

## Summary of 9-12-12 interview of Tom Domich

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

### Employment History

Tom Domich started his 35-year state career with the Department of Parks and Recreation in 1969 in its budget section. He was named budget officer in approximately 1973. From 1976 to 1984 Domich was administrative services officer at two posts outside Parks headquarters: at District II in Santa Rosa and at Cal Expo, which was then part of the Parks Department. (Tom Domich 9-12-2012 interview transcript (TDtr), pp. 3-5.)

Domich returned to Parks headquarters as budget officer in 1984. In 1987 he was promoted to chief of fiscal services, a branch of administrative services that included accounting, budgeting, business services, and contracts. The position was re-designated assistant deputy director of administrative services in 1998. Domich held the post for 17 years until retiring in 2004. The deputy directors of administrative services to whom Domich reported during that period were Frank Torkelson from 1987 to 1992, Raye Harrington from 1992 to 1994, Denzil Verardo from 1994 to 2003, Ron Brean for a brief period in 2003, and then Michael Harris for approximately one year beginning in 2004. (TDtr, pp. 6-15.)

After retiring in 2004, Domich returned the next year in 2005 to fill in temporarily as deputy director of administrative services while Harris was on extended leave. Prior to Domich's return, Rob Boriskin had been named assistant deputy director for administrative services position. Domich states that then-director Ruth Coleman asked Domich to fill in for Harris and work with Boriskin on performance issues. Domich states he did so for a few months, then re-retired in 2005, and that Coleman then brought in Keith Demetrak (deceased) to fill in for Harris as head of administrative services. (TDtr, pp. 16-19.)

Domich recalled that when Harris returned Harris was assigned to the director's office and worked on special projects. Harris was later designated chief deputy director, and Coleman and Harris recruited a new chief of administrative services. Domich recalled that Manuel Lopez was hired as budget officer after Domich retired in 2004, and Domich worked with Lopez for a short period in 2005 while Domich filled in for Harris. Domich stated he prepared two unfavorable probationary evaluation reports concerning Lopez, citing Lopez for inappropriate

absences. Domich also stated that he cautioned Coleman and Harris about promoting Lopez before Coleman made the decision to name Lopez chief of administrative services. (TDtr, pp. 20-25.)

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

Domich was advised that the issue under investigation concerned disparities in financial reports for the State Parks and Recreation Fund (SPRF) which had been submitted to the State Controller's Office (SCO) and the Department of Finance (DOF). Domich was asked who had informed him of the disparities and what he did with the information. Domich responded: "I don't recall ever knowing about a surplus," and "No one ever told me about it that I recall." When advised that someone had stated that Domich attended numerous meetings where the disparities were discussed, Domich stated that he remembered no such meetings. (TDtr, p. 27.)

Domich was then shown a DOF spreadsheet (Exhibit A attached) reflecting disparities in fund balances reported to the SCO and the DOF for the SPRF and Off-Highway Vehicle (OHV) funds from 1993 to 2011. It was pointed out that, for the SPRF, the disparity in the adjusted year-end cash balance reported to the SCO versus the year-end balance reported to the DOF grew from around \$6 million at the end of 1997 to almost \$30 million at the end of 2003. It was also pointed out that this growth occurred while Domich was supervising both budgeting and accounting, as chief of fiscal services and then as assistant deputy director of administrative services. Domich agreed he was responsible for supervising budgeting and accounting, but maintained he was not aware of any such disparity in fund balance reports. (TDtr, pp. 27-29.)

Domich then explained that his focus was not always on financial matters and that he had "other responsibilities" and "particular problems." He stated he was "practically running information technology and some of the other programs," and "counted totally on my budget staff and accounting staff to take care of these kinds of issues." He noted that the chief budget officer, Becky Brown, had worked for him for thirty years, and chief accounting officer Freda Luan-Dun had worked for him for ten years. (TDtr, pp. 29-30.)

Domich then volunteered that had he known about the SPRF balance disparity he wasn't sure he would have been particularly concerned, given how the SPRF is structured and its funds allocated, and the fact that SPRF revenues are hard to forecast. He explained that timing issues made it hard to predict SPRF revenues, and they could not risk ending the year with a deficiency

because, according to Domich, “by law we were all personally liable, personally liable for any deficiency.” He suggested that if a SPRF surplus existed “it would be left to offset the bad years” when weather variables resulted in reduced park revenues. Domich further noted it was routine to keep some SPRF monies in reserve, and he wondered each year whether SPRF revenue would reach its forecasted amount. Domich stated he would not have worried so much had he known additional monies were available. (TDtr, pp. 30-32.)

Domich next stated that he reviewed the annual SPRF fund condition statements along with the budget materials sent to the DOF, and did not recall being told about a discrepancy. He speculated the discrepancy could be due to timing of reports, but conceded he was not an accountant. He then noted they were constantly audited, with two or three audit teams from the SCO and DOF seemingly ever-present, none of whom ever said there “there was a discrepancy or problem in those funding sources that I’m aware of.” (TDtr, pp. 34-35.)

Domich was then shown two memos from the DOF issued to department budget offices on April 8, 2002, and June 5, 2003 (Exhibits G and H attached) which did identify disparities in balances reported to the SCO and the DOF for the SPRF. It was pointed out that the memos indicated \$22,765,000 fewer SPRF dollars had been reported to the DOF than to the SCO at the end of fiscal year 2000-01, and \$26,825,000 less had been reported to DOF at the end of fiscal year 2001-02. Domich stated he did not recall the memos, and then asserted “those were dates after I had taken over the Personnel office. It was when Michael Harris was coming into the department. It was when the budget office was working directly with him, and I was not all that involved at that—when these were—when these came.”<sup>1</sup> (TDtr, pp. 35-38.)

After conceding he still supervised budgeting and accounting in 2002 and 2003, Domich asserted he “had a lot of other responsibilities, seven other programs to work with, some that were very difficult.” Domich again asserted he never saw the DOF reports and was never aware of the disparity issue. Domich also stated that he paid little attention to year-end statements sent to the SCO, but did review the budget fund condition statements and had no reason to believe they weren’t accurate. (TDtr, pp. 38-40.) Domich agreed, however, that the year-end fund

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<sup>1</sup> Records show Harris came to the Department as head of administrative services in November 2003. The DOF memos of April 2002 and June 2003 were thus issued well before Harris’s arrival and while Domich still oversaw accounting and budgeting and reported to Verardo.



Sacramento and the other half in Monterrey supervising training. He stated that in his absence Brown would go directly to Verardo, and also to Harris as part of Harris's training, and stated: "She did not come to me at all." Domich stated he was shocked to hear he had reportedly been in discussions about the SPRF fund balance discrepancy, and he did not remember "any discussion of surpluses." (TDtr, pp. 52-53.)

Domich recalled that the SPRF typically generated about \$120 million annually. He stated that a \$26 million dollar discrepancy was a significant amount and would be cause for concern. He stated he would not just let it sit there, but would advise the DOF such monies had been discovered and would use it. (TDtr, pp. 53-54.) Domich stated that Parks had a good relationship with the DOF and the assigned DOF analyst, Robin Baker, with whom they had worked closely, and the undisclosed SPRF funds were something he would have brought to the DOF's attention rather than hide. (TDtr, pp. 55-58.)

Domich then volunteered that he suspected "there may have been a reluctance later on to discuss it with Finance" because the additional SPRF monies would have been put into the Department's budget and general fund dollars removed, resulting in no net increase to the Parks' budget. He observed that in his experience the general fund appropriation had never been increased, but only reduced. He recounted that mid-year cuts were often ordered, requiring the Department to withdraw allocations it had made to field operations. (TDtr, pp. 58-60.)

### **Parks Department's Funding Challenges**

Domich next recounted that in 1992, the Parks Department suffered a \$16 million dollar "arbitrary reduction by the legislature." He stated that from 1992 on "it was a constant funding problem." He observed that the Department's budget was one of the state's most complex, requiring that some 26 funding sources be tracked, and he could see how "things like this could happen" and errors occur, given the continuous salary savings and staff reductions that took place. (TDtr, pp. 60-61.)

Domich noted that the \$16 million dollar cut was more than 10% of the general fund appropriation, and required elimination of the equipment purchasing program and a reduction of positions. He recounted that the cut, which he described as a "devastating amount" to absorb, occurred after former legislator Ross Johnson visited a park and was told by an employee that

seasonal positions had been reduced by the Legislature and the employee's friends were losing their jobs. Domich stated that at the next budget hearing Johnson "ripped our director up one side and down the other," and then advised the Department that its budget was cut by \$16 million and the Department was to "figure it out." Domich recalled Johnson "screaming, yelling" at the Department's then-director, Donald Murphy, and described it as the most despicable thing Domich had ever seen. (TDtr, pp. 62-64, 89.)

Domich stated this event marked the first time the Department started talking about closing parks, which was one of the ways they could achieve the \$16 million dollar budget reduction. (TDtr, pp. 65-66.) Domich recalled that the Department for years had lists of the parks they would close, and in which order, and how much would be saved, and had spreadsheets ranking the parks by costs, services, personnel services, costs, operating costs, equipment costs, and what the net savings of a closure would be. (TDtr, pp. 86-87.)

He stated that the Department achieved the 1992 reduction by not filling vacant positions and generating salary savings. Domich agreed it was a tough place to work from a fiscal standpoint, and described it as "horrible," although he loved the Department and the Parks family. He recalled that once or twice a year the DOF would order the Department to advise within 24 hours how some specified fiscal reduction would be met, and stated that when he retired the Department was engaging in such reduction exercises two or three times a week. He described his job as one of the most stressful in state service, "ulcer inducing, gut wrenching from year-to-year," and recounted that he and Becky Brown would put in 50 to 60 hours working six days a week. (TDtr, pp. 65-66, 87.)

### **Parks Personnel Contacts and History**

When asked with whom he stays in contact from Parks, Domich stated a number of former employees and that his son-in-law, Jason Summers, works at Parks. He stated that Brown and former chief accounting officer Olaya Paschal (now Slaughterback) would provide reports and tell him how awful things were. He stated that the three remain friends. (TDtr, pp. 67-69.)

Domich recounted that he and Brown worked together some 30 years. He hired Brown into the Parks budget office around 1974, and then hired her as budget officer when he went to Cal Expo. When he returned to Parks in 1987 as budget officer, he hired Brown as his assistant.

Then he promoted her to budget officer when he became chief of fiscal services. Domich and Paschal worked together 25 some years. They met at Cal Expo, and when Domich returned to Parks, he “hired her as my Business Services manager.” Domich also reports that he hired Gayle Bohlmann and Freda Luna-Dun into their positions in administrative services. (TDtr, pp. 70-71.)

Domich opined that Becky Brown was a good record keeper who had maintained a detailed history of the Department’s budgets, all of which Domich was informed had been tossed out by Manuel Lopez. When asked who had so informed him, Domich stated that Brown did. When asked how he knew that Lopez had ordered records be discarded, Domich stated he did not know Lopez had done so. He added that because it was after Brown left the budget office he wasn’t sure if it was Lopez, or Cheryl Taylor (who succeeded Lopez as budget officer), but he had been told the records were gone.<sup>3</sup> (TDtr, pp. 74-75.)

When asked if he knew Dorothy Kroll well, Domich indicated he did not. He recalled that he had put accounting under Paschal’s supervision when Luan-Dun left. He later learned, following his retirement and through Paschal, that Kroll had been named chief of accounting. Domich stated that he expressed his concern to Paschal “because a few actions I was aware of with Dorothy is she had a very volatile personality, even when she was working for Freda [Luan-Dun], that she would just explode.” (TDtr, pp. 75-77.)<sup>4</sup>

Domich next recounted that Rob Boriskin replaced Domich as assistant deputy director of administrative services. Sometime thereafter, Domich returned when Coleman asked him to fill in for Harris and indicated there were performance problems with Boriskin. When asked about those concerns, Domich explained that Boriskin had binders of statistics and focused on

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<sup>3</sup> As explained in footnote 4 of the summary of Brown’s interview, no credible information has come forward that suggests records retained by Brown have been discarded.

<sup>4</sup> It was noteworthy that, while Luan-Dun described Kroll as “rigid” and “by-the-book,” (transcript of Freda Luan-Dun 9-11-12 interview, pp. 23-24), neither Luan-Dun nor any other person interviewed described Kroll in the negative terms Domich used. It was not unusual, however, for Domich to freely express his strong opinions of people. It is apparent Domich viewed himself as very much in charge of the financial services operations and personnel, and was assertedly a key decision-maker with regard to the careers of Brown, Paschal, Luan-Dun, and Bohlmann.

minutiae, instead of grasping the big picture and leaving minutiae to staff.<sup>5</sup> Domich stated that Boriskin was constantly in staff's face trying to learn every detail of budgeting and accounting and each of the program areas, and wasn't giving executive summaries. (TDtr, pp. 77-79.)

Domich stated he got to know Ruth Coleman in 1984 when she was at the Legislative Analyst's Office and Domich was the Parks budget officer. Domich stated that they worked together on the Parks budget and Coleman understood budgeting. He recalled that Coleman later came over to Parks as the deputy director for legislation. He stated that then-director Rusty Areias later promoted Coleman to the position of chief deputy director, and stated that when Areias then left Parks in January 2002 to run for State Senate, Areias asked that then-Governor Davis appoint Coleman to be director of Parks, which was done. (TDtr, pp. 80, 92-94.)

Domich agreed he was able to communicate directly with Coleman rather than running everything past the chief of administrative services and the chief deputy director. He agreed that he and Coleman regularly discussed the Department's financial struggles. (TDtr, pp. 94-95.)

Domich also stated that the Parks operations division was very involved in the budget development process, as some 85 percent of funds go to operations. He concurred that as chief of fiscal services he was very involved in annual budget preparations and worked closely with the deputy director and assistant director of operations. (TDtr, pp. 81-82, 85-86.)

### **Conclusion of Interview**

As the interview concluded, Domich was again told that others had reported he was aware of the discrepancy, and also reported that the reason it was not disclosed to the DOF, the Governor, and Legislature was because the Department's general fund would be cut. Domich stated he "could not say for sure that they're wrong and that they told me about it, and it's something that went in one ear and out the other." He then qualified his comment by stating it was "just too big of an amount. It's something I would have remembered." Domich also stated

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<sup>5</sup> In his interview, Boriskin explained that as he studied Parks' financial records he quickly saw the discrepancy in the SPRF fund balance reports and tried to bring it to Coleman's attention. He recalls Coleman was critical of him spending time analyzing spreadsheets and suggested he look at the bigger picture. (Transcript of Rob Boriskin 9-13-12 interview, pp. 25-26.) Manuel Lopez likewise explained that Coleman may not have understood the problems with the SPRF that he tried to bring to her attention each year for five years. Assuming Coleman was ignorant of the SPRF fund balance disparities, it is sadly ironic that such ignorance resulted from a lack of attention to detail.

that failing to disclose the monies to the DOF was “not something that I would have done unless directed to do it.” He stated he would have tried to resolve it rather than let it sit there, because “eventually, you have to solve it; it’s not going to stay hidden.” (TDtr, pp. 90-91.)

### **Interviewer’s Impressions:**

Domich was the Department’s financial services manager for 17 years. He came across in the interview as having the self-perception he was the agency’s long-time principal manager with regard to financial operations. He states that he hired Freda Luan-Dun, Olaya Paschal, Gayle Bohlmann, and Becky Brown into their administrative services positions. It is inconceivable that Brown, who was twice hired by and worked for Domich almost her entire career, would not have briefed Domich on this issue. Michael Harris and Freda Luan-Dun both report that they discussed the matter with Domich. Domich’s claims that he knew nothing of the funds are therefore not credible.

Domich’s attempts to deny knowledge of and to distance himself from the issue of the undisclosed funds were unpersuasive. The balance report disparity was identified by Brown at least as early as 2001, and had been closely examined by Brown and others by the fall of 2002. When financial reports were submitted after the close of fiscal year 2003, clearly a conscious decision was then made not to correct the disparity and reveal the funds to the DOF. Harris came to Parks as deputy director of administrative services in November 2003, some months after the fiscal year ended on June 30, 2003. Harris and Luan-Dun identify Domich as the highest-ranking person who was aware of the disparity before Harris’s arrival. Absent an indication that someone higher than Domich approved the initial decision in 2003 or earlier not to disclose what grew to be a \$29.2 million-dollar discrepancy in SPRF balance reports, the credit for making the initial decision not to disclose the funds must go to Domich.