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TRANSCRIPTION OF RECORDED INTERVIEW

OF

Dorothy Kroll

August 22, 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,  
eScribers, Inc.  
September 4, 2012  
New York, New York

(SA201210710)

--o0o--

1 MR. PATTON: Afternoon. Dorothy  
2 Kroll, correct?

3 MS. KROLL: Correct.

4 MR. PATTON: All right. I'm Thomas  
5 M. Patton, a Deputy Attorney General with the  
6 Department of Justice. I'm in charge of this  
7 investigation and interview. This is being  
8 reported at the state parks and recreation  
9 department headquarters, 1416 9th Street,  
10 Sacramento, California. The date is August  
11 22, 2012. Time approximately 1:05 p.m.

12 The interview is being conducted as  
13 part of an investigation into allegations  
14 concerning financial reporting by state parks  
15 to the State Controller's Office and  
16 Department of Finance.

17 You've been given a letter from me  
18 yesterday indicating you have a right to have  
19 a representative of your choice present during  
20 the interview, if you so choose. It could be  
21 a union representative, attorney, anyone else  
22 not connected with the investigation. And you  
23 have the right to make a tape-recording, if  
24 you'd like. At the end of the investigation,  
25 you can be furnished a copy of the

1 tape-recording that we're making, if you  
2 desire.

3 You'll be asked questions related to  
4 the performance of your official duties and  
5 the allegations related to this investigation.  
6 No promise or reward is being made as an  
7 inducement for the answer to any question.

8 I'm going to give you this  
9 admonishment under California case law. This  
10 is strictly an administrative investigation.  
11 While you have the right to remain silent with  
12 regard to any criminal investigation, this is  
13 not a criminal investigation; this is an  
14 administrative interview. And you do not have  
15 the right to refuse to answer administrative  
16 questions I'm going to pose.

17 Neither your statement nor any  
18 information or evidence that's gained by  
19 reason of such statements can be used against  
20 you in any criminal proceeding. It's usable  
21 only as part of this administrative  
22 investigation in any subsequent administrative  
23 or related noncriminal proceeding.

24 So you're instructed to discuss the  
25 matter with me and answer all questions

1 honestly and completely. Refusal to answer or  
2 any type of evasion, deception, dishonesty,  
3 lack of cooperation on your part could  
4 constitute insubordination and -- I didn't  
5 write this, but it's good stuff -- inexcusable  
6 neglect of duty or other failure of good  
7 behavior and resultant disciplinary action up  
8 to and including dismissal.

9           You understand this admonishment?

10           MS. KROLL: Yes.

11           MR. PATTON: Okay. So we're here  
12 with Dorothy Kroll, and also in attendance  
13 with me is Investigator Michael Mattson from  
14 the Department of Justice, Division of Law  
15 Enforcement.

16           And Dorothy, we've met informally  
17 once before, and you've given us a good  
18 education about how matters accounting and  
19 budget work here. And as I indicated, what we  
20 need to do is basically redo our conversation  
21 so that we now have an oral record which will  
22 turn into a transcribed record.

23           So let's start with your -- so it's  
24 Dorothy K-R-O-L-L, correct?

25           MS. KROLL: Correct.

1 MR. PATTON: And what is your  
2 current position?

3 MS. KROLL: I am the accounting  
4 chief for the Department of Parks &  
5 Recreation.

6 MR. PATTON: Okay.

7 MS. KROLL: Classification is an  
8 Accounting Administrator III.

9 MR. PATTON: So you're in the  
10 Administrative Services Division --

11 MS. KROLL: Correct.

12 MR. PATTON: -- of Parks.  
13 Accounting Administrator III. How does admin  
14 services break down? You have -- you  
15 indicated you're the accounting chief. What  
16 other components are there in admin services?

17 MS. KROLL: There is budget office;  
18 there is Business Management Services office,  
19 which handles contracts and procurement,  
20 basically those functions; the IT personnel;  
21 Labor Relations. I'm trying to think if I've  
22 missed anybody.

23 MR. PATTON: That's pretty good.  
24 Tell me -- so you're the head of the  
25 accounting side of this. Can you describe for

1 us what the accounting function is and how it  
2 relates to the budget function and how those  
3 two interrelate --

4 MS. KROLL: Yeah.

5 MR. PATTON: -- what their jobs are?

6 MS. KROLL: The accounting office is  
7 totally separate from the budget shop. The  
8 budget shop does all of the budget development  
9 and reporting to the Department of Finance on  
10 budget matters. The accounting shop records  
11 and reports all the revenues, the expenditures  
12 for the department and all of the various  
13 funds and classifications of funds, and we  
14 report to the State Controller's Office at the  
15 end of every year.

16 MR. PATTON: Okay. So the  
17 accounting section prepares the report that  
18 goes to the Controller's office?

19 MS. KROLL: That's correct.

20 MR. PATTON: Budget prepares the  
21 report that goes to the --

22 MS. KROLL: That is correct.

23 MR. PATTON: -- finance department?  
24 Okay. And you've been Accounting  
25 Administrator -- Accounting Administrator III,

1 the accounting chief since when?

2 MS. KROLL: Since December of 2007.  
3 And I was in an acting -- acting in that  
4 capacity in an out-of-class assignment for --  
5 I believe it was seven months prior to that.

6 MR. PATTON: Okay. And before that,  
7 what was your position?

8 MS. KROLL: I was an Accounting  
9 Administrator II within the accounting shop,  
10 and I was over the general ledger staff and  
11 the cashiering staff.

12 MR. PATTON: And how long were you  
13 Accounting Admin II?

14 MS. KROLL: I believe it was right  
15 at two years.

16 MR. PATTON: Okay. So that takes us  
17 back to about '05?

18 MS. KROLL: Um-hum.

19 MR. PATTON: And before that?

20 MS. KROLL: Before that, I was an  
21 Accounting Administrator I, and I actually --  
22 my staff actually prepared the year-end  
23 financial statements.

24 MR. PATTON: For the Controller?

25 MS. KROLL: For the State

1 Controller's Office.

2 MR. PATTON: Okay. And how long  
3 were you Accounting Admin I?

4 MS. KROLL: I would say at least two  
5 years and maybe longer.

6 MR. PATTON: Maybe two to three  
7 years?

8 MS. KROLL: Yeah, two to three  
9 years. I can give you exact time frames --

10 MR. PATTON: Okay. We might ask for  
11 that. So that --

12 MS. KROLL: Okay.

13 MR. PATTON: -- takes us back to  
14 about '02 or '3. And before that?

15 MS. KROLL: I came to the department  
16 in November of 2000 as a Senior Accounting  
17 Officer Specialist.

18 MR. PATTON: In November 2000?

19 MS. KROLL: Yes.

20 MR. PATTON: As Senior --

21 MS. KROLL: Senior Accounting  
22 Officer Specialist.

23 MR. PATTON: Okay. So you became  
24 aware at some point that monies being reported  
25 to the -- through the budget side to the

1 Department of Finance did not match up to what  
2 was being reported to the Controller's side  
3 through Accounting; is that correct?

4 MS. KROLL: Correct.

5 MR. PATTON: Why don't you just walk  
6 me through from the beginning --

7 MS. KROLL: How that happened?

8 MR. PATTON: -- from the  
9 beginning --

10 MS. KROLL: Okay.

11 MR. PATTON: -- when you first  
12 learned about and how you learned about --

13 MS. KROLL: Okay.

14 MR. PATTON: -- any disparity  
15 differences.

16 MS. KROLL: I was with the  
17 department for, I think, almost one year. And  
18 my -- the accounting chief at the time  
19 approached me and my supervisor with a  
20 project, a special project for me to work on.

21 MR. PATTON: And who was that  
22 accounting chief?

23 MS. KROLL: That was Freda Luanne  
24 Dunne (ph.).

25 MR. PATTON: Okay. Go ahead.

1 MS. KROLL: And she had said that  
2 Becky Brown, the current budget officer at the  
3 time, had come to her and knew that there was  
4 a problem in the reporting of the fund  
5 condition statements to Finance, but she  
6 really didn't understand why what they were  
7 reporting did not match the fund balance in  
8 the year-end statements. So she asked Freda  
9 for some help. Freda came to my supervisor  
10 and myself and said we need this special  
11 project worked on.

12 MR. PATTON: So a fund condition  
13 statement is the report that goes to the  
14 budget section to Finance?

15 MS. KROLL: Correct.

16 MR. PATTON: Becky Brown, you said,  
17 knew there was a problem with those --

18 MS. KROLL: Correct.

19 MR. PATTON: -- did you say not  
20 matching?

21 MS. KROLL: She just knew that --  
22 yes, that they didn't match what the  
23 accounting office reported as the fund  
24 balance; the closing fund balance didn't match  
25 what she had sent to Finance.

1 MR. PATTON: Okay. Not matching the  
2 fund -- the balance?

3 MS. KROLL: The fund balance in the  
4 Controller's --

5 MR. PATTON: Okay. So we've got a  
6 fund condition statement to DOF --

7 MS. KROLL: Right.

8 MR. PATTON: -- a fund balance --

9 MS. KROLL: Balance.

10 MR. PATTON: -- statement to SCO?

11 MS. KROLL: Yes.

12 MR. PATTON: Okay.

13 MS. KROLL: And that's reported in  
14 the post-closing trial balance to SCO.

15 MR. PATTON: Okay. And Becky did  
16 not know why. She asked --

17 MS. KROLL: She did not know why.

18 MR. PATTON: She asked Freda for  
19 help.

20 MS. KROLL: She asked for help. She  
21 wanted to understand what was happening and  
22 why didn't the figures match.

23 MR. PATTON: Okay.

24 MR. MATTSON: You said she gave the  
25 project to two people?

1 MS. KROLL: Well, Freda approached  
2 me and my supervisor.

3 MR. MATTSON: And who was your  
4 supervisor?

5 MS. KROLL: Cheryl Kilzer.

6 MR. PATTON: And Freda was, at the  
7 time, you said accounting chief, so she  
8 held --

9 MS. KROLL: Correct.

10 MR. PATTON: -- the position then  
11 that you hold now?

12 MS. KROLL: Correct.

13 MR. PATTON: Okay. Head of the  
14 accounting side.

15 MS. KROLL: Um-hum.

16 MR. PATTON: So Freda asked you and  
17 Cheryl --

18 MS. KROLL: Cheryl didn't do any of  
19 the work; she was just my supervisor at the  
20 time.

21 MR. PATTON: Oh, okay.

22 MS. KROLL: So she wanted to make  
23 sure Cheryl knew that she was assigning me  
24 this special project.

25 MR. PATTON: And her name was what?

1 MS. KROLL: Cheryl Kilzer,  
2 K-I-L-Z-E-R.

3 MR. PATTON: Okay. So they asked  
4 you to look into it; Cheryl Kilzer's aware  
5 you're looking into it?

6 MS. KROLL: Right.

7 MR. PATTON: Okay.

8 MR. MATTSON: Is this the same  
9 Cheryl Kilzer?

10 MS. KROLL: Yes.

11 MR. MATTSON: Okay.

12 MR. PATTON: Okay. We're going to  
13 get to that memo that Mr. Mattson just showed  
14 you in a little bit. So that, you said, was  
15 about a year into your job. You indicated --

16 MS. KROLL: Yes.

17 MR. PATTON: -- you started in  
18 November 2000?

19 MS. KROLL: Right.

20 MR. PATTON: So toward the end of  
21 2001, you're being asked to look into this?

22 MS. KROLL: I would say so.

23 MR. PATTON: Okay. Which sounds to  
24 me like -- when does that fund condition  
25 statement from Budget go over to the finance

1 department?

2 MS. KROLL: It's my understanding  
3 that's part of the galley -- the budget galley  
4 that's prepared and given to the Department of  
5 Finance during budget preparation.

6 MR. PATTON: Which is when?

7 MS. KROLL: Which is -- I don't know  
8 for sure, but I think it's in the fall before  
9 the JAN-TAN (ph.) budget, the proposed budget  
10 comes out from the governor's office. It goes  
11 to Department of Finance, and they're looking  
12 at all the numbers and either agreeing or  
13 disagreeing, or maybe they have information  
14 from the governor's office that he doesn't  
15 want to have a particular program be funded,  
16 or whatever. So it goes to Finance for them.  
17 And then there's negotiations or whatever that  
18 happen between --

19 MR. PATTON: And I'm mainly asking  
20 to try to pinpoint the date --

21 MS. KROLL: Yeah.

22 MR. PATTON: -- the approximate time  
23 frame when Becky came to Freda who came to you  
24 and Cheryl, and it sounds to me like, is it  
25 fair to say, sometime in the fall of 2001

1 then?

2 MS. KROLL: I would say so, yes.

3 MR. PATTON: Okay. And that's when  
4 the budget preparations are really getting  
5 going?

6 MS. KROLL: Yes. And she -- it's my  
7 understanding she had already submitted her  
8 galley.

9 MR. PATTON: Becky?

10 MS. KROLL: Becky. And -- but she  
11 knew there was a discrepancy and was trying to  
12 lock down why is there a discrepancy.

13 MR. PATTON: Between what was  
14 going -- and you call it a "galley"; that's  
15 the --

16 MS. KROLL: Yes.

17 MR. PATTON: -- budget report the  
18 fund condition statement --

19 MS. KROLL: Yes, it's --

20 MR. PATTON: -- and all its  
21 components?

22 MS. KROLL: Yeah. It's actually an  
23 entire -- this is --

24 MR. PATTON: Okay. It's a booklet.

25 MS. KROLL: Yeah, of --

1 MR. PATTON: Okay. All these  
2 different funds.

3 MS. KROLL: All these different  
4 things --

5 MR. PATTON: Yeah.

6 MS. KROLL: -- and salaries and  
7 wages schedules --

8 MR. PATTON: Got it.

9 MS. KROLL: -- and how many PYs we  
10 have, everything.

11 MR. PATTON: PYs being?

12 MS. KROLL: Personnel years.

13 MR. PATTON: Okay. Got it. So  
14 she's working on that or she's already  
15 submitted it. She's noticed there's a  
16 discrepancy between what's in that booklet  
17 that's going to Finance and what is going in  
18 the -- what did you call it? The accounting  
19 side report to the Controller?

20 MS. KROLL: Correct, the ending fund  
21 balance.

22 MR. PATTON: The fund balance  
23 statement?

24 MS. KROLL: Correct.

25 MR. PATTON: Okay. The ending fund

1 balance report to Controller. So was this the  
2 first that you had ever heard or noticed of  
3 this disparity in the numbers between -- in  
4 these reports?

5 MS. KROLL: Yes. Accounting shops  
6 typically do not deal with fund condition  
7 statements at all. This was not normal.  
8 That's a budget function. At the end of the  
9 fiscal year when we do our financial  
10 statements, the budget office gets a complete  
11 set of financial statements for them to use to  
12 help prepare the galley, and so this was not a  
13 normal --

14 MR. PATTON: For you to --

15 MS. KROLL: -- project. I didn't  
16 know what a fund condition statement was. I  
17 had no idea what went into it. All I was  
18 given was the memo from -- just stating that  
19 there is a discrepancy, so I had to do the  
20 research SAM and find out what makes up the  
21 numbers in that fund condition statement, and  
22 I took what she had reported and tried to  
23 compare it to the financial statements, the  
24 end-of-the-year reports which CALSTARS -- the  
25 actual CALSTARS reports shows more detail than

1 just the lump-sum totals, so --

2 MR. PATTON: What was CALSTARS?

3 MS. KROLL: CALSTARS is the  
4 California State Accounting and Reporting  
5 System --

6 MR. PATTON: Okay.

7 MS. KROLL: -- that is mandated by  
8 the legislature that departments use. There's  
9 a few departments that are not on CALSTARS due  
10 to their own complexity. I think --

11 MR. PATTON: This is what the  
12 accounting offices use then?

13 MS. KROLL: Yes, yes.

14 MR. PATTON: And this is what then  
15 ends up comprising the information that  
16 goes --

17 MS. KROLL: Correct.

18 MR. PATTON: -- to the Controller  
19 with the year-end balance statements?

20 MS. KROLL: Correct.

21 MR. PATTON: Okay.

22 MS. KROLL: Correct.

23 MR. PATTON: So what I just heard  
24 you say was that the budget side routinely  
25 then gets that information in the year-end

1 balance statement, the CALSTARS --

2 MS. KROLL: Correct.

3 MR. PATTON: -- information.

4 MS. KROLL: Correct.

5 MR. PATTON: And they build a budget  
6 using that information --

7 MS. KROLL: Correct.

8 MR. PATTON: -- but it's a one-way  
9 street. The accounting sides don't  
10 necessarily look at the budget --

11 MS. KROLL: Correct.

12 MR. PATTON: -- because it's not  
13 necessary is what I'm hearing from you --

14 MS. KROLL: Right.

15 MR. PATTON: -- in order to do the  
16 accounting side --

17 MS. KROLL: Right.

18 MR. PATTON: -- of the work.

19 MS. KROLL: They're building the  
20 budget for a future year. We just closed the  
21 budget for the current year.

22 MR. PATTON: Okay.

23 MS. KROLL: The only piece of a  
24 budget that we're interested in is once the  
25 budget is approved by the governor, then we

1 make sure that the State Controller's Office,  
2 the -- what it says in the Budget Act for how  
3 much our authority is -- excuse me -- gets  
4 posted correctly at Controllers and it gets  
5 posted correctly in ours.

6 MR. PATTON: Okay.

7 MS. KROLL: And then from that point  
8 forward, we're looking at the expenditures,  
9 are they posted correctly, and are we  
10 reconciled with the State Controller's Office  
11 on a monthly basis.

12 MR. PATTON: Okay. So this is the  
13 first time you'd looked at the department's  
14 fund condition statement?

15 MS. KROLL: Correct.

16 MR. PATTON: And what did you learn  
17 then as you undertook to figure out why the  
18 discrepancy existed?

19 MS. KROLL: It took me several weeks  
20 of digging into it and looking at CALSTARS  
21 reports and trying to figure out what figures  
22 I needed to -- what makes up the guts of the  
23 fund condition statement, and I realized that  
24 the starting balance always -- I mean, it's an  
25 accounting -- it's a given in the accounting

1 world the starting balance should always be  
2 the ending balance from the year before, and  
3 then I realized that the balance on the fund  
4 condition statement really should be your fund  
5 balance general ledger account on the trial  
6 balance report that we send to Controllers.

7 So it was easier -- easy for me to  
8 see that she was reporting revenues correctly  
9 and expenditures correctly, and it was in the  
10 prior year adjustments that are difficult to  
11 calculate. And I believe that's where the  
12 difficulty was.

13 MR. PATTON: Did you notice  
14 something -- you started talking about the  
15 starting balance -- and I made a note -- the  
16 starting balance reflected in the fund  
17 condition statement, you said, should match  
18 the ending balance from the prior year.

19 MS. KROLL: Correct.

20 MR. PATTON: Did it?

21 MS. KROLL: It matched what she  
22 reported in the fund condition from the prior  
23 year --

24 MR. PATTON: Okay.

25 MS. KROLL: -- but it didn't match

1 the true fund balance within CALSTARS.

2 MR. PATTON: Okay. So didn't match  
3 the ending balance report in CALSTARS.

4 MS. KROLL: Correct.

5 MR. PATTON: It did match the prior  
6 year's fund --

7 MS. KROLL: What she had had  
8 reported.

9 MS. KROLL: -- condition ending?

10 MS. KROLL: Yes, yes.

11 MR. PATTON: Okay.

12 MS. KROLL: Yes.

13 MR. PATTON: But there's a  
14 difference -- so you're seeing a difference  
15 then between what's in the fund balance  
16 statement, the fund condition statement --

17 MS. KROLL: Correct.

18 MR. PATTON: -- fund condition  
19 statement, the finance department statement,  
20 the budget office statement, and the budget  
21 balance statement?

22 MS. KROLL: Correct.

23 MR. PATTON: Okay. And what did you  
24 learn looking at -- as you looked into this?

25 MS. KROLL: I learned that the -- it

1 was in the prior year adjustments portion of  
2 the fund condition statement that there had to  
3 have been -- at some point in time, there had  
4 to have been some miscalculations. She was  
5 reporting the revenues correctly and the  
6 expenditures correctly, but those prior year  
7 adjustments weren't --

8 MR. PATTON: So you've got to go  
9 back --

10 MS. KROLL: Right.

11 MR. PATTON: -- and see what --  
12 you've got to see the records then that went  
13 into the prior year adjustments. I guess what  
14 I'm hearing you --

15 MS. KROLL: Yes.

16 MR. PATTON: -- saying is things are  
17 matching up for the years you're looking at  
18 right now, the current year and the  
19 upcoming --

20 MS. KROLL: Yes.

21 MR. PATTON: -- year, but you're  
22 seeing that there's a prior year adjustment  
23 statement, and that appears to be where  
24 there's a discrepancy --

25 MS. KROLL: Yes.

1 MR. PATTON: -- that leads to this  
2 difference between the finance report and the  
3 Controller report?

4 MS. KROLL: Yes.

5 MR. PATTON: Am I hearing this right  
6 then that you've got to go back and examine  
7 then those prior year adjustments to figure  
8 out if there's an error or how we come up with  
9 that difference?

10 MS. KROLL: I was never given any  
11 information on how Becky calculated her fund  
12 condition statement. They asked me to figure  
13 out how it should be done.

14 MR. PATTON: "It", the prior year  
15 adjustments?

16 MS. KROLL: The entire -- where  
17 should the figures be coming from.

18 MR. PATTON: Uh-huh.

19 MS. KROLL: So that's what I worked  
20 on.

21 MR. PATTON: Okay.

22 MS. KROLL: And then once I narrowed  
23 it down to prior year adjustments, Becky and  
24 Freda agreed that that's where the problem  
25 was, and then Becky took it back over. So I

1 didn't see -- I don't know where she got  
2 her --

3 MR. PATTON: You didn't examine --

4 MS. KROLL: No.

5 MR. PATTON: -- further --

6 MS. KROLL: No.

7 MR. PATTON: -- those prior year  
8 adjustments?

9 MS. KROLL: No.

10 MR. PATTON: Okay.

11 MS. KROLL: No.

12 MR. PATTON: Freda, you said, took  
13 it back, or Becky?

14 MS. KROLL: Well, the whole project  
15 kind of went back to Becky because it was then  
16 confirmed that her numbers for the current  
17 year revenues and expenditures were correct.  
18 There was one small area in expenditures that  
19 she was missing, but other than that, the only  
20 place that it could have been was in the prior  
21 year adjustments.

22 MR. PATTON: Do you recall how big  
23 the disparity was between the finance  
24 department fund condition statement and the  
25 Controller's fund balance statement?

1 MS. KROLL: It was about twenty-six  
2 million dollars.

3 MR. PATTON: This is for FY012?

4 MS. KROLL: I believe so.

5 MR. PATTON: Okay.

6 MS. KROLL: Yeah.

7 MR. PATTON: So there -- so it's --  
8 in your mind, what you're saying is telling  
9 you that there's some problem with the  
10 prior year adjustments?

11 MS. KROLL: Yes.

12 MR. PATTON: Okay.

13 MS. KROLL: Yes.

14 MR. PATTON: What happened after  
15 that?

16 MS. KROLL: Every year after that --  
17 well, they asked me to do also a fund  
18 condition statement for the OHV fund, Off  
19 Highway Vehicle fund and for --

20 MR. PATTON: This is at the same  
21 time, in the fall of '01?

22 MS. KROLL: Yes.

23 MR. PATTON: Okay.

24 MS. KROLL: And then they came back  
25 several months later and said we'd like you to

1 do one for Fund 449, which is our winter  
2 recreation fund.

3 MR. PATTON: Okay.

4 MS. KROLL: These are all special  
5 funds that historically, at that point in  
6 time, the budget shop had to do a fund  
7 condition statement for.

8 MR. PATTON: And did you detect any  
9 disparities between the finance report and the  
10 Controller report in those accounts?

11 MS. KROLL: No.

12 MR. PATTON: No?

13 MS. KROLL: None whatsoever.

14 MR. PATTON: Okay. So the OHV  
15 account back then --

16 MS. KROLL: OHV account was --

17 MR. PATTON: -- was dead on?

18 MS. KROLL: -- dead on, right on the  
19 money. The differences in -- between the  
20 funds, mainly between -- well, between the  
21 funds is that the state park and recreation  
22 fund had our clearing account within that  
23 fund, and it also had reimbursements in that  
24 fund, which was -- is not in the OHV fund,  
25 so --

1           MR. PATTON:   What's a clearing  
2   account?

3           MS. KROLL:   A clearing account is a  
4   nonbudget act -- it's a pass-through account  
5   so that when we make expenditures and we  
6   charge a certain accounting code, the money is  
7   paid out of that fund and that account, and  
8   then at the end of the month, we go through  
9   what's called a plan of financial adjustment,  
10   that based on the PCA's and CALSTARS fund  
11   split to various funding sources.

12           And at the end of the month, before  
13   you close the month, you do what's called a  
14   fund split -- cost allocation and fund split  
15   process.  And that moves the expenditures that  
16   you put through the clearing account out to  
17   the actual fund that it should go to.  And  
18   then the general ledger section does a  
19   transaction letter to Controllers telling them  
20   also which fund sources needed to be charged  
21   for those expenditures.

22           MR. PATTON:   Okay.  Well, I  
23   appreciate the accounting lesson.  I'm not  
24   sure that an effort to teach me to account in  
25   an afternoon may be successful, but --

1 MS. KROLL: But it complicates your  
2 view of the fund. I'm just trying to explain  
3 OHV is easier --

4 MR. PATTON: Okay.

5 MS. KROLL: -- because they don't  
6 have reimbursements and they don't have a  
7 clearing account.

8 MR. PATTON: Okay.

9 MS. KROLL: State park recreation  
10 fund is more complex because of those things  
11 and how those things may or may not effect --

12 MR. PATTON: Well, let's go back  
13 to --

14 MS. KROLL: -- the computations.

15 MR. PATTON: You've seen that  
16 there's a twenty-six-million-dollar  
17 discrepancy between the finance department and  
18 Controller reports. You've determined that it  
19 appears that, and everybody seemed to agree,  
20 that the problem lies in prior year  
21 adjustments. And what happens then? You said  
22 Becky takes it back. Do you continue to try  
23 to track down the source of the discrepancy,  
24 the reasons for it, where the errors were in  
25 the prior fund --

1 MS. KROLL: No.

2 MR. PATTON: -- prior year  
3 adjustments?

4 MS. KROLL: I was asked at that  
5 point in time to prepare a fund condition  
6 statement from the accounting records every  
7 year after that for the funds that needed  
8 them. So in my balance going forward, I  
9 always had the true fund balance on the  
10 Controller's records in there and then your  
11 prior year adjustments based on the formula I  
12 had worked on for what prior year adjustments  
13 should compute to and then your revenues, your  
14 expenditures. And my ending fund balance  
15 always matched my post-closing trial balance  
16 that was sent to Controllers. So I would  
17 prepare one of those every year for OHV, state  
18 park recreation fund, and the winter  
19 recreation fund. And those were given to the  
20 budget shop as well as all the financial  
21 statements.

22 MR. PATTON: So you were given --

23 MS. KROLL: So -- so --

24 MR. PATTON: Let me just summarize.  
25 What I think you're telling me is that the

1 work you did, the balance statements that are  
2 prepared annually, they're correct.

3 MS. KROLL: Yes.

4 MR. PATTON: This is -- the  
5 information going to the Controller's office  
6 is correct.

7 MS. KROLL: Yes.

8 MR. PATTON: And you're giving that  
9 same information to the budget shop.

10 MS. KROLL: Yes.

11 MR. PATTON: So you're giving  
12 correct information?

13 MS. KROLL: Yes.

14 MR. PATTON: What's happening with  
15 it on the budget side, if you know?

16 MS. KROLL: On the budget side, I  
17 don't know why, but they did not correct  
18 their -- in the prior year adjustments, they  
19 did not correct it. They --

20 MR. PATTON: They kept this  
21 twenty-six-million-dollar --

22 MS. KROLL: Yes.

23 MR. PATTON: -- discrepancy?

24 MS. KROLL: Yes.

25 MR. PATTON: And the twenty-six

1 million is twenty-six million less is being  
2 reported to Finance --

3 MS. KROLL: Correct.

4 MR. PATTON: -- than is being  
5 reported to Controller?

6 MS. KROLL: Correct.

7 MR. PATTON: And so what did you  
8 think about that? Did you ever have any  
9 conversation with anybody about that?

10 MS. KROLL: I did. And the second  
11 year that -- after I figured out what the  
12 problem was that year that I did the first  
13 full one, which is June of 2002, I asked  
14 Freda, why is the budget shop not using the  
15 correct figures, and the answers that I got  
16 back from Freda and from Becky was it's  
17 political, it's a decision for upstairs to  
18 make, the --

19 MR. PATTON: "Upstairs" being?

20 MS. KROLL: Being park operations,  
21 director's office, the executive staff. And  
22 what I was always told is if we tell Finance  
23 we have twenty-six million dollars extra in  
24 this fund, they will cut our general fund  
25 allocation budget authority and basically

1 replace it with this twenty-six million.

2 MR. PATTON: You said that you heard  
3 this from both Freda and Becky?

4 MS. KROLL: Yes.

5 MR. PATTON: So you did talk  
6 personally with both about --

7 MS. KROLL: Yes.

8 MR. PATTON: -- this discrepancy?

9 MS. KROLL: Yes.

10 MR. PATTON: Did you talk with  
11 anybody else about the discrepancy?

12 MS. KROLL: As the years went  
13 through, I spoke with -- when Becky retired, I  
14 spoke with the incoming budget officer, which  
15 was Manuel Lopez.

16 MR. PATTON: Do you remember what  
17 year that was?

18 MS. KROLL: I want to say 2005.

19 MR. PATTON: Okay.

20 MS. KROLL: When the year-end closed  
21 and he -- it was his job to do the fund  
22 condition statements. He came rushing over  
23 and was concerned, why haven't we been  
24 reporting the correct amount, and I told him,  
25 you need to take that up with your boss

1 because this has been that way for at least  
2 the five years that I knew of. And I told him  
3 what I was always told, that it was a  
4 political decision, and if we tell them we  
5 have this money, they will cut our general  
6 fund.

7 MR. PATTON: Okay. So you repeated  
8 then to Manny Lopez --

9 MS. KROLL: Manny Lopez.

10 MR. PATTON: -- in 2005. So he  
11 noticed it right off also?

12 MS. KROLL: Yes.

13 MR. PATTON: And you told him,  
14 yeah --

15 MS. KROLL: Yes.

16 MR. PATTON: -- I've had  
17 conversations about this, been told it's  
18 political.

19 MS. KROLL: Uh-huh.

20 MR. PATTON: When you say "executive  
21 management upstairs", we're talking about the  
22 fourteenth floor, I understand?

23 MS. KROLL: Yes.

24 MR. PATTON: That's the parks  
25 director is executive --

1 MS. KROLL: Director. The Assistant  
2 Deputy Director --

3 MR. PATTON: Okay.

4 MS. KROLL: -- of park operations.  
5 Basically the exec staff --

6 MR. PATTON: Now they're -- now I'm  
7 aware, I've got --

8 MS. KROLL: -- I consider all the  
9 division chiefs, but --

10 MR. PATTON: Okay. Those are all  
11 deputy directors?

12 MS. KROLL: Yes.

13 MR. PATTON: Okay. So when you hear  
14 "executive management", you know we're talking  
15 about that refers to the director and the  
16 assistant director?

17 MS. KROLL: Yes.

18 MR. PATTON: And then there's this  
19 branch of division managers called deputy  
20 directors. They're also considered executive  
21 management?

22 MS. KROLL: Yes.

23 MR. PATTON: Now, nobody -- did  
24 anyone ever indicate to you who in executive  
25 management specifically had been made aware of

1 this discrepancy?

2 MS. KROLL: Not at that point in  
3 time.

4 MR. PATTON: Okay. At some other  
5 point in time?

6 MS. KROLL: The following year that  
7 Manuel was there, probably in the fall of  
8 2006, when he had to do the next year's  
9 state -- fund conditions, and when the next  
10 booklet was printed, I noticed that it still  
11 hadn't changed; it hadn't been corrected. So  
12 Manuel and I had a conversation that, did  
13 you -- I asked him, did you talk to someone  
14 upstairs, aren't we going to fix this. And he  
15 said that he had talked to Michael Harris.

16 MR. PATTON: Okay.

17 MS. KROLL: And I honestly don't  
18 know if, at that point in time, Michael Harris  
19 was the Administrative Deputy Director here in  
20 this office or if he was on the fourteenth  
21 floor; I don't remember.

22 MR. PATTON: Okay. Back in -- I'm  
23 looking at the 2002 -- July 1, 2002, Orrick  
24 chart and the September 2 -- September 1,  
25 2001, Orrick chart, and I see that there's --

1 above Becky Brown and Freda Luanne Dunne,  
2 there are some other sections that you've  
3 already mentioned to us --

4 MS. KROLL: Yes.

5 MR. PATTON: -- in admin services  
6 business and procurement, Alaya --

7 MS. KROLL: Alaya Pascal (ph.).

8 MR. PATTON: -- Pascal, contracts  
9 and facilities; services, Gail Bowman;  
10 training, Bro Stenman --

11 MS. KROLL: Um-hum.

12 MR. PATTON: -- or Bruce?

13 MS. KROLL: Broc.

14 MR. PATTON: -- Broc Stenman;  
15 quality customer service, Jean Locher (ph.).  
16 And then there's a Financial Management  
17 Division; there's no title really there, but  
18 it says "Tom Domich".

19 MS. KROLL: Yes.

20 MR. PATTON: Was he above Becky --

21 MS. KROLL: Yes.

22 MR. PATTON: -- and Freda?

23 MS. KROLL: Yes.

24 MR. PATTON: Is this -- okay. Was  
25 he part of the dialogue then, to your

1 understanding?

2 MS. KROLL: Not with me. I never  
3 heard his -- I never was in any conversation  
4 with he and Becky and Freda about this.

5 MR. PATTON: And neither Becky nor  
6 Freda indicated that Tom Domich had been --

7 MS. KROLL: His name never came up.

8 MR. PATTON: Okay.

9 MS. KROLL: To me, it never came up.

10 MR. PATTON: They simply told you,  
11 without identifying who the -- that the people  
12 on the fourteenth floor know about it?

13 MS. KROLL: Yes.

14 MR. PATTON: And they -- so they  
15 didn't indicate who?

16 MS. KROLL: No.

17 MR. PATTON: So to -- no one's ever  
18 indicated to you that Tom Domich was aware?

19 MS. KROLL: No.

20 MR. PATTON: How about any of these  
21 other people whose names I just read off?

22 MS. KROLL: Alaya Pascal was my  
23 boss; she was my boss when I was an Accounting  
24 Administrator II, and I did try and explain it  
25 to her. She's not an accounting person, so I

1 don't think she understood it, so --

2 MR. PATTON: But you explained that  
3 there was a sizable difference?

4 MS. KROLL: Yes, yes.

5 MR. PATTON: What was her response?

6 MS. KROLL: Just pretty vague --

7 MR. PATTON: Okay.

8 MS. KROLL: -- basically a  
9 nonresponse.

10 MR. PATTON: Okay. Anybody else  
11 that you discussed this with?

12 MS. KROLL: I talked to Manuel many  
13 times over the years about it. I talked to  
14 Cheryl Taylor who became the budget officer  
15 sometime -- I think it was 2008; I'm not  
16 really sure of the year.

17 MR. PATTON: She took over for Becky  
18 Brown?

19 MS. KROLL: She took over for  
20 Manuel. Manuel Lopez was promoted to --

21 MR. PATTON: Oh, he --

22 MS. KROLL: -- actually, it might  
23 have been 2007 for Cheryl; I don't remember.  
24 Manuel was promoted into this office sometime  
25 in 2007, I believe. And the position budget

1 officer was left vacant for several months  
2 before they hired Cheryl Taylor.

3 MR. PATTON: Okay. So when you --  
4 back when you first -- when this discrepancy  
5 was first brought to your attention, which was  
6 back in the fall of '01, was Manny Lopez at  
7 that time the budget officer?

8 MS. KROLL: No. Becky Brown was the  
9 budget officer.

10 MR. PATTON: Okay. So when did she  
11 leave? Do you remember?

12 MS. KROLL: She left, I want to say  
13 in 2005 --

14 MR. PATTON: Okay. And that's --

15 MS. KROLL: -- because that's when  
16 Manuel --

17 MR. PATTON: -- when Manny came --

18 MS. KROLL: -- was hired.

19 MR. PATTON: -- in as budget  
20 officer?

21 MS. KROLL: Yes.

22 MR. PATTON: Oh, okay, so --

23 MS. KROLL: So I think she left in  
24 December of 2004, but I --

25 MR. PATTON: Okay. So that's when

1 you -- I'm sorry. I just had a --

2 MS. KROLL: Yeah. There was a few  
3 months where there wasn't a budget officer,  
4 and then they hired Manuel.

5 MR. PATTON: I had him miscast as  
6 the Admin Services Director at the time, but  
7 he was budget officer when you first talked  
8 with him --

9 MS. KROLL: Yes.

10 MR. PATTON: -- about this? So then  
11 you indicated he sees it, he questions it.

12 MS. KROLL: Yes.

13 MR. PATTON: You explain what you've  
14 been told before.

15 MS. KROLL: Yes.

16 MR. PATTON: And then he comes back  
17 in the next year, you said, and you asked him,  
18 aren't we going to fix this?

19 MS. KROLL: Right. And he said  
20 "no."

21 MR. PATTON: Talk to Harris, I've  
22 talked to Harris.

23 MS. KROLL: He said, "I've talked to  
24 Michael Harris, and he explained to me this is  
25 political. If we tell them we have this

1 money, they will cut our -- they, Department  
2 of Finance, will cut our general fund."

3 MR. PATTON: Did he ever indicate to  
4 you that he had also spoken with the director,  
5 Ruth Coleman, about it?

6 MS. KROLL: No.

7 MR. PATTON: Okay. Did you -- you  
8 told me you were able to identify that the  
9 problem lay in the prior year adjustments.

10 MS. KROLL: Um-hum.

11 MR. PATTON: But it sounds like --  
12 and this is as of the fall of '01.

13 MS. KROLL: Um-hum.

14 MR. PATTON: So you're working on  
15 the '02-'3 budget, correct? Because in the  
16 fall of '01, we're midway through the '01-'02  
17 fiscal year.

18 MS. KROLL: Fall of '01, yes.

19 MR. PATTON: Right?

20 MS. KROLL: Yes.

21 MR. PATTON: And so you're working  
22 on the '02-'03 budget. You see that the prior  
23 year adjustments for the current fiscal year,  
24 '01-'02, that you're working and when the  
25 issue first comes up, you see that they're

1 off.

2 MS. KROLL: Um-hum.

3 MR. PATTON: But you were not able  
4 to identify where those errors were?

5 MS. KROLL: No. What I was trying  
6 to do was use CALSTARS reports to figure out  
7 what the calculations should be for the  
8 prior year adjustments and how can we get  
9 that -- those calculations out of the CALSTARS  
10 reports, basically how do we show the budget  
11 shop what those prior year adjustments are so  
12 that they can do it correctly.

13 So I worked up the formula that I  
14 felt was -- I worked up what makes up this  
15 number that's the total of our prior year  
16 adjustment. I could see very clearly what  
17 this is and what the transfers are and what  
18 the expenditures are, but the only way -- kind  
19 of working it backwards, I knew what my ending  
20 balance was, I knew what this was, this was,  
21 and this was, so I knew what my beginning  
22 balance should be. So doing the calculations,  
23 I had to back into this figure. So how do I  
24 back into that figure and what are those  
25 adjustments --

1 MR. PATTON: Right. So this is --

2 MS. KROLL: -- that make up that  
3 dollar amount.

4 MR. PATTON: So let me, just for the  
5 record, say what we're looking at right now is  
6 a fund condition statement as of the end of  
7 the fiscal year ending June 30, 2011. We're  
8 not taking the ten-year way back machine right  
9 at the moment, but what you're showing me is  
10 you're showing me the ending fund balance.

11 MR. PATTON: Correct.

12 MR. PATTON: And this is for the  
13 state parks and rec fund?

14 MS. KROLL: Correct.

15 MR. PATTON: You're showing me the  
16 June 30, 2011, closing fund balance.

17 MS. KROLL: Correct.

18 MR. PATTON: And then you're looking  
19 at categories of expenditures for that fiscal  
20 year 2010-11, transfers from other funds.  
21 We've got some motor vehicle fuel accounting  
22 user tax, these are credits to the fund, and  
23 other sources of revenue, fees, income,  
24 miscellaneous revenue. Miscellaneous revenue,  
25 use of property, thirteen million. Those look

1 like leases. 1.1 million in parking  
2 violations, okay. And so when you take that  
3 ending fund balance and then you adjust for  
4 expenditures and revenues, you should be able  
5 to come, as you say, back into the beginning  
6 fund balance.

7 MS. KROLL: Well, the beginning fund  
8 balance would be the ending fund balance --

9 MR. PATTON: Correct.

10 MS. KROLL: -- from the year before.

11 MR. PATTON: And this is where  
12 you're having a problem is this --

13 MS. KROLL: Not with this number,  
14 with this number.

15 MR. PATTON: Oh, okay. So you got  
16 your beginning balance, but the prior year  
17 adjustment number --

18 MS. KROLL: That was the difficulty.

19 MR. PATTON: Okay. This is where  
20 the twenty-six-million-dollar discrepancy is?

21 MS. KROLL: Yes.

22 MR. PATTON: Now, this right here  
23 for year ending 2011 -- June 30, 2011, this  
24 shows me a 2.6-million-dollar prior year  
25 adjustment. We still, as I understand it, as

1 of the close of 2011, had a  
2 twenty-million-dollar discrepancy between the  
3 fund condition statement and the balance  
4 statement.

5 MS. KROLL: Correct.

6 MR. PATTON: So where am I going to  
7 find that?

8 MS. KROLL: This figure here matches  
9 what I reported to the State Controller's  
10 Office.

11 MR. PATTON: Oh, okay, so -- I got  
12 it. So this is what -- this is the fund  
13 balance --

14 MS. KROLL: That's the fund  
15 balance --

16 MR. PATTON: -- that's getting  
17 reported --

18 MS. KROLL: -- that's getting --

19 MR. PATTON: -- fifty-two million.

20 MS. KROLL: Yes, that's getting  
21 reported to the State Controller's Office.

22 MR. PATTON: Okay. But this is not  
23 what's -- this is not the report that went to  
24 Budget?

25 MS. KROLL: No.

1 MR. PATTON: Even though this says  
2 "fund condition statement", this is really a  
3 fund balance statement. This is not Budget's  
4 report?

5 MS. KROLL: It's not Budget's  
6 report.

7 MR. PATTON: This is your report?

8 MS. KROLL: This is our report based  
9 on what we know --

10 MR. PATTON: All right.

11 MS. KROLL: -- we submitted to the  
12 State Controller's Office.

13 MR. PATTON: Yeah. So I get  
14 confused on the terminology because I was  
15 using the phrase "fund condition statement"  
16 for what goes to Finance. You're nodding your  
17 head yes.

18 MS. KROLL: That is --

19 MR. PATTON: You recognize my  
20 confusion?

21 MS. KROLL: Yes. That is the report  
22 that goes to Finance.

23 MR. PATTON: Yeah.

24 MS. KROLL: We don't submit this --

25 MR. PATTON: Yeah.

1 MS. KROLL: -- to Controllers.

2 MR. PATTON: Yeah.

3 MS. KROLL: We submit all these  
4 reports that you see listed here to  
5 Controllers, and on the post-closing trial  
6 balance, this does match.

7 MR. PATTON: All right. So this is  
8 a summary.

9 MS. KROLL: So this is an internal  
10 working document --

11 MR. PATTON: Yeah.

12 MS. KROLL: -- to assist the --

13 MR. PATTON: And it's a summary.

14 MS. KROLL: -- budget shop.

15 MR. PATTON: You're giving a more  
16 detailed statement to the Controller then; is  
17 that right?

18 MS. KROLL: Yes. The Controllers  
19 gets a whole set of detailed information.

20 MR. PATTON: So you have these  
21 reports going back all the way to when?

22 MS. KROLL: 2002, June --

23 MR. PATTON: Great.

24 MS. KROLL: -- of 2002 --

25 MR. PATTON: Okay.

1 MR. PATTON: -- which we gave you a  
2 copy of all of these.

3 MR. MATTSON: That's one Lisa  
4 e-mailed to us in the PDF, Lisa Ortega.

5 MR. PATTON: Oh, did she?

6 MR. MATTSON: Um-hum.

7 MS. KROLL: Yeah. You took one set  
8 when you interviewed me the first time.

9 MR. PATTON: Okay.

10 MS. KROLL: And then you had her put  
11 a label up here explaining that Accounting  
12 prepares it and gives it to our budget --  
13 internal budget shop.

14 MR. PATTON: Okay. Let's -- and I  
15 don't -- I believe both of you that I've got  
16 this, but I can't put my hands on it right at  
17 the moment. Do you have any Post-Its?

18 MS. KROLL: You can keep that set.

19 MR. PATTON: Oh, I can keep this?

20 MS. KROLL: Yes.

21 MR. PATTON: Okay.

22 MS. KROLL: I have the Off Highway  
23 Vehicle as well.

24 MR. PATTON: Okay. So Manny came  
25 in -- so it's the same thing for Off Highway

1 Vehicle. Let's talk about Off Highway Vehicle  
2 for a minute. What have you discovered -- is  
3 there anything about these that has been  
4 troubling to you over the years?

5 MS. KROLL: Not until the June  
6 30th -- the end of the year June 30th, '09. I  
7 didn't really pay attention to the OHV fund  
8 and the differences because the first two  
9 years when I created this calculation on how  
10 to do the fund condition statements, it  
11 matched. I believe you have a copy of this  
12 spreadsheet. So this is now the OHV fund, and  
13 it matched.

14 MR. PATTON: Um-hum, back in '02.

15 MS. KROLL: Yes. And in '03 --

16 MR. PATTON: And in '03 --

17 MS. KROLL: -- it was 1,000 dollars  
18 off --

19 MR. PATTON: Yeah.

20 MS. KROLL: -- rounding. And I  
21 didn't really know until this investigation  
22 started that we were off except that I did  
23 notice in this year I looked because --

24 MR. PATTON: FY ending '09.

25 MS. KROLL: -- someone in the budget

1 shop -- Marilyn Evans Jones in the budget  
2 shop, she was a budget manager in there, was  
3 tasked with finding out what happened in this  
4 year because we had a ninety-million-dollar  
5 loan in this year, a twenty-two-million-dollar  
6 loan --

7 MR. PATTON: Tell me what year  
8 you're -- when you say "this year" --

9 MS. KROLL: This is the --

10 MR. PATTON: FY09?

11 MS. KROLL: This is the '89 fiscal  
12 year.

13 MR. PATTON: Okay. These are the  
14 closing numbers?

15 MS. KROLL: These are -- it's like a  
16 condensed version of that fund condition  
17 statement --

18 MR. PATTON: Right.

19 MS. KROLL: -- my beginning balance,  
20 and then this is what the budget office had  
21 reported as the beginning balance, so you can  
22 see there's a discrepancy there.

23 MR. PATTON: Of five million, right?

24 MS. KROLL: This -- yes. This here  
25 was revenues, and this was the budget office

1 reported revenues.

2 MR. PATTON: So there's  
3 ninety-million-dollars difference --

4 MS. KROLL: Yes.

5 MR. PATTON: -- between what we've  
6 reported to Controller as revenues, what our  
7 accounting records show as revenues, and what  
8 we're reporting to Finance?

9 MS. KROLL: Yes.

10 MR. PATTON: Okay.

11 MS. KROLL: And there's also a  
12 ninety-million-dollar difference between --  
13 the opposite way between expenditures and what  
14 the budget office --

15 MR. PATTON: Okay.

16 MS. KROLL: And I believe I know how  
17 this happened.

18 MR. PATTON: How did that happen?

19 MS. KROLL: I think it's the way  
20 that the loans are treated on state  
21 Controller's side; they're treated as an  
22 expenditure. And when I pulled this  
23 information after the investigation started, I  
24 pulled -- this is from the budget analyst's  
25 guide off of the Department of Finance Web

1 site --

2 MR. PATTON: Okay.

3 MS. KROLL: -- that it's supposed to  
4 tell you how to do a fund condition statement.  
5 And in the back here, it talks about loans and  
6 they consider loans as a revenue transfer.

7 MR. PATTON: Okay.

8 MS. KROLL: But that's not how  
9 Controllers post it.

10 MR. PATTON: Okay.

11 MS. KROLL: Controllers post it as  
12 an expenditure transfer, so I can see why  
13 these are off. One is over and one is short.

14 MR. PATTON: Okay. So bottom line  
15 is -- tell --

16 MS. KROLL: Bottom line is -- yeah.  
17 Bottom line is that overall they reported the  
18 difference between what I reported and what  
19 the budget shop reported is --

20 MR. PATTON: 5.6 million.

21 MS. KROLL: -- 5.6 million --

22 MR. PATTON: Okay.

23 MS. KROLL: -- which I believe is  
24 close to this starting balance discrepancy.

25 MR. PATTON: Negatives here mean --

1 this says "budget office reported actuals",  
2 and we have a -- I'm going back to fiscal year  
3 ending June 30, '04. We have a minus 28.7  
4 million. That means that this -- what was  
5 reported to Finance for OHV was 28.7 million  
6 less than what the fund balance statement was.

7 MS. KROLL: Actually, they reported  
8 more in their fund balance than what we  
9 actually had.

10 MR. PATTON: They who reported?

11 MS. KROLL: Our budget office  
12 reported --

13 MR. PATTON: More to Finance?

14 MS. KROLL: -- more to Finance than  
15 what we actually had.

16 MR. PATTON: Okay. So a minus here  
17 is an overreport to Finance?

18 MS. KROLL: Yes, yes.

19 MR. PATTON: So we overreported --  
20 we were off by --

21 MS. KROLL: We were off --

22 MR. PATTON: -- 28.7.

23 MS. KROLL: -- in this year.

24 MR. PATTON: We told Finance that in  
25 OHB -- parks -- OHV had -- we told Finance

1 28.7 more than it actually did?

2 MS. KROLL: Yes.

3 MR. PATTON: So this is some kind of  
4 an accounting error?

5 MS. KROLL: That's a budgeting  
6 reporting error.

7 MR. PATTON: I'm sorry. Forgive my  
8 naivety. Same thing in fiscal year ending  
9 6/30/05 --

10 MS. KROLL: Correct.

11 MR. PATTON: -- 30.1, next year at  
12 35.1, next year 31.2. These are all  
13 megamillions, tens of millions overreported to  
14 Finance --

15 MS. KROLL: Yes.

16 MR. PATTON: -- monies that don't  
17 actually exist?

18 MS. KROLL: Yes, in those years.

19 MR. PATTON: And then all of a  
20 sudden --

21 MS. KROLL: We're almost --

22 MR. PATTON: -- we're almost even --

23 MS. KROLL: We're almost good.

24 MR. PATTON: -- in fiscal year  
25 ending '08.

1 MS. KROLL: Yes.

2 MR. PATTON: And now we're -- which  
3 go in an underreport of the year '09, 6/30/09  
4 you just pointed and talked about. We've  
5 underreported 5.6. And then all of a sudden  
6 Budget -- and I use the term "we" loosely --  
7 Budget reports 20.5 the next year.

8 MS. KROLL: Yes. And I think that  
9 has to do with another loan --

10 MR. PATTON: Okay.

11 MS. KROLL: -- that was not --

12 MR. PATTON: Got it.

13 MS. KROLL: -- reported correctly --

14 MR. PATTON: Got it.

15 MS. KROLL: -- on the fund condition  
16 statement.

17 MR. PATTON: Got it. Okay. So  
18 we've got -- and Dorothy's pointing to actual  
19 revenues and budget-office-reported actuals.  
20 There's a twenty-two-million-dollar  
21 discrepancy for fiscal year ending June 30,  
22 2010. That may explain why we've got now an  
23 overreport of 20.5 million to Finance. And  
24 then the last year this has been done,  
25 although I guess I haven't seen the fiscal

1 year ending 6/30/2012 numbers, but 6/30/11  
2 looks like we have -- this says a  
3 fifty-four-million-dollar underreport.

4 MS. KROLL: Correct.

5 MR. PATTON: Although I've seen the  
6 number thirty-four million for OHV before.

7 MS. KROLL: Correct.

8 MR. PATTON: Now I'm seeing  
9 fifty-four.

10 MS. KROLL: Correct.

11 MR. PATTON: Why is that?

12 MS. KROLL: I can't answer that  
13 question. I've asked myself that question  
14 ever since the news reports came out.

15 MR. PATTON: Because you've always  
16 seen a fifty-four-million underreport in OHV  
17 alone.

18 MS. KROLL: In June -- as of June  
19 30th of 2011.

20 MR. PATTON: Just for OHV?

21 MS. KROLL: Just for OHV.

22 MR. PATTON: Okay. Not to mention  
23 the twenty million in SPRF.

24 MS. KROLL: Correct. However,  
25 having said that, I do know that in this year,

1 June 30th of 2010, the budget office made a  
2 major mistake in reporting this thirty million  
3 dollars, and I can show you --

4 MR. PATTON: Your note says  
5 "reported with wrong sign."

6 MS. KROLL: Yes. It should have  
7 been a negative for the prior year  
8 adjustments --

9 MR. PATTON: Okay.

10 MS. KROLL: -- and they put it in as  
11 a positive.

12 MR. PATTON: Okay.

13 MS. KROLL: So I don't know where in  
14 here did they fix that --

15 MR. PATTON: Okay.

16 MS. KROLL: -- because they knew it  
17 was the wrong sign --

18 MR. PATTON: Okay.

19 MS. KROLL: -- and this really is  
20 only -- well, if they fixed it, that would  
21 only be twenty-four million.

22 MR. PATTON: Right, right.

23 MS. KROLL: So I don't know where  
24 the thirty-four million is coming from.

25 MR. PATTON: I don't either.

1 MS. KROLL: I have no idea.

2 MR. PATTON: What I'm going to do  
3 for now is that, because I'm not a CPA or a  
4 budget analyst, and I know there are a lot of  
5 people working on trying to figure this out,  
6 and I can see that you've done work since  
7 we've last talked continuing to try to look at  
8 this; am I right?

9 MS. KROLL: Actually, I haven't had  
10 the time to look at it any further.

11 MR. PATTON: All right.

12 MS. KROLL: I did all of this work  
13 prior to --

14 MR. PATTON: Okay.

15 MS. KROLL: -- our first interview.

16 MR. PATTON: I guess it was just  
17 lost on me in the first interview. I -- which  
18 is why I wanted to come back so we can have a  
19 record because the first one was unrecorded.  
20 But we have some other people, and obviously  
21 Finance is trying and everybody's trying to  
22 figure out where these errors are, but I  
23 guess, for me, the bottom line is that  
24 you're -- we talked about the SPRF funds --  
25 special parks rec fund -- state parks rec

1 fund, which you have indicated people knew  
2 that there was a twenty-million or more  
3 discrepancy between what was reported to  
4 Controller and Finance --

5 MS. KROLL: Yes.

6 MR. PATTON: -- we've known about  
7 that --

8 MS. KROLL: Yes.

9 MR. PATTON: -- which derives back  
10 to some error, we think but we're not sure  
11 because we've never been able to get back far  
12 enough to really see where those prior year  
13 adjustments came off the track.

14 MS. KROLL: Right.

15 MR. PATTON: But with the OHV, it  
16 looks to me like what we have -- and I guess I  
17 shouldn't give my opinion. Do you have an  
18 opinion as to whether this is all as a result  
19 of some bad, I hate to say accounting. I  
20 don't -- how do we -- is this an error or an  
21 intentional --

22 MS. KROLL: I think the OHV is an  
23 error.

24 MR. PATTON: Okay.

25 MS. KROLL: I think that -- I don't

1 believe that was intentional. I had never  
2 heard anybody say that it was intentional. I  
3 think that this is a result of bad  
4 computations occurring within the budget shop.

5 MR. PATTON: And these again --  
6 we're looking at fiscal years ending '04, '5,  
7 '6, '7, are all very sizable twenty-eight- to  
8 thirty-five-million-dollar overreports to  
9 Finance --

10 MS. KROLL: Yes.

11 MR. PATTON: -- reporting more than  
12 we actually have.

13 MS. KROLL: Yes.

14 MR. PATTON: Okay. It's not  
15 until -- in fact, it's not until we get to the  
16 fiscal year ending '11, which your chart here  
17 shows a 54.4-million-dollar underreport.  
18 That's the first underreport we have.

19 MS. KROLL: Yes.

20 MR. PATTON: Okay. So your  
21 conclusion, looking at this, is we got some  
22 budget office calculating errors.

23 MS. KROLL: Missteps, yes.

24 MR. PATTON: Yeah.

25 MS. KROLL: Yeah.

1           MR. PATTON:   Okay.   And then I'm  
2 going to leave it to the number experts to  
3 figure out what those errors are.   Let me go  
4 back to the SPRF fund.   And I've seen -- I  
5 don't know if you have it with you.   I  
6 unfortunately did not bring my little  
7 rudimentary spreadsheet that I was given, I  
8 think, by Aaron Robertson and by the -- I  
9 believe, the finance department, and I had  
10 some -- do you have those spreadsheets showing  
11 the SPRF fund underreports going back to 1998?

12           MR. MATTSON:   These ones?

13           MR. PATTON:   Yeah.

14           I've gotten from the finance  
15 department -- and you're probably better at  
16 reading upside down than I am, so I've got in  
17 the SPRF fund some discrepancies and Off  
18 Highway Vehicle fund, and I'm just going to  
19 say for right now suffice it to say that what  
20 you just showed me for Off Highway Vehicle in  
21 terms of the bottom line discrepancy between  
22 the budget report and the actual balance --

23           MS. KROLL:   It doesn't match.

24           MR. PATTON:   -- don't correspond --

25           MS. KROLL:   No.

1 MR. PATTON: -- to what I got out of  
2 Finance. I don't want, right now, to try to  
3 dissect this with you. What I do want to ask  
4 you about is this: I want to ask you about  
5 the SPRF.

6 I think, due to my failure to use  
7 long paper, this report, which I got on July  
8 26, for some -- well, for some reason, the one  
9 I got on July 20th starts at 2002. This one  
10 starts in July 26, and this top set of numbers  
11 is the SPRF fund, and the numbers do, you can  
12 see, then start to correspond because this one  
13 starts in '02 with a 26.8-million-dollar  
14 underreport, then these numbers correspond.

15 This one goes back to '98, and  
16 that's as far back as I've seen yet. And I  
17 see in '98 a 9.5-million-dollar underreport  
18 and year ending '99 fourteen million, year  
19 ending 2000 19.9. And then I have a jump  
20 to -- and I put a question mark here -- to  
21 forty-nine million in '01. These are all  
22 underreports in the Finance fund condition  
23 statement. And then it comes back down to  
24 twenty-six for '02, twenty-nine for '03,  
25 twenty-six -- and changed for '04, twenty-four

1 for '05, and then we flatten out for the last  
2 six years somewhere in the neighborhood of  
3 twenty million.

4 Do those -- do these numbers -- do  
5 those numbers look at all familiar to you?

6 MS. KROLL: No.

7 MR. PATTON: Okay.

8 MS. KROLL: No. I wouldn't have any  
9 knowledge of anything prior to the 2000-2001  
10 year.

11 MR. PATTON: Let me compare -- okay.  
12 Now, before you say that, let me just compare  
13 for one second because what you handed me --  
14 what you handed me has SPRF discrepancies  
15 starting in '02, and the numbers you're giving  
16 me do match up to what I'm seeing that Finance  
17 handed me. And I think the reason is maybe  
18 Parks provided this to Finance; I'm not sure.  
19 But anyway -- so from '02 to '011 -- this  
20 document you gave me you guys worked up --

21 MS. KROLL: Yes, I did.

22 MR. PATTON: -- in Accounting.

23 MS. KROLL: Yes.

24 MR. PATTON: You did?

25 MS. KROLL: I did.

1 MR. PATTON: Okay. And that is the  
2 same as what I got from Finance. Finance has  
3 four additional years -- fiscal years ending  
4 '98, '99, 2000, and 2001. You've never looked  
5 at these numbers before?

6 MS. KROLL: No.

7 MR. PATTON: Did you ever see this  
8 number forty-nine million --

9 MS. KROLL: No.

10 MR. PATTON: -- for year ending  
11 2001?

12 MS. KROLL: No.

13 MR. PATTON: Okay. You first dealt  
14 with this, you said, in the fall of '01 as  
15 you're working up the 2001-2002 reports --

16 MS. KROLL: Right.

17 MR. PATTON: -- for the -- well, in  
18 2001, you're in 2000 --

19 MS. KROLL: It's in '1-'2. I  
20 tried --

21 MR. PATTON: Yeah.

22 MS. KROLL: -- to do it based on  
23 2000-2001 financial statements, and I was  
24 having a lot of difficulty for SPRF. So by  
25 the time that I could actually figure out this

1 formula, we were already closing this year  
2 so --

3 MR. PATTON: '02?

4 MS. KROLL: Yes.

5 MR. PATTON: FY closing '02?

6 MS. KROLL: Yes.

7 MR. PATTON: Okay. So had you seen  
8 that number, forty-nine million, for --

9 MS. KROLL: No.

10 MR. PATTON: -- FY ending '01,  
11 you --

12 MS. KROLL: No.

13 MR. PATTON: Okay.

14 MS. KROLL: No.

15 MR. PATTON: So you know nothing  
16 about this nine-and-a-half to fourteen to  
17 twenty to forty-nine?

18 MS. KROLL: No.

19 MR. PATTON: Okay.

20 MS. KROLL: I suspect that --

21 MR. PATTON: You're looking at the  
22 forty-nine million now?

23 MS. KROLL: Yeah, and I shouldn't  
24 suspect.

25 MR. PATTON: Go ahead, give me a

1 suspicion.

2 MS. KROLL: My suspicion is that  
3 Becky was aware that there was some problem  
4 and it kept getting bigger, and she didn't  
5 really know what was wrong or how to fix it.

6 MR. PATTON: Well, this line here  
7 where there's a jump of forty-seven million  
8 dollars is adjusted Controller balance. What  
9 does that mean?

10 MS. KROLL: Can I look at this --

11 MR. PATTON: Yeah, yeah.

12 MS. KROLL: -- right side up?

13 MR. PATTON: Sure, sure.

14 MS. KROLL: Oh, they have taken  
15 what --

16 MR. PATTON: "They" --

17 MS. KROLL: Finance who --

18 MR. PATTON: -- the Controller's  
19 office?

20 MS. KROLL: No. What -- whoever  
21 created this spreadsheet.

22 MR. PATTON: Okay.

23 MS. KROLL: What they have done is  
24 they've taken my budgetary legal basis annual  
25 report, that's my fund balance in that year

1 for SPRF, and then they've made their  
2 adjustments to come up to the Controller's --  
3 remember this? We talked about this.  
4 Controllers take my year-end financial  
5 statements, and then they prepare this balance  
6 sheet. So here's my ending fund balance that  
7 matches my financial statements.

8 MR. PATTON: Yeah.

9 MS. KROLL: And they take this  
10 number and then they --

11 MR. PATTON: And we're looking at  
12 that --

13 MS. KROLL: -- adjust --

14 MR. PATTON: -- fifty-two-million-  
15 dollar ending balance.

16 MS. KROLL: They're adjusting for  
17 the deferred payroll, which I think is -- and  
18 the reserve for encumbrances.

19 MR. PATTON: Yeah, deferred payroll  
20 is right here. And what?

21 MS. KROLL: And their --

22 MR. PATTON: Reserve for  
23 encumbrances?

24 MS. KROLL: Yes.

25 MR. PATTON: That's right here.

1 MS. KROLL: So they back that out  
2 and come up to a new adjusted Controller's --

3 MR. PATTON: Okay.

4 MS. KROLL: -- balance.

5 MR. PATTON: Okay. Okay. All  
6 right. All right. So bottom line is you  
7 don't know about discrepancies prior to that  
8 year you looked at?

9 MS. KROLL: No.

10 MR. PATTON: And you never were able  
11 to figure out where in the prior year  
12 adjustments these errors had occurred?

13 MS. KROLL: No. Once we -- once I  
14 came up with a formula, I could prove to  
15 Freda, the accounting chief, that this has to  
16 be correct because it might come back into  
17 having all the other figures in there, I can  
18 back into this figure, this works. And so  
19 every year after that, we prepared these to  
20 use as working papers to help the budget shop  
21 report correctly.

22 MR. PATTON: So again, you're  
23 showing me your fund statement for year ending  
24 June 30, 2011, and it's right. This is  
25 what -- these are the numbers that end up

1 going to the Controller's office?

2 MS. KROLL: Yes. If you compare --

3 MR. PATTON: Yeah.

4 MS. KROLL: -- this post-closing --

5 MR. PATTON: Yeah.

6 MS. KROLL: -- this will match the  
7 post-closing trial --

8 MR. PATTON: Yeah.

9 MS. KROLL: -- balance in the  
10 financial statements reported to Controllers.

11 MR. PATTON: Okay. So basically,  
12 you identified a twenty-six-million-dollar  
13 discrepancy, and then this discrepancy  
14 continues to get carried forward. It --  
15 according to these reports, it was 26,825,000  
16 when you first looked at it for '01-'02, and  
17 then it went up a little bit to twenty-nine  
18 million for '02-'3, back down to 26,494 for  
19 '04. Then it started dropping a little bit,  
20 23.9, 21.5, and then we've hovered the last  
21 five years right around twenty million.

22 What -- do you know anything about  
23 why it grew the year after you first spotted  
24 it to twenty-nine million?

25 MS. KROLL: No, I don't know

1 specifically. I believe, because I can see  
2 that -- well, here they were off in the  
3 revenues. Actual revenues were eighty-one  
4 million; they only reported sixty-two.

5 MR. PATTON: For '03.

6 MS. KROLL: The expenditures were  
7 right on.

8 MR. PATTON: Okay. All right. So  
9 we've got --

10 MS. KROLL: So --

11 MR. PATTON: So it looks to me  
12 like -- when I look at these numbers, and  
13 you're pointing out -- so you're -- okay.  
14 That's very helpful. You're pointing out to  
15 me that actual revenues and reported revenues  
16 for fiscal year ending June 30, '03, in the  
17 SPRF fund are nineteen million different,  
18 eighteen million different --

19 MS. KROLL: It appears to be, yes.

20 MR. PATTON: -- closer to  
21 twenty-million-dollar different?

22 MS. KROLL: Yes, as well as the  
23 prior year adjustment --

24 MR. PATTON: Yeah.

25 MS. KROLL: -- is off the opposite

1 direction.

2 MR. PATTON: Right. So --

3 MS. KROLL: So --

4 MR. PATTON: But see, when I'm --  
5 what I see here then is that we're very much  
6 on target, and for '06 to the current time --

7 MS. KROLL: Yes.

8 MR. PATTON: -- these numbers track.

9 MS. KROLL: Yes.

10 MR. PATTON: These are good.

11 MS. KROLL: Yes.

12 MR. PATTON: But back in '03, we've  
13 got a big discrepancy there, and of course,  
14 the fund condition, the budget office report  
15 versus the actual balance reported to the  
16 Controller, is the top line here, and that's  
17 always stayed several millions off.

18 MS. KROLL: Yes.

19 MR. PATTON: This is the --

20 MS. KROLL: Yes.

21 MR. PATTON: -- unreported amount  
22 of -- this is the error being carried  
23 forward --

24 MS. KROLL: Yes.

25 MR. PATTON: -- year after year?

1 MS. KROLL: Yes.

2 MR. PATTON: So what I guess I'm  
3 seeing is that the error that is being  
4 perpetuated may have also been compounded by  
5 some additional --

6 MS. KROLL: Yes.

7 MR. PATTON: -- budget office  
8 errors.

9 MS. KROLL: Yes.

10 MR. PATTON: Okay. Who -- when you  
11 started back in 2000 -- is that right?

12 MS. KROLL: Yes.

13 MR. PATTON: -- Freda was the  
14 accounting chief?

15 MS. KROLL: Correct.

16 MR. PATTON: And Becky was the  
17 budget officer?

18 MS. KROLL: Correct.

19 MR. PATTON: And going back earlier  
20 than that, do you have knowledge of who was in  
21 those -- how long had Becky been the budget  
22 officer before you got there? Do you know?

23 MS. KROLL: I don't know.

24 MR. PATTON: Okay.

25 MS. KROLL: I just know she'd been

1 there for years and years and years.

2 MR. PATTON: Okay. So to your  
3 knowledge, she was the one in charge of the  
4 budget side --

5 MS. KROLL: Oh, yes.

6 MR. PATTON: -- going well beyond  
7 your arrival?

8 MS. KROLL: Oh, yes, yes.

9 MR. PATTON: And Freda -- Freda?

10 MS. KROLL: Freda had been there  
11 for -- I don't know for sure, but I think she  
12 came on board in about 1996, but I could be  
13 wrong.

14 MR. PATTON: From what I've seen, it  
15 looks like this discrepancy started to hatch  
16 in the latter '90s because I'm seeing -- and I  
17 understand, you've told me you've not gone  
18 back and examined this. In fact, can you --  
19 do you even have --

20 MS. KROLL: No.

21 MR. PATTON: -- the records?

22 MS. KROLL: We don't have any  
23 records that go back that far.

24 MR. PATTON: Okay.

25 MS. KROLL: No accounting records

1 that go back that far.

2 MR. PATTON: And do you have any  
3 knowledge of whether or not people on the  
4 budget side might have records?

5 MS. KROLL: I know that they've  
6 looked and --

7 MR. PATTON: Okay.

8 MS. KROLL: -- to my understanding,  
9 they do not.

10 MR. PATTON: And who's in charge of  
11 the budget side right now?

12 MS. KROLL: Right now is Elsie  
13 Brenneman.

14 MR. PATTON: Okay. So they've  
15 looked; they can't find them either. Freda  
16 and --

17 MS. KROLL: Can I just qualify that  
18 statement?

19 MR. PATTON: Yeah, absolutely, sure.

20 MS. KROLL: According to the DGS  
21 retention schedule for accounting records and  
22 budgeting records, we only are required to  
23 keep five years, the current year and four  
24 prior.

25 MR. PATTON: Well, I get that, but

1 when you're dealing with ten years' worth of  
2 discrepancy --

3 MS. KROLL: Yes.

4 MR. PATTON: -- that might change  
5 your perspective about -- anyways about  
6 whether or not it would be good to have --

7 MS. KROLL: I'm just saying. I'm  
8 just saying.

9 MR. PATTON: I hear ya.

10 What I want to know is Freda and  
11 Becky were in charge of Accounting and Budget,  
12 respectively. To your -- when you -- when  
13 this was brought to your attention, when Becky  
14 asked Freda for help in understanding this,  
15 which was in '01 when it was brought to your  
16 attention, was it -- did you have an  
17 impression whether this was the first Becky  
18 had ever learned of it, become aware of this?

19 MS. KROLL: As I recall, she said  
20 that there has been a discrepancy and it seems  
21 to be going from year to year, and we need to  
22 figure out what it is.

23 MR. PATTON: So she at least  
24 indicated --

25 MS. KROLL: So I --

1 MR. PATTON: -- she was aware of --

2 MS. KROLL: -- think that she did  
3 know.

4 MR. PATTON: She was at least aware  
5 it had been in existence for some time?

6 MS. KROLL: Yes.

7 MR. PATTON: But she didn't indicate  
8 to you when she first --

9 MS. KROLL: No.

10 MR. PATTON: -- discovered --

11 MS. KROLL: No.

12 MR. PATTON: But she did indicate  
13 that from year to year we've been having this  
14 discrepancy?

15 MS. KROLL: Yes.

16 MR. PATTON: Okay. And was -- to  
17 your understanding, was it first brought to  
18 Freda's attention then also in '01 when Becky  
19 came asking for help with it?

20 MS. KROLL: As far as I know, yes.

21 MR. PATTON: Okay. Freda never said  
22 anything that indicated she had known about it  
23 earlier than that?

24 MS. KROLL: No, but --

25 MR. PATTON: Okay.

1 MS. KROLL: -- Freda would not have  
2 daily conversations with me. I was --

3 MR. PATTON: Who -- so if the  
4 problem lies in prior year adjustments, who  
5 calculates up these prior year adjustments?  
6 They go in the accounting report? Your  
7 section's report, the actuals?

8 MS. KROLL: Yes.

9 MR. PATTON: That is part of the  
10 actual report?

11 MS. KROLL: Yes, yes.

12 MR. PATTON: Is that where the -- is  
13 that where they originate, prior year  
14 adjustments? Is that who first tries to --

15 MS. KROLL: Prior year adjustments  
16 can be prior year revenue that's earned, that  
17 is now coming earned. It could be  
18 expenditures against a prior year  
19 appropriation that's occurring in the current  
20 year.

21 MR. PATTON: What I'm trying to  
22 understand is who in the shop is responsible  
23 for calculating them and reporting them? Is  
24 it the accounting --

25 MS. KROLL: The budget --

1 MR. PATTON: -- side?

2 MS. KROLL: No. The budget shop.

3 MR. PATTON: The budget office?

4 MS. KROLL: Yes. We do report  
5 because, on the accounting side, every  
6 appropriation that we have, regardless of the  
7 fiscal year or the enactment year of the  
8 appropriation, the Controller's office is all  
9 part of the fund.

10 MR. PATTON: It's part of your  
11 report, but I'm trying to --

12 MS. KROLL: It is.

13 MR. PATTON: -- figure out from  
14 where does prior year adjustments originate,  
15 and I'm not so much substantively, but who  
16 generates the first report that includes prior  
17 year adjustments, and it sounds to me like you  
18 said it's budget, and they give it to you to  
19 include in your report.

20 MS. KROLL: No. No. Prior year  
21 adjustments are happening all year long.

22 MR. PATTON: Okay.

23 MS. KROLL: And every --

24 MR. PATTON: Who tracks them? Who's  
25 responsible for tracking them?

1           MS. KROLL:  We -- the accounting  
2 shop is responsible for reconciling every  
3 month to the Controller's office for  
4 current-year expenditures, prior year  
5 expenditures, revenues, everything.  So on a  
6 monthly basis, we are in sync with  
7 Controllers.  If there's reconciling items,  
8 then we've posted something wrong, and it  
9 needs to be fixed.  So that goes throughout  
10 the year.

11           At the end of the fiscal year, there  
12 is a report; it's a final budget report that  
13 shows all the expenditures, all the  
14 encumbrances.  Any other adjustments are in  
15 this same report.  It's by appropriation level  
16 within the fund.  So we report that  
17 Controller's -- to the State Controller's  
18 Office.  All of those adjustments to prior  
19 year all roll in -- when you close at the end  
20 of the year, they all close into that fund  
21 balance.

22           MR. PATTON:  So they're being  
23 tracked --

24           MS. KROLL:  So --

25           MR. PATTON:  -- by the accounting

1 side?

2 MS. KROLL: They are being tracked  
3 by the accounting side. And we --

4 MR. PATTON: So if the number gets  
5 off by nine, fourteen, twenty million, the  
6 recording of it is occurring in the accounting  
7 side. So when these prior year adjustments  
8 got off kilter, for whatever reason, that's  
9 occurring then in the accounting section?

10 MS. KROLL: False.

11 MR. PATTON: No?

12 MS. KROLL: We are always in --  
13 reconciled to the Controller's office records.

14 MR. PATTON: Okay.

15 MS. KROLL: Whatever they're  
16 posting, we're posting. Whatever we're  
17 posting, they're posting. So we're always --

18 MR. PATTON: So to prior --

19 MS. KROLL: -- posting the same  
20 documents.

21 MR. PATTON: Wait. Let me restate  
22 it then. The prior year adjustments being  
23 reported through the accounting side to the  
24 Controller are always reconciled?

25 MS. KROLL: Correct.

1 MR. PATTON: They never fell off the  
2 tracks?

3 MS. KROLL: Correct.

4 MR. PATTON: Where it fell off the  
5 tracks was over on the budget side?

6 MS. KROLL: Correct.

7 MR. PATTON: So somewhere along the  
8 line then, if the prior year adjustment number  
9 never came off the tracks in Accounting,  
10 somewhere then Budget, on the budgeting side,  
11 either errantly or intentionally missed input  
12 for their reporting purposes the prior year  
13 adjustments?

14 MS. KROLL: Correct.

15 MR. PATTON: All right. I'm going  
16 to give you a theory. Let me ask you what you  
17 think of my theory. You haven't -- I mean,  
18 you don't -- I haven't seen any more records  
19 than you have. I've only seen these numbers  
20 where I see a discrepancy of nine-and-a-half  
21 that goes to fourteen that goes to twenty that  
22 goes to twenty-six.

23 When I see -- and I don't have  
24 numbers prior to '08, but when I see a growth  
25 pattern, I see something that is -- that's an

1     indicia to me of someone knowingly inputting  
2     incorrect numbers because it's either that or  
3     we're committing an error year after year, a  
4     similar type of error, but I can understand a  
5     one-time error; I can't understand when the  
6     same thing gets repeated over and over, and I  
7     see a growth in the disparity which all --  
8     apparently all traces back to prior year  
9     adjustments. Does this suggest to you in your  
10    mind that -- does that look more intentional  
11    or accidental to you?

12                 MS. KROLL: I know up until this  
13    point that it was --

14                 MR. PATTON: What do you know?

15                 MS. KROLL: I don't know because I  
16    wasn't there.

17                 MR. PATTON: What do you think, you  
18    speculate? Go ahead and speculate because I  
19    don't --

20                 MS. KROLL: What I remember being  
21    told is that Becky realized that she had this  
22    discrepancy for several years, and she needed  
23    to understand how the budget shop was making  
24    the mistakes; how is this not being reported  
25    correctly. Each year, we would get that memo

1 from Department of Finance --

2 MR. PATTON: Yeah.

3 MS. KROLL: -- saying, you -- what  
4 you reported in your fund condition  
5 statement --

6 MR. PATTON: We're going to turn to  
7 that memo in one second.

8 MS. KROLL: -- doesn't match. And  
9 so I think she --

10 MR. PATTON: She wanted to know why.

11 MS. KROLL: She wanted to know why.

12 MR. PATTON: Okay. Let me stop you  
13 there for a second.

14 MS. KROLL: Yes.

15 MR. PATTON: We're going to go to  
16 that memo in just a second. So what your  
17 impression was was that Becky was disconcerted  
18 and wanted to know. She was confused as to  
19 why this error, why this discrepancy existed.

20 MS. KROLL: That's what I believe.

21 MR. PATTON: And it sounds to me  
22 like she's at -- in a position higher than the  
23 actual level of the people who are inputting  
24 these numbers, because somewhere over in  
25 Budget --

1 MS. KROLL: I don't think anyone in  
2 Budgets ever did a fund condition statement  
3 other than Becky.

4 MR. PATTON: But someone has a prior  
5 year adjustment number that's apparently  
6 different than the accounting prior year  
7 adjustments that are going into the balance  
8 statement.

9 MS. KROLL: Right.

10 MR. PATTON: Right?

11 MS. KROLL: Right.

12 MR. PATTON: Where in Budget are we  
13 going to find the person who is inputting  
14 prior year adjustment numbers?

15 MS. KROLL: They're not inputting  
16 any prior year adjustment numbers into  
17 CALSTARS.

18 MR. PATTON: Correct. They're  
19 putting it into the --

20 MS. KROLL: They can't.

21 MR. PATTON: -- budget report  
22 though --

23 MS. KROLL: Yeah.

24 MR. PATTON: -- the fund condition  
25 statement.

1 MS. KROLL: Yes. Becky prepared the  
2 fund condition statement.

3 MR. PATTON: Not all by herself.

4 MS. KROLL: Yes, I believe she did.

5 MR. PATTON: So I guess I'm not  
6 understanding.

7 MS. KROLL: Becky did a lot of the  
8 work in budgets herself. She did the 10 --  
9 schedule 10s, the 10Rs, 10Ss, and she prepared  
10 the fund condition statements herself --

11 MR. PATTON: Right.

12 MS. KROLL: -- as the budget  
13 officer.

14 MR. PATTON: I guess what -- I mean,  
15 I am going to end up asking her the very same  
16 set of questions. But what I keep hearing  
17 from you is that you've reconcile -- the prior  
18 year adjustments being reported out of  
19 Accounting in the CALSTARS over to the  
20 Controller's office, they're correct; they're  
21 continuously reconciled.

22 MS. KROLL: Correct, yes.

23 MR. PATTON: So there's not an error  
24 on that side.

25 MS. KROLL: That's correct.

1 MR. PATTON: Somehow the fund  
2 condition statement coming out of Budget is  
3 incorrect --

4 MS. KROLL: Yes.

5 MR. PATTON: -- to the tune of a  
6 million -- twenty million dollars or more.

7 MS. KROLL: Yes.

8 MR. PATTON: And it's traceable to  
9 an error in what Budget has for their fund --  
10 for their prior year adjustments.

11 MS. KROLL: Yes.

12 MR. PATTON: How does that happen if  
13 your prior year adjustment numbers are correct  
14 out of Accounting?

15 MS. KROLL: I think the budget -- I  
16 think Becky didn't fully understand these  
17 CALSTARS reports that she could have been  
18 using to figure out the prior year  
19 adjustments.

20 MR. PATTON: So she was  
21 independently arriving at prior year  
22 adjustment numbers?

23 MS. KROLL: Yes, yes.

24 MR. PATTON: Not using your numbers?

25 MS. KROLL: Correct.

1 MR. PATTON: Ah.

2 MS. KROLL: Yes.

3 MR. PATTON: Okay.

4 MS. KROLL: And what I don't  
5 understand is once I figured out what the  
6 formula is, what reports you should look at  
7 and where you should look on those reports,  
8 once I figured it out, they didn't fix it, and  
9 they haven't fixed it for the ten years that  
10 I've been here.

11 MR. PATTON: Okay.

12 MS. KROLL: And every time I brought  
13 it up and asked, at least a dozen times over  
14 the last ten years, I keep getting told the  
15 same thing: it's political; if we tell  
16 finance we have the money, they will cut our  
17 general fund budget.

18 MR. PATTON: All right. Let's then  
19 cover that history of -- because I know -- and  
20 I can sense the frustration in your voice.

21 MS. KROLL: Well, and I want to show  
22 you --

23 MR. PATTON: Yeah.

24 MS. KROLL: -- I did find some more  
25 documentation, and I know we talked about

1 this. Our accounting shop has earned the  
2 Certificate of Excellence in Government  
3 Reporting from the State Controller's Office  
4 every year since before I got here, probably  
5 since 2000, I believe. And as I became the  
6 accounting chief, it became increasingly more  
7 frustrating for me. One of the criteria to  
8 win that award is you have to be within a  
9 hundred -- the governor's fund condition  
10 statement in the governor's budget has to be  
11 within 100,000 dollars of what the financial  
12 statements -- the reported financial  
13 statements, and it wasn't. So I started  
14 having my staff prepare -- this is at the end  
15 of the year after we go and review the  
16 statements. These are all the funds that we  
17 got certificates for, and you'll notice  
18 that --

19 MR. PATTON: Does this come from  
20 DOF?

21 MS. KROLL: This comes from State  
22 Controller's Office.

23 MR. PATTON: Okay. Controller's  
24 office is --

25 MS. KROLL: Yes.

1 MR. PATTON: -- issuing these  
2 orders?

3 MS. KROLL: Yes.

4 MR. PATTON: Okay.

5 MS. KROLL: And so you'll see Fund  
6 392 is not listed on there nor is Fund 362,  
7 which is -- or 263 and 392, Off Highway  
8 Vehicle and SPRF.

9 MR. PATTON: Right, right.

10 MS. KROLL: We've never received  
11 this award.

12 MR. PATTON: Okay.

13 MS. KROLL: And I became  
14 increasingly irritated because we work hard on  
15 this side to do what we're supposed to do, and  
16 it -- they didn't fix this fund condition.

17 MR. PATTON: "They", budget side?

18 MS. KROLL: Budgets and --

19 MR. PATTON: And management?

20 MS. KROLL: And management.

21 MR. PATTON: Got it.

22 MS. KROLL: So every year I'd send  
23 the e-mail out to the staff and including -- I  
24 don't see his name right on here. This is the  
25 staff that prepares statements. That's a good

1 one to show you. But every year I would  
2 report it up the chain to, oh gosh, Manuel  
3 Lopez --

4 MR. PATTON: I know that's what  
5 we're looking for. This is 2011.

6 MS. KROLL: -- Alaya Pascal, Gail  
7 Bowman. And in each of these, I would say --

8 MR. PATTON: Oh, here it is, here.

9 MS. KROLL: Yes, right. Sorry.

10 MR. PATTON: You're forwarding --

11 MS. KROLL: I'm looking at --

12 MR. PATTON: You're forwarding  
13 Lisa's e-mail.

14 MS. KROLL: Yes.

15 MR. PATTON: So you're sending up --

16 MS. KROLL: I'm sending it --

17 MR. PATTON: -- the ladder.

18 MS. KROLL: -- up the chain --

19 MR. PATTON: Yeah.

20 MS. KROLL: -- to say --

21 MR. PATTON: Yeah.

22 MS. KROLL: -- we got -- we're  
23 getting awards for all these funds --

24 MR. PATTON: Got it.

25 MS. KROLL: -- and one of the

1 reasons we did not get an award is because --

2 MR. PATTON: Got it.

3 MS. KROLL: -- the fund balance in  
4 our annual report was not within 100,000 of  
5 the ending fund balance in the governor's fund  
6 condition statement.

7 MR. PATTON: Read that last line.

8 MS. KROLL: "These two reasons are  
9 beyond Accounting's control."

10 MR. PATTON: That's been your  
11 frustration the whole time?

12 MS. KROLL: That has been my  
13 frustration.

14 MR. PATTON: Yeah. You've been  
15 telling them --

16 MS. KROLL: Yeah.

17 MR. PATTON: -- and it doesn't get  
18 fixed.

19 MS. KROLL: I mean, there are  
20 certain things that we can't control --

21 MR. PATTON: Yeah.

22 MS. KROLL: -- which, reason number  
23 one, we try our best, but we can't control it.  
24 We try and get -- our accruals have to be  
25 within ten percent high or low, the actuals,

1 when those bills come in, of what we said we  
2 needed to pay out, and sometimes it doesn't  
3 happen.

4 MR. PATTON: So you've been making  
5 the same statement -- you brought me these  
6 e-mails.

7 MS. KROLL: Yeah.

8 MR. PATTON: You've been making the  
9 statement going back to '07.

10 MS. KROLL: To about '07 when I  
11 became the accounting chief.

12 MR. PATTON: Can I keep these --

13 MS. KROLL: Yes.

14 MR. PATTON: -- these remaining?

15 MS. KROLL: Yes.

16 MR. PATTON: All right.

17 MS. KROLL: I think there's one year  
18 where we did not make the statement, and it  
19 was when I had -- Lisa Ortega took over, and  
20 there was a little lapse. And I just wanted  
21 to make sure that I was telling upper  
22 management --

23 MR. PATTON: Yeah.

24 MS. KROLL: -- this is why we're not  
25 getting the certificates.

1 MR. PATTON: All right. Let's go to  
2 what you just said, which was that over the  
3 years you've told something like twelve  
4 people --

5 MS. KROLL: Well, probably a dozen  
6 times, many of the people --

7 MR. PATTON: A dozen times you've  
8 told some of the same people.

9 MS. KROLL: I asked Becky Brown --

10 MR. PATTON: So let's say -- well,  
11 I'm going to chart out the history. Back in  
12 '01, you reported your findings and the  
13 discrepancy, which is traceable to the prior  
14 year adjustments, to Freda and to Becky.

15 MS. KROLL: Correct.

16 MR. PATTON: Anybody else?

17 MS. KROLL: I think there was a  
18 couple of Becky's staff. There was a more  
19 general meeting, and I believe my boss, Cheryl  
20 Kilzer, was in that meeting. I don't remember  
21 who the budget office staff were.

22 MR. PATTON: But some other people  
23 in Budget staff, you think, probably also --

24 MS. KROLL: Yeah.

25 MR. PATTON: -- were aware.

1 MS. KROLL: Yes.

2 MR. PATTON: Okay.

3 MS. KROLL: Yes.

4 MR. PATTON: But other than Cheryl  
5 Kilzer, you don't know who?

6 MS. KROLL: Up the chain, no. It  
7 should just --

8 MR. PATTON: Down the chain in  
9 Budget?

10 MS. KROLL: No.

11 MR. PATTON: No.

12 MS. KROLL: No, I don't remember who  
13 was there at the time.

14 MR. PATTON: It's just -- okay.

15 MS. KROLL: I just remember it was  
16 in a room full of people, and Freda wanted me  
17 to explain how I arrived at my numbers --

18 MR. PATTON: Okay, okay.

19 MS. KROLL: -- and what reports I  
20 used and why I used the numbers that I used.

21 MR. PATTON: So there was a room  
22 with accounting --

23 MS. KROLL: Yeah --

24 MR. PATTON: -- side and --

25 MS. KROLL: -- so it was like a

1 little --

2 MR. PATTON: -- budget side people,  
3 and you're like --

4 MS. KROLL: Yes.

5 MR. PATTON: -- here, I figured out  
6 where there's --

7 MS. KROLL: It was like a little  
8 training session.

9 MR. PATTON: -- a disconnect here,  
10 and I think I figured it out, prior year  
11 adjustments.

12 MS. KROLL: Correct.

13 MR. PATTON: And -- but when you  
14 said that Becky and Freda -- you spoke with  
15 them both, and both of them confirmed to you  
16 that they'd spoken with people in Exec and it  
17 was political, and nothing was going to be  
18 done?

19 MS. KROLL: Yes. I remember going  
20 back and questioning Freda. It might have  
21 been a year or two years later --

22 MR. PATTON: Yeah.

23 MS. KROLL: -- and saying this is  
24 still --

25 MR. PATTON: Yeah.

1 MS. KROLL: -- off, isn't someone  
2 going to fix this?

3 MR. PATTON: And you also asked that  
4 question of Becky?

5 MS. KROLL: To Becky, yes.

6 MR. PATTON: Anybody else you  
7 directly asked that question to?

8 MS. KROLL: No.

9 MR. PATTON: Then Manny comes in in  
10 '05?

11 MS. KROLL: Right.

12 MR. PATTON: So, so far, the people  
13 above you who you've asked are Becky and  
14 Freda?

15 MS. KROLL: Correct.

16 MR. PATTON: Manny comes in; he sees  
17 it. You ask him also?

18 MS. KROLL: I tell -- he came to ask  
19 me --

20 MR. PATTON: Yeah

21 MS. KROLL: -- what's going on, and  
22 I told him what I knew, and I said, you need  
23 to go talk to Michael Harris, which actually I  
24 believe was in this office at that time.

25 MR. PATTON: Okay, in the --

1 MS. KROLL: I said, you need to talk  
2 to Michael --

3 MR. PATTON: This office, you mean  
4 the head of --

5 MS. KROLL: -- take him up to your  
6 bosses.

7 MR. PATTON: -- admin services?

8 MS. KROLL: There's nothing I can do  
9 about it.

10 MR. PATTON: Okay.

11 MS. KROLL: I keep getting told this  
12 is political.

13 MR. PATTON: Okay.

14 MS. KROLL: We can't report this or  
15 they'll cut our general fund.

16 MR. PATTON: Yeah.

17 MS. KROLL: Which Finance did  
18 anyway, so it didn't make any difference  
19 but --

20 MR. PATTON: Yeah. Now, at the  
21 time, in '0 -- so Manny told you, I've talked  
22 with Harris --

23 MS. KROLL: Yes.

24 MR. PATTON: -- and nothing's going  
25 to happen with this?

1 MS. KROLL: Exactly. He said, I got  
2 the same story that you've heard --

3 MR. PATTON: Yeah.

4 MS. KROLL: -- in the past.

5 MR. PATTON: Now, back in '01 and  
6 '02, when you first started having a dialogue  
7 with Becky and Freda about this, at the time  
8 the Chief Deputy Director and the head of  
9 admin services was a Denzil Verardo?

10 MS. KROLL: Correct.

11 MR. PATTON: Did you ever meet him?

12 MS. KROLL: Probably once.

13 MR. PATTON: So he was heading out  
14 shortly after you came in? I mean, he's there  
15 as of July 2002.

16 MS. KROLL: I honestly don't  
17 remember when Denzil left, but I never saw  
18 Denzil in my position as a Senior Accounting  
19 Officer Specialist. I wouldn't have any --

20 MR. PATTON: Let me ask you --

21 MS. KROLL: -- reason to interact  
22 with him.

23 MR. PATTON: -- the question this  
24 way. Your understanding was that Freda and  
25 Becky, in '02, reported to Tom Domich?

1 MS. KROLL: They did; that's  
2 correct.

3 MR. PATTON: Okay. And from this  
4 Orrick chart, it looks like he reports to  
5 Denzil Verardo.

6 MS. KROLL: That's correct.

7 MR. PATTON: And Denzil reports to  
8 the director who then was Ruth Coleman.

9 MS. KROLL: I think that might have  
10 been Rusty Areias; I don't remember.

11 MR. PATTON: The Orrick charts I  
12 have indicate it was Rusty until '01 at some  
13 point --

14 MS. KROLL: Okay.

15 MR. PATTON: -- and as of September  
16 1, '01, it was Ruth --

17 MS. KROLL: Okay.

18 MR. PATTON: -- as acting director.  
19 So I'm thinking it was Rusty into '01 at some  
20 point.

21 MS. KROLL: Okay.

22 MR. PATTON: But back in -- you  
23 first discovered it in the fall of '01, and  
24 Rusty was the director at the time. And then  
25 there was a Chief Deputy Director, Mary

1 Wright.

2 MS. KROLL: The name sounds familiar  
3 but I --

4 MR. PATTON: I'm sorry. The head of  
5 admin services. The Chief Deputy Director and  
6 the person over admin services was Denzil  
7 Verardo?

8 MS. KROLL: Correct.

9 MR. PATTON: But nobody ever  
10 specifically said, we've discussed it with  
11 Denzil or Rusty?

12 MS. KROLL: No, no.

13 MR. PATTON: Okay. Was it -- and it  
14 wasn't until '02 that Becky and Freda say,  
15 yeah, we -- you discover the error in '01, but  
16 it's not until '02 when we're coming up on  
17 budget time again --

18 MS. KROLL: Right.

19 MR. PATTON: -- that does -- now the  
20 error's still there, and that's when you have  
21 the conversation, what are we doing about  
22 this?

23 MS. KROLL: Right.

24 MR. PATTON: And that's when Becky  
25 and Freda say, we've discussed it with the

1 people upstairs --

2 MS. KROLL: Right.

3 MR. PATTON: -- we're not making a  
4 change?

5 MS. KROLL: Right.

6 MR. PATTON: Okay. Manny tells you  
7 the same thing.

8 MS. KROLL: Right.

9 MR. PATTON: And then who else  
10 besides Manny did you report this to?

11 MS. KROLL: Actually, Cheryl  
12 Taylor --

13 MR. PATTON: Okay.

14 MS. KROLL: -- was the next budget  
15 officer after --

16 MR. PATTON: Okay. Took over when  
17 Manny got --

18 MS. KROLL: Yes.

19 MR. PATTON: -- elevated to Admin  
20 Services Director.

21 MS. KROLL: And she also noticed  
22 that there was a problem.

23 MR. PATTON: Okay.

24 MS. KROLL: And she also came over  
25 to me and said, Dorothy, what are we doing,

1 what is this department doing, this doesn't  
2 match. And I told her the same story, and I  
3 suggested she take it up with her boss and --

4 MR. PATTON: Who would be Manny.

5 MS. KROLL: Who would have been  
6 Manuel at the time.

7 MR. PATTON: Okay. Did you ever  
8 talk with Cheryl more about it?

9 MS. KROLL: I have talked with  
10 Cheryl. Since this whole thing blew up in the  
11 papers, we had spoken.

12 MR. PATTON: Okay. Tell me about  
13 it. What are you --

14 MS. KROLL: She told --

15 MR. PATTON: -- hearing from her?

16 MS. KROLL: She told me that she had  
17 conversations several times during the budget  
18 development process with Michael Harris in the  
19 room, Ruth in the room, Manuel Lopez in the  
20 room, and herself.

21 MR. PATTON: Where the subject of  
22 the discrepancies come up?

23 MS. KROLL: They have come up.

24 MR. PATTON: Okay.

25 MS. KROLL: I don't know to what

1 extent.

2 MR. PATTON: So Cheryl's telling you  
3 more recently in conversations that she --

4 MS. KROLL: Yes.

5 MR. PATTON: -- was in the room  
6 during a number --

7 MS. KROLL: Yes.

8 MR. PATTON: -- of conversations  
9 where everybody was there, Ruth, Michael  
10 Harris, Manny --

11 MS. KROLL: Manuel. I don't know --  
12 those are the names that come to mind. I  
13 don't know if there were more people in the  
14 room or not. At the time --

15 MR. PATTON: This is the first that  
16 you'd ever heard that Ruth was involved in any  
17 of these conversations?

18 MS. KROLL: With Cheryl telling me,  
19 yes.

20 MR. PATTON: Yeah. Nobody else has  
21 ever indicated to you that --

22 MS. KROLL: I've never heard from  
23 anyone else. Her name has never come up.

24 MR. PATTON: And Manny never came  
25 back and said, I've talked with Michael,

1 Michael's talked with Ruth?

2 MS. KROLL: He did tell me several  
3 times over the years, Michael knows about it,  
4 it's political.

5 MR. PATTON: No, I get that.

6 MS. KROLL: Yeah.

7 MR. PATTON: My question was, Manny  
8 never said to you, I've talked with Michael,  
9 Michael knows about it, Michael says he's  
10 talked with Ruth; he never said that?

11 MS. KROLL: No, no.

12 MR. PATTON: Okay. So Cheryl is --  
13 Cheryl told you -- you said that she's been in  
14 the room, several conversations with Ruth,  
15 Michael, Manny. Anybody else? Any other of  
16 the division deputy directors?

17 MS. KROLL: Actually, she  
18 mentioned -- I think it was -- his name is  
19 Brenden Murray or Brenden Murphy. He is not  
20 part of our department. I don't know if he  
21 worked for -- I want to say it was our LAO  
22 analyst, but I don't know. I never met him.  
23 But I believe Cheryl said that he was in the  
24 room.

25 MR. PATTON: When --

1 MS. KROLL: When they talked  
2 about -- there was talk without revenues,  
3 possibly increasing revenues, but I was not  
4 there. Cheryl would be able to tell you  
5 exactly --

6 MR. PATTON: Did Cheryl indicate to  
7 you specifically that the topic of the fund  
8 discrepancies was discussed?

9 MS. KROLL: She said they all knew.

10 MR. PATTON: Okay.

11 MS. KROLL: But that's only after  
12 this whole thing blew up in the papers.

13 MR. PATTON: Yeah, I get you.

14 MS. KROLL: Yeah. At the time that  
15 Cheryl was the budget officer, she and I had  
16 several discussions about this discrepancy and  
17 how it could help. We knew that our folks in  
18 the field were trying to operate the parks on  
19 less than a shoestring budget, and this could  
20 really help. And the thought was always,  
21 they're going to cut our general fund, we  
22 can't do anything about it.

23 MR. PATTON: So you talked to Cheryl  
24 about this over the years when you worked  
25 together --

1 MS. KROLL: Yes.

2 MR. PATTON: -- a number of times?

3 MS. KROLL: Yes, yes.

4 MR. PATTON: What was -- and you  
5 sort of indicated to me you were frustrated  
6 with this ongoing failure to report this --

7 MS. KROLL: Yes.

8 MR. PATTON: -- and inability to  
9 use --

10 MS. KROLL: Yes.

11 MR. PATTON: -- what hasn't been  
12 reported.

13 MS. KROLL: Yes.

14 MR. PATTON: And did you -- did  
15 Cheryl say -- share that same kind of  
16 frustration or --

17 MS. KROLL: I think she was  
18 frustrated --

19 MR. PATTON: Yeah.

20 MS. KROLL: -- yeah.

21 MR. PATTON: Let's go to the -- talk  
22 about these memos for a second. Last time,  
23 when we first met, you gave me copies of memos  
24 that had come out of, you told me, the  
25 Department of Finance, Yvonne Stewart, in June

1 5 of '03 and also in April, April 8 of '02,  
2 talking about fund balance differences, and my  
3 reading of these indicates to me that the  
4 memos, that you explain it to me, they're  
5 addressed to budget operations at  
6 www.dof.ca.gov. This would come to you?

7 MS. KROLL: No. This -- I believe  
8 this is a list that Department of Finance  
9 keeps so that any special notifications to --

10 MR. PATTON: All right. So this is  
11 a --

12 MS. KROLL: -- department budget  
13 officers --

14 MR. PATTON: -- group address  
15 list --

16 MS. KROLL: I believe so.

17 MR. PATTON: -- of budget officers.

18 MS. KROLL: Of budget officers.

19 MR. PATTON: So -- and Cheryl Kaiser  
20 is the name who's forwarding this to you,  
21 right?

22 MS. KROLL: Yes.

23 MR. PATTON: And what was Cheryl's  
24 position?

25 MS. KROLL: She was my supervisor.

1 MR. PATTON: Back in '02 --  
2 MS. KROLL: Yes.  
3 MR. PATTON: -- '03?  
4 MS. KROLL: Yes.  
5 MR. PATTON: Okay. So she's not the  
6 accounting chief --  
7 MS. KROLL: No.  
8 MR. PATTON: -- but she's above you  
9 in Accounting?  
10 MS. KROLL: No. And when I was --  
11 MR. PATTON: In Accounting, she was  
12 in Accounting?  
13 MS. KROLL: Correct.  
14 MR. PATTON: Okay.  
15 MS. KROLL: And when I was given the  
16 assignment to look at fund conditions, the  
17 only document that I was given from the budget  
18 shop was this memo so that I would understand  
19 what I was trying to reconcile to, and that's  
20 all they gave me. I had to do all the other  
21 research on my own.  
22 MR. PATTON: So I see in these memos  
23 from Finance in '02 and '03 that the SPRF and  
24 the Off Highway Fund -- well, don't let me  
25 misspeak. This one is the '03 report. Which

1 is the earlier of the 2002?

2 MR. MATTSON: '02.

3 MS. KROLL: I think this one.

4 MR. PATTON: This one? In a report  
5 with the cover mail from Finance April 8, '02,  
6 we have a Off Highway Vehicle fund and the  
7 SPRF fund listed among many funds in different  
8 agencies where there are discrepancies, right?

9 MS. KROLL: Correct.

10 MR. PATTON: And for Off Highway  
11 Vehicle, we see an underreport of what,  
12 eleven-and-a-half million?

13 MS. KROLL: Yes.

14 MR. PATTON: And for SPRF, 22.765  
15 million, right?

16 MS. KROLL: Yes.

17 MR. PATTON: And then I only see  
18 SPRF listed -- this number 3790 is a Parks and  
19 Rec account number apparently.

20 MS. KROLL: Correct.

21 MR. PATTON: And this is a budget  
22 account number within --

23 MS. KROLL: Correct.

24 MR. PATTON: -- Parks, which is --  
25 what's that number? 0392?

1 MS. KROLL: 0392.

2 MR. PATTON: That's SPRF. And I  
3 don't see Off Vehicle -- Off Highway Vehicle  
4 listed on this '03 report.

5 MS. KROLL: Correct.

6 MR. PATTON: It would be in this  
7 section if it were going to be reported,  
8 right?

9 MS. KROLL: Yes.

10 MR. PATTON: Okay. Under 3790. So  
11 now I only see SPRF with an underreport of  
12 26,825 --

13 MS. KROLL: Correct.

14 MR. PATTON: -- which matches up  
15 with the other numbers we saw for that year.

16 MS. KROLL: Correct.

17 MR. PATTON: Now, this was telling  
18 us that -- from Finance that -- it's telling  
19 all budget officers recent -- that state  
20 Controller's review revealed many differences  
21 between corresponding prior year fund balances  
22 in the SCO's annual report and the governor's  
23 budget. So they recognize there's  
24 discrepancies --

25 MS. KROLL: Yes.

1 MR. PATTON: -- among many agencies.  
2 MS. KROLL: Yes.  
3 MR. PATTON: And basically, this  
4 memo says "fix it", right?  
5 MS. KROLL: Correct.  
6 MR. PATTON: And to your knowledge,  
7 certainly the SPRF fund never got fixed.  
8 MS. KROLL: Correct.  
9 MR. PATTON: Then you indicated to  
10 me, these are the only two years you ever saw  
11 this.  
12 MS. KROLL: Correct.  
13 MR. PATTON: And it's the same cover  
14 message; the e-mail from Finance is identical  
15 message from two and three.  
16 MS. KROLL: Correct.  
17 MR. PATTON: Here are some  
18 differences between the Controller and DOF  
19 reports, fix them --  
20 MS. KROLL: Correct.  
21 MR. PATTON: -- or explain what's  
22 going on, right?  
23 MS. KROLL: Correct.  
24 MR. PATTON: And then what's your  
25 understanding -- and you save these two.

1 MS. KROLL: Right.

2 MR. PATTON: These were the only two  
3 years you ever saw this?

4 MS. KROLL: That is correct. I --  
5 the reason --

6 MR. PATTON: What's your  
7 understanding as to why you didn't keep seeing  
8 this in ensuing years?

9 MS. KROLL: These went straight to  
10 the budget office, and I don't know when --  
11 well, this looks like they're sent in April of  
12 every year.

13 MR. PATTON: This one happened to be  
14 June.

15 MS. KROLL: That one's a little  
16 late.

17 MR. PATTON: Yeah.

18 MS. KROLL: But after I had figured  
19 out the formula and I -- the only portion that  
20 I had was just give them that every year, and  
21 it's up to Budgets to report what they should  
22 be reporting. So that's what I did. I never  
23 saw another one of these. I don't know if  
24 this continues today.

25 MR. PATTON: Okay. You don't know.

1 You -- those are the --

2 MS. KROLL: I don't know.

3 MR. PATTON: -- only ones you ever  
4 saw?

5 MS. KROLL: That's correct.

6 MR. PATTON: Okay. Very good. Now,  
7 in the most recent couple of years, you told  
8 us you talked about this disparity with Freda,  
9 with Becky, with Manny, Cheryl Taylor. Who  
10 else?

11 MS. KROLL: Marilyn Evans Jones.

12 MR. PATTON: And what was -- who --  
13 what was her position?

14 MS. KROLL: She was a manager in the  
15 budget shop. She worked for Cheryl Taylor.

16 MR. PATTON: Okay.

17 MS. KROLL: And she specifically --  
18 after Cheryl left the department, Marilyn was  
19 assigned by Elsie Brenneman to look at this  
20 OHV difference --

21 MR. PATTON: Okay.

22 MS. KROLL: -- and this thirty  
23 million dollars.

24 MR. PATTON: Okay

25 MS. KROLL: She wanted to know what

1 happened, why was --

2 MR. PATTON: Marilyn Evans Jones  
3 still working here in Budget?

4 MS. KROLL: No. She works for  
5 Department of Developmental Services --

6 MR. PATTON: Okay.

7 MS. KROLL: -- in their budget shop.

8 MR. PATTON: So your new budget  
9 officer, Elsie Brenneman, asked Marilyn Evans  
10 to look at this?

11 MS. KROLL: Just the OHVs.

12 MR. PATTON: Oh, just the OHV?

13 MS. KROLL: Yes. And she  
14 specifically asked about this year where the  
15 thirty million was reported backwards.

16 MR. PATTON: That's just for year  
17 ending June 30, 2010?

18 MS. KROLL: Yes, yes.

19 MR. PATTON: The wrong is with the  
20 plus instead of a negative?

21 MS. KROLL: Correct.

22 MR. PATTON: So she asked Marilyn  
23 Evans Jones. So Marilyn Evans hasn't done any  
24 specific work, to your knowledge, about SPRF  
25 disparity?

1 MS. KROLL: Not to my knowledge.

2 MR. PATTON: She worked on the OHV a  
3 little bit?

4 MS. KROLL: Correct.

5 MR. PATTON: But you had -- had you  
6 had occasion to talk with Marilyn Evans Jones  
7 about the SPRF disparity?

8 MS. KROLL: No.

9 MR. PATTON: No. Okay.

10 MS. KROLL: I -- well --

11 MR. PATTON: Go ahead.

12 MS. KROLL: Let me correct that.

13 MR. PATTON: Okay.

14 MS. KROLL: I do know that she was  
15 aware of it.

16 MR. PATTON: Okay.

17 MS. KROLL: But to my knowledge, she  
18 was never asked to go into the details of it.

19 MR. PATTON: Who else do you know  
20 that -- was aware of it?

21 MS. KROLL: Elsie Brenneman, the  
22 current budget officer. She did the same  
23 thing Cheryl had and Manuel had. As soon as  
24 the first year closed that she was the budget  
25 officer, she came over and said, what the

1 heck's going on with the fund condition  
2 statements, and I told her the same story.

3 MR. PATTON: You know that Elsie  
4 spoke with Manny about it?

5 MS. KROLL: Yes.

6 MR. PATTON: Elsie told you?

7 MS. KROLL: Yes.

8 MR. PATTON: Okay. Okay. Who else?  
9 Do you know whether any of the other division  
10 deputy directors were ever aware? And we have  
11 a parks operation deputy director, I think  
12 that's a Tony Lopez.

13 MS. KROLL: I -- just in the past  
14 year, I believe Tony Perez was made aware of  
15 it.

16 MR. PATTON: Yeah.

17 MS. KROLL: And I believe Brian  
18 Cahill is aware of it.

19 MR. PATTON: Just within the last  
20 year?

21 MS. KROLL: How -- yes.

22 MR. PATTON: And Cahill's head of  
23 what?

24 MS. KROLL: Brian Cahill is the  
25 Assistant Deputy Director of park operations.

1 MR. PATTON: Okay. Back in '03,  
2 there was a -- for a little bit of time, there  
3 was someone named Ron Bean (sic) was the  
4 Deputy Director over admin services that Becky  
5 and Freda were reporting to?

6 MS. KROLL: Yeah. I believe he was  
7 an interim person. I don't really remember.  
8 I remember the name, Ron Brean.

9 MR. PATTON: He wasn't here that  
10 long?

11 MS. KROLL: I don't believe he was  
12 here that long.

13 MR. PATTON: Do you have any  
14 knowledge of whether he was ever informed of  
15 this?

16 MS. KROLL: I do not.

17 MR. PATTON: And you have no  
18 knowledge -- so it's like Tom Domich who was,  
19 early on in your career, at the top; you have  
20 no knowledge of whether he was ever made aware  
21 of it?

22 MS. KROLL: No.

23 MR. PATTON: How about -- we've got  
24 a Deputy Director of Communications, a Roy  
25 Stearns.

1 MS. KROLL: No, I don't believe he  
2 was ever --

3 MR. PATTON: You don't know.

4 MS. KROLL: I don't know.

5 MR. PATTON: You just don't know.

6 MS. KROLL: I don't know.

7 MR. PATTON: And Sedrick Mitchell,  
8 head of External Affairs?

9 MS. KROLL: No, I don't know.

10 MR. PATTON: None -- so every deputy  
11 director I might list off, you're going to  
12 give me the same answer? Daphne Green was  
13 head of OHV for a while.

14 MS. KROLL: No, I don't know.

15 MR. PATTON: Okay. So nobody ever  
16 told you about any of these other -- other  
17 than what Cheryl told you more recently about  
18 meetings where various people were in the room  
19 and this was discussed --

20 MS. KROLL: Right.

21 MR. PATTON: -- this discrepancy was  
22 discussed.

23 MS. KROLL: Right.

24 MR. PATTON: Okay. When did you --  
25 so the current head of admin services is

1 Aaron, and when did you inform Aaron of this?

2 MS. KROLL: Aaron came on board  
3 here, I believe, the 3rd of January 2012, and  
4 I believe I had my first one-on-one  
5 introduction, get-to-know-you meeting either  
6 later that same week or early the next week,  
7 and I verbally said that there were some  
8 things that I felt he needed to look into  
9 and -- but I realized that he needed time to  
10 get adjusted to the new department, who's who,  
11 that kind of thing. A couple of weeks later,  
12 he approached me, and he said, I understand  
13 from Kirk Sturm that you have a list of  
14 questions that you gave to Kirk Sturm.

15 MR. PATTON: Who's Kirk Sturm?

16 MS. KROLL: Kirk Sturm was an  
17 interim after --

18 MR. PATTON: Oh, okay.

19 MS. KROLL: -- Manuel was moved.

20 MR. PATTON: Okay. Yeah, yeah.  
21 Interim head of admin.

22 MS. KROLL: He was here for about  
23 two months.

24 MR. PATTON: Okay.

25 MS. KROLL: He said, I understand

1 you gave Kirk a list of questions that you  
2 felt needed to be looked at, and he said, can  
3 you forward me those questions. So I did.  
4 This is where -- and you'll see where I sent  
5 them to Kirk Sturm on November 20th, 2011, and  
6 then I forward the whole e-mail with the  
7 attached questions to Aaron at the end of  
8 January.

9 MR. PATTON: And this undated  
10 document with twenty-three numbered questions  
11 are the attached questions that you sent to  
12 Kirk in November --

13 MS. KROLL: Correct.

14 MR. PATTON: -- of 2011?

15 MS. KROLL: Correct.

16 MR. PATTON: Okay. And --

17 MS. KROLL: And in those questions,  
18 one of them is about the fund condition  
19 statements.

20 MR. PATTON: Can you show me which  
21 one it is?

22 MS. KROLL: Number 17, 18, and 19.

23 MR. PATTON: Okay.

24 MS. KROLL: Oh, 20. Kirk Sturm is  
25 not an accounting or budgetary-type person.

1 He was the -- from the law enforcement side.  
2 He was a lifeguard for a long time and  
3 eventually was a superintendant at Hearst  
4 Castle.

5 MR. PATTON: So question 19: "Why  
6 do we, for the SPRF fund, submit a different  
7 amount than what the financial statements  
8 indicate? Approximately twenty-million-dollar  
9 difference that Manuel knew about but I don't  
10 think Dave knows about." That would be Dave  
11 Saxby?

12 MS. KROLL: That's correct.

13 MR. PATTON: Why do you think David  
14 didn't know about it?

15 MS. KROLL: I think Manuel was  
16 trying to keep it hidden from Dave because --  
17 well, I don't want to make conjectures --

18 MR. PATTON: Well --

19 MS. KROLL: -- about -- I don't -- I  
20 was at one meeting with Manuel, and I believe  
21 it was this one, and I don't have any meeting  
22 notes, but I just have the fact that we did  
23 meet in February of 2011. And Dave was at the  
24 meeting, and we were discussing, I believe,  
25 park closures and the hit to our budget. And

1 I brought up at that meeting we shouldn't be  
2 closing parks, we have this money.

3 MR. PATTON: You say Dave was at  
4 that meeting?

5 MS. KROLL: Dave was at the meeting,  
6 but Manuel kicked me under the -- literally  
7 kicked me under the table. And Dave is one of  
8 those people that works with their  
9 Blackberries, so he wasn't really paying  
10 attention. And when I started to say, we have  
11 this money, we should be using it to keep  
12 parks open, Manuel literally kicked me under  
13 the table. And I was surprised, and I looked  
14 at him, and he was like this --

15 MR. PATTON: With his finger on his  
16 lips?

17 MS. KROLL: -- with his finger over  
18 his lips like "shh."

19 MR. PATTON: Okay. So that's what  
20 leads you to believe Dave doesn't know?

21 MS. KROLL: Yes.

22 MR. PATTON: Go ahead.

23 MS. KROLL: But Dave did know later  
24 after this time.

25 MR. PATTON: After February 2011?

1 MS. KROLL: Yes.

2 MR. PATTON: When did he know?

3 MS. KROLL: I don't really remember.  
4 I just remember that I was increasingly  
5 frustrated with the fact that we're closing  
6 parks. We already took a twenty-two-million-  
7 dollar hit to our budget in the general fund  
8 side, so the thought of don't tell them we  
9 have this money because they're going to cut  
10 our general fund, they already had. So  
11 there's no point. Bring it forward and let's  
12 try and save our parks. I was increasingly  
13 frustrated that they -- no one would listen.  
14 And I made sure in various meetings after that  
15 that people in the room knew that our fund  
16 condition was really better than they were  
17 reporting.

18 MR. PATTON: This meeting in  
19 particular you're talking about that you've  
20 got a notation of based on an e-mail that's  
21 from you to Lynn Black dated Monday, February  
22 28, 2011, and the subject is "accepted fund  
23 condition statement discussion (Manuel,  
24 Dorothy/Lisa)."

25 MS. KROLL: Yes.

1 MR. PATTON: Was this a meeting?  
2 MS. KROLL: That was a meeting.  
3 MR. PATTON: Okay.  
4 MS. KROLL: Yes.  
5 MR. PATTON: And so who was at this  
6 meeting?

7 MS. KROLL: I believe --

8 MR. PATTON: Manuel, Lisa, yourself?

9 MS. KROLL: I believe Manuel, Lisa,  
10 myself, and Dave Saxby.

11 MR. PATTON: Okay.

12 MS. KROLL: And it was very brief.

13 I don't think the meeting lasted more than ten  
14 minutes. It wasn't a big lengthy discussion.  
15 It was -- I believe we were talking about the  
16 eleven-million-dollar cut. There was two  
17 years where each year we took an  
18 eleven-million-dollar cut, and both Lisa and I  
19 wanted to bring to light we have this money,  
20 we should be keeping these parks open.

21 MR. PATTON: Okay. So when that  
22 came up, that's when Manny kicked you and  
23 said --

24 MS. KROLL: Yes.

25 MR. PATTON: Yeah, okay -- told you

1 to be quiet?

2 MS. KROLL: Yes.

3 MR. PATTON: When you sent this  
4 e-mail November 20, 2011, from you to Kirk --  
5 what was his name again?

6 MS. KROLL: Kirk Sturm.

7 MR. PATTON: Kirk Sturm -- who was  
8 the interim?

9 MS. KROLL: Correct.

10 MR. PATTON: And you've got this  
11 reflected because it comes from an e-mail  
12 account David Kroll --

13 MS. KROLL: That's my home e-mail.

14 MR. PATTON: Okay.

15 MS. KROLL: Yes.

16 MR. PATTON: -- to Kirk at the Sturm  
17 group.

18 MS. KROLL: When I first met with  
19 Kirk one-on-one in that I'm your new interim  
20 and is there anything I need to know about, I  
21 mentioned a few things to him, and Mr. Saxby  
22 was in the room at the time, and he said, Kirk  
23 said I know from talking to folks in the field  
24 that there's questions I should be asking, but  
25 I don't know what those questions are, so can

1 you help me out with that?

2 MR. PATTON: Okay.

3 MS. KROLL: And he said, if you're  
4 uncomfortable doing it from your state  
5 computer, because Mr. Saxby was in the room,  
6 I'll send you my home address -- my -- you can  
7 send it to my home e-mail address so it will  
8 stay -- remain totally confidential.

9 MR. PATTON: Okay.

10 MS. KROLL: So that's why this is  
11 the list of questions. And I tried to put it  
12 in language that -- so that he could ask the  
13 question and ask to see a particular report,  
14 ask to see --

15 MR. PATTON: Did you ever have a  
16 follow-up discussion with Kirk?

17 MS. KROLL: No.

18 MR. PATTON: So you -- he never --  
19 you never then discussed -- you've obviously  
20 disclosed to him that there's a  
21 twenty-million-dollar difference in the  
22 financial reports, and you're asking why are  
23 we hiding this, isn't it time to come clean  
24 with DOF and save our parks.

25 MS. KROLL: Yes. These are the --

1 MR. PATTON: Why can't we do this?

2 MS. KROLL: Yes. These are the  
3 questions that I wanted him --

4 MR. PATTON: Yeah.

5 MS. KROLL: -- to be asking of the  
6 staff --

7 MR. PATTON: So you --

8 MS. KROLL: -- of exec staff.

9 MR. PATTON: So you sent this to him  
10 in November of 2011 --

11 MS. KROLL: Yes.

12 MR. PATTON: -- but you and he never  
13 had a discussion?

14 MS. KROLL: No, no.

15 MR. PATTON: December came, the  
16 holidays came; the next thing you know here's  
17 Aaron.

18 MS. KROLL: Correct.

19 MR. PATTON: Okay. You say -- you  
20 indicated -- you mentioned this meeting in  
21 February 2011 with Manny, Lisa, yourself, Dave  
22 Saxby. You start to bring it up. You say  
23 Lisa wanted to know also why we're not using  
24 these monies. Manny puts the squelch on that  
25 discussion. Had there been other meetings

1 where -- you indicated there were other  
2 meetings where this had been discussed.

3 MS. KROLL: In one of the automated  
4 pay machine meetings about how we do the  
5 credit card processing for those machines and  
6 the amount of revenue that was coming in from  
7 those machines in that meeting, Elsie  
8 Brenneman was trying to explain to Mary  
9 Velliquette and Brian Cahill the budget that  
10 we have and saying that we always spend more  
11 than we bring in in revenues. And I got very  
12 upset because that's not a true statement. If  
13 that were a true statement, we wouldn't have  
14 the balance sitting in the fund balance.

15 So I made sure in that meeting to  
16 say, if we were reporting the fund conditions  
17 correctly to Finance, that statement would not  
18 be true. And the discussion went on, and I  
19 believe Aaron stopped the discussion because  
20 he knew I was upset with what --

21 MR. PATTON: This was when?

22 MS. KROLL: I would have to go back  
23 and look through my notes on that. I would  
24 guess maybe February or -- yeah, February or  
25 March.

1 MR. PATTON: Okay.

2 MS. KROLL: But I can go back and  
3 look through my notes on that.

4 So I know in that meeting I brought  
5 it up. I brought it up in a meeting in --  
6 last fall when we first were discussing the  
7 National Parks Service, and they came forward  
8 right away and wanted to run Del Norte  
9 Redwoods Park for us. And in the discussions  
10 on how we would make that work, Michael Harris  
11 was in the room, Tony Perez was in the room,  
12 Manuel was in the room, Saxby was in the room,  
13 and myself and Elsie Brenneman.

14 And in the course of that  
15 discussion, I also brought it up again because  
16 NPS would help us run the work, but they  
17 couldn't cover the full cost. So we still, in  
18 our budget -- even though that was a park on  
19 the closure list, we still, in our budget, had  
20 to find -- and I don't remember the amount --  
21 half a million dollars to still keep that park  
22 open. And again, I said, if we told finance  
23 what our fund condition really is, we could  
24 maybe get the authority --

25 MR. PATTON: So this was in 2011?

1 MS. KROLL: This was in the fall,  
2 last fall.

3 MR. PATTON: 2011.

4 MS. KROLL: A year ago, September --

5 MR. PATTON: And you said Tony Perez  
6 and Dave Saxby were there --

7 MS. KROLL: Yes.

8 MR. PATTON: -- among others?

9 MS. KROLL: Yes.

10 MR. PATTON: So it's not like you've  
11 not made the statement.

12 MS. KROLL: Yeah. I'm frustrated.

13 MR. PATTON: Yeah.

14 MS. KROLL: I wanted this money to  
15 go to keep our parks open.

16 MR. PATTON: Okay.

17 MS. KROLL: And what we're left with  
18 is all of these partnership agreements that  
19 are a mess. And the flow of the money is --  
20 some of them are donations. Some of them are  
21 concession agreements. Some of them are  
22 partnerships where they're going to partner  
23 and pay half the cost, but we're going to  
24 still have to keep two or three staff there.  
25 So we still have costs. So each agreement is

1 different, and it's frustrating for me knowing  
2 that my staff is going to have to track it,  
3 record it appropriately, and report it  
4 appropriately. And so, yes, I'm a very  
5 frustrated individual.

6 MR. PATTON: Yeah, yeah. You  
7 touched -- just a second ago, you mentioned  
8 revenues from automated pay machines, park pay  
9 machines, and this was something you mentioned  
10 when you spoke previously with an investigator  
11 talking with you about the vacation buyout.

12 MS. KROLL: Yes.

13 MR. PATTON: And in that --

14 MS. KROLL: That investigator asked  
15 me a final question, which was something to  
16 the effect of other than the vacation leave  
17 buyouts, are there any other illegal, immoral  
18 or unethical things going on within Parks or  
19 the Admin Division? It was something to that  
20 effect.

21 MR. PATTON: Right.

22 MS. KROLL: And I did bring up a few  
23 things, the automated pay machines being one  
24 of them.

25 MR. PATTON: You told the

1 investigator that -- and I just recently read  
2 it, and I'm trying to put my hands on it, but  
3 that's not that important. You told the  
4 investigator that Manny was putting about  
5 twenty percent of the automated park pay  
6 machine monies in a reimbursement account and  
7 claiming -- and you had asked him and he  
8 claimed he had DOF approval.

9 MS. KROLL: Correct.

10 MR. PATTON: And you indicated that  
11 some 600 -- over 600,000 dollars ended up  
12 going into a reimbursement account.

13 MS. KROLL: Correct. That was the  
14 balance at the end of June, a year ago this  
15 past June.

16 MR. PATTON: And also some pay  
17 shower monies --

18 MS. KROLL: Correct.

19 MR. PATTON: -- same --

20 MS. KROLL: Correct.

21 MR. PATTON: -- reimbursement  
22 account?

23 MS. KROLL: Each one has their own  
24 individual --

25 MR. PATTON: Okay.

1 MS. KROLL: -- PCA, which is an  
2 accounting code for it.

3 MR. PATTON: Yeah. So that's not  
4 proper procedure, I understand from your  
5 testimony.

6 MS. KROLL: Correct.

7 MR. PATTON: To your knowledge, what  
8 became of the 600,000 dollars? It goes into a  
9 reimbursement -- huh?

10 MS. KROLL: It's still there.

11 MR. PATTON: Oh, it is still there?

12 MS. KROLL: Yes.

13 MR. PATTON: It's not been spent?

14 MS. KROLL: No.

15 MR. PATTON: So the money that was  
16 not properly credited to that account should  
17 have been posted back to what?

18 MS. KROLL: Revenues.

19 MR. PATTON: Yeah. And it's still  
20 there?

21 MS. KROLL: Any money coming in from  
22 a fee is a revenue.

23 MR. PATTON: Okay.

24 MS. KROLL: And they started out as  
25 a two-year pilot is what I was told when we

1 first purchased the first set of machines.

2 MR. PATTON: Right.

3 MS. KROLL: And this two-year pilot  
4 we were supposed to report back to Finance on  
5 whether having these machines -- I believe we  
6 got thirty-five, maybe forty machines in  
7 various park units. We were supposed to  
8 report back to Finance did having these  
9 machines in the park increase our revenue,  
10 were more people paying. I don't know if a  
11 report ever went out. They, the program staff  
12 and Manuel, agreed that the department would  
13 take twenty percent of those fee revenues that  
14 were coming in from those machines and put  
15 them in a reimbursement --

16 MR. PATTON: Manuel and who agreed?

17 MS. KROLL: The program people.

18 MR. PATTON: Who's that?

19 MS. KROLL: Mary Velliquette.

20 MR. PATTON: Program people from  
21 where?

22 MS. KROLL: Visitor Services on the  
23 fourteenth floor.

24 MR. PATTON: Okay.

25 MS. KROLL: They agreed that they

1 needed to keep twenty percent of these fee  
2 revenues and deposit it as reimbursement so  
3 that we could have the funds to maintain the  
4 machines during this two-year pilot.

5 MR. PATTON: Okay.

6 MS. KROLL: I tried to get -- in my  
7 view, we were skimming revenue, calling it a  
8 reimbursement.

9 MR. PATTON: Yep.

10 MS. KROLL: Manuel swore up and down  
11 he had Finance approval. I kept asking him  
12 for where is the document that shows me we  
13 have approval to do this, and I couldn't get  
14 it, couldn't get it, couldn't get it. I was  
15 told to drop it, leave it alone. And I pushed  
16 and tried to get him to say something, give me  
17 an e-mail, something that shows me we have  
18 approval. So I finally got an e-mail from him  
19 saying I have DOF approval for this two-year  
20 pilot.

21 Well, at the end of June last year,  
22 I asked Lisa Ortega to tell me how much money  
23 is sitting there because we knew Lisa had been  
24 reporting to me periodically every -- I don't  
25 know, about every six months she'd say, we

1 still have all this money sitting there in  
2 advance collections for reimbursements and  
3 Mary is not spending it. So I said last June,  
4 how much is in there, and when she told me it  
5 was 600,000 dollars, I was like, holy crap,  
6 there's another half a million dollars' worth  
7 of revenue the department could have earned as  
8 revenue and they haven't spent it. So I went  
9 to Manuel and to Dave Saxby, and I said this  
10 two-year pilot is now -- I think was six years  
11 old. I said this has to stop.

12 MR. PATTON: And.

13 MS. KROLL: The pilot should have  
14 been over four years ago.

15 MR. PATTON: And what happened? Did  
16 it stop?

17 MS. KROLL: He called a meeting with  
18 Mary Velliquette and Brian Cahill, and they  
19 have stopped putting any more money in there,  
20 so all of the APM revenue is now going into  
21 revenue, but they had decided to allow Visitor  
22 Services to spend the money that was in there,  
23 the 600,000.

24 MR. PATTON: So it's still sitting  
25 there? Have they spent it, do you know, or

1 any part of it?

2 MS. KROLL: I can pull a report  
3 pretty quickly.

4 MR. PATTON: Did you talk to Aaron?

5 MS. KROLL: I believe she had about  
6 a 300,000 dollar encumbrance against those  
7 funds, but I don't think the rest of the money  
8 was spent.

9 MR. PATTON: Did you tell Aaron  
10 about it?

11 MS. KROLL: I brought this up to  
12 Aaron -- I don't remember when. It wasn't --  
13 it was I'd say probably late March, maybe  
14 early April.

15 MR. PATTON: Of this year?

16 MS. KROLL: Of this year, yeah.

17 MR. PATTON: So you don't know  
18 what's happened?

19 MS. KROLL: I don't think anything  
20 has happened. Aaron immediately asked for a  
21 detailed report and started a project for us,  
22 the department, to take a look at our  
23 reimbursements, the pay showers included, and  
24 Accounting and Budgets was to work together.  
25 We gave him some reports. We have -- it's one

1 of our clean-up projects.

2 MR. PATTON: So it --

3 MS. KROLL: That's ongoing.

4 MR. PATTON: It hasn't really been  
5 resolved --

6 MS. KROLL: No.

7 MR. PATTON: -- is what you're  
8 telling me.

9 MS. KROLL: It's not been resolved.

10 MR. PATTON: Okay.

11 MS. KROLL: And especially in the  
12 last six weeks since all of this broke --

13 MR. PATTON: Yeah.

14 MS. KROLL: -- it's still on Aaron's  
15 list of things --

16 MR. PATTON: Okay.

17 MS. KROLL: -- for us to work on.

18 MR. PATTON: Okay.

19 MS. KROLL: But it has not been  
20 resolved.

21 MR. PATTON: Mary's name in Visitor  
22 Services?

23 MS. KROLL: Velliquette,  
24 V-E-L-L-I-Q-U-E-T-T-E.

25 MR. PATTON: Q-U-I --

1 MS. KROLL: Q-U-E-T-T-E.

2 MR. PATTON: She's a head of --  
3 chief of Visitor Services? She a Deputy  
4 Director?

5 MS. KROLL: No. She's the manager  
6 of Visitor Services.

7 MR. PATTON: Manager, Visitor  
8 Services.

9 MS. KROLL: Yes.

10 MR. PATTON: In this 600,000  
11 dollars, does that also include the pay shower  
12 monies?

13 MS. KROLL: That's a separate --

14 MR. PATTON: Do you know how much is  
15 in there?

16 MS. KROLL: I don't off the top of  
17 my head.

18 MR. PATTON: Okay.

19 MS. KROLL: But it was a similar  
20 situation where instead of taking the pay  
21 shower money -- you go take your shower in the  
22 park and you drop your quarters in, and taking  
23 that money out, it should be revenue.

24 MR. PATTON: Yeah.

25 MS. KROLL: It's also a fee.

1 MR. PATTON: Yeah, yeah.

2 MS. KROLL: It's a fee to use to  
3 water to take your shower.

4 MR. PATTON: Right.

5 MS. KROLL: And he started this  
6 pilot also probably six years ago, and there's  
7 about twelve different accounts for different  
8 park units, one for each park unit, that this  
9 pilot was going on, and the money that --  
10 instead of depositing it as revenue, it's  
11 deposited as a reimbursement with the idea  
12 that we can then use that cash to maintain the  
13 showers.

14 MR. PATTON: Okay.

15 MS. KROLL: And I know some money is  
16 spent against those funds but --

17 MR. PATTON: Okay.

18 MS. KROLL: -- not nearly -- but  
19 it's just wrong.

20 MR. PATTON: It's not the way to do  
21 it.

22 MS. KROLL: No.

23 MR. PATTON: Report it as revenue  
24 and where --

25 MS. KROLL: No.

1 MR. PATTON: -- do you get your  
2 money to do the maintenance?

3 MS. KROLL: We then ask for  
4 increased expenditure authority through the  
5 budgetary process.

6 MR. PATTON: Okay. You also talked  
7 with Ms. Murphy about -- obviously at length  
8 about the vacation buyout. I don't want to go  
9 into that in any detail, but I did want to ask  
10 you a couple of follow-up questions. You had  
11 mentioned that you were aware that in  
12 '07 -- fiscal year '07-'08 OHV had done a  
13 leave buyout.

14 MS. KROLL: Yes.

15 MR. PATTON: And Manny was in  
16 charge -- he was the budget administrator at  
17 that point? Director of Admin Services?

18 MS. KROLL: Director of Admin  
19 Services.

20 MR. PATTON: Because he came in, you  
21 said, as budget officer in '05 when he got  
22 promoted to director --

23 MS. KROLL: In '07.

24 MR. PATTON: -- '07. Did you have  
25 any knowledge at the time about the OHV leave

1 buyout?

2 MS. KROLL: No.

3 MR. PATTON: Okay. You learned  
4 about it later?

5 MS. KROLL: I learned about it  
6 later.

7 MR. PATTON: When did you learn  
8 about it?

9 MS. KROLL: I would say after I  
10 started hearing rumors from the field that  
11 they were very upset that the admin staff were  
12 allowed a buyout.

13 MR. PATTON: In 2011?

14 MS. KROLL: Yes, yes. And I don't  
15 remember who in the field told me that there  
16 had been one in OHV. I knew that field  
17 staff -- when Becky Brown was the budget  
18 officer in 2003-2004, she -- well, I don't  
19 know who decided, but she had money to allow  
20 it, and the department allowed a buyout for  
21 only field staff and not admin. So I know  
22 that one was a big one. And then I had heard  
23 there was a couple of smaller ones for OHV.

24 MR. PATTON: The '07-'08 was a big  
25 one?

1 MS. KROLL: No. The '03-'04.

2 MR. PATTON: Okay.

3 MS. KROLL: '03-'04.

4 MR. PATTON: Do you have any idea  
5 who would have overseen the '07-'08 buyout,  
6 who would have --

7 MS. KROLL: No.

8 MR. PATTON: I mean, this --

9 MS. KROLL: No.

10 MR. PATTON: -- buyout has to  
11 operate through personnel office, right?

12 MS. KROLL: Right.

13 MR. PATTON: And if it's OHV, it's  
14 still through the personnel office and this  
15 Admin Services Division, right?

16 MS. KROLL: Right, right.

17 MR. PATTON: Okay. Has anybody  
18 asked you to do any additional work  
19 comparing -- because I know that this was  
20 written about in the internal audit report by  
21 Arthur Lee. Did you ever see that report?

22 MS. KROLL: Just online when it hit  
23 yesterday, I believe.

24 MR. PATTON: Oh, okay. So nobody's  
25 asked you to do any further work trying to

1 figure out, reconcile hours cashed in in  
2 '07-'08?

3 MS. KROLL: No.

4 MR. PATTON: Okay.

5 MS. KROLL: And I wouldn't -- the  
6 accounting office does not do payroll at all.  
7 The only --

8 MR. PATTON: Yeah.

9 MS. KROLL: -- payroll we do is the  
10 lump-sum expenditures --

11 MR. PATTON: Yep.

12 MS. KROLL: -- after the fact.

13 MR. PATTON: You -- at the end of  
14 your interview with Ms. Murphy, you  
15 mentioned -- you were talking about these  
16 dummy programmatic encumbrances, and you  
17 indicated that although that wasn't how  
18 business is supposed to be done, to your  
19 knowledge, no monies had ever been -- had not  
20 been spent for what they were at the outset --

21 MS. KROLL: Correct.

22 MR. PATTON: -- indicated they would  
23 be --

24 MS. KROLL: Correct.

25 MR. PATTON: -- spent for. And you

1 talked a little bit about getting called into  
2 a meeting with Jennifer Comilang --

3 MS. KROLL: Yes.

4 MR. PATTON: -- one of the attorneys  
5 at the Parks --

6 MS. KROLL: Yes.

7 MR. PATTON: -- and that you  
8 didn't -- you weren't very happy about that.

9 MS. KROLL: No, I was not.

10 MR. PATTON: And what was it that --

11 MS. KROLL: I was called down to Mr.  
12 Saxby's office. He was my boss at the time.  
13 And I had no idea what it was for. I had no  
14 idea that she was there. And I walked into  
15 the office, and we sat at the conference  
16 table, and she proceeded to basically read me  
17 my rights per the same admonition that you  
18 read today, and I was stunned, shocked.

19 MR. PATTON: This was prior to  
20 questioning about the vacation buyout matter?

21 MS. KROLL: Yes, prior to the AG's  
22 questioning.

23 MR. PATTON: Oh, okay.

24 MS. KROLL: And I was -- basically  
25 looked at Mr. Saxby and said, what the hell is

1 going on here, what did I do. And then she  
2 proceeded to ask me a lot of questions and was  
3 really digging, digging, digging as if I was  
4 the perpetrator, and that was uncalled for. I  
5 had no notice, even though she said we can  
6 stop this now and you can get a  
7 representative. It's like, I don't even know  
8 what this is about.

9 MR. PATTON: Yeah.

10 MS. KROLL: I was very upset, and I  
11 still am --

12 MR. PATTON: I hope --

13 MS. KROLL: -- about that.

14 MR. PATTON: I hope being asked to  
15 be here today didn't leave the same --

16 MS. KROLL: No, it did not. I mean,  
17 I'm upset about the letter -- not your letter.  
18 This is now not the first time that I've seen  
19 the admonition.

20 MR. PATTON: Yeah.

21 MS. KROLL: I'm upset about being  
22 told this is a confidential interview and then  
23 finding my name on the Sacramento Bee on  
24 Sunday.

25 MR. PATTON: Yeah.

1 MS. KROLL: I'm still trying to get  
2 over that and understand that that  
3 investigation is now complete; therefore, it's  
4 open to the public. I mean, that's what I was  
5 told.

6 MR. PATTON: Right.

7 MS. KROLL: But it doesn't help me  
8 when I have to go back to my staff who -- I  
9 have seven people including myself -- who  
10 participated in the leave buyback thinking it  
11 was an approved buyback. It had been done in  
12 the department before, not for admin but for  
13 other divisions so -- but these people are  
14 really upset and concerned about their names  
15 being published, which the entire list is out  
16 there.

17 MR. PATTON: Let me ask you, in your  
18 discussion with Ms. Murphy, you said,  
19 "Jennifer Comilang interviewed me, and some of  
20 where she was going with her questions had to  
21 do with the department being in a bad light to  
22 outside influences. And her questions were  
23 delving into the lawsuit which everyone knows  
24 about the lawsuit and it's public record."

25 MS. KROLL: Yes.

1           MR. PATTON: I guess I don't know  
2 about the lawsuit. What lawsuit are we  
3 talking about?

4           MS. KROLL: There's a lawsuit  
5 from -- against the department and Manuel  
6 Lopez for -- it's a sexual harassment lawsuit  
7 brought by Diane Chapin and Tammy Helie, who  
8 both work -- well, one of them doesn't work  
9 there anymore -- in our labor relations  
10 office.

11          MR. PATTON: Okay.

12          MS. KROLL: And this lawsuit is out  
13 there for public record on the Sac County  
14 courts.

15          MR. PATTON: Oh, so you can see the  
16 complaint --

17          MS. KROLL: You can see everything,  
18 the complaint.

19          MR. PATTON: -- by Diane, and their  
20 names are on it?

21          MS. KROLL: Oh, absolutely.

22          MR. PATTON: Diane who?

23          MS. KROLL: Diane Chapin,  
24 C-H-A-P-I-N.

25          MR. PATTON: Okay. And who was the

1 other one?

2 MS. KROLL: And Tammy Helie. I  
3 think it's H-E-L-I-E.

4 MR. PATTON: H-E --

5 MS. KROLL: L-I-E.

6 MR. PATTON: -- L-I-E. Okay. So  
7 they have a sexual harassment suit pending in  
8 Sacramento Superior Court?

9 MS. KROLL: Yes. And it's been very  
10 contentious apparently --

11 MR. PATTON: Okay.

12 MS. KROLL: -- between their  
13 attorneys and our attorneys and --

14 MR. PATTON: Okay. I just -- that's  
15 all -- I don't need to know any more about it.  
16 I just was curious what --

17 MS. KROLL: Yeah.

18 MR. PATTON: -- because I didn't  
19 know what case you were talking about.

20 You -- do you have any other  
21 documents that you brought here today that you  
22 wanted to bring to my attention?

23 MS. KROLL: I don't think so. I  
24 wasn't sure what you were going to ask me  
25 about. I know --

1 MR. PATTON: What did I forget to  
2 ask you about that you have documents --

3 MS. KROLL: Well --

4 MR. PATTON: -- that you were ready  
5 to talk about?

6 MS. KROLL: This -- when the -- the  
7 first interview we had, you had a gentleman  
8 here who works for your office that's also a  
9 CPA.

10 MR. PATTON: Yeah.

11 MS. KROLL: And he was questioning  
12 me about why are there two different methods  
13 of accounting, we're on a modified accrual and  
14 Controllers is on a cash basis. And I just  
15 pulled this off the Internet. He was trying  
16 to pin me down, why do we do that.

17 MR. PATTON: Right.

18 MS. KROLL: And it's -- I didn't  
19 create the system; I just work in it.

20 MR. PATTON: Yeah.

21 MS. KROLL: And so I went back and  
22 did some research myself, and it -- come to  
23 find out, this is quite common in government.

24 MR. PATTON: Okay.

25 MS. KROLL: And I just --

1 MR. PATTON: His name was Jeff Rich,  
2 and I will simply just forward this on to him.  
3 And I apologize if his questions sounded at  
4 all accusatory. I'm just trying to learn.

5 MS. KROLL: It did. And I pointed  
6 him back, you need to go talk --

7 MR. PATTON: Right.

8 MS. KROLL: -- to the control  
9 agencies about that.

10 MR. PATTON: Right. And so I will  
11 just -- I'm going to forward this on. His  
12 assignment is to help me understand the  
13 accounting aspect of it and not to sound  
14 accusatory, so I'm sorry if you took it that  
15 way, okay? And what else?

16 MS. KROLL: And then I don't know if  
17 this will help him in whatever he's doing, but  
18 I made a copy of -- just to explain that  
19 variance for the loans --

20 MR. PATTON: Yeah.

21 MS. KROLL: -- in OHV that this is  
22 the actual journal entry for the twenty-two  
23 million from State Controllers, and these  
24 numbers here, these. Anything with a 9,000 in  
25 the account number, that's an expenditure, so

1 we have to post it in CALSTARS as an  
2 expenditure versus the document that you have  
3 which comes from the budget analyst's guide  
4 that tells -- from Finance --

5 MR. PATTON: Are you talking about  
6 this?

7 MS. KROLL: Yes -- from Finance that  
8 tells them to treat that as --

9 MR. PATTON: Loans.

10 MS. KROLL: -- as a -- here it is --  
11 as a revenue transfer.

12 MR. PATTON: Yeah. So this is --

13 MS. KROLL: So that could be one  
14 reason --

15 MR. PATTON: Finance treats loans as  
16 a revenue transfer --

17 MS. KROLL: Yes.

18 MR. PATTON: -- or the Secretary of  
19 State does?

20 MS. KROLL: Finance does.

21 MR. PATTON: Finance does.

22 MS. KROLL: This is from State  
23 Controllers.

24 MR. PATTON: And Controller treats  
25 it as an expenditure when the loan's made?

1 MS. KROLL: Yes.

2 MR. PATTON: So what you're telling  
3 me is this helps explain in this instance this  
4 thirty million --

5 MS. KROLL: Some variances here.

6 MR. PATTON: Yeah. This relates to  
7 the twenty-two-million-dollar disconnect --

8 MS. KROLL: Yes.

9 MR. PATTON: -- and for here.

10 MS. KROLL: Yes, for here.

11 MR. PATTON: Okay.

12 MS. KROLL: And it possibly could --  
13 I didn't pull the ninety million; I didn't  
14 have time to pull that one --

15 MR. PATTON: Okay.

16 MS. KROLL: -- but I believe it's  
17 the same reason why --

18 MR. PATTON: Okay.

19 MS. KROLL: -- these are off.

20 MR. PATTON: Okay. And we greatly  
21 appreciate -- and I know that Finance is  
22 looking at this, Controller; everybody's  
23 trying now to get an understanding of the  
24 discrepancies in the OHV, and I appreciate  
25 your efforts to --

1 MS. KROLL: And we have -- I've been  
2 in contracting in state government for  
3 twenty-five years, and throughout the years,  
4 at all the levels that I've worked on, we have  
5 these kinds of discrepancies between what  
6 Controllers tell us to do and what Finance  
7 tells the budget shop to do. So I -- not to  
8 point fingers, but I think there's some work  
9 that needs to be done there. I've always  
10 thought that the control agencies all need to  
11 be on the same page.

12 MR. PATTON: Yeah, I see your point.  
13 What else, Dorothy? I think we've  
14 covered pretty much the universe.

15 MS. KROLL: I don't have anything  
16 else to add about the fund conditions.

17 MR. PATTON: All right. I know --  
18 it was obviously frustrating for you -- you've  
19 indicated numerous times, it's very  
20 frustrating for you to see all this money not  
21 being utilized and not being disclosed, and  
22 anything you want to add in terms of -- you're  
23 shaking your head no.

24 MS. KROLL: I don't really have  
25 anymore to add. I've tried my best over the

1 years to have people bring it up to try and  
2 get the money out to the districts, to ask for  
3 the increased authority to spend. And I have  
4 so many other things going on; I have a staff  
5 of sixty people that I manage. So, yes, it  
6 comes up a couple times throughout the year,  
7 but it's not something that I focus on  
8 because, for whatever reason, the decision's  
9 been made at a higher level than my pay grade  
10 to do what was done, and I just have to move  
11 on to other things that are happening. So  
12 woulda coulda shoulda.

13 MR. PATTON: Yeah.

14 MS. KROLL: I did the best that I  
15 could do and --

16 MR. PATTON: I've read in the prior  
17 transcript, and you've made some comments  
18 about your perception of Manny and his  
19 leadership style, and I don't want to rehash  
20 that. Obviously, there were some troubling  
21 issues.

22 MS. KROLL: Yes.

23 MR. PATTON: It was -- from what I  
24 gleaned, he was sort of it's my way or the  
25 highway, and he didn't --

1 MS. KROLL: Yes.

2 MR. PATTON: -- like being  
3 challenged.

4 MS. KROLL: Yes.

5 MR. PATTON: What can you tell us,  
6 if anything, about Mike Harris's management  
7 style?

8 MS. KROLL: Mike Harris is much more  
9 low key. He's much more open to discussing an  
10 issue. He's very philosophical about budgets  
11 and --

12 MR. PATTON: He's not as --

13 MS. KROLL: -- what might happen  
14 and, oh, I've -- his experience -- we tried  
15 this, but the legislature did this, or -- so  
16 he's much more approachable.

17 MR. PATTON: I guess my -- the  
18 bottom-line question for me is did it surprise  
19 you to learn that Mike Harrison (sic) had been  
20 informed about -- Mike Harris had been  
21 informed about this and the directive was  
22 still we're not going to do anything?

23 MS. KROLL: The first time I heard  
24 that I was a little surprised.

25 MR. PATTON: Yeah.

1 MS. KROLL: But after hearing that  
2 for several years, I took it as this is the  
3 culture of the executive team.

4 MR. PATTON: Did it surprise you  
5 when you heard Cheryl Taylor tell you that  
6 Ruth had been in on some of these meetings?

7 MS. KROLL: That did surprise me  
8 because I was called up to her office that  
9 week that she resigned. Earlier in that week,  
10 I was called up to her office. I presented --  
11 Aaron was there, and Roy Stearns, Michael  
12 Harris, and Ruth. And I had to explain the  
13 spreadsheet to her, and she looked like she  
14 had been punched in the gut.

15 MR. PATTON: Okay.

16 MS. KROLL: She said she didn't  
17 know, and she asked me why in the world  
18 wouldn't Manuel have told me. So her reaction  
19 was that she didn't know, and after hearing  
20 what Cheryl told me later, I honestly believe  
21 that she might have known but she didn't  
22 understand what it meant.

23 MR. PATTON: Okay. Anything else  
24 you want to tell us at this point?

25 MS. KROLL: No, I don't think so.

1                   MR. PATTON: I really appreciate all  
2 your time, and you've been of enormous help in  
3 our understanding how this whole world works  
4 and obviously what's been a difficult  
5 situation for a long time. And if I need any  
6 more information from you, I'll be in touch,  
7 but I think that we'll conclude the interviews  
8 I'll need to have with you, hopefully so.

9                   MS. KROLL: Okay.

10                  MR. PATTON: Okay. Thanks, Dorothy.

11                  MS. KROLL: Thank you.

12                  MR. PATTON: Interview concluded at  
13 3:34 p.m.

14                  (End of audio)

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TRANSCRIBER'S CERTIFICATE  
Dorothy Kroll interview on 8-22-12

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[assist - budget]

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[perpetrator - reasons]

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