

Summary of 9-26-12 interview of Arthur Lee

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

Arthur Lee is chief of the Department of Parks and Recreation's audits section, and has served in that role since coming to Parks in May 2009. (Arthur Lee transcript (ALtr), p. 2.)

Lee stated that the audits section examines internal operations and controls to ensure items such as income and revenue are properly recorded. The audits section reviews various control activities throughout the department and in its approximately 20 districts. Auditors examine the handling of cash since large amounts of cash are collected at the district level and cash presents a high risk control area. Auditors look at how cash is recorded, confirm it is properly deposited and accounted for, and directed to the appropriate accounts. Lee indicated the audit section also looks at activities related to personnel and contracting. (ALtr, pp. 2-4.)

Lee advised that his unit has not audited budget documents being submitted to the Department of Finance and has not compared such budget documents to balance reports going to the State Controller's Office. Lee stated that his office does not review budget documents as such documents tend to be used to forecast future financial activity and a forecast is not something that can be audited. (ALtr, p. 3.) Lee also noted that budget presentations can be made according to differing methodologies and approaches rather than according to a single, auditable standard. (ALtr, p. 5.)

Lee stated he was now aware there had been discrepancies in the fund condition statements submitted to the Department of Finance, as compared to the fund balance statements submitted to the Controller's Office. Lee indicated the audit section's function has not been expanded to look at those numbers, but he is aware the Department of Finance and State Controller's Office are now reconciling those numbers, which apparently they had not been doing for certain special fund accounts. (ALtr, p. 6.)

Lee indicated he always assumed the official numbers in the Controller's account record were used in the budget documents submitted to Finance, and suggested that the numbers submitted should be reconcilable to confirm that they match. Lee stated his understanding is that

the Department of Finance will now do that reconciliation to ensure consistency between reports submitted to Finance and to the Controller's Office, and to determine if valid reasons exist for any differences. (ALtr, p. 7.) This interviewer then observed that such reconciliation was recently required by law pursuant to Assembly Bill 1487 (erroneously referred to in the transcript as AB 1874). (ALtr, p. 8.)

Lee stated that he has not examined either the State Parks and Recreation Fund or the Off-Highway Vehicle Fund in an effort to determine when or why the figures reported to the Department of Finance and Controller's Office started to diverge. Lee indicated he is aware the Attorney General's Office, as well as the Department of Finance and the Bureau of State Audits, were all attempting to do such analysis and Lee advised that his office has served as a point of contact for the Bureau of State Audits in order to help facilitate their audit. (ALtr, pp. 9-10.)