

## **Summary of 8-28-12 and 8-29-12 interviews of Becky Brown**

Interviews and summary by Thomas M. Patton, Deputy Attorney General

**Preface:** This investigator initially met with former budget officer Becky Brown on August 28, 2012. A follow-up interview was conducted August 29, 2012. Brown's August 28 interview transcript is cited as BBtr1. The follow-up interview transcript is cited as BBtr2.

### **Employment History**

Becky Brown worked thirty-three years for the State of California. She started with the DMV in 1972 and later worked at CalPERS before transferring in 1974 to the accounting office of the Department of Parks and Recreation. By approximately 1976, Brown moved to the Parks Department's budget office and worked there until approximately 1980. Brown then went to the Department of Finance (DOF) and worked on an annual budget act project. Around 1982, Brown moved to Cal Expo where she worked in budgeting and accounting for approximately three years. (BBtr1, pp. 5-8.)

In approximately 1985, Brown returned to the Parks Department's budget office as a Staff Services Manager I. She was promoted in the 1990s to Staff Services Manager II and became chief of the entire budget section. Brown headed the budget office continuously thereafter until retiring in 2005. (BBtr1, pp. 9-12, 14.)

As budget chief, Brown coordinated with the DOF, the Legislative Analyst's Office (LAO), and Parks' parent agency--the Natural Resources Agency. She was responsible for building the Department's budget and monitoring it throughout the year. Her duties included preparing budget change proposals and financial reconciliations, tracking expenditures, and allocating funds to the various park units. Brown oversaw development of the budget for presentation to the DOF and incorporation into the Governor's budget. (BBtr1, pp. 12-13.)

Brown obtained her budgeting and accounting knowledge on-the-job. She also concurrently received a bachelor's degree in business administration from Sacramento State University in 1978. (BBtr1, pp. 8-9.)

After retiring from Parks in 2005, Brown returned as a retired annuitant in 2006 to work on the state's FISCAL project in conjunction with the DOF. Brown has been working on the FISCAL project as a retired annuitant for the past six years. (BBtr1, pp. 14-15.)

### **Management and Financial Personnel**

Brown recalled that Freda Luan-Dun was the Department's chief accounting officer in the early 2000s. At that time, Brown reported to Tom Domich, then-manager of financial services. Domich in turn reported to Denzil Verardo, then-deputy director of the administrative services division. Brown stated she normally discussed budget matters with Domich and Verardo, and they would elevate the matter to the director as needed. The directors Brown recalled working with were Patricia Megason<sup>1</sup>, followed by Rusty Areias (February 1999 to January 2002), and then Ruth Coleman (2002 to 2012). (BBtr1, pp. 19-21.)

When asked if Areias was well versed in budgets, Brown stated she was educating Areias and it was an experience explaining the technical aspects of budgets to a former legislator. Brown stated that during Areias's tenure they were working to include Parks as a fund recipient under a bond being proposed. She recalled explaining the budget change proposal process to Areias and helping him prepare for budget hearings and reviews. (BBtr1, pp. 22-24.)

Brown recalled the same types of discussions with Coleman. Brown described Coleman as very well versed in the budget process, as Coleman had worked at the LAO and had been the LAO analyst assigned to review the Parks Department's budget. Brown also described Domich and Verardo as very well versed in the budget process and noted that Domich had been the Parks budget officer when she first worked in the Department's budget office. (BBtr1, pp. 24-26.)

### **Discrepancies in Fund Balance Reports to the State Controller and Department of Finance**

Brown stated she was familiar with accounting reports the Parks accounting office submitted to the State Controller's Office (SCO), and the Parks budget office received copies of the year-end financial statements prepared by accounting. She indicated that parts of those accounting statements to the SCO were used by the budget office to identify and post the past year's actual expenditures and revenues. (BBtr1, pp. 15-17.)

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<sup>1</sup> Megason served as director of Parks from December 1997 to January 1999, after serving as chief deputy director from 1995 to 1997.

When this interviewer suggested she must have become aware at some point that some amount of money reported by accounting to the SCO was not reflected in the fund condition statements her budget office was reporting to the DOF, Brown stated: “within the fund condition we report based upon what’s on the year-end. So I’m not aware of how money could have been reported to the Controller and not been on the year end statements.” (BBtr1, pp. 18-19.)

Brown was shown memos from the DOF dated April 8, 2002, and June 5, 2003, which identified, for a variety of special funds, discrepancies in year-end balances reported to the SCO versus the DOF. The memos identified disparities in the State Parks and Recreation Fund (SPRF), the Off Highway Vehicle Fund (OHV), and relatively smaller disparities in the Winter Recreation and Deferred Maintenance funds.<sup>2</sup> Brown stated the memos did not look familiar, but also stated she was sure somebody had shown them to her. (BBtr1, pp. 26-28.)

After further reviewing the memos, Brown was asked if she was aware there was a discrepancy between what was reported to the SCO and the DOF for fiscal years ending 2001 and 2002. Brown responded: “I don’t ever remember seeing these.” When this interviewer asked again if she was aware that there were discrepancies in balance reports for those years, Brown responded: “No, I was not aware of any difference.” (BBtr1, pp. 28-30.)

Brown then explained that the fund condition statement in the Governor’s budget is like a running checking account that tracks revenues and expenditures. She stated she was unaware how a disparity in fund reporting could occur because “we report the same [revenue and expenditure] information” that accounting provides in its year-end financial reports. When it was pointed out that the budget office was also provided the year-end fund balance that accounting reported to the SCO, Brown responded “no,” and asserted that the budget office only looked at what the accounting section reported as revenue. When asked if she was only concerned with revenue and not the year-end balance accounting reported to the SCO, Brown stated that the budget office started with the year-end balance reflected in the prior year’s budget report and built from that. Brown further stated that, consequently, if an error existed in the

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<sup>2</sup> The April 2002 memo indicated that, at the close of fiscal year 2001, there was a \$22.7 million dollar discrepancy in the SPRF, an \$11.5 million dollar discrepancy in the OHV fund, and a relatively small (\$321,000) discrepancy in the Winter Recreation Fund. The June 2003 memo indicated a \$26.8 million dollar discrepancy in the SPRF, and a \$1.1 million dollar discrepancy in the Parks Department’s deferred maintenance account. (See Exhibits G and H attached.)

balance reflected in an earlier fund condition statement, that error would be carried to the present. (BBtr1, pp. 31-34.)

When pressed further as to how she could have been unaware of the different balances reflected in the SCO and DOF reports, Brown responded that the “Governor’s budget fund condition is a running total,” starting when the fund was established, and she guessed that any disparity occurred over a period of years and not in a single year. (BBtr1, pp. 36-37.)

Brown was then shown a DOF spreadsheet reflecting disparities in fund balances reported to the SCO and the DOF for the SPRF and OHV funds from 1998 to 2011. The document indicated that at the close of fiscal year 1998, \$9.4 million less was reported to the DOF than to the SCO for the SPRF. The disparity in SPRF fund balance reports grew each year and peaked at the close of fiscal year 2003 when \$29.2 million less was reported to the DOF than to the SCO. By 2007 the disparity had reduced to approximately \$20 million and remained at that level through 2011.<sup>3</sup> This interviewer asked if Brown’s discussion of a “running total” was meant to suggest that the disparate balances reflected in the spreadsheet were normal. Brown stated no, the differences were not normal. She expected the balances to agree, and did not know why they did not agree. (BBtr1, pp. 38-42.)

Brown was asked if anyone ever reported to her that there was a disparity in the SPRF balance reports. Brown stated she did not remember hearing that there was a disparity, and when recent news reports came out she “was very shocked on the differences.” When asked if she first learned of the disparities when the news reports came out, Brown did not directly respond. Instead, she stated that she did not remember seeing the DOF memos she had just been shown, that the budget office had used what the accounting office had given them, and she did not understand why the numbers were different. (BBtr1, pp. 42-43.)

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<sup>3</sup> The DOF provided this interviewer a spreadsheet on July 26, 2012, reflecting differences in balances reported to the SCO and DOF for the SPRF and OHV funds from 1998 to 2011. A \$49.8 million discrepancy in the SPRF balance reports for fiscal year ending 2001 was indicated in the original spreadsheet and discussed at Brown’s first interview. (BBtr1, p. 41.) It was later determined that the spreadsheet contained an error and overstated the SPRF adjusted cash balance at the close of FY 2001 by \$27 million. DOF produced a corrected spreadsheet on September 7, 2012, which reliably indicates that the discrepancy in SPRF balance reports to the SCO and DOF for FY ending 2001 was \$22.8 million and not \$49.8 million. (See Exhibit A.)

The interview topic was then briefly changed. It was noted that Brown had stated before the interview formally began that she had learned that several file cabinets of documents she had saved at Parks had been tossed out. Brown could not identify who told her the files had been discarded, and could not pinpoint when she heard the report, other than to advise that it was within the past couple of years. When further questioned about the origin of the report, Brown stated she did not recall who advised her and only recalled that she was among a group of friends and former co-workers. She could not recall where such meeting took place. (BBtr1, pp. 44-49.) Further investigation by this interviewer has yielded no indication that any records maintained by Becky Brown have been discarded.<sup>4</sup>

Next, this interviewer advised Brown that current accounting chief Dorothy Kroll had reported that in 2001 and 2002 Kroll spoke with both her supervisor, former accounting chief Freda Luan-Dun, and with Brown about the disparities in the SPRF balances reported to the SCO versus the DOF. Brown stated she worked on many things at the time and did not recall the report, but if Kroll said it happened then it must have happened. (BBtr1, pp. 50-51.)

This interviewer remarked that Brown's inability to recall a \$20 million dollar disparity in SPRF budget reports going to the SCO and the DOF was troubling, as it appeared it to be a big issue. Brown replied: "It sounds like a big issue, but until I had the information—or—until I was aware of what was going on and how it got to that point, I really couldn't do anything." Brown attempted to retract that admission by stating: "I may have been aware of it," "I don't remember seeing these [DOF memos]," and "I don't remember talking to Dorothy." However, Brown then stated that she "was trying to understand the fund balances," but "I did not have a chance to go through and really reconcile the fund like I wanted to because I retired." (BBtr1, pp. 51-53.)

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<sup>4</sup> A similar uncertain report about possible loss of Brown's saved files was received from current budget office analyst Wendy Nodohara. Nodohara indicated the current budget officer, Elsie Brenneman, engineered a clean up day, and Brown's files were moved to another location. Nodohara believed some of Brown's files were discarded, but did not know if the discarded files were duplicates or originals. (Wendy Nodohara October 31, 2012, interview transcript at pp. 14-18.) Brenneman confirmed that only duplicate files have been eliminated, and this interviewer was shown five four-drawer file cabinets of retained documents and brochures that Brenneman identified as Brown's retained records. The files appeared to correspond to the retained records Brown stated she maintained. (BBtr1, p. 64; BBtr2, p. 8.) This interviewer concludes there is no reliable indication that documents retained by Brown have been discarded.

Brown was next advised that Kroll stated that Kroll had studied the issue, determined the SPRF discrepancy was due to errors in the prior-year adjustment figure used in the budget reports, and that Kroll reported this fact to both Luan-Dun and Brown. Brown stated she did not remember it, and later denied receiving an explanation from Kroll that the discrepancy was due to errors in the prior year adjustment figure. Brown did acknowledge: "I was concerned about the fund balance. I did not know the magnitude of discrepancy." Brown conceded she had begun looking at SCO reports for all funds and there was something about the SPRF discrepancy that didn't sit right, but claimed she was busy and didn't have time to delve into it. (BBtr1, pp. 53-55, 63.)

Brown was further advised that Kroll had stated Kroll was told by both Luan-Dun and Brown that the issue had been reported up the chain of command, and the response they shared with Kroll was that the discrepancy was a political problem and persons higher up had decided nothing was going to be done about it. Brown stated she did not remember that. When asked if it was possible Brown had communicated with someone higher up about the issue, Brown stated it was possible, but she did not recall. She also stated that she would not have raised the issue to those above her until she fully understood what was going on. (BBtr1, pp. 54-55.)

Brown then advised it was prior to 1998 when she began looking at differences in balance reports. She stated that the discrepancies being shown to her as reflected in the DOF's initial spreadsheet covering the years 1998 to 2011 did not first appear in 1998 but would have dated further back. Brown then claimed she was looking at fund balances during the early 2000s, "or just before I retired." (BBtr1, pp. 57-58.)

Brown acknowledged that she reviewed the SCO's monthly reports for the SPRF and had seen the disparity in the reported cash balance as compared to the budget office's fund condition report. She stated she was uncertain how to reconcile it. When asked when she began seeing the disparity and how long she grappled with it, Brown stated she did not recall. When further pressed she vacillated between "a couple of years maybe, couple months." (BBtr1, pp. 60-61.)

Brown then again stated she did not see or rely on a bottom line balance reported for the SPRF to the SCO, and again stated that she utilized only the revenue figures in the SCO reports. She again asserted the beginning balance in the fund condition budget report was based on the

ending balance reflected in the previous year's Governor's budget report. Brown also suggested the numbers in the SCO report did not necessarily reflect what was in the budget report, as the latter report included accruals. (BBtr1, pp. 68-72.) When reminded that she had already acknowledged she was aware of the disparity in the SPRF fund balances reported to the SCO and DOF, Brown confirmed she was aware of and concerned about the disparity, and again stated she was unable to reconcile it and did not pursue it. (BBtr1, pp. 73-74.)

### **Follow-up Interview of August 29, 2012**

During a follow-up interview conducted August 29, 2012, Brown was asked if she stayed in contact with her former supervisor Tom Domich. Brown stated that she did, and that the two got together a couple times a year to celebrate their birthdays and have lunch. Brown indicated they do not speak on the phone. (BBtr2, p. 4.)

Brown was asked if she had spoken with Tom Domich about the news reports concerning the Parks Department. Brown stated they had a brief conversation over lunch in early August, and Domich initiated the lunch when he emailed her and said it was time to celebrate the birthday lunch. When asked whose birthday, Brown stated it was his birthday. When asked when Domich's birthday was, Brown stated his birthday was in February. When asked when her birthday was, Brown stated December. Brown indicated she has not talked with anyone else from the Parks Department since any of the media reports came out, and has made a special point not to. (BBtr2, pp. 5-6.)

When asked with whom she stays in contact from the Parks Department, Brown stated she stays in touch with Olaya Paschal (now Slaughterback), with a former budget manager Cindy Spita, with capital outlay manager Marcy Brown, and with Audrey Yokoi, who was chief budget officer until Brown took over the position between 1995 and 1997. Brown stated she also occasionally has lunch with Ruth Coleman, whom she got to know when Coleman worked as an LAO analyst and was involved with the Department's budget. Brown stated she and Coleman became friends while Coleman was Parks director. (BBtr2, pp. 11-14, 16-19.) When asked when she last spoke with Coleman, Brown stated they had lunch in February or March of 2012, as they do once a year. Brown said the lunch was organized and attended by Marcy Brown, and the topic of the then-pending investigation into leave buy-outs at the Parks Department was not

discussed. Brown stated she and Coleman have not discussed any investigation or news reports relating to Parks. (BBtr2, pp. 16, 22-24.)

Returning to the disparity in SPRF fund balances reported to the SCO and DOF, Brown confirmed she had seen that the balance reported to the SCO did not match the budget office's records. Brown again stated she did not know why and did not have time to pursue it. When asked if she remembered the size of the discrepancy, Brown stated she did not recall. When asked if it was a "small amount," Brown responded: "It was a small amount, I think." When asked if it was a thousand, hundred thousand, a million, or ten million dollars, Brown responded: "It was probably a couple a million dollars; I don't recall." She then confirmed: "Somewhere in the millions." (BBtr2, pp. 28-30.)

Brown stated that the SPRF fund balance discrepancies issue was unresolved when she left the Department, and she does not recall discussing the matter with anyone else. Brown stated that Manuel Lopez took over the budget officer position when she retired, but they never really met and she was not able to give him any background about the budget office. (BBtr2, pp. 33-35.)

### **Interviewer's Impressions**

Throughout the interview it was apparent that Brown was uncomfortable discussing the subject matter at issue. Her mouth was dry, she frequently sipped from a water bottle, and often avoided directly responding to pointed questions. She eventually admitted knowing about the disparity in SPRF fund balance reports, but with much reluctance, and her responses were vague and evasive. Other witnesses have provided detailed accounts of their conversations with Brown concerning the SPRF fund balance discrepancies. Particularly noteworthy are Freda Luan-Dun's statements that Luan-Dun and Brown discussed the matter many times with their supervisor, then-financial services manager Tom Domich. It is thus apparent that Brown has elected not to provide the wealth of information she has about the matter.