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TRANSCRIPTION OF RECORDED INTERVIEW

OF

Michael Harris

September 21, 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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1 MR. PATTON: All right. The time is
2 1:06 p.m., Friday, September 21, 2012. Thomas
3 M. Patton, Deputy Attorney General, and also
4 with me today is our investigator Michael
5 Mattson. And we have with us --

6 Sir, if you would, announce yourself
7 and spell your name for us.

8 MR. HARRIS: Michael Harris; last
9 name is H-A-R-R-I-S.

10 MR. PATTON: Thank you, Michael
11 Harris. And you received my letter notifying
12 you of this interview --

13 MR. HARRIS: I did.

14 MR. PATTON: (Indiscernible -
15 simultaneous speaking) ago. Okay. So you're
16 familiar with the admonition we gave you --

17 MR. HARRIS: Yes.

18 MR. PATTON: -- that this is an
19 administrative investigation, and as a current
20 State employee, you're required to answer
21 truthfully, et cetera.

22 MR. HARRIS: Yes.

23 MR. PATTON: Okay. So let's go
24 right into -- give us a little bit about your
25 background. You have, I assume, a fairly long

1 State employment history.

2 MR. HARRIS: I -- yeah, I suppose
3 so. I've got twenty-four years with the State
4 (indiscernible - simultaneous speaking) like
5 that.

6 MR. PATTON: Okay. So tell us about
7 yourself. Tell us about your State employment
8 history.

9 MR. HARRIS: I began working for the
10 legislative analyst's office in, I believe --
11 I always get confused as to whether it's '87
12 or '88. It's a long time ago. I spent three
13 years at leg analyst.

14 MR. PATTON: What was your job
15 there?

16 MR. HARRIS: I was the -- oh, God.
17 I don't even remember the title, but basically
18 the analyst with assignments in recycling and
19 waste management and water resources.

20 MR. PATTON: You said it was about
21 '87?

22 MR. HARRIS: Yeah, '87-'88.

23 MR. PATTON: Okay. Water resources,
24 recycle, waste management. What kind of work
25 do you do at the LAO?

1 MR. HARRIS: It's program and fiscal
2 review, if that's a sufficient description.

3 MR. PATTON: So you go over
4 financial matters?

5 MR. HARRIS: Yes, among other
6 things.

7 MR. PATTON: You're the first person
8 I've talked to who's got a background with the
9 LAO. Someone asked a little bit about how
10 that works, but first tell me, you have what
11 kind of an educational background?

12 MR. HARRIS: I have an undergraduate
13 degree in environmental studies and economics,
14 a double major, and I did two years of Ph.D.
15 level course work in agricultural and resource
16 economics.

17 MR. PATTON: Okay. Two years Ph.D.
18 work, agricultural.

19 MR. HARRIS: And resource economics.

20 MR. PATTON: Agricultural and
21 resource economics. So you know something
22 about finance and economics.

23 MR. HARRIS: I -- frankly, I never
24 quite know what the term "finance" means
25 but --

1 MR. PATTON: Money.

2 MR. HARRIS: And I tend to describe
3 myself as a recovering economist so --

4 MR. PATTON: Yeah. What are we
5 recovering from?

6 MR. HARRIS: Well, Hazel Henderson
7 said economics is a form of brain damage so --

8 MR. PATTON: Yeah. I didn't study
9 enough economics. I don't know who Hazel
10 Henderson is.

11 MR. HARRIS: An economist.

12 MR. PATTON: I guess you look at a
13 lot of graphs and charts and spreadsheets and
14 numbers and you can get brain damage. That's
15 the idea?

16 MR. HARRIS: Actually the idea is
17 not the issue of looking at charts and numbers
18 but the issue of the economist's world view
19 that the world is somehow infinite where it's,
20 in fact, physically it's limited.

21 MR. PATTON: So at LAO, program
22 fiscal review, who -- I'm trying to understand
23 how LAO interfaces with the executive world of
24 budgets and departments and --

25 MR. HARRIS: And you have to take

1 all of -- everything I'm going to say with a
2 grain of salt because it's been a long time
3 since I've been there --

4 MR. PATTON: Um-hum.

5 MR. HARRIS: -- and the world has
6 changed since I was there. But when I was
7 there, the legislative analyst was responsible
8 for the legislature's review of the governor's
9 budget and produced an analysis of the budget
10 each year, which became, in turn, the basis
11 for most of the budget hearings.

12 MR. PATTON: Okay. So you then --
13 at the LAO, you're going to communicate
14 with -- receive information, I assume then,
15 from the Department of Finance who's working
16 up the governor's budget?

17 MR. HARRIS: Yes.

18 MR. PATTON: And then you study
19 that --

20 MR. HARRIS: Yes.

21 MR. PATTON: -- so that you can
22 give -- you're the advisors then to the
23 legislature, what's coming out of Finance and
24 the governor's office budget-wise.

25 MR. HARRIS: Right.

1 MR. PATTON: Okay. So you, early on
2 then in your State career, started working
3 then with State budget issues.

4 MR. HARRIS: Yes.

5 MR. PATTON: Okay. So you worked,
6 you said, three years at the LAO, and then
7 sometime in the '90s you obviously made a
8 change.

9 MR. HARRIS: 1991, Prop 140 passed
10 which was the term limits initiative. Most
11 people don't realize that it also cut the
12 legislature's budget radically. And I had a
13 mortgage and a young baby at home and was
14 looking for a little more stability than I
15 could expect at LAO. LAO went from almost
16 ninety analysts when I was there to about
17 twenty-five by the time they were finished
18 cutting.

19 MR. PATTON: Um-hum.

20 MR. HARRIS: So I moved to the
21 Department of Conservation, Division of
22 Recycling.

23 MR. PATTON: Before we go there,
24 when you were at the LAO, did you work with
25 Ruth Coleman?

1 MR. HARRIS: Yes.

2 MR. PATTON: So you met her when?

3 MR. HARRIS: When I arrived at the
4 LAO in late '87.

5 MR. PATTON: So she was already
6 working there --

7 MR. HARRIS: Yes.

8 MR. PATTON: -- when you got there?

9 MR. HARRIS: Relatively. LAO
10 hires -- or used to hire on a cycle. I was
11 hired off cycle. Ruth started probably six or
12 seven months before I did.

13 MR. PATTON: And you say you were
14 doing work relating to waste management,
15 recycling, and water resources. What agencies
16 was she working with?

17 MR. HARRIS: I couldn't tell you.

18 MR. PATTON: You don't know what
19 budgets she was --

20 MR. HARRIS: Not at this --

21 MR. PATTON: Not the same budgets
22 you were looking at?

23 MR. HARRIS: No.

24 MR. PATTON: Okay. Was she doing
25 the same kind of work?

1 MR. HARRIS: Yes.

2 MR. PATTON: Okay. So she was, as
3 far as you know, some sort of a program fiscal
4 review person?

5 MR. HARRIS: Yes.

6 MR. PATTON: Is that -- budget
7 analyst, is that a fair word as well?

8 MR. HARRIS: It's probably broader
9 than budget analyst --

10 MR. PATTON: Okay.

11 MR. HARRIS: -- because the
12 expectation was that you become a program
13 expert.

14 MR. PATTON: Okay. So is the
15 title -- what is the title? Program analyst?

16 MR. HARRIS: The title, as I recall
17 it at the time, was fiscal and program
18 analyst.

19 MR. PATTON: Okay. And did you and
20 Ruth become friends at that time?

21 MR. HARRIS: Yes.

22 MR. PATTON: Okay. So you've known
23 her since the beginning of your State service?

24 MR. HARRIS: Yes.

25 MR. PATTON: Okay. And tell me

1 where you said you went then in '91.

2 MR. HARRIS: The Department of
3 Conservation, Division of Recycling.

4 MR. PATTON: Okay. And what did you
5 do there?

6 MR. HARRIS: Ultimately ran a unit
7 doing statistical analysis and projections and
8 survey work for the beverage container
9 recycling program.

10 MR. PATTON: Okay. So you're in
11 what -- you're in some kind of Admin Services
12 section for this?

13 MR. HARRIS: No.

14 MR. PATTON: No? What are you in?

15 MR. HARRIS: No. I was in the
16 program. I was in the beverage container
17 recycling program.

18 MR. PATTON: Okay.

19 MR. HARRIS: Division of Recycling,
20 not the Admin Division.

21 MR. PATTON: Oh, okay. So you're in
22 that particular program doing statistical
23 analysis. Are you doing economic forecasting
24 for them?

25 MR. HARRIS: I was certainly

1 involved in some forecasting. I wouldn't call
2 it economic forecasting. It was more
3 forecasting the sales and returns of beverage
4 containers.

5 MR. PATTON: All right. Financial
6 forecasting maybe?

7 MR. HARRIS: Not even financial
8 forecasting. I said what I meant, forecasting
9 sales and returns of beverage containers.
10 That had a financial component in that it
11 affected the beverage container recycling
12 fund, but I was forecasting sales and returns.

13 MR. PATTON: Okay. What was your
14 next gig in the State?

15 MR. HARRIS: I left Conservation in
16 1997, and I went back to the Senate -- the
17 State Senate.

18 MR. PATTON: Okay.

19 MR. HARRIS: I was consultant to the
20 Budget and Fiscal Review Committee with a
21 responsibility for reviewing the budgets of
22 all of the Resources Agency, all of Cal/EPA,
23 Food and Ag, a number of other (indiscernible
24 - simultaneous speaking).

25 MR. PATTON: Consultant to the

1 Budget and Fiscal Review Committee?

2 MR. HARRIS: Yes.

3 MR. PATTON: Looking at what
4 agencies?

5 MR. HARRIS: Resources.

6 MR. PATTON: Um-hum.

7 MR. HARRIS: Cal/EPA.

8 MR. PATTON: Yep.

9 MR. HARRIS: Food and Ag.

10 MR. PATTON: Yep.

11 MR. HARRIS: And a number of other
12 smaller --

13 MR. PATTON: Parks?

14 MR. HARRIS: No -- Parks within the
15 Resources Agency, yes.

16 MR. PATTON: Okay. I meant to ask
17 you what -- so you met Ruth Coleman for the
18 first time when you two worked at LAO?

19 MR. HARRIS: That's correct.

20 MR. PATTON: You didn't know her
21 from before that?

22 MR. HARRIS: That's correct.

23 MR. PATTON: Okay. So you're at
24 State Senate, consultant to Budget Fiscal
25 Review Committee. Resources is one of the

1 agencies you've got.

2 MR. HARRIS: And when I say the
3 agency, what I really mean is all the
4 departments under the agency.

5 MR. PATTON: Correct, that's -- and
6 I mean that too.

7 MR. HARRIS: Okay.

8 MR. PATTON: Yeah. Parks is one of
9 the agencies, one of the departments under the
10 agency resources. So you're looking at all
11 the different resource departments' budgets?

12 MR. HARRIS: Yes.

13 MR. PATTON: Okay. Was that then
14 your first exposure to the Parks Department
15 budget's fiscal issues?

16 MR. HARRIS: Yes.

17 MR. PATTON: Yeah, okay. And how
18 long were you in that position?

19 MR. HARRIS: Just about three years.

20 MR. PATTON: Okay.

21 MR. HARRIS: Three budget cycles.

22 MR. PATTON: Okay. So around 2000
23 you make the next change?

24 MR. HARRIS: 2000 -- yeah, about
25 2000.

1 MR. PATTON: And where was that to?

2 MR. HARRIS: The Department of Fish
3 and Game --

4 MR. PATTON: Okay.

5 MR. HARRIS: -- as Chief of
6 Administration.

7 MR. PATTON: Okay. Where, among
8 other things, you're responsible for
9 Accounting and Budget?

10 MR. HARRIS: Yes.

11 MR. PATTON: Okay. And you were at
12 Fish and Game for how long?

13 MR. HARRIS: About three years.

14 MR. PATTON: Okay. Then what?

15 MR. HARRIS: And then moved to
16 Parks.

17 MR. PATTON: Around '03 then?

18 MR. HARRIS: Yeah, '03-'04.

19 MR. PATTON: And what was your first
20 spot -- post at Parks?

21 MR. HARRIS: I was Deputy Director
22 for Administrative Services.

23 MR. PATTON: Okay. And then what?

24 MR. HARRIS: Deputy Director for
25 Policy and Strategic Planning and then --

1 MR. PATTON: How long were you
2 Deputy Director of Admin Services?

3 MR. HARRIS: I want to say about
4 three years.

5 MR. PATTON: Okay. And then Deputy
6 Director of --

7 MR. HARRIS: Policy and Strategic
8 Planning.

9 MR. PATTON: Okay. Starting in?

10 MR. HARRIS: Oh, gosh. I
11 honestly -- I don't know. It all -- eight
12 years at Parks all sort of fades together.

13 MR. PATTON: Okay. And after being
14 Deputy Director, Strategy and Planning?

15 MR. HARRIS: Policy and Strategic
16 Planning.

17 MR. PATTON: Policy and Strategic
18 Planning?

19 MR. HARRIS: Um-hum.

20 MR. PATTON: After doing that?

21 MR. HARRIS: About a year into that,
22 the Chief Deputy retired and --

23 MR. PATTON: Who was that?

24 MR. HARRIS: Paul Romero.

25 MR. PATTON: Okay. And?

1 MR. HARRIS: And I became eventually
2 acting Chief Deputy Director, and I say
3 "acting" meaning no appointment involved nor
4 was there any pay involved.

5 MR. PATTON: Did you ever become the
6 permanent Chief Deputy?

7 MR. HARRIS: No. Four years as
8 acting Chief Deputy.

9 MR. PATTON: So you went from Deputy
10 Director of Policy and Strategic Planning into
11 the acting Chief Deputy role?

12 MR. HARRIS: Yes.

13 MR. PATTON: Okay. Were you ever --
14 so your first post at Parks '03 was Deputy
15 Director Admin Services?

16 MR. HARRIS: Yes, which is a CEA
17 position.

18 MR. PATTON: Okay. Got it. And who
19 appointed you to that position?

20 MR. HARRIS: Ruth Coleman --

21 MR. PATTON: Okay.

22 MR. HARRIS: -- as the Director.

23 MR. PATTON: Had you -- obviously
24 you left LAO where you had worked in the same
25 office -- same agency as Ruth Coleman back in

1 '91.

2 MR. HARRIS: Prior to '91, yeah.

3 MR. PATTON: Yeah, you left there, I
4 think, around --

5 MR. HARRIS: In '91.

6 MR. PATTON: Yeah. Had you and Ruth
7 stayed in contact?

8 MR. HARRIS: Sporadically --

9 MR. PATTON: Okay.

10 MR. HARRIS: -- not much. When I
11 went to the Senate, the chair -- the then
12 chair of the Budget Committee was Senator Mike
13 Thompson, and she was working for him as his
14 Leg Director -- Legislative Director.

15 MR. PATTON: Okay. When did you
16 first meet Manny Lopez?

17 MR. HARRIS: I don't think I -- I
18 don't know that I could put a date on it.

19 MR. PATTON: Where did you first
20 meet him?

21 MR. HARRIS: When I was Admin Chief
22 at Parks, our Budget Officer retired, and I
23 needed to hire a Budget Officer. We conducted
24 competitive interviews, and that was where I
25 first met him --

1 MR. PATTON: Okay.

2 MR. HARRIS: -- and eventually hired
3 him.

4 MR. PATTON: Um-hum. Okay. So when
5 you first went to Parks, Becky Brown was the
6 Budget Officer, right?

7 MR. HARRIS: Correct.

8 MR. PATTON: Had you known her from
9 before?

10 MR. HARRIS: Yes.

11 MR. PATTON: Where?

12 MR. HARRIS: When I was at the
13 Senate on Budget Committee staff.

14 MR. PATTON: You'd worked with her
15 because --

16 MR. HARRIS: In her role as Budget
17 Officer --

18 MR. PATTON: At Parks?

19 MR. HARRIS: -- at Parks.

20 MR. PATTON: So you were familiar
21 with her and her budget work? You'd seen the
22 budgets coming out of Finance for Parks?

23 MR. HARRIS: Certainly, yes.

24 MR. PATTON: Did you ever -- okay.
25 So let's just go straight into this. You've

1 read about the news reports obviously
2 reporting about a financial discrepancy
3 between the reports to Finance for the State
4 Parks and Rec Fund, the SPRF fund --

5 MR. HARRIS: Um-hum.

6 MR. PATTON: -- and the discrepancy
7 between those reports and the account balance
8 report to the Controller at the end of each
9 fiscal year. And we've received spreadsheets
10 from Finance showing this disparity going back
11 many years, predating when you arrived.

12 MR. HARRIS: Um-hum.

13 MR. PATTON: So acknowledging that,
14 can you tell us what you -- when you came to
15 encounter that and what your thoughts were?

16 MR. HARRIS: Preference everything
17 here saying this was a long time ago.

18 MR. PATTON: Sure.

19 MR. HARRIS: And so I'll tell you
20 what my recollections are, but I won't -- I
21 will tell you they're my recollections;
22 whether they're accurate or not, I don't know.
23 It's been a long time.

24 MR. PATTON: That was a long time
25 ago that you first encountered this.

1 MR. HARRIS: Yes.

2 MR. PATTON: Yeah. And you went
3 there in '03 as Deputy Director, Admin
4 Services, '03-'04.

5 MR. HARRIS: And very shortly after
6 arriving, my recollection is I had a briefing
7 from Becky Brown, who was the Budget Officer,
8 and from Tom Domich, who was the -- was my
9 number two, was the Assistant Deputy Director
10 for Admin --

11 MR. PATTON: Um-hum.

12 MR. HARRIS: -- in which they told
13 me that there had been an error made in the
14 fund condition for SPRF. My recollection is
15 '99, but the release says otherwise; I don't
16 know. My recollection is '99, four or five
17 years before I was there.

18 MR. PATTON: Um-hum.

19 MR. HARRIS: I honestly don't recall
20 whether I was told whether that error stemmed
21 from the Department of Finance or from Parks.
22 I don't recall. That the effect of that error
23 was to ignore -- well, not ignore, but to
24 understate the fund condition balance relative
25 to the cash balance.

1 MR. PATTON: Um-hum.

2 MR. HARRIS: My recollection again,
3 a long time ago, is that it was roughly
4 fifteen million dollars.

5 MR. PATTON: Okay.

6 MR. HARRIS: It was presented to me
7 in the context of --

8 MR. PATTON: So you were getting a
9 joint report from Becky Brown and Tom Domich?

10 MR. HARRIS: That's my recollection.

11 MR. PATTON: Okay. Not independent
12 reports. They both --

13 MR. HARRIS: No.

14 MR. PATTON: -- came to you
15 together.

16 MR. HARRIS: They came to me
17 together to brief -- as part of my briefings
18 as coming up to speed --

19 MR. PATTON: Okay.

20 MR. HARRIS: -- as Deputy for Admin.
21 What I was -- what I recall being told is that
22 the department had chosen not to correct that
23 error and did so because of several factors.
24 One was the widely held belief that if they
25 had disclosed that amount it would simply have

1 resulted in a reduction of the General Fund
2 budget for the department to offset it. The
3 other was a recognition that the department
4 was fiscally at risk, but from its increasing
5 reliance on money it earned, its earned
6 revenues, meaning fees.

7 In 1997, if I can give you a bit of
8 history, the department ran a fifteen million
9 dollar deficiency as a result of a -- "perfect
10 storm" is an overused metaphor, but that's
11 what it was. It was a bad series of storms
12 and a well cold spring, and as a result,
13 attendance was down, and a number of parks
14 were closed, and there was heavy damage in a
15 number of parks.

16 MR. PATTON: '97-'98 was the year of
17 the great flood.

18 MR. HARRIS: Right.

19 MR. PATTON: The Reno airport was
20 under water.

21 MR. HARRIS: Right.

22 MR. PATTON: Levees here burst.
23 Central Valley was flooded.

24 MR. HARRIS: Right. And part of the
25 consequence for the Department of Parks and

1 Recreation was they ran a deficiency.

2 MR. PATTON: Um-hum.

3 MR. HARRIS: And so what was
4 presented to me was the expectation that we
5 would become increasingly dependent on our
6 other revenues as opposed to General Fund and
7 that those revenues were volatile and that the
8 discrepancy between the fund condition and the
9 cash balance would be essentially absorbed as
10 we were able to send cash, even though we
11 didn't -- we weren't bringing in the revenue,
12 whereas the expectation was that, at some
13 point, revenues would fall short of
14 projections, and absent that cash balance, the
15 fund -- the department would have to run a
16 deficiency.

17 MR. PATTON: Okay. Now, you said
18 that you were informed that Parks management
19 had made a determination that this -- they
20 weren't going to rectify this error.

21 MR. HARRIS: Um-hum.

22 MR. PATTON: And you say that the
23 people who were reporting this to you were
24 Becky Brown and Tom Domich.

25 MR. HARRIS: To be honest, that's

1 not a direct recollection, but I don't know
2 who else would have told me.

3 MR. PATTON: Who was indicated to
4 have been the management that made the
5 determination not to rectify this?

6 MR. HARRIS: I don't recall
7 discussing that.

8 MR. PATTON: Well, the determination
9 had already been made, and you'd arrived, you
10 say it was '03 or '04. Do you remember?

11 MR. HARRIS: '03.

12 MR. PATTON: '03. Does he remember
13 when in '03?

14 MR. HARRIS: Late in '03.

15 MR. PATTON: And do you recall when
16 Ruth Coleman had come to Parks?

17 MR. HARRIS: She was at Parks before
18 I got there, long before I got there.

19 MR. PATTON: Okay. She became the
20 Director, as I understand it, in '02, and
21 Rusty Areias had been the Director prior to
22 that.

23 MR. HARRIS: That's correct.

24 MR. PATTON: And I'm trying to
25 remember, she -- I can't remember if she held

1 a post other than she came in as acting
2 Director.

3 MR. HARRIS: She had been the Deputy
4 Director for legislation.

5 MR. PATTON: Okay. Under Rusty?

6 MR. HARRIS: Yes.

7 MR. PATTON: Okay.

8 MR. HARRIS: Again, before my time.

9 MR. PATTON: Oh, yeah, there she is,
10 2000. No one indicated to you then whether
11 the management decision not to disclose this
12 had been made by either Director Coleman --

13 MR. HARRIS: Well, it certainly
14 wouldn't have been Director Coleman because
15 she wasn't Director at the time that this
16 occurred.

17 MR. PATTON: Do you know when the
18 disparity was discovered?

19 MR. HARRIS: As I say, my
20 recollection is 1999.

21 MR. PATTON: Well, you -- wait a
22 minute. Hold on a second. You indicated that
23 your staff came to you shortly after you took
24 this post, and you indicated that they had
25 identified that an error had occurred in

1 around 1999.

2 MR. HARRIS: That is correct.

3 MR. PATTON: You didn't tell me that
4 they indicated the error had been discovered
5 in '99.

6 MR. HARRIS: I apologize. That
7 wasn't my understanding.

8 MR. PATTON: Okay. And we actually
9 have information that it appears that the
10 error was discovered a little bit later.

11 MR. HARRIS: Yeah. As I said,
12 that's --

13 MR. PATTON: We're not exactly sure
14 when, but it's probably around -- it's
15 either --

16 MR. HARRIS: 2000.

17 MR. PATTON: Well, it's actually
18 more like 2001 or '2.

19 MR. HARRIS: Okay. We know it
20 wasn't in 2000. So the earliest was about
21 2001. And I think Rusty was still the
22 Director until about, I think, January of two
23 maybe, I don't know, and Ruth comes in. So
24 nobody indicated to you who the management was
25 that made that call?

1 MR. HARRIS: No.

2 MR. PATTON: Okay.

3 MR. HARRIS: And I will add one
4 other thing which is that, again, my
5 recollection is that the department was aware
6 of that error from the time it was made.

7 MR. PATTON: Okay.

8 MR. HARRIS: That's my recollection.

9 MR. PATTON: Okay. Now -- and this
10 would be Becky Brown?

11 MR. HARRIS: Yes.

12 MR. PATTON: So -- because she's the
13 one in charge of the budget side.

14 MR. HARRIS: Yes.

15 MR. PATTON: And she's the one that
16 prepares the fund condition statement.

17 MR. HARRIS: That's correct.

18 MR. PATTON: So -- and you recall
19 discussing this with Becky Brown, there's a
20 disparity?

21 MR. HARRIS: Yes.

22 MR. PATTON: Okay. So --

23 MR. HARRIS: And would add that, for
24 me at least, it's important to keep that in
25 context that that discussion was coupled with

1 a discussion of the plan for rectifying.

2 MR. PATTON: So let's talk about the
3 plan for rectifying. And I understand -- you
4 explained to me that the revenue coming into
5 SPRF is far from guaranteed; it's potentially
6 volatile. And in '97-'98, there was a
7 horrendous perfect storm, as you describe
8 it --

9 MR. HARRIS: Um-hum.

10 MR. PATTON: -- and a fifteen
11 million dollar deficit was run that year. So
12 by the time you're getting briefed on this in
13 about '03, there is a discrepancy between the
14 reports and there's some monies that are in
15 SPRF that aren't being reported, which
16 indicated was about fifteen million dollars.

17 MR. HARRIS: That's my recollection.

18 MR. PATTON: Now -- so run me
19 through the plan for how this might get
20 rectified or those monies used.

21 MR. HARRIS: There's two pieces, if
22 you will. One is the department's authority
23 to spend money, which is given in the
24 appropriation and the budget act. The other
25 is the availability of that money, the

1 actual -- somebody's got dollars in the State
2 treasury.

3 MR. PATTON: Got to have money, and
4 you got to have an appropriation.

5 MR. HARRIS: You got to have money,
6 and you got to have an appropriation. The
7 expectation, as I said, was that at some point
8 in the coming years, because of the volatility
9 of revenue, we would have an appropriation for
10 which we did not have money. That is to say,
11 we would not realize the revenues we had
12 projected.

13 MR. PATTON: Oh, okay.

14 MR. HARRIS: Okay. And that at that
15 point we would have the appropriation to spend
16 the money. We would use the cash balance to
17 spend up to that appropriation, even though we
18 had not earned the projected revenue at that
19 time. Is that making any sense?

20 MR. PATTON: Well, you're -- in
21 order to spend an unreported amount of money
22 that you didn't reflect in the cash balance,
23 in my mind, you're going to have to do
24 something to increase the amount of money
25 reflecting as a cash balance.

1 MR. HARRIS: That's certainly
2 logically consistent. I never got down to
3 that level of detail.

4 MR. PATTON: See, I've always been
5 trying to figure out what's the rationale
6 behind not disclosing this, and the only
7 thing -- and you've reiterated, it's been
8 stated by a number of people that, well, if
9 they know we have this much additional money,
10 our General Fund is likely to take another
11 hit --

12 MR. HARRIS: Um-hum.

13 MR. PATTON: -- which we don't want
14 that to happen. Part of it is that, I've been
15 told, General Fund dollars are more fungible
16 in terms of what you can spend them on.
17 You're nodding your head yes.

18 MR. HARRIS: Yeah.

19 MR. PATTON: And that --

20 MR. HARRIS: I'm hesitating only
21 because technically, the monies earned and
22 deposited in SPRF are -- my understanding is
23 perfectly fungible.

24 MR. PATTON: Yeah. Okay. So that's
25 not a real good justification. The principal

1 justification I've heard is that General Fund
2 could get hit and -- even though we haven't
3 disclosed this money, and so therefore we
4 don't have an appropriation to spend it.

5 MR. HARRIS: That's not correct.

6 MR. PATTON: Okay. Go ahead.

7 MR. HARRIS: Appropriations, in the
8 case of the State Parks and Rec Fund, are made
9 contingent on earning revenue.

10 MR. PATTON: Projected revenue.

11 MR. HARRIS: Projected revenue. And
12 when I say "contingent", that makes it sound
13 like the appropriation only is there if we
14 make the revenue. That's not the case. In
15 fact, the appropriation is there.

16 MR. PATTON: Okay.

17 MR. HARRIS: The issue becomes
18 whether or not there are actual dollars to
19 spend. For the most part, for most State
20 funds, it's not an issue because revenues are
21 more easily projected and less subject to
22 volatility because they're regulatory fees or
23 they're taxes or they're something that is
24 compulsory. Parks is I can't say unique
25 because I haven't worked every place in State

1 government, but it's different in that its
2 revenues depend on customers, truly customers,
3 people who have choices about where to spend
4 their money.

5 MR. PATTON: And weather.

6 MR. HARRIS: And weather. Weather
7 is a huge factor.

8 MR. PATTON: There are variables.

9 MR. HARRIS: There are huge
10 variables not under control of the department.

11 MR. PATTON: Right.

12 MR. HARRIS: So the situation could
13 be that you have an appropriation to spend
14 seventy million dollars --

15 MR. PATTON: Um-hum.

16 MR. HARRIS: -- of revenue from
17 SPRF, but you only bring in sixty.

18 MR. PATTON: Um-hum.

19 MR. HARRIS: Well, the plan was
20 that, at some point if we face that -- when we
21 face that situation, we expected to face that
22 situation, that we would make the necessary
23 adjustments, I guess, but like I said, I
24 didn't get down into that level of detail in
25 the budget to reflect the fact that that

1 additional ten million of authority was
2 actually there in cash.

3 MR. PATTON: Got it.

4 MR. HARRIS: Okay.

5 MR. PATTON: So I guess my only
6 point is that having not acknowledged the
7 existence of that money at the get-go when the
8 appropriation was made, your revenues don't
9 meet projected expectations, and you're ten
10 million short of what you projected. You've
11 got an appropriation to spend that additional
12 ten, but now you see that you don't have it,
13 but you actually do have it because it was
14 undisclosed. You're nodding your head yes.

15 MR. HARRIS: Yes.

16 MR. PATTON: Some kind of fiction is
17 going to then have to occur in order to be
18 able to reflect, now that we've got this
19 money, whether it's newly disclosing some
20 errantly unaccounted for funds or disclose --
21 or claiming more revenues than actually
22 received.

23 MR. HARRIS: I'm not sure about
24 fiction. I think it's a correction of an
25 error.

1 MR. PATTON: A correction of an
2 error. Okay. And so, for example, an error
3 could be saying our balance that we reflected
4 was off; we actually had more.

5 MR. HARRIS: Yes.

6 MR. PATTON: Okay.

7 MR. HARRIS: And I guess I should
8 point out one other piece, which I think
9 you're probably aware of, but there is always
10 a difference between the fund condition
11 amounts and the Controller's cash balance in
12 part -- for the special funds, at any rate, in
13 part because of accounting differences --

14 MR. PATTON: Um-hum.

15 MR. HARRIS: -- the accrual issue.

16 MR. PATTON: Yeah, I've heard a
17 little bit about that. I assume that that
18 difference that's sort of inherent in the
19 different methods of accounting is
20 reconcilable then when you account --

21 MR. HARRIS: Yes.

22 MR. PATTON: -- for those
23 differences.

24 MR. HARRIS: Yes.

25 MR. PATTON: Yeah. And the one

1 thing I've heard is that not all future
2 encumbrances that might be reflected in a fund
3 condition report are reflected in the actual
4 balance -- account balance statement to
5 Controller.

6 MR. HARRIS: You know, I'm not
7 enough of an accountant to fully explain that.
8 I can tell you what I understand, which is the
9 difference between the budget side and the
10 accounting side in this area is that -- is the
11 question of when you charge an expense.
12 Either you charge it at the time you incur it
13 or you charge it at the time you pay it, and
14 that results in differences.

15 MR. PATTON: Right. So you've
16 actually just kind of identified to me what,
17 in my mind, sounds like the most viable way of
18 actually bringing some of these undisclosed
19 monies into play in a difficult -- in a lean
20 year.

21 MR. HARRIS: Um-hum.

22 MR. PATTON: And you actually sort
23 of helped me identify sort of a mindset for
24 why it might be worth keeping this undisclosed
25 reserve, as it were, having -- the Parks

1 Department having, prior to your tenure,
2 experienced a lean year when they came up
3 short.

4 MR. HARRIS: Um-hum.

5 MR. PATTON: And the way it would be
6 to correct an error --

7 MR. HARRIS: That was certainly the
8 way it was presented to me, that --

9 MR. PATTON: Who presented this
10 scenario?

11 MR. HARRIS: Well, I'm talking about
12 what I assume was the briefing that Becky and
13 Tom gave me --

14 MR. PATTON: Okay.

15 MR. HARRIS: -- when I arrived.

16 MR. PATTON: So your recollection is
17 that the three of you discussed how this might
18 get rectified?

19 MR. HARRIS: In very general terms.

20 MR. PATTON: And the idea was that
21 sometime down the road, if the need arose --

22 MR. HARRIS: I would have to say it
23 was not even a matter of if the need arose,
24 the expectation was when the need arose.

25 MR. PATTON: We'll do a

1 rectification.

2 MR. HARRIS: Right.

3 MR. PATTON: Okay. And in order to
4 do that, what we do is we say that we now
5 recognize there's been an error in prior
6 reports?

7 MR. HARRIS: I have to say, that
8 last piece I'm -- I don't have direct
9 recollection of that discussion. Long time
10 ago.

11 MR. PATTON: Okay.

12 MR. HARRIS: And I will say, you
13 know, this subject is one -- eight years at
14 Parks, if I spent a total of thirty minutes on
15 it, it would probably be a lot, and the vast
16 majority of that thirty minutes was in that
17 initial briefing.

18 MR. PATTON: Well, let me ask you
19 about that. When you first learned that there
20 was a -- what you recall as being a fifteen
21 million dollar disparity in --

22 MR. HARRIS: Um-hum.

23 MR. PATTON: -- in the Finance
24 Department reports versus a Controller actual
25 balance report, was that -- what did you think

1 of that issue in terms of gravity? It only
2 deserved thirty minutes and it was not that
3 big a thing?

4 MR. HARRIS: I'm -- to be honest, I
5 don't recall my reaction. I can sort of -- I
6 think, if you look at actions, then you can
7 interpret the fact that I obviously didn't
8 think it was terribly important because I
9 didn't do anything to change it.

10 MR. PATTON: Okay. So when Becky
11 and Tom Domich and you discussed this, no
12 action was taken.

13 MR. HARRIS: That's correct.

14 MR. PATTON: It was kind of a
15 theoretical --

16 MR. HARRIS: It was not presented as
17 an action -- as anything requiring or needing
18 or even open to action. It was presented as,
19 this is where we are.

20 MR. PATTON: Okay. Did it -- and
21 did it concern you that these reports were not
22 in accord with each other?

23 MR. HARRIS: I don't recall.
24 Apparently not.

25 MR. PATTON: I mean --

1 MR. HARRIS: Again, I think you have
2 to put that in the context of what I said a
3 minute ago which is that it is -- there is an
4 accounting discrepancy, if you will --

5 MR. PATTON: Um-hum.

6 MR. HARRIS: -- or difference
7 between the way the budget side accounts for
8 money and the way that Controller accounts for
9 money in the special funds, and so there is
10 always a difference between the budget balance
11 and the cash balance.

12 MR. PATTON: So what I'm hearing you
13 saying is that disparities are sort of the
14 natural consequence of different accounting
15 systems, so the fact that there's a fifteen
16 million dollar disparity in these two reports
17 to Finance and Controllers is fairly easily
18 sort of explained away as that's just how the
19 world works.

20 MR. HARRIS: You're saying that; I'm
21 not. I don't know. I mean, I'm not sure I --
22 I don't recall thinking that, but then I don't
23 recall not thinking it so --

24 MR. PATTON: Okay. Well, it's
25 obvious to me that people having this

1 discussion are aware that it's not just a
2 natural consequence of accounting differences,
3 that there is a disconnect here.

4 MR. HARRIS: Yes.

5 MR. PATTON: As you say, they've
6 determined that sometime back in around '99 an
7 error occurred --

8 MR. HARRIS: Yes.

9 MR. PATTON: -- and so we've got a
10 fifteen million dollar disparity.

11 MR. HARRIS: Yes.

12 MR. PATTON: And they know that it's
13 not just a result -- it's not just a natural
14 reporting anomaly; it's there's an error.

15 MR. HARRIS: Um-hum.

16 MR. PATTON: And it's not -- we're
17 not going to -- it's not presented as a plan
18 for action; we're just going to leave it. In
19 fact, you've told me that management had made
20 a determination earlier before you arrived
21 that nothing was going to be done.

22 MR. HARRIS: That's my recollection
23 of what I was told. I would add though that,
24 and I think I said it earlier, that there was
25 a plan of action in place, that the

1 expectation was that over time that
2 discrepancy would be rectified.

3 MR. PATTON: In those years where
4 there were problem years.

5 MR. HARRIS: Right.

6 MR. PATTON: We'd somehow then bring
7 this money into play.

8 MR. HARRIS: Yes.

9 MR. PATTON: The details of that
10 exact plan of bringing it in -- okay. So --
11 now, this was -- Becky and Tom were not the
12 only people that ever discussed with you,
13 right? This was brought to your attention
14 again, I think, by Mr. Lopez.

15 MR. HARRIS: I have no recollection
16 of that. I do recall that he and I sort of
17 made a passing reference to it a couple times,
18 but I don't recall think explicit discussion
19 of it, and I was unaware the concerns that
20 I've seen expressed in the press by the
21 Accounting Officer and others.

22 MR. PATTON: Okay. Did you ever
23 have occasion to discuss this error and the
24 fifteen million dollar disparity with Ruth?

25 MR. HARRIS: Not that I recall.

1 MR. PATTON: You recall having a
2 discussion with her Aaron Robertson about it?

3 MR. HARRIS: Again, in passing, and
4 then later as he began to, I guess, dig deeper
5 into the guts of the budget, he came and told
6 me that there was a large discrepancy between
7 the cash balance and the fund condition. As
8 it turns out, it appears to me that much of
9 that difference was explainable through the
10 accounting -- as part of the accounting issue.

11 MR. PATTON: And he brought this to
12 your attention this year?

13 MR. HARRIS: Probably a week or two
14 weeks before I had my CEA terminated.

15 MR. PATTON: Okay. And did he tell
16 you that he -- you don't recall, what was your
17 response to Aaron when he brought it to your
18 attention?

19 MR. PATTON: My response primarily
20 was shock at the size. The number he was
21 throwing around was seventy million. I said
22 that that sounded way too large, that I would
23 expect the actual discrepancy to be more
24 around fifteen million.

25 MR. PATTON: Like you had learned

1 about back in '03.

2 MR. HARRIS: Exactly.

3 MR. PATTON: Did you ever have any
4 similar conversation about a disparity in the
5 OHV fund reports?

6 MR. HARRIS: No, no. That came as a
7 total -- I have no idea what that's about.

8 MR. PATTON: When Aaron came to you
9 this year, shortly before you were relieved,
10 and he mentioned seventy million, was he
11 talking just about --

12 MR. HARRIS: SPRF. He also
13 mentioned a potential discrepancy in the OHV
14 fund.

15 MR. PATTON: Your understanding is
16 his -- the seventy million dollar figure he
17 threw out related to both?

18 MR. HARRIS: No. The seventy
19 million was specifically SPRF.

20 MR. PATTON: Okay.

21 MR. HARRIS: And again, from reading
22 the papers, it appears that that's now more
23 like twenty million which is closer to what I
24 would expect. I assume -- perhaps
25 incorrectly, but I assumed the difference

1 between the twenty and the seventy is the
2 accounting issue.

3 MR. PATTON: The difference between
4 the twenty dollars -- twenty million dollar
5 that is an actual discrepancy, error in
6 reporting, that any additional would be due to
7 differences in accounting reporting?

8 MR. HARRIS: Yes.

9 MR. PATTON: So acknowledging then
10 that there's some fifteen to twenty million in
11 actual disparate reporting when you make the
12 proper reconciliation?

13 MR. HARRIS: Yes.

14 MR. PATTON: So you worked at the
15 LAO, and your job there was to study the
16 budget reports, the financial reporting coming
17 in from Finance relating to different
18 departments. If -- in that work, did you ever
19 compare what departments were reporting to --
20 through Finance and therefore to LAO, coming
21 from Finance to LAO? Did you ever compare
22 that with what departments were reporting as
23 their actual fund balances with the
24 Controller's office?

25 MR. HARRIS: I don't recall doing

1 so.

2 MR. PATTON: You don't recall ever
3 looking at any comparisons?

4 MR. HARRIS: No.

5 MR. PATTON: You think -- today you
6 thing that might be a good idea?

7 MR. HARRIS: I guess, even today, I
8 would say that, for the most part, comparing
9 the Controller's cash balance to the fund
10 condition reports would be a lot of work that
11 would mostly, I assume, maybe I'm wrong, but I
12 would assume mostly would be -- result in
13 simple reconciliation.

14 MR. PATTON: When you reconcile for
15 the different accounting methodologies, most
16 of it's going to true up, wouldn't be worth
17 the effort.

18 MR. HARRIS: Right.

19 MR. PATTON: LAO is not going to do
20 that reconciliation.

21 MR. HARRIS: You would have to ask
22 LAO what they would or wouldn't do.

23 MR. PATTON: Well, when you were --

24 MR. HARRIS: When I was there, we
25 never -- I was not even aware of the

1 Controller's reports when I was there.

2 MR. PATTON: Okay.

3 MR. HARRIS: And I'll point out as
4 well -- I mean, whether this happened in '99
5 or 2000, the fact of the matter is the
6 Department of Finance never reconciled.

7 MR. PATTON: Yeah, we're aware of
8 that. Well, I don't know about "never".

9 MR. HARRIS: Well, I don't know
10 about never either, but --

11 MR. PATTON: Yeah. So you knew --
12 so you -- we tend to gravitate very quickly
13 into there are accounting methodology
14 differences that will explain differences in
15 numbers.

16 MR. HARRIS: Um-hum.

17 MR. PATTON: I realize that, and I
18 realize that to the work of reconciling to
19 account for those differences and
20 methodologies we can then figure out whether
21 or not we're getting the same reports to
22 Controller and Finance; we got to do some work
23 to true those up. I get all that.

24 What I'm -- and I'm not really very
25 interested -- I understand that that's the way

1 the accounting reporting world works in State
2 government. What I'm interested in is the
3 mindset of knowing that there's a real error
4 of at least fifteen million dollars, not
5 attributable to different accounting
6 methodologies, and there is, in fact, an
7 underreport then going to Finance --

8 MR. HARRIS: Um-hum.

9 MR. PATTON: -- which you've
10 acknowledged learning about from Becky and Tom
11 back in '03. And so what I'm trying to
12 understand is was there a concern about the
13 fact that we're sending Finance information
14 that we know is not correct to the tune of
15 fifteen million dollars.

16 MR. HARRIS: Well, as I said, I
17 think you have to take that all in the context
18 that it was presented to me, which was
19 connected to a plan to rectify it.

20 MR. PATTON: Well, you and I have a
21 little bit of a different view as to the
22 correct terminology for rectifying.

23 MR. HARRIS: Certainly.

24 MR. PATTON: You call it rectifying
25 an error. I consider it saving for a rainy

1 day literally --

2 MR. HARRIS: Um-hum.

3 MR. PATTON: -- and in a lean year
4 when revenues don't meet projections, figuring
5 out a way to manipulate this money and to use
6 it --

7 MR. HARRIS: Okay.

8 MR. PATTON: -- which certainly,
9 every time money is not previously disclosed
10 or then able to be brought into play what was
11 an error, starts to become then diminished in
12 terms of the overall misreport --

13 MR. HARRIS: Um-hum.

14 MR. PATTON: -- but what we're doing
15 is we are bringing into play monies that
16 weren't disclosed. And you've acknowledged
17 that we knew that they were there and they
18 weren't disclosed so --

19 MR. HARRIS: The only thing I would
20 add is that "disclosed" is a tough word. The
21 fact of the matter is the cash balance was
22 readily available at all times from the
23 Controller's office.

24 MR. PATTON: If Finance had wanted
25 to look at it.

1 MR. HARRIS: If anybody had wanted
2 to look at it.

3 MR. PATTON: Right. So where we
4 split a hair then is that, no, the monies were
5 accurately reported to the Controller.

6 MR. HARRIS: Yes.

7 MR. PATTON: That's what you're
8 saying.

9 MR. HARRIS: Yes.

10 MR. PATTON: So there's a --

11 MR. HARRIS: Or so I understand.

12 MR. PATTON: No, I think that's
13 right. I think that's true.

14 MR. HARRIS: Um-hum.

15 MR. PATTON: I think that history
16 shows that the Controller's been getting the
17 correct numbers.

18 MR. HARRIS: Um-hum.

19 MR. PATTON: I think history shows
20 that Finance has not been getting the correct
21 numbers.

22 MR. HARRIS: Okay.

23 MR. PATTON: That's what you
24 indicated to me, that the Budget Officer,
25 Becky Brown, and Tom Domich, her superior,

1 came to you and said, our reports to Finance
2 and Controller are different --

3 MR. HARRIS: Um-hum.

4 MR. PATTON: -- to the tune of
5 fifteen million.

6 MR. HARRIS: Um-hum.

7 MR. PATTON: So you just told me,
8 well, at least one of those reports is
9 correct, the one to the Controller.

10 MR. HARRIS: Um-hum.

11 MR. PATTON: Okay. So I'm trying to
12 understand again the mindset of why is it okay
13 to continue through the years to not report
14 the correct numbers to Finance.

15 MR. HARRIS: I guess, part of my
16 answer to that has to be I don't know that it
17 was okay, that it was, in my mind, based on
18 the way it had been presented to me, it was an
19 error that we were aware of that we were going
20 to fix.

21 MR. PATTON: All right. So we go
22 around that circle --

23 MR. HARRIS: I don't know how else
24 to say it, and that --

25 MR. PATTON: Let me put it to you

1 this way.

2 MR. HARRIS: That understanding of
3 it may be wrong, I --

4 MR. PATTON: Oh, it's all right,
5 it's all right. I think we've covered that
6 ground enough.

7 MR. HARRIS: Okay.

8 MR. PATTON: And I've made it clear
9 that I understand what you call rectification,
10 I also see involves the bringing in of monies
11 not previously reported to Finance.

12 MR. HARRIS: I'll point out one
13 other piece that --

14 MR. PATTON: Sure.

15 MR. HARRIS: -- may help you
16 understand the mindset, as you call it, I
17 think. Budgeting is art, not science.

18 MR. PATTON: Um-hum.

19 MR. HARRIS: There are always
20 errors, always. And part of the art is
21 correcting those errors over time.

22 MR. PATTON: So rather --

23 MR. HARRIS: And again, I'm not
24 offering that as justification.

25 MR. PATTON: No, that's all right.

1 MR. HARRIS: You're smiling at me.

2 MR. PATTON: Well, I like it because
3 I'm going to change my description of this
4 now. Rather than calling it the bringing in
5 of monies, rainy day monies to cover a
6 shortfall and in the process provide some
7 rectification of what started out as an error,
8 instead of calling that anything like
9 surreptitious bringing in of previously
10 undisclosed money, I can just call it now
11 artistry.

12 MR. HARRIS: You can call it
13 anything you want.

14 MR. PATTON: Well, I mean, that's --
15 I'm picking that up from you. Budgeting is
16 art, so through some artistry, we bring this
17 money in.

18 MR. HARRIS: I'll stand by that.

19 MR. PATTON: I don't want to argue
20 with you over that. What I want to know is
21 this. I've had -- you've -- I appreciate you
22 acknowledging it was brought to your attention
23 by Becky Brown and Tom Domich, and you've also
24 acknowledged that Aaron mentioned it to you a
25 couple weeks before you left that assignment.

1 We've also been told --

2 MR. HARRIS: How delicate.

3 MR. PATTON: Huh?

4 MR. HARRIS: How delicate: when I
5 left the assignment. Yes.

6 MR. PATTON: Yeah.

7 MR. HARRIS: Yes.

8 MR. PATTON: We've also been told
9 that Manny reported to a number of people who
10 asked what's going on with this, why are we
11 still not disclosing this money in our fund
12 condition statement and spending it. I mean,
13 during the period of time that, you know,
14 things were getting tough, and there was talk
15 about closing parks. And we've been told
16 that --

17 MR. HARRIS: Let me clarify
18 something on that.

19 MR. PATTON: Sure.

20 MR. HARRIS: And I think this is
21 important. There would have been no way that
22 I'm aware of to spend that money to keep parks
23 open.

24 MR. PATTON: Why not?

25 MR. HARRIS: Because we were limited

1 by our appropriation.

2 MR. PATTON: Right.

3 MR. HARRIS: Okay. So the only time
4 that money might have come into play was when
5 our revenues fell short of our appropriation.

6 MR. PATTON: Okay.

7 MR. HARRIS: And so the implication
8 that somehow or other that money was available
9 to offset the --

10 MR. PATTON: Got it. I get your
11 point. Because it hadn't been disclosed,
12 there's not an appropriation that includes
13 that money.

14 MR. HARRIS: Correct.

15 MR. PATTON: Therefore, it's not
16 available to spend --

17 MR. HARRIS: Unless you're short of
18 revenues --

19 MR. PATTON: -- unless we don't --

20 MR. HARRIS: -- which is a zero sum
21 game.

22 MR. PATTON: Exactly. So we've been
23 told that, you know, after the Becky Brown/Tom
24 Domich era, Manny Lopez comes in, he sees it,
25 people working for him are aware of it. And

1 the question is asked of Manny, why are we not
2 fixing this and getting that additional
3 appropriation, letting Finance know we have
4 this money and asking that it be appropriated
5 so that we have more spending authority,
6 because we do have the money. And we've been
7 told by a number of people that the response
8 was that Manny has talked with Mike Harris,
9 and Mike Harris has said this is a problem
10 that's existed for a while and nothing's --
11 we're not going to do anything to rectify it
12 at this point.

13 MR. HARRIS: I don't recall ever
14 have a conversation with Mr. Lopez.

15 MR. PATTON: You ever recall having
16 that with Mr. Saxby?

17 MR. HARRIS: No. I will say that
18 from the investigation of the leave buy-back
19 matter, one of the things that became clear to
20 me was that Mr. Lopez said lots of things to
21 lots of people that had no basis in reality.

22 MR. PATTON: Okay.

23 MR. HARRIS: Whether that's the case
24 here, I don't know. I don't know what he said
25 to you.

1 MR. PATTON: Well -- so things did
2 start getting tough for Parks, and I guess it
3 was -- what year was it that Arnold
4 Schwarzenegger was talking, I guess -- was the
5 first one to talk about maybe having to close
6 some parks.

7 MR. HARRIS: 2004-2005. I -- things
8 have been tough in that regard at Parks for a
9 long time.

10 MR. PATTON: Yeah. So over the
11 years, and I'll just represent to you that
12 from 2004 to 2005 on to the current time,
13 there's been at least twenty million
14 undisclosed, sometimes as much as twenty-six,
15 but in the last six years, it's been about
16 twenty, give or take a million. The subject's
17 never been discussed with you about let's deal
18 with this error and let's disclose these
19 minutes and try to get some more spending
20 authority?

21 MR. HARRIS: No, not that I recall.
22 As I said, if you go back to my original
23 briefing on the matter, the assumption, which
24 I continue to believe to be a valid
25 assumption, is that if that -- if the balance

1 in the fund was correctly reflecting the cash
2 balance, that the result would have been a
3 reduction in our General Fund appropriation
4 with an offsetting increase in our SPRF
5 appropriation but no net increase in
6 authority.

7 MR. PATTON: So in your mind, it
8 wasn't worth going down that road because the
9 net effect was not going to be a net gain?

10 MR. HARRIS: I think you're putting
11 words in my mouth.

12 MR. PATTON: Well, you said that the
13 belief was that if they -- if we disclose we
14 have this much in additional SPRF funds, we
15 could probably expect a corresponding decrease
16 in General Fund.

17 MR. HARRIS: Yes.

18 MR. PATTON: And so -- and you've
19 only acknowledged two times that the subject's
20 been discussed, early on in your career at
21 Parks --

22 MR. HARRIS: Um-hum.

23 MR. PATTON: -- when it's brought to
24 your attention by Becky and Tom, and then not
25 again until this year when Aaron Robertson --

1 MR. HARRIS: There was probably
2 passing reference to it a number of times over
3 the years.

4 MR. PATTON: And so the only thing
5 I'm trying to say, and I don't want to put
6 words in your mouth, is that in your mind it
7 was never a viable thing to consider trying to
8 bring these monies into play unless we had a
9 lean year where revenues didn't meet
10 expectations. There was never going to be an
11 opportunity -- it was never an appropriate
12 thing to do because we do it, we're probably
13 going to have our General Fund cut.

14 MR. HARRIS: I would say that I
15 never saw correcting this as being of any
16 benefit to Parks.

17 MR. PATTON: Okay.

18 MR. HARRIS: And I would add to
19 that, I guess, just to add context to all of
20 this, when Aaron brought his concerns to me
21 the first time, literally maybe a couple
22 months ago, it was in the context of here's
23 what I found and here's how we're going to fix
24 it, we're going to, you know, take this money
25 into account and bring it into the fund

1 condition. It was not ever presented as we
2 could spend this money for other things.

3 MR. PATTON: You indicated that when
4 you first heard about this from Becky and Tom
5 in '03 it was described to you as an error
6 that had occurred -- due to an error that
7 occurred in about '99.

8 MR. HARRIS: That's my recollection,
9 yes.

10 MR. PATTON: Do you know anything
11 more about what type of error it was reported
12 to be?

13 MR. HARRIS: As I said, I don't
14 recall being told or knowing whether that
15 error was made by somebody at the Department
16 of Finance or an error in the -- at the
17 Department of Parks and Recreation. I guess
18 the answer to your question is no, I don't have
19 any recollection at all of the nature of the
20 error.

21 MR. PATTON: And today you don't
22 know?

23 MR. HARRIS: No.

24 MR. PATTON: After I sent you a
25 letter or -- I'm sorry. After we spoke on

1 Wednesday and set up this interview and then
2 within an hour I think I sent you the
3 letter --

4 MR. HARRIS: Um-hum.

5 MR. PATTON: -- notifying it. And
6 you sent me an e-mail back saying I didn't
7 realize until I got your letter that I'm not
8 supposed to be talking to former or current
9 co-workers about this, and you wanted to let
10 me know, which I appreciate your honesty, and
11 lets me know that you had contacted a couple
12 people, and then I called you to say who.

13 MR. HARRIS: Um-hum.

14 MR. PATTON: And you told me Ruth
15 Coleman, Ann Malcolm.

16 MR. HARRIS: Um-hum.

17 MR. PATTON: Were you able to reach
18 Ruth?

19 MR. HARRIS: I e-mailed both of
20 them.

21 MR. PATTON: Oh, you e-mailed them.
22 Have you had any conversation, e-mail or live
23 or otherwise with either of them?

24 MR. HARRIS: I have not had any
25 conversation with either of them. I got an

1 e-mail response from Ann Malcolm saying --
2 what was she saying? It was a very brief
3 note. Basically thanks for the heads-up.

4 MR. PATTON: You told me that -- I
5 asked you if you'd ever briefed Ruth about
6 this --

7 MR. HARRIS: Um-hum.

8 MR. PATTON: -- discrepancy in the
9 financial reports, and you said no.

10 MR. HARRIS: That's -- well, I don't
11 recall ever briefing her.

12 MR. PATTON: Why would this not be
13 an issue worth bringing to her attention?

14 MR. HARRIS: Perhaps it helps to put
15 my arrival at Parks in some context. I was
16 brought in at Parks to be Chief of Admin.
17 Ruth was already Director, had been Director
18 for probably two years at that point, maybe
19 three, I don't know. And what was presented
20 to -- oh, let me add one other piece. I had,
21 I guess, eight or nine managers reporting to
22 me who averaged twenty-five years with State
23 Parks. I was feeling very, very much like the
24 new kid on the block, and I was just in
25 learning mode. Given all of that, the way it

1 was presented to me as this happened back in
2 this time and this is what we've decide -- we,
3 the department, decided to do about it.

4 MR. PATTON: So when it's reported
5 to you in '03 by Becky Brown and Tom Domich,
6 your understanding is they're telling you that
7 we didn't just learn of this, this is --

8 MR. HARRIS: That's my recollection.

9 MR. PATTON: Okay. And they're
10 telling you, as you indicated, that
11 management's already made a decision, we're
12 not going to fix this at this time.

13 MR. HARRIS: Again, that's the way I
14 recall it.

15 MR. PATTON: And so --

16 MR. HARRIS: I would say it a little
17 differently, Tom.

18 MR. PATTON: Go ahead.

19 MR. HARRIS: And I apologize.

20 MR. PATTON: No.

21 MR. HARRIS: But I would say we are
22 going to fix this and here's how.

23 MR. PATTON: In a lean year. Got
24 it. Okay. So we're aware of it.
25 Management's already made a decision about it.

1 And I asked you and you've said they didn't
2 identify who exactly they're telling you
3 management was, but it's either the prior
4 Director and Chief Deputy and Admin Services
5 Director. Whose spot did you take over as
6 Admin Services Director?

7 MR. HARRIS: I immediately replaced
8 Ron Brean --

9 MR. PATTON: Yeah.

10 MR. HARRIS: -- who had taken Denzil
11 Verardo's place.

12 MR. PATTON: Okay. So it's either
13 one of -- it's either those people or it's the
14 current -- your current boss, Ruth Coleman.

15 MR. HARRIS: Um-hum.

16 MR. PATTON: And when you come in,
17 there isn't a Chief Deputy Director, right?

18 MR. HARRIS: Gosh, I think that's
19 correct.

20 MR. PATTON: Because it was Paul
21 Romero, and then he left.

22 MR. HARRIS: He was appointed in --

23 MR. PATTON: Oh, he came in after
24 you came.

25 MR. HARRIS: Yes.

1 MR. PATTON: Yeah, yeah. According
2 to the organization chart, as of October 1,
3 2003, Ruth is the Director and the Chief
4 Deputy is vacant.

5 MR. HARRIS: Vacant.

6 MR. PATTON: Okay. So basically
7 what I'm hearing you say is that you're
8 informed about something that's already in
9 existence, it's attributable to something that
10 occurred in the past, and decisions have
11 already been made. You're nodding your head
12 yes.

13 MR. HARRIS: Yes.

14 MR. PATTON: And you characterize
15 the decision as this is something we'll
16 rectify in the future, and you've identified
17 how it would be rectified. In a lean year,
18 we'll correct this error.

19 MR. HARRIS: Yes.

20 MR. PATTON: Got it. So you
21 e-mailed Ruth and Ann Malcolm. You got a
22 response from Ann, thanks for the head-up.
23 Have you talked with Ruth since the -- I think
24 the story broke in the media about the
25 disparity in funding reports on about July 17.

1 MR. HARRIS: Um-hum.

2 MR. PATTON: And you were relieved
3 of the position shortly thereafter.

4 MR. HARRIS: I was placed on
5 administrative time off for twenty days
6 starting July 20th.

7 MR. PATTON: Okay. Have you talked
8 with Ruth Coleman about this since the story
9 became public?

10 MR. HARRIS: What's "this"?

11 MR. PATTON: The financial -- the
12 reports of --

13 MR. HARRIS: In very general terms,
14 yes.

15 MR. PATTON: Okay. And what has she
16 said to you?

17 MR. HARRIS: I can't say I recall
18 specifically. She was, and I suspect is,
19 although I haven't talked to her in a while,
20 very upset by the turn of events, convinced
21 that the situation could have been dealt with
22 differently, but I don't recall having any
23 kind of details discussion of the specifics.

24 MR. PATTON: Has she acknowledged or
25 denied knowledge of the disparity in the

1 financial reports?

2 MR. HARRIS: I believe, according to
3 the press, she denies all responsibility --
4 all knowledge of it.

5 MR. PATTON: To you, she didn't
6 indicate one way or the other?

7 MR. HARRIS: Don't recall.

8 MR. PATTON: Did she indicate
9 displeasure that there was a problem with
10 these financial reports, a disparity?

11 MR. HARRIS: I can't help thinking
12 that that's a question better asked of her.

13 MR. PATTON: We will.

14 MR. HARRIS: But certainly, she
15 expressed displeasure over the entire
16 situation.

17 MR. PATTON: Okay. What was her
18 displeasure?

19 MR. HARRIS: Both that the situation
20 had arisen and that the administration chose
21 to deal with it the way they did.

22 MR. PATTON: Which was how?

23 MR. HARRIS: Fired her.

24 MR. PATTON: Okay.

25 MR. HARRIS: Asked her to resign.

1 MR. PATTON: Okay.

2 MR. HARRIS: Fired me. Fired Ann
3 Malcolm.

4 MR. PATTON: Do you think -- do you
5 have an opinion as to whether or not these
6 actions are appropriate, warranted or not?

7 MR. HARRIS: Even if I do, I'm not
8 sure how relevant it is to anything. Nobody's
9 asked me for my opinion before.

10 MR. PATTON: I'm asking you. I
11 value your opinion.

12 MR. HARRIS: I -- at the risk of
13 getting philosophical on you, to me, this
14 situation is evidence of a fundamental
15 breakdown in State government, that there is a
16 huge gap between what managers in State
17 government are required to do, particularly by
18 way of administering their own programs, and
19 the expectations of the administration and
20 maybe the legislature.

21 MR. PATTON: I think I'm hearing
22 from you that you're not convinced that the
23 personnel actions that have taken place are
24 justified.

25 MR. HARRIS: Certainly, the

1 Director's resignation was voluntary. I
2 assume that --

3 MR. PATTON: Your own termination?

4 MR. HARRIS: My termination as a CEA
5 doesn't depend on cause.

6 MR. PATTON: Okay.

7 MR. HARRIS: And I am more than
8 willing to acknowledge that.

9 MR. PATTON: All right.

10 MR. HARRIS: In fact, for what it's
11 worth, I was thanked for my service. And I
12 know nothing about Ann Malcolm's dismissal.

13 MR. PATTON: Did -- in talking with
14 Ruth Coleman about this, you indicated she
15 expressed displeasure at how it was handled.
16 Did she express to you that she was surprised
17 to learn that there had been a disparity in
18 financial reporting?

19 MR. HARRIS: I am -- for the sake of
20 the record, I'm trying to recall. Most of our
21 conversations were around the psychological
22 toll that being dismissed puts on you.

23 MR. PATTON: Okay. So you don't
24 recall the issue of surprise or not surprise
25 as to the substance?

1 MR. HARRIS: No.

2 MR. PATTON: You don't recall. And
3 you haven't talked with -- who else have you
4 talked to? Have you talked to Becky Brown?

5 MR. HARRIS: No. I haven't talked
6 to Becky in years.

7 MR. PATTON: Okay. You talked with
8 anybody else?

9 MR. HARRIS: That's a pretty
10 wide-open question so --

11 MR. PATTON: Okay. Let me -- that's
12 a good response. You'd make a good attorney.
13 It's too broad. Let me focus this. Have you
14 talked to anyone else with whom you worked on
15 who still works at Parks about the financial
16 disparity in reports since you learned about
17 it?

18 MR. HARRIS: No. I -- one
19 conversation with Aaron Robertson that -- in
20 which he was making apologetic noises for how
21 things had come down, and I told him that he
22 had done what he should do and that I didn't
23 harbor any resentment for his actions. Beyond
24 that, no discussion of specifics.

25 MR. PATTON: See, now that's an

1 interesting statement. You said to him he did
2 what he should do, he had done what he should
3 do.

4 MR. HARRIS: Um-hum.

5 MR. PATTON: What he did was he also
6 received a report much like you had in '03-'04
7 that there was a discrepancy in -- of a number
8 of millions of dollars, over twenty, between
9 the report that went to the Controller's
10 office and that went to Finance. And what he
11 did was he took action and disclosed it.

12 MR. HARRIS: Um-hum.

13 MR. PATTON: And he went to Pat
14 Kemp. Are you aware of that?

15 MR. HARRIS: I am not.

16 MR. PATTON: Okay. He disclosed it.

17 MR. HARRIS: Um-hum.

18 MR. PATTON: And really that's a
19 large part of how the whole thing came to
20 light. You say he did what he should do,
21 which was -- what we did was report it up.

22 MR. HARRIS: Um-hum.

23 MR. PATTON: So if it was the right
24 thing for him to do, why had you not done
25 that?

1 MR. HARRIS: "Lawyers answer,
2 circumstances alter cases." I point out one
3 thing which is the discrepancy that Aaron
4 thought he initially found was seventy million
5 dollars --

6 MR. PATTON: Okay.

7 MR. HARRIS: -- plus the discrepancy
8 in the OHV fund. I'll also point out that I
9 think he -- I want to make sure we're clear
10 that what he was operating from was the
11 Controller's reports; I never looked at the
12 Controller's reports and --

13 MR. PATTON: Why not?

14 MR. HARRIS: I wasn't -- I didn't
15 perceive it as part of my job.

16 MR. PATTON: Well, you had been
17 Admin Services Director --

18 MR. HARRIS: Um-hum.

19 MR. PATTON: -- before you were
20 Chief Deputy.

21 MR. HARRIS: Um-hum.

22 MR. PATTON: Accounting side
23 prepares the financial reports to the
24 Controller.

25 MR. HARRIS: Um-hum.

1 MR. PATTON: And these are, as it's
2 been described, very much like your checkbook,
3 the status of the funds on hand.

4 MR. HARRIS: Um-hum.

5 MR. PATTON: So I'm assuming you had
6 some familiarity with what the status was of
7 the funds on hand as Admin Services Director.

8 MR. HARRIS: Mostly in the negative
9 sense in that there were times when cash flow
10 was an issue, and I was certainly aware of
11 that because you have to manage payments in
12 order to stay within cash flow. But the
13 routine reporting is just that; it's routine
14 reporting.

15 MR. PATTON: Okay.

16 MR. HARRIS: To be honest, maybe my
17 understanding of the job is mistaken, but
18 there were a lot more pressing issues than
19 worrying about what was likely to show up as
20 an accounting difference.

21 MR. PATTON: Well, we've covered
22 that ground before, and we know from --
23 basically from our coverage that some of it --
24 certainly the reports are going to have some
25 differences due to accounting differences,

1 methodology differences. Part of this, we've
2 already acknowledged, was a fifteen million
3 dollar underreporting error.

4 MR. HARRIS: Yes.

5 MR. PATTON: So every time we go
6 back to explaining this as accounting
7 methodology differences, I have to point out
8 then that, okay, we've mentioned that. We
9 also know that we have fifteen million dollar
10 error.

11 MR. HARRIS: My point in mentioning
12 it --

13 MR. PATTON: Yeah.

14 MR. HARRIS: -- was in response to
15 your question about why didn't I look at the
16 Controller's reports.

17 MR. PATTON: So let's -- you just --
18 you've told me you didn't, and I'll accept
19 that. You didn't look at the Controller's
20 reports. You had already been informed in '03
21 that the Controller report was different than
22 what was in the fund condition statement to
23 the Finance Department. And part of that was
24 a fifteen million dollar error. And then I
25 asked you if it was --

1 MR. HARRIS: And just so we're
2 clear --

3 MR. PATTON: Yeah.

4 MR. HARRIS: -- I don't recall any
5 discussion of the Controller's reports per se.
6 What I recall is being told that there was a
7 difference between what was shown in the fund
8 condition and what the cash balance in the --

9 MR. PATTON: Great.

10 MR. HARRIS: -- fund was.

11 MR. PATTON: Great. Okay. And I
12 asked you if Aaron -- if you agreed that Aaron
13 reporting this was the right thing to do, why
14 was it not the right thing to do to disclose
15 this when you learned of it. And your
16 response was, Aaron came to me believing that
17 there was a seventy million dollar disparity
18 plus the OHV, and so what your response to me
19 was was sort of a qualitative/quantitative
20 examination that it appeared Aaron might be
21 thinking he was doing a financial discrepancy
22 approaching potentially a hundred million
23 dollars or seventy, somewhere above seventy
24 million, and you had been aware of a
25 discrepancy on the magnitude of about fifteen

1 million dollars.

2 MR. HARRIS: Correct.

3 MR. PATTON: So am I to understand
4 then that what your response is is that if
5 there's a disparity of seventy million or
6 more, the right thing to do is report it,
7 fifteen million not so much?

8 MR. HARRIS: I think you are trying
9 to read more into my comment to Aaron than was
10 there. He was -- the context of this
11 conversation was he was apologizing for the
12 way things were coming out, and I was trying
13 simply to set his mind at ease that I held no
14 grudge against him.

15 MR. PATTON: Okay. Would you hang
16 on for one second? I need to go find a piece
17 of paper.

18 You can stop the recording for just
19 a moment.

20 (Brief break)

21 MR. PATTON: All right. Now, we're
22 back on the record after a brief intermission.

23 So I'm -- just a couple more
24 questions about -- I'm curious about -- are
25 you -- do you maintain -- are you friends with

1 Ann Malcolm?

2 MR. HARRIS: I have a professional
3 relationship with Ann.

4 MR. PATTON: I'm curious why you
5 reached out to her.

6 MR. HARRIS: Because she and the
7 Director and I were the three people relieved
8 of your positions.

9 MR. PATTON: You've indicated that
10 you've never had a specific conversation with
11 Ruth Coleman where you informed her of this
12 fifteen million dollar discrepancy. Did you
13 ever have a conversation with Ann Malcolm?

14 MR. HARRIS: No.

15 MR. PATTON: Well, the only people
16 you've ever -- you've told us you've ever
17 talked about it with are Becky Brown and Tom
18 Domich when it was first brought to your
19 attention --

20 MR. HARRIS: Um-hum.

21 MR. PATTON: -- and Aaron Robertson
22 that you --

23 MR. HARRIS: And I mentioned that I
24 probably had passing conversations about it --

25 MR. PATTON: Right.

1 MR. HARRIS: -- in the interim.

2 MR. PATTON: And you don't remember
3 with whom?

4 MR. HARRIS: I would assume other
5 executives, but I don't recall.

6 MR. PATTON: Like possibly Manny
7 Lopez?

8 MR. HARRIS: Possibly, certainly.

9 MR. PATTON: Okay. And I'm assuming
10 if the question ever came up over the years
11 what are we doing with this, the answer was
12 consistently we'll correct this error if and
13 when the time comes when we have a need or
14 a --

15 MR. HARRIS: As I said, I don't
16 recall it ever coming up, but that would have
17 been my response if it had.

18 MR. PATTON: All right. I want to
19 ask you about -- you had a Blackberry, and
20 we've recovered the Blackberry. We don't have
21 the access code.

22 MR. HARRIS: M-I-K-E.

23 MR. PATTON: Caps or not caps or
24 does it matter?

25 MR. HARRIS: Doesn't matter. It's

1 actually numeric so -- but I remember it as
2 M-I-K-E.

3 MR. PATTON: Oh, okay. Is that it?

4 MR. HARRIS: Yep.

5 MR. PATTON: All right. I don't
6 know if we could have cracked that code or
7 not. All right. Glad you appreciate my rye
8 humor.

9 We did recover -- we did see some
10 e-mails from February of this year, and it
11 started with rachelmyro@kqed writing to your
12 communication Deputy Director Roy Stearns --

13 MR. HARRIS: Okay.

14 MR. PATTON: -- saying SB-730
15 appropriates 12.9 million -- well, you can
16 read over my shoulder with me, if you I'd
17 like -- from the Parks and Rec Fund and the
18 General Fund to the Department of Justice to
19 pay five settlements including Epics. The
20 bill is supported by both DOJ and Department
21 of Finance. And Roy is writing to Ruth
22 Coleman, Bill Herms, you, and Tony Perez:
23 What the heck is this? And you respond: this
24 is a normal claims bill of the 12.9 million
25 appropriated by the bill. 1.5 million is SPRF

1 and settlement of the Kuchati (ph.) case. The
2 remainder, 11.4, is from the General Fund for
3 other non-Parks settlements and claims. The
4 1.5 million from SPRF will not affect your
5 budget. Tara may be able to provide more
6 details on the Kuchati case. I honestly don't
7 even recall. And Ruth writes back just to
8 you: how does a 1.5 million SPRF hit not
9 affect our budget? And that was at 8:58 a.m.
10 At 9:01, so three minutes later, you're
11 writing to the whole group, the original
12 group, Roy Stearns, Ruth Coleman --

13 MR. HARRIS: Um-hum.

14 MR. PATTON: -- Tony Perez, Tara
15 Lynch is copied: to further clarify, this
16 payment does not directly affect our budget
17 because it comes out of the reserve held in
18 the SPRF which is in part why we maintain a
19 reserve. As a result, it does not affect
20 either our current year or budget year
21 appropriations from SPRF. If things go really
22 wrong (bad weather, low revenues, et cetera)
23 and we are forced to use the reserve, then
24 this payment could affect our ability to spend
25 in the long run.

1 So tell me about that reserve. Is
2 that the money we're talking about?

3 MR. HARRIS: No.

4 MR. PATTON: No.

5 MR. HARRIS: That's the reserve
6 shown in the fund condition in the governor's
7 budget.

8 MR. PATTON: Okay. So there is an
9 actual reserve?

10 MR. HARRIS: Yeah. I will tell you
11 that the way the budget is built you --
12 whatever revenues you project you subtract
13 from that whatever expenditures the
14 administration agrees to and what is left is
15 called a reserve.

16 MR. PATTON: Okay. Say that to me
17 again. You project revenues in SPRF, and then
18 you subtract, you said, what the governor
19 gives you?

20 MR. HARRIS: What the governor is
21 proposing for the budget.

22 MR. PATTON: And if what the
23 governor proposes as your appropriation, your
24 spending authority in SPRF -- you're nodding
25 your head yes.

1 MR. HARRIS: Yes.

2 MR. PATTON: If the governor's
3 proposed expenditure authority is less than
4 your projected revenue, that spread is a
5 reserve.

6 MR. HARRIS: Yes.

7 MR. PATTON: An unappropriated
8 reserve.

9 MR. HARRIS: Correct.

10 MR. PATTON: And then you could tap
11 into it. You would have to do what then?
12 You'd have to go back to Finance?

13 MR. HARRIS: To get an
14 appropriation.

15 MR. PATTON: Okay. And how do you
16 do that?

17 MR. HARRIS: What's referenced in
18 that e-mail is the fact that the claims bill,
19 which is actually run by your boss --

20 MR. PATTON: Uh-huh.

21 MR. HARRIS: -- contains an
22 appropriation of funds, actually contained
23 multiple appropriations --

24 MR. PATTON: Okay.

25 MR. HARRIS: -- including in this

1 case an appropriation from the balance in
2 SPRF.

3 MR. PATTON: So is the way things
4 work is that you project a certain amount of
5 revenue, and then to be conservative and
6 cautious, you ask for and you receive an
7 appropriation, a spending authority somewhat
8 less than the maximum projected revenue so
9 that there is that potential cushion?

10 MR. HARRIS: I'm hesitating.
11 Unfortunately, I know too much about
12 budgeting. You have to distinguish between
13 the budget for the department and the specific
14 appropriation from SPRF. The budget for the
15 department is larger because it contains
16 appropriations from multiple funds including
17 the General Fund.

18 MR. PATTON: Um-hum.

19 MR. HARRIS: We ask -- budgeting in
20 California is an incremental process. It's a
21 change to your prior year budget. You propose
22 those through budget change proposals --

23 MR. PATTON: Right.

24 MR. HARRIS: -- which is
25 administration either accepts or rejects --

1 MR. PATTON: Right.

2 MR. HARRIS: -- and if they accept
3 them, they include it in the governor's
4 budget, it gets sent to the legislature for
5 disposition.

6 MR. PATTON: Um-hum.

7 MR. HARRIS: As part of the
8 governor's budget, the fund condition for the
9 State Parks and Rec Fund, for SPRF shows our
10 projected amount of revenue, a balance forward
11 from the prior year less the projected
12 proposed expenditures --

13 MR. PATTON: Um-hum.

14 MR. HARRIS: -- including the
15 departments, including pro rata, including a
16 bunch of other expenditures that may occur.
17 The remainder is -- I think there's even a
18 Government Code section that requires this.
19 Basically the remainder is then characterized
20 as the reserve.

21 MR. PATTON: Okay. Give me those --
22 give me just the bullets again, the pieces.
23 You got your prior, your balance forward --

24 MR. HARRIS: Um-hum.

25 MR. PATTON: -- prior year ending

1 balance, your projected revenue.

2 MR. HARRIS: Um-hum.

3 MR. PATTON: That's your total asset
4 side.

5 MR. HARRIS: It gets more
6 complicated than that.

7 MR. PATTON: Well, let's try to keep
8 it simple.

9 MR. HARRIS: Okay.

10 MR. PATTON: I just want to make
11 sure I understand where this spread is.

12 MR. HARRIS: The asset side also
13 includes transfers into the fund.

14 MR. PATTON: All right. Balance
15 forward, revenue, transfers in. Then you've
16 got your projected expenditures.

17 MR. HARRIS: I would say proposed
18 expenditures.

19 MR. PATTON: Your proposed
20 expenditures which is, under the budgeting
21 process, your prior year budget, your base and
22 any budget change proposals you add. Those
23 are your proposed --

24 MR. HARRIS: Or subtract.

25 MR. PATTON: Or subtract. Those are

1 your proposed expenditures.

2 MR. HARRIS: Um-hum.

3 MR. PATTON: And where's the spread?

4 MR. HARRIS: The difference between
5 your total resources which is the sum of the
6 prior year balance, transfers in, and
7 revenues --

8 MR. PATTON: Um-hum.

9 MR. HARRIS: -- between that and
10 your total expenditures.

11 MR. PATTON: Okay. So the practice
12 is to propose expenditures and budget change
13 proposals. Total expenditure is somewhat less
14 than anticipated total money in the account,
15 and that spread is a reserve.

16 MR. HARRIS: Yes. I'm hesitating
17 only because I wouldn't want to give the
18 impression that it's thought of that way. The
19 proposed expenditures are what they are. The
20 governor will not, in fact maybe by law
21 cannot, propose to spend more money than he
22 has.

23 MR. PATTON: Right.

24 MR. HARRIS: And as a result, you
25 always have a reserve and --

1 MR. PATTON: Wait, wait, wait, wait,
2 wait. You could propose to expend the exact
3 dollar amount --

4 MR. HARRIS: You could.

5 MR. PATTON: -- you anticipate being
6 on your asset said --

7 MR. HARRIS: In fact --

8 MR. PATTON: -- and there is no
9 automatic reserve.

10 MR. HARRIS: In fact, you could
11 propose to spend more than that.

12 MR. PATTON: Well, you just told me
13 by law you're not allowed to. I suppose you
14 could propose it; you just can't do it.

15 MR. HARRIS: Right.

16 MR. PATTON: You're nodding your
17 head yes.

18 MR. HARRIS: Yes.

19 MR. PATTON: I'm just trying to
20 understand if it's a standard budgeting
21 practice that you propose expenditures
22 slightly less than your total anticipated --
23 your balance forward, your anticipated
24 revenue, transfers in so that you don't
25 overspend, which you're not allowed to do, and

1 so that you have some cushion, some margin of
2 error.

3 MR. HARRIS: I would say that that's
4 consistent with my experience in budgeting.

5 MR. PATTON: And is that spread,
6 that margin of error the reserve that that
7 e-mail is talking about?

8 MR. HARRIS: Yes.

9 MR. PATTON: Okay. And so -- and do
10 you recall -- I mean, how much you -- you said
11 something. How much was this reserve?

12 MR. HARRIS: I -- you know, I have
13 pretty much done a data dump. I don't have
14 any of those numbers in my head anymore. You
15 can go look in the governor's budget and find
16 out what the reserve --

17 MR. PATTON: It was certainly enough
18 to cover the one-and-a-half million claims.

19 MR. HARRIS: Yes.

20 MR. PATTON: Okay.

21 MR. HARRIS: They would not have
22 proposed an appropriation in excess of
23 (indiscernible - simultaneous speaking).

24 MR. PATTON: So you're telling Ruth
25 and the rest of the group, Herms and Stearns,

1 that it's not going to affect SPRF because
2 basically it tics up our appropriation of
3 the --

4 MR. HARRIS: Actually, I think what
5 I said was it doesn't affect the department --

6 MR. PATTON: Right.

7 MR. HARRIS: -- not that it doesn't
8 affect SPRF.

9 MR. PATTON: Yeah.

10 MR. HARRIS: It affects SPRF; it
11 clearly draws out --

12 MR. PATTON: Right.

13 MR. HARRIS: -- a reserve --

14 MR. PATTON: Right.

15 MR. HARRIS: -- in SPRF --

16 MR. PATTON: Right.

17 MR. HARRIS: -- which, as I think I
18 indicated, has potential down the road for
19 impact on the department --

20 MR. PATTON: Right.

21 MR. HARRIS: -- but it doesn't
22 affect the department's ability to spend --

23 MR. PATTON: Okay.

24 MR. HARRIS: -- funds.

25 MR. PATTON: Now, you told me you

1 met Ruth at the LAO, and she did similar work
2 to you but as a -- what did you call it --
3 fiscal --

4 MR. HARRIS: Program and Fiscal --

5 MR. PATTON: Review?

6 MR. HARRIS: -- Analyst.

7 MR. PATTON: Sew she was, I assume,
8 like yourself, familiar with the State
9 budgeting process?

10 MR. HARRIS: Okay.

11 MR. PATTON: And department proposed
12 budgets.

13 MR. HARRIS: Um-hum.

14 MR. PATTON: I mean, is that your
15 understanding from having worked with her?

16 MR. HARRIS: Well, I hesitate only
17 because there's lots of levels of
18 understanding. And I was engaged at a more
19 detailed level than she was for a long time.

20 MR. PATTON: At LAO?

21 MR. HARRIS: Both at LAO and in my
22 role as Chief Admin at Fish and Game and my
23 role in the Senate budget staff.

24 MR. PATTON: What's your knowledge
25 as to her level of understanding and ability

1 on budget items? I mean, obviously you've
2 worked with them in a very detailed way.

3 MR. HARRIS: Um-hum.

4 MR. PATTON: You know the budget
5 process pretty intimately, having worked in
6 the trenches, right?

7 MR. HARRIS: I'll draw a distinction
8 for you, Tom --

9 MR. PATTON: Good.

10 MR. HARRIS: -- which is I have
11 never worked in the trenches, as you say, on
12 budgets.

13 MR. PATTON: Um-hum.

14 MR. HARRIS: I have never actually
15 prepared the budget forms. I've never
16 actually done the reconciliations. I have
17 never --

18 MR. PATTON: Bad --

19 MR. HARRIS: -- translated --

20 MR. PATTON: Bad phrase. Bad
21 phrase.

22 MR. HARRIS: Okay.

23 MR. PATTON: You're familiar with
24 budgets and their intricacies.

25 MR. HARRIS: I am familiar with

1 budgets at a certain level, yes.

2 MR. PATTON: Okay. Is Ruth also
3 familiar with budgets and their intricacies?

4 MR. HARRIS: At a different level
5 than I am, yes.

6 MR. PATTON: Describe the difference
7 in level.

8 MR. HARRIS: I don't know because I
9 don't really know what she knows or doesn't
10 know. I would assume she has even less detail
11 than I do.

12 MR. PATTON: See, I'm gleaning from
13 the fact that she spent time at legislative
14 analyst's office that she also has seen the
15 whole budget process. She's seen the budget
16 submittals from departments coming through
17 finance.

18 MR. HARRIS: Yes.

19 MR. PATTON: Yeah. And so she's got
20 some familiarity with them. And what I'm
21 driving at is I want a feel for to what extent
22 then did she familiarize herself with the
23 Parks Department budget as it was being
24 prepared and presents and supported over at
25 the legislature every year while she was

1 Director.

2 MR. HARRIS: My recollection is she
3 had the Parks assignment, but I could be wrong
4 about that.

5 MR. PATTON: As an LAO analyst?

6 MR. HARRIS: Yes.

7 MR. PATTON: And as Director of
8 Parks, so what extent did she examine -- you
9 were the Admin Services Director, so obviously
10 you were familiar with the budget being
11 defended at the legislature, right?

12 MR. HARRIS: Um-hum.

13 MR. PATTON: Did you go and defend
14 it yourself?

15 MR. HARRIS: Yes.

16 MR. PATTON: You've testified?

17 MR. HARRIS: Yes.

18 MR. PATTON: So I assume that you
19 were familiar with all the details of the
20 budget basically.

21 MR. HARRIS: Nobody is familiar with
22 all the details of the budget.

23 MR. PATTON: Pretty familiar with
24 the budget?

25 MR. HARRIS: At a certain level,

1 yes.

2 MR. PATTON: Okay. And was Ruth
3 also -- did she educate herself as to the
4 various components of the budget?

5 MR. HARRIS: At a gross level, yes.

6 MR. PATTON: A gross level. She
7 would go over and defend the requested budget
8 as well, right?

9 MR. HARRIS: Correct.

10 MR. PATTON: So what sort of a level
11 of understanding of the budget would she need
12 to have to go do what she was doing in terms
13 of defending it?

14 MR. HARRIS: What I'm about to say
15 is based on my experience as a consultant to
16 the Senate Budget Committee.

17 MR. PATTON: Um-hum.

18 MR. HARRIS: Most Directors have
19 very little knowledge of their budgets.

20 MR. PATTON: Okay. But having been
21 at the LAO office and having -- you said Parks
22 budget was one of her assignments --

23 MR. HARRIS: Um-hum.

24 MR. PATTON: -- it was the budget
25 then she obviously had worked with before and

1 was somewhat familiar with.

2 MR. HARRIS: Could have.

3 MR. PATTON: So she might be unique
4 in terms of Directors having some budget
5 background?

6 MR. HARRIS: Yes.

7 MR. PATTON: Yeah.

8 MR. HARRIS: I won't say unique, but
9 she certainly had more budget background than
10 many directors.

11 MR. PATTON: And do you have an
12 opinion as to how well she understood the
13 Parks Department budget while she served as
14 Director? How familiar was she with it?

15 MR. HARRIS: I think she was very
16 familiar with the sort of requirements of how
17 much it costs to do various things. I don't
18 think she particularly, any more than I did,
19 paid any attention to the "did we have a
20 numbers right on the Controllers reports".

21 MR. PATTON: So it's possible then
22 that she could be unaware that the balance
23 reflected in the fund condition statement
24 might not be in accord with the balance
25 reflected in --

1 MR. HARRIS: It is certainly
2 possible.

3 MR. PATTON: Okay. And you've
4 indicated you didn't look at the accounting
5 reports. Okay. So the same might be said of
6 her.

7 MR. HARRIS: Um-hum.

8 MR. PATTON: Okay. Did you -- do
9 you remember when Rod -- what was his name?
10 Rod Boriskin?

11 MR. HARRIS: Rob Boriskin.

12 MR. PATTON: -- Rob Boriskin was
13 there, I think, for about a year or so?

14 MR. HARRIS: Um-hum.

15 MR. PATTON: Do you recall him ever
16 raising the issue of I see that there's --

17 MR. HARRIS: I don't recall it.

18 MR. PATTON: Okay. Because I got
19 the impression talking with him he's sort
20 after a detail oriented spreadsheet kind of
21 guy.

22 MR. HARRIS: Um-hum.

23 MR. PATTON: You have that same
24 experience?

25 MR. HARRIS: He is certainly detail

1 oriented, but I don't recall tasking him with
2 overseeing the budget side.

3 MR. PATTON: Okay. All right. I
4 think I have asked you all the questions I
5 have.

6 Michael, do you have any questions?

7 MR. MATTSON: No. You know,
8 actually I do, I do have a question. You said
9 that Mr. -- prior administration had knowledge
10 of the deficit of the fifteen million. When
11 you spoke with Becky and Tom Domich --

12 MR. HARRIS: Um-hum.

13 MR. MATTSON: -- they said that the
14 prior administration knew about the fifteen
15 million.

16 MR. HARRIS: I don't think I ever
17 said that. I think what I said was that I was
18 briefed on the situation --

19 MR. MATTSON: Um-hum.

20 MR. HARRIS: -- that I was told
21 about the department's policy on the matter.
22 I don't know that there was ever an explicit
23 statement of the Director, the administration
24 executives is aware and --

25 MR. PATTON: You've called it

1 management before, is what you called it.

2 MR. HARRIS: Right.

3 MR. PATTON: What he said before was
4 that he was briefed in '03 when he arrived.
5 It was his understanding that it was
6 identified as being attributable to an error
7 in about '99 --

8 MR. HARRIS: Um-hum.

9 MR. PATTON: -- that it had existed,
10 and Becky Brown had been aware of it for some
11 amount of time, he's not sure how long, but it
12 wasn't -- it had not just come to her
13 attention when she came to him to brief him,
14 and that he was told that management's
15 determination or policy, as he just said, a
16 determination is what he said before, a
17 decision, management had decided we are not
18 going to rectify this, we're not going to
19 rectify it right now. And then he says, we're
20 going to rectify this -- it was communicated
21 to him that the thought process, the
22 discussion was that it will get rectified down
23 the road when the time comes, that we have a
24 bad year and we need this.

25 Is that all a fair statement?

1 MR. HARRIS: That's a fair
2 statement.

3 MR. PATTON: Which question, with
4 that background?

5 MR. MATTSON: The question was, so
6 what management was that? Did you --

7 MR. HARRIS: Don't know.

8 MR. MATTSON: You don't know?

9 MR. HARRIS: Don't know. I don't
10 recall being told, I don't recall any
11 discussion of it at all.

12 MR. MATTSON: So you don't know when
13 they said management --

14 MR. HARRIS: It could have been
15 everything from Becky on up.

16 MR. PATTON: Okay.

17 MR. HARRIS: Again, put this in some
18 context. Becky had been Budget Officer at the
19 Department of Parks for seventeen years. I
20 was the new kid on the block.

21 MR. PATTON: Um-hum, yep.

22 MR. HARRIS: So I wasn't feeling
23 very assertive when it came to challenging her
24 statements about the budget.

25 MR. PATTON: Did she indicate how

1 long she had known of the disparity?

2 MR. HARRIS: Again, my recollection
3 is that I was told she was aware of it at the
4 time it occurred, but that's my recollection,
5 and I --

6 MR. PATTON: Okay.

7 MR. HARRIS: I don't know.

8 MR. PATTON: Very good.

9 Anything else?

10 MR. MATTSON: No. That was it.

11 MR. PATTON: All right. We will go
12 off the record at --

13 MR. MATTSON: 2:51 p.m.

14 MR. PATTON: Very good.

15 (End of audio)

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TRANSCRIBER'S CERTIFICATE
Michael Harris interview on 9-21-12

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[& - appreciate]

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