MR. PATTON: So suffice it to say
16 that there's some serious accounting issues
17 going on in OHV?

18 MS. BRENNEMAN: No. I think it's
19 just, again, the way that it's recorded. On
20 the year-end statements, the loans are
21 recorded as an expenditure, but when we record
22 them on the fund condition, we have to report
23 it as a negative on our revenue.

24 MR. PATTON: Okay.

25 MS. BRENNEMAN: So it's just the way

1 that they're recorded.

2 MR. MATTSON: That kind of makes
3 sense to me because if they're taking loans
4 out, and the loans -- are they varying
5 amounts --

6 MS. BRENNEMAN: Yes.

7 MR. MATTSON: -- when they take it
8 out? And --

9 MS. BRENNEMAN: Ninety million,
10 twenty-two million, twenty-one million so --

11 MR. MATTSON: And how long have they
12 been doing this?

13 MS. BRENNEMAN: Probably about six
14 years now.

15 MR. MATTSON: Six years.

16 MR. PATTON: Okay. Let me -- I want
17 to make a specific note on this. So with the
18 OHV fund, big loans are made to the ledge --
19 general fund. And then what is it that gets
20 reported? Just what you just said?

21 MS. BRENNEMAN: So on the accounting
22 side, the loans are recorded as expenditures.

23 MR. PATTON: Accounting records
24 loans as expenditures and what?

25 MS. BRENNEMAN: And then on the fund

1 condition side, the loans are recorded as a
2 negative against your revenue.

3 MR. PATTON: Expenditures. And on
4 budget fund condition side, loans are recorded
5 as what?

6 MS. BRENNEMAN: A negative against
7 your revenue.

8 MR. PATTON: Are counted as negative
9 against revenue. Now, I'm confused as to --
10 if the accounting records record them as
11 expenditures, that's a negative.

12 MS. BRENNEMAN: Um-hum.

13 MR. PATTON: Right. Revenue being
14 positive, expenditures being negative. If the
15 budget side, they're counted as negative
16 against revenue, I don't see that as being
17 different; I see that as being the same.

18 MS. BRENNEMAN: They're on two
19 different parts of the fund condition, so when
20 you look at the bottom line, they may not tie
21 out.

22 MR. PATTON: Explain more.
23 Elaborate. Make me understand that.

24 MS. BRENNEMAN: Okay. Let me see if
25 I can explain that. On the fund condition,

1 the revenue that we have available is -- we
2 take those expenditures against that. So
3 it -- when you're looking at each of the
4 pieces on Controllers, the numbers aren't
5 going to tie because the expenditures are
6 showing in a different place than what we show
7 it on the fund condition. So bottom line,
8 they should end up turning out in the right
9 place, but because of the way that they're
10 recorded -- and I can't -- I'm sorry I can't
11 explain it. It was weird just when we were
12 looking at it, too. I didn't -- I could see
13 that the numbers were different.

14 MR. PATTON: So you can sympathize
15 for why I don't perfectly --

16 MS. BRENNEMAN: Yes --

17 MR. PATTON: -- understand it?

18 MS. BRENNEMAN: -- I can totally
19 sympathize with why you don't completely get
20 it because when I was looking at the numbers
21 and when I added back in the loans, the
22 numbers tied.

23 MR. PATTON: If you're able to --
24 and I'm talking finance is going -- somebody's
25 going to teach me why these numbers are all --

1 why they go back and forth. I'm going to
2 figure that out eventually. If you're -- and
3 it sounds like what you're trying to describe
4 kind of goes to the root of why there are
5 swings.

6 MS. BRENNEMAN: Um-hum.

7 MR. PATTON: When you call me or
8 send me a little e-mail paragraph when you
9 figure out a way to articulate --

10 MS. BRENNEMAN: Okay. Oh, yeah.

11 MR. PATTON: -- for a dummy --

12 MS. BRENNEMAN: Definitely.

13 MR. PATTON: -- why -- just -- I'm
14 just trying to understand because I actually
15 would like to be able to communicate also with
16 the other people who are asking why, why, why.

17 MS. BRENNEMAN: Right.

18 MR. PATTON: And it sounds like you
19 kind of --

20 MS. BRENNEMAN: And that was just
21 kind of my -- like my first glance at
22 everything --

23 MR. PATTON: Yeah.

24 MS. BRENNEMAN: -- again, when I
25 added back in the loans, the numbers tied

1 out --

2 MR. PATTON: Yeah. If you don't
3 mind.

4 MS. BRENNEMAN: -- versus -- and
5 then the revenue was a big chunk.

6 MR. PATTON: Yeah.

7 MS. BRENNEMAN: So yep --

8 MR. PATTON: Yeah.

9 MS. BRENNEMAN: -- I can give that
10 to you.

11 MR. PATTON: So I really appreciate
12 it. I think now we have probably covered any
13 gaping holes. And I've got your number, I
14 think. Did you give me your card?

15 MS. BRENNEMAN: I'm sorry. I didn't
16 bring a card with me, but I'll make sure you
17 get one.

18 MR. PATTON: I know how to get a
19 hold of you.

20 MS. BRENNEMAN: Yeah. Lynn.

21 MR. PATTON: Yeah.

22 MS. BRENNEMAN: Just give Lynn a
23 call.

24 MR. PATTON: Yeah. And just so you
25 know, I mean -- and I really -- you're sort of

1 like -- you're fairly new on the scene.
2 You're going to help us understand -- I mean,
3 we already -- we get what communication you've
4 had with your superiors. I'm not in charge of
5 making personnel decisions. I'm really just
6 trying to find out why does this
7 discrepancy -- when did it start, and any --
8 and getting to the history of that is way
9 beyond your ken in terms of what you're
10 familiar with because you weren't here then.

11 MS. BRENNEMAN: I wasn't here,
12 right.

13 MR. PATTON: And I understand that
14 it makes you nervous to talk with people like
15 us, but that we don't -- we really don't want
16 you to be, okay?

17 MS. BRENNEMAN: I'm not nervous at
18 all.

19 MR. PATTON: Yeah. I mean, I guess
20 what I want to say is I don't get to make
21 guarantees about what the fallout will be from
22 this, but I actually sort of get the
23 impression most of the fallout's already
24 occurred. I have a hard time seeing people
25 who were reporting to others and then doing

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1 what they were told to do, I have a hard time
2 seeing them as being -- as anything more
3 happening. We're just trying to understand
4 now.

5 MS. BRENNEMAN: Right.

6 MR. PATTON: So I think you can give
7 me a paragraph about --

8 MS. BRENNEMAN: Right.

9 MR. PATTON: -- why we -- why there
10 gets to be -- what it is that causes a
11 difference on this OHV thing. I don't think
12 you need to be worried. I mean, I hope you're
13 not that worried.

14 MS. BRENNEMAN: No, I'm not.

15 MR. PATTON: Okay. Good.

16 MS. BRENNEMAN: I'm not.

17 MR. PATTON: Okay. And if we need
18 to talk with you some more, I'll be in touch.

19 MS. BRENNEMAN: Okay.

20 MR. PATTON: Thank you so much,
21 Elsie.

22 MS. BRENNEMAN: Thank you.

23 MR. MATTSON: That concludes our
24 meeting. It's 11:58 a.m.

25 (End of audio)

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Elsie Brenneman interview on 8-1-12

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